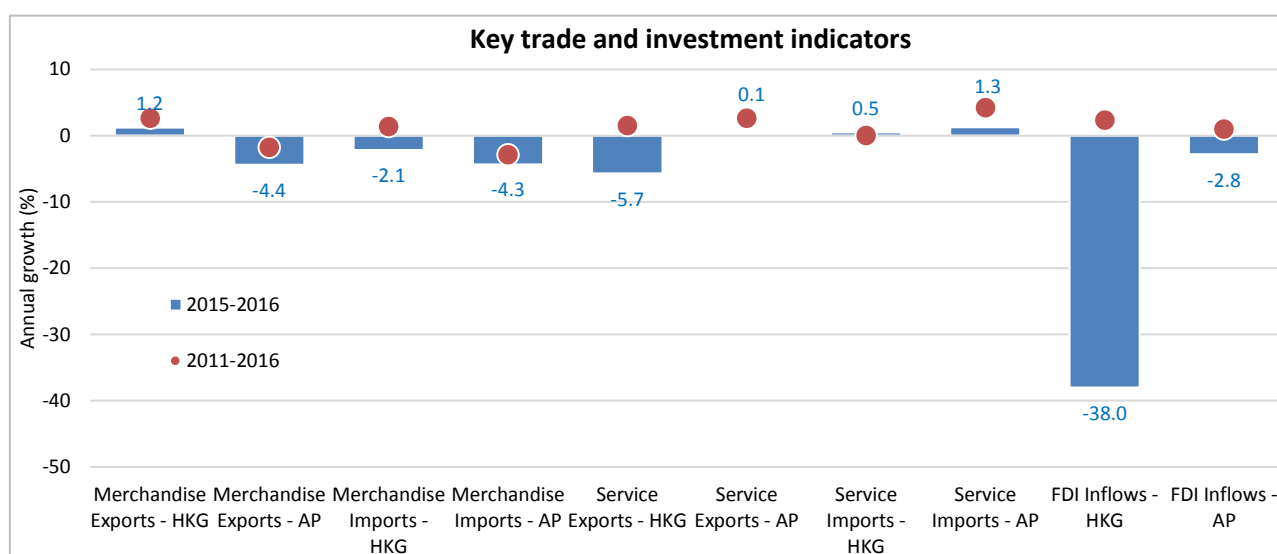




Asia-Pacific Trade and Investment Briefs Hong Kong, China



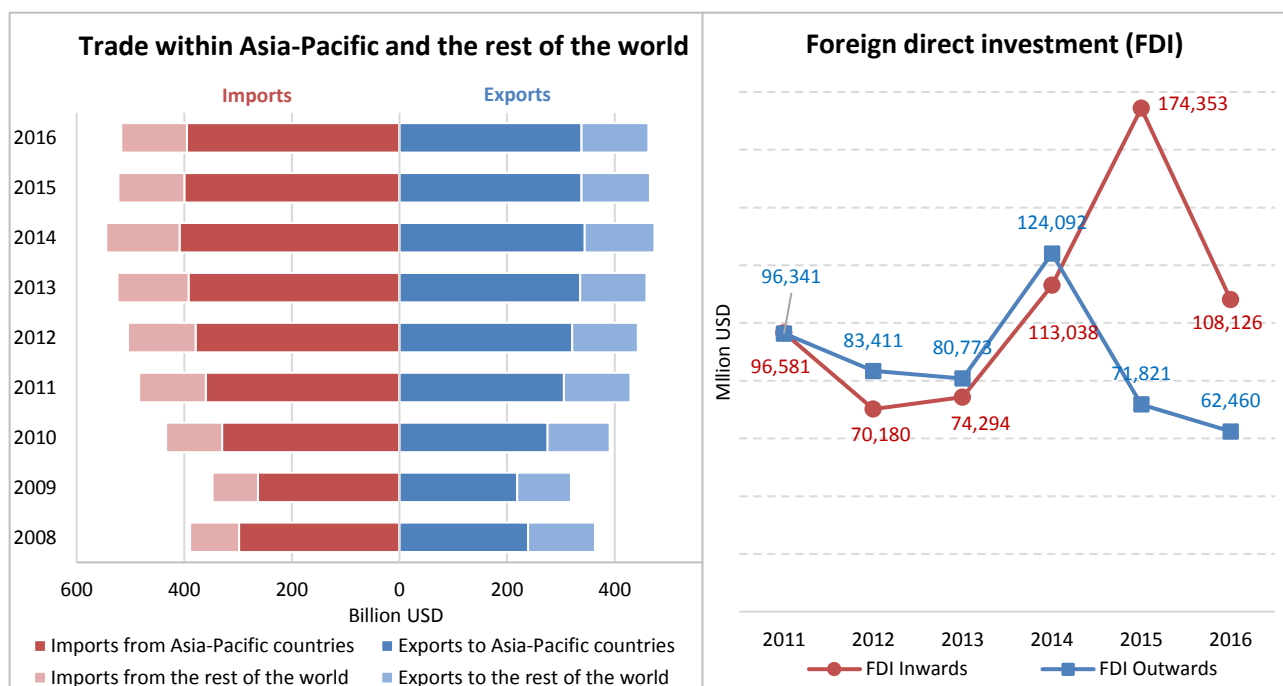
