

CANADA'S ECONOMIC RELATIONS WITH HONG KONG

MEDIA BACKGROUNDER

Hong Kong's Economic Situation

A unique world market, Hong Kong, with its modest population and territory, has experienced extraordinary growth in its economy over the past two decades. In 1987, HK's real GDP grew by 13.8 percent followed by 7.4 percent in 1988. Growth is primarily export led, the value of which exceeded \$75 billion in 1988. With 1988 imports valued at \$75 billion, it is the 13th largest import market in the world, exceeded only by Japan in Asia.

Serving as a gateway to China and one of the world's leading entrepot ports, the Territory's free-trading regime and well developed communications and transportation infrastructure have combined to make its economy one of the most dynamic in the world. Often identified as one of the four Asian "tigers," Hong Kong will be a key target for trade and investment development under Canada's new Pacific 2000 strategy.

Bilateral Trade

Two-way trade between Canada and Hong Kong increased by 32 percent from 1987 to 1988 to reach \$2.1 billion. In 1988, Canada was HK's 6th most important export market, while Canada was HK's 21st most important source of imports. Canada had a 1988 merchandise trade deficit with HK of \$168.3 million, a decline of 74.4 percent over the previous year. Canadian exports to Hong Kong were \$986.5 million in 1988, up 105.4 percent over 1987. In 1988, Canadian imports from Hong Kong increased by 1.5 percent to \$1.55 billion. In the first five months of 1989, Canadian exports increased 45.1 percent over the same period in 1988 to \$546.6 million, while imports of goods from Hong Kong decreased by 3.5 percent to \$987 million.

As Hong Kong imports virtually everything it consumes, both raw material and finished goods, the opportunity for Canadian companies is excellent. For 1989, the Canadian Commission in Hong Kong has identified the following priority sectors for Canadian goods and services: 1) construction; 2) communications and information; 3) agriculture and food; 4) fisheries; 5) defence; and 6) medical health care.

Investment

Hong Kong is a major source of foreign investment for Canada. It is conservatively estimated that the value of Hong Kong's 1988 investments in Canada was \$2.4 billion. Over the last two years direct investment by HK companies in the garment, electronic and plastics sectors has resulted in the employment of some 3000 Canadians. Every province and region of Canada has been affected by HK investment and there is a growing awareness among Canadians of the potential for increased business links.