
INFORMATION NOTE

Some Updated Information on Hong Kong's Economic Ties with Other Jurisdictions

1. Background

1.1 The Parliamentary Liaison Subcommittee (the Subcommittee) is considering the proposals of establishing parliamentary friendship groups with: (a) the Israeli Parliament, (b) the National Assembly of Thailand, (c) the German Parliament, and (d) the Netherlands Parliament.

1.2 In order to consider whether a parliamentary friendship group should be set up with a particular legislature, the Subcommittee has requested the Research and Library Services Division to update a research report entitled *Hong Kong's Ties with Neighbouring Jurisdictions*¹ published by the Division in September 1998 and to include this report information in respect of Israel, Germany, and the Netherlands. As the Hong Kong Legislative Council has already formed a Parliamentary Friendship Group with the Singaporean Parliament, we have not included Singapore, which was one of the jurisdictions covered in the above mentioned report, in this study.

1.3 Whilst we continue to use statistics in respect of external trade, direct investment, banking and tourism to indicate Hong Kong's ties with the jurisdictions concerned, we have not included information on cultural exchanges in this study because the previous study indicated that Hong Kong's cultural exchange activities with other territories were normally organized on an ad hoc basis and no meaning trend could be identified.

2. Methodology

2.1 This study is based on the information obtained from the Census and Statistics Department, Hong Kong Immigration Department, Hong Kong Trade Development Council, Hong Kong Tourism Board, and Hong Kong Monetary Authority.

3. External Trade

¹ This study discusses the ties that exist between Hong Kong and Mainland China, Taiwan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and New Zealand, in the fields of external trade, direct investment, banking, tourism, and cultural exchanges.

Hong Kong's Total Trade²

3.1 Mainland China (ranking 1)³ has been Hong Kong's largest trading partner since 1985. In January - July 2001, the bilateral trade (trade value) between Hong Kong and Mainland China totaled HK\$695,861 million (see Table 1).

3.2 Taiwan (ranking 2) was Hong Kong's fourth largest trading partner in January - July 2001. The total trade value decreased by 7.9% over the corresponding period in 2000 to HK\$84,671 million.

3.3 South Korea (ranking 3) was Hong Kong's sixth largest trading partner in January - July 2001. Its trade value with Hong Kong in January - July 2001 amounted to HK\$57,835 million.

Table 1 - Hong Kong's Total Trade in January - July 2001

	Total Trade Value (HK\$ million)	Percentage Change over the Corresponding Period in 2000 (%)	Ranking Among the Jurisdictions Studied
Mainland China	695,861	+1.9	1
Taiwan	84,671	-7.9	2
South Korea	57,835	-5.3	3
Germany	49,038	-3.2	4
Malaysia	29,740	+7.2	5
Thailand	23,572	+0.1	6
Netherlands	21,212	+7.0	7
Philippines	17,191	-0.2	8
Israel	6,504	-9.6	9
New Zealand	2,935	-10.3	10

Source: Census and Statistics Department

² Total trade comprises domestic exports, re-exports, and imports.

³ This refers to the rank among the jurisdictions as defined in this information note.

Hong Kong's Total Exports⁴

3.4 Mainland China (ranking 1) was Hong Kong's largest export market in January - July 2001. Hong Kong's total exports to Mainland China increased by 5.1% over the corresponding period in 2000 to reach HK\$313,607 million (see Table 2).

3.5 Germany (ranking 2) was the fifth largest export market of Hong Kong in January - July 2001. The total export value decreased by 12.7% over the corresponding period in 2000 to HK\$28,636 million.

3.6 Taiwan (ranking 3) was the sixth largest export market of Hong Kong in January - July 2001. The total export value dropped by 9.7% to HK\$20,420 million, compared to the corresponding period in 2000.

Table 2 - Hong Kong's Total Exports in January - July 2001

	Total Export Value (HK\$ million)	Percentage Change over the Corresponding Period in 2000 (%)	Ranking Among the Jurisdictions Studied
Mainland China	313,607	+5.1	1
Germany	28,636	-12.7	2
Taiwan	20,420	-9.7	3
South Korea	14,950	-7.3	4
Netherlands	14,629	+12.2	5
Thailand	8,355	+5.9	6
Philippines	8,323	-3.2	7
Malaysia	7,179	-1.5	8
Israel	3,102	-7.4	9
New Zealand	1,205	-14.6	10

Source: Census and Statistics Department

⁴ Total exports comprise domestic exports and re-exports.

Hong Kong's Imports

3.7 Mainland China (ranking 1) was also Hong Kong's largest supplier in January - July 2001. Its total import value dropped by 0.6% over the corresponding period in 2000 to HK\$382,255 million (see Table 3).

3.8 Taiwan (ranking 2) was Hong Kong's third largest supplier in January - July 2001. The total import value dropped by 7.3% to HK\$64,251 million in January - July 2001.