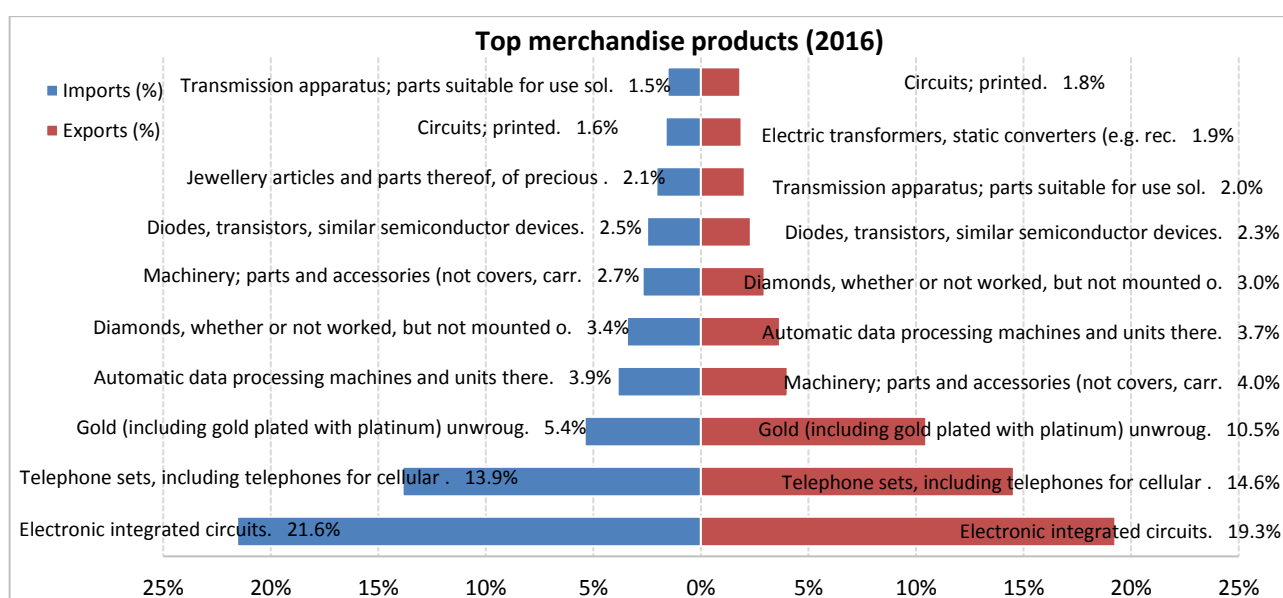
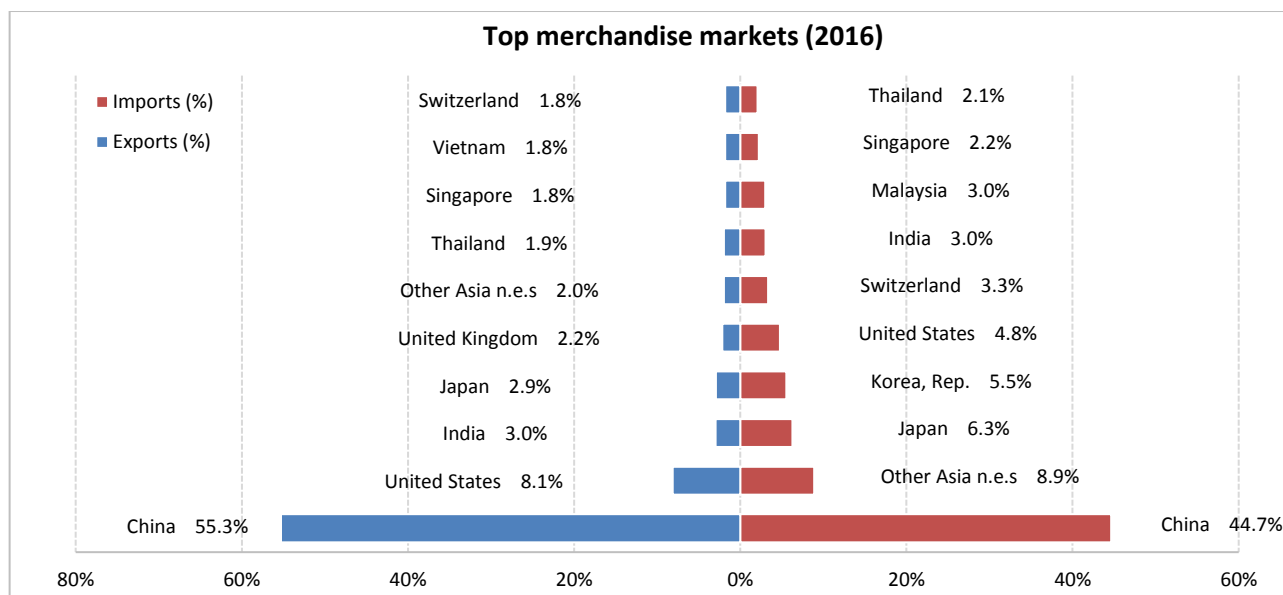
AP: Asia and the Pacific average

