Export and Investment Promotion Planning System

87/88 Trade and Economic Overview

Mission: 502 HONG KONG

Country: 189 HONG KONG

HONG KONG IS OFTEN UNDERRATED BY BY CDN EXPORTERS THOUGH IT IS A HUGE IMPORT MARKET. FOR INSTANCE, IN 1985 HONG KONG IMPORTED CDN$22.1B IN GOODS(IMF). WHEN COMPARED TO INDIA'S CDN $ 8.9 B THAILANDS CDN $6.4B, AND AUSTRIA'S CDN$22.0B, ITS MKT POTENTIAL IS APPARENT. ONE OF THE REASONS FOR THIS SEEMING ANOMALY IS THAT THESE COUNTRIES ARE MAJOR PRODUCERS OF RESOURCES/FOODSTUFFS, WHILE HK IMPORTS VIRTUALLY EVERYTHING IT CONSUMES. THIS INCLUDES OVER 70% OF ITS FOOD, 100% OF ITS ENERGY, 85% OF ITS BLDG MATERIALS, 100% OF ITS PAPER & WOOD PRODS & 90% OF ITS OFFICE MACHINES AND TELECOMS. FURTHERMORE, FEW COUNTRIES CAN RIVAL THE PROJECTED 19% GROWTH RATE FOR IMPORTS IN '85. H.K. IS ALSO ONE OF THE MOST STRAIGHT-FORWARD MKTS. IT HAS NO CURRENCY CONTROL/FLUCTUATIONS, & TARIFFS, & HAS LEGAL, BANKING, & COMMUNICATIONS NETWORKS SIMILAR TO CDA. ITS TRANSP./DISTR. SYSTEMS ARE SUPERIOR & ITS BUSINESS-PEOPLE ARE DECISIVE IN THE FACE OF OPPORT. IT IS ALSO A LEADING CENTRE OF ENTREPOT TRADE, PARTICULARLY WITH CHINA. IN '85, RE-EXPORTS COMPRISED 23% OF ALL HK'S TRADE, WHICH MEANS TOTAL IMPORTS EXCEED CDN$40B (BY COMPARISON, CDA'S NON-US EXPORTS WERE ONLY CDN$25B IN '85). OF THIS, 44% (CDN$5.6B) WAS DESTINED FOR CHINA. AS WITH HK'S DOMESTIC EXPORTS, RE-EXPORTS TO CHINA ARE GROWING (FM CDN$2.2B IN '83 TO CDN $8.2B IN '85) & ARE EXPECTED TO GO UP ANOTHER 10-15% IN '86. THE PROSPECTS FOR '87 TO '88 IS FOR VOLUMES TO REMAIN HIGH THOUGH GROWTH WILL BE LESS DRAMATIC. WHILE THE USA IS HK'S LARGEST EXPORT MKT, CHINA IS ITS BIGGEST TRADING PRTNR (26% OF TOTAL TRADE). CDA IS NOT CURRENTLY AMONG HK'S PRINCIPAL TRADING PRTNRS RANKING 6TH AS A CUSTOMER. (CDA SLIPPED FM 19TH TO 23RD IN '86 AS A SUPPLIER, FOR AN OVERALL RANK OF 11TH). WHILE OUR IMPORTS FM HK CONTINUE TO CLIMB, & THE MKT IS EXPANDING, OUR EXPORTS IN '86 REMAIN AT ABOUT THEIR '85 LEVEL. THIS IS LARGELY DUE TO A LACK OF MKT AWARENESS & EFFORTS BY CDN COS. IN '85, HK RE-EXPORTED CDN$99M WORTH OF CDN GOODS, OF WHICH, 37% WENT TO CHINA. THESE RE-EXPORTS ARE 29% AS MUCH AS THE VALUE OF HK'S RETAINED IMPORTS FM CDA (CDN$323M IN '85), EMPHASIZING HK'S IMPORTANCE IN OUR TRADE WITH CHINA.

HK IS ALSO A MAJOR SOURCE OF INVSTNT CAPITAL. WITH AN ESTIMATED CDN$11B ANNUALLY INVSTD OVERSEAS. OF THIS, CDN$1B TRADITIONALLY FLOWS TO CDA. WITH INCREASED EMPHASIS ON INVSTMT, IT IS EXPECTED THAT AS MUCH AS CDN$2B MAY BE INVSTD IN CDA IN FY 86/87. CDA ALSO REC'D 55,000 TOURISTS FM HK IN '86, EQUIVALENT TO ALL OTHER ASIAN COUNTRIES COMBINED (EXCL. JPN). HK ACCOUNTED FOR 50% OF OUR WORLD INTAKE OF ENTREPRENEURIAL IMMIGRANTS, & HAS THE LARGEST CDN CHAMBER OF COMM. OUTSIDE CDA. IN THE NEXT 1-3 YRS, CDA MUST INCREASE ITS KNOWLEDGE OF THIS MKT & TRANSLATE THIS INTO SOLID MKTG EFFORT. MAJOR POST EMPHASIS WILL GO INTO PROMO'N OF FOOD & BEV., FISH PRODS, BLDG MATERIALS, COMPUTER SOFTWARE, POLLUTION CONTROL TECHNOLOGY, ETC."