

3 To 1 And 1 To 3 = Tough Restructuring and Tougher Restructuring

Stephen Chung
Executive Director
Zeppelin Real Estate Analysis Limited
November 2002

Your humble author had recently been to a business luncheon featuring Mr. Stephen Roach of Morgan Stanley as the speaker. Mr. Roach was projecting a triple dip for the USA, and global wide deflation. His speech led your author to having the following thoughts and contemplations:

- A) **3 To 1** = refers to the population of the USA, now approximately 300M, and her immediate neighbors Canada and Mexico with collectively around 130M people. Thus very roughly rounded, this works out to a ratio of 3 to 1. The USA has been restructuring her economy better than most since the last recession in the early 90s due to her technological / financial edges and being the world's biggest economy, i.e. she had to save herself as no other economy was large enough to bail her out. Biting the bullet it would be. Nonetheless, **the pain from restructuring might have also been eased** by the fact that even if all Canadians and Mexicans were to relocate to the USA, they would have at most replaced around 1/3 of her population. Naturally, with globalization, one's competitors may come from all over the world, but there are many job environments / types that the availability of nearby workers still matters. Also, certain (really) high-tech industries might be so advanced that workers from abroad are no threat to local workers i.e. even an immigrant would have to attend US universities first prior to becoming 'employable'.
- B) **1 To 3** = refers to Hong Kong with close to 7M people and the southern portion of Guangdong Province with more than 20M, thus being very roughly 1 to 3. Obviously, there are still barriers such as border controls, differences in societal systems, infrastructures, and so on. Nonetheless, these gaps will grow narrower given time. Hence, using a hypothetical macro view, Hong Kong could be replaced 3 times over. Naturally, not all industries / professions would be affected or be as affected.
- C) **"Value For Money"** = to do a quick check on Hong Kong's overall viability, one may look at 3 aspects = a) Are our products and services still good? Yes they still are by and large though the edge seems to have come down a bit; b) Are our business operating infrastructures still good? Yes there still are yet again a few others are trying to catch up too; and c) Are we offering 'value for money'? Your humble author would certainly like to think so though the answer is far from certain. Some industries / professions still are while others are not, though overall we seem to be on the high side. Is being on the high side necessarily a problem? No, but the customers-users-investors would have to feel having "value for money". If not, giving discounts seems the only way out. All these mean Hong Kong has to work a lot better.

Notes: The article and/or content contained herein are for general reference only and are not meant to substitute for proper professional advice and/or due diligence. The author(s) and Zeppelin, including its staff, associates, consultants, executives and the like do not accept any responsibility or liability for losses, damages, claims and the like arising out of the use or reference to the content contained herein.

[Click here to Simpleto Read](#)