Merchandise trade: Hong Kong, China, being an entrepot, has an open and trade-dependent economy. Merchandise exports – which, in 2016, accounted for 86.0% of total exports – grew by 2.7%, on average, during 2011-2016, while the Asia-Pacific average exports declined by 1.7% during the same period. In 2016, while the Asia-Pacific region experienced a decline of 4.4% in merchandise exports, merchandise exports by Hong Kong, China increased by 1.2%. The main export goods concentrated on the electronics and luxury products industries, such as integrated circuits, telephone sets, and gold. Hong Kong, China has been vulnerable to the prolonged economic slowdown in China and fragile global demand, especially for its electronics exports. Meanwhile, merchandise imports in 2016 fell slightly by 2.1%, with intermediate goods for the electronics industry as the most imported good. Slowing manufacturing activity and weak domestic private consumption may explain the decline in import demand.

Services trade: Commercial services trade accounted for 14.0% of total trade in 2016. On exports side, commercial services decreased by 5.7% in 2016, in contrast with the Asia-Pacific increase of 0.1%. On imports side, commercial services increased of 0.5%, lower than Asia-Pacific increase of 1.3%. The losses in services exports were due to contraction in important sectors such travel and transport.

Intraregional trade: In 2016, the Asia-Pacific region took 73.1% of Hong Kong, China's goods exports. The two largest intraregional export destinations were China (55.3%) and India (3.0%). Meanwhile, 76.5% of goods imports came from Asia-Pacific economies, with China (44.7%), Japan (6.3%) and Republic of Korea (5.5%) as the largest intraregional import sources.