3.9 South Korea (ranking 3) was Hong Kong's sixth largest supplier in January - July 2001, with an import value amounting to HK\$42,885 million.

Table 3 - Hong Kong's Imports in January - July 2001

	Import Value (HK\$ million)	Percentage Change over the Corresponding Period in 2000 (%)	Ranking Among the Jurisdictions Studied
Mainland China	382,255	-0.6	1
Taiwan	64,251	-7.3	2
South Korea	42,885	-4.5	3
Malaysia	22,561	+10.3	4
Germany	20,402	+14.1	5
Thailand	15,217	-2.9	6
Philippines	8,861	+2.8	7
Netherlands	6,582	-2.9	8
Israel	3,402	-11.5	9
New Zealand	1,731	-7.1	10

Source: Census and Statistics Department

4. Direct Investment

4.1 Direct investment covers investment which allows investors in one economy, on a long term basis, to influence or have an effective voice in the management of an enterprise in another economy. For statistical purpose, an effective voice is taken as equivalent to a holding of 10% or more of the equity in an enterprise.

4.2 The stock of inward direct investment in Hong Kong from the jurisdictions studied and the stock of Hong Kong's outward direct investment in the jurisdictions concerned as at end-1999 are discussed in the following paragraphs.

Stock of Inward Direct Investment

4.3 Inward direct investment refers to direct investment in a Hong Kong enterprise by a non-Hong Kong resident. An example of inward direct investment is the setting up of subsidiaries and branch offices by multinational corporations in Hong Kong.

4.4 Stock of inward direct investment refers to the value of investment in Hong Kong valued at market price. At the end of 1999, the stock of Hong Kong's inward direct investment amounted to HK\$3,149.8 billion at market value.

4.5 Table 4 shows the stock of inward direct investment at market value in Hong Kong which was channelled from the jurisdictions studied as at end-1999. It can be seen that Mainland China (ranking 1) was an important source of inward direct investment in Hong Kong, which amounted to HK\$814.8 billion (or 25.9% of the stock of inward direct investment) as at end-1999. Mainland China's investment in Hong Kong covered a wide range of economic activities, including wholesale/retail and import/export trades, banking, investment holding, and real estate.

4.6 The Netherland's direct investment in Hong Kong (ranking 2) amounted to HK\$207.0 billion as at end-1999, accounting for 6.6% of the total. Its major investment activities were banking and insurance, and investment holding.

4.7 Taiwan's direct investment in Hong Kong (ranking 3) amounted to HK\$18.0 billion as at end-1999. Details of major investment activities of Taiwan were not published in the Census and Statistics Department survey results.

Table 4 - Stock of Inward Direct Investment in Hong Kong at Market Value as at end-1999

	Stock of Inward Direct Investment at Market Value at end-1999 (HK\$ billion)	Ranking Among the Jurisdictions Studied
Mainland China	814.8	1
Netherlands	207.0	2
Taiwan	18.0	3
Germany	15.1	4
South Korea	13.9	5
Thailand	3.9	6
Malaysia	Less than 3	--
Philippines	Less than 3	--
New Zealand	Less than 3	--
Israel	Less than 3	--

Note: The Census and Statistics Department does not release data for Malaysia, the Philippines, New Zealand and Israel for confidentiality reasons as their stock of inward direct investment values were less than HK\$3 billion.

Source: Census and Statistics Department

Stock of Outward Direct Investment

4.8 Outward direct investment refers to direct investment by a Hong Kong resident in a non-resident enterprise.

4.9 Stock of outward direct investment refers to the value of investment that Hong Kong invests abroad valued at market price. At the end of 1999, the stock of Hong Kong's outward direct investment amounted HK\$2,499.9 billion at market value.

4.10 Table 5 shows the stock of Hong Kong's outward direct investment in the jurisdictions studied at market value as at end-1999. Mainland China (ranking 1) was an important destination for Hong Kong's outward direct investment, accounting for 24.8% of the stock at end-1999. Hong Kong's outward direct investment in Mainland China was mostly placed in Guangdong Province, accounting for 59.6% (or HK\$369.8 billion) of the total of Hong Kong's direct investment in Mainland China. The most common activities undertaken by direct investment enterprises in Mainland China were manufacturing, investment holding, real estate, and communications.

4.11 New Zealand and Germany ranked second and third among the jurisdictions studied. Details of major investment activities of these two countries were not published in the Census and Statistics Department survey results.

Table 5 - Stock of Hong Kong's Outward Direct Investment at Market Value as at end-1999

	Stock of Outward Direct Investment at Market Value at end-1999 (HK\$ billion)	Ranking Among the Jurisdictions Studied
Mainland China	620.6	1
New Zealand	31.5	2
Germany	23.2	3
Malaysia	13.0	4
Thailand	12.7	5
Netherlands	10.9	6
Philippines	6.8	7
Taiwan	5.7	8
South Korea	4.0	9
Israel	Less than 3	10

Note: The Census and Statistics Department does not release data for Israel for confidentiality