

## II. Investment Behavior

Hong Kong's foreign direct investment has been increasing at unprecedented rates since 1986. It has been estimated that outward bound foreign direct investment from Hong Kong amounted to \$12 billion in 1989 and \$20 billion in 1990. As the Hong Kong government's non-interventionist attitude to the economy also extends to outbound investment, there is no tracking mechanism for outbound foreign direct investment.

### Motives

Hong Kong's investors have capital and extensive business know-how, but they rarely bring technology with them. Many of them, however, are interested in acquiring technology, or investing in enterprises that are driven by advanced technology.

There are many different motives behind foreign direct investment made by Hong Kong businesses in the past five years:

- some investors are looking for low-cost suppliers of raw materials or semi-processed goods that can then be brought into Hong Kong for finishing, repackaging, and re-export;
- constrained by high wages, property prices, and inflation at home, some Hong Kong business people are looking for investment opportunities abroad as a strategy for growth;
- cautious investors specialize in areas where they already have acquired experience. Having accumulated their wealth in Hong Kong's garment or electronics industries, or its real estate markets, many of them start investment activity abroad by looking for opportunities in the same sectors;

- others are using foreign direct investment as an opportunity to diversify their assets. There is significant overseas investment activity in resource exploitation and manufacturing;
- many Hong Kong investors are interested in establishing business linkages abroad for the period after 1997; they are looking for security and political stability.

### Partners

From the beginning of the 1980s to the end of 1988, Hong Kong's businesses invested over \$33 billion in neighbouring Asian countries. The most popular destinations were Thailand, Malaysia, and China. About \$25.4 billion went to China, while the remaining \$7.6 billion accounted for 10% of all foreign direct investment in the other Asian countries. Much of this investment has been driven by a search for low-cost manufacturing facilities. Goods are produced in low-cost labour centres, imported into Hong Kong, packaged, sold and re-exported. The result has been a surge in Hong Kong's re-exports. From 1984-89, re-exports increased from \$13.9 billion to \$52.4 billion. After the 1989 crackdown in China, both business and investment activity in southern China has abated somewhat while overall outward bound investment to other countries has increased.

### Hong Kong Investment in Canada

Hong Kong investors are increasingly interested in Canada. Since 1986, Hong Kong investment in Canada has roughly doubled every year, even though it still accounts for only about .7% of the total stock value of all foreign direct investment in Canada. In the past two years, Canada was the destination for about one fifth of all outward bound investment from Hong Kong. Canada received about \$2.4 billion in 1989, and \$4 billion in 1990. Half of this inflow came in the form of foreign direct investment, the other half took the form of portfolio investment.