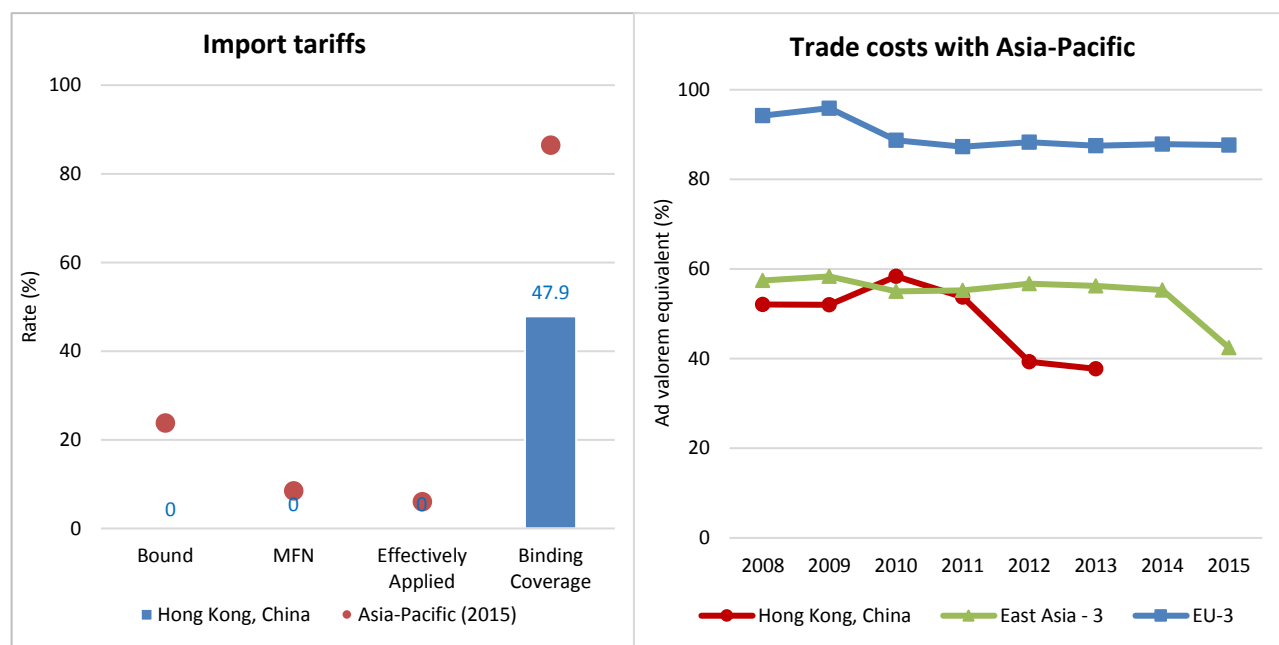
Foreign direct investment (FDI): FDI inflows to Hong Kong, China grew on average by 2.4% annually during 2011-2016, faster than the Asia-Pacific region's annual average growth of 1.0% during the same period. Hong Kong, China remained a major foreign investor in the region, but has experienced a decline in FDI inflows and outflows in 2016. It has experienced a sharp decline by 38.0% in FDI inflows, and such decline was probably the result of both a return to the previous level of FDI inflows after an exceptionally high level in 2015 (due to major corporate restructuring), and the pessimistic outlook of credit rating agencies. The services sector attracted most of the greenfield FDI inflows in 2016, especially in real estate, communications and financial services. Moreover, Hong Kong, China experienced a decline in FDI outflows by 13.0% in 2016.



Tariffs: Hong Kong, China, an entrepôt, pursues a policy of free trade. Even though its binding coverage was only 47.9% of tariff lines, there are no applied tariffs on goods imports.

Trade costs: Since 2010, trade costs have declined considerably and have become lower than those of the major economies in Asia and the Pacific and Europe. In 2013, trade costs incurred by Hong Kong, China in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation) were 32.9 percentage points and 56.9 percentage points lower than those incurred by East Asia-3 and the European Union-3, respectively, in reaching the same markets.

Preferential trade agreement (PTAs): As of September 2017, Hong Kong, China has only 4 preferential trade agreements (PTAs) in force, which were lower than the Asia-Pacific average of 7.7 agreements. Based on data of 2013-2015, of total exports, 22.7% were to PTA partners, compared with 37.5% for the Asia-Pacific region. Of total imports, 58.2% were from PTA partners, compared with 50.3% for the Asia-Pacific region.



Sources: Trade and tariff data were accessed through WITS and IMF direction of trade database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database.

Notes: Data are based on countries or regions for which data available only (e.g. trade cost data of Japan are missing for 2015). Merchandise trade data follow the HS2012 classification. Mirror data are used. Products are defined at the 4-digit level. Tariffs are simple average. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries or regions with the Asian developing economies (China, India, Indonesia and Russian Federation). East Asia-3 comprises China, Japan and the Republic of Korea; European Union-3 comprises Germany, France and the United Kingdom. Average growth rate over a period means simple average growth rate.

Definitions: 1) Other commercial services include: Construction, Insurance and pension services, Financial services, Charges for the use of intellectual, Telecommunications & computer, Other business services, Personal & cultural & recreation. Other business services include: Research and development services, Professional & management consulting services, Technical & trade-related & other business services. 2) MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the ratio of collected import tariff revenue and value of imports. Binding coverage refers to the share of bound tariff lines in the total number of tariff lines.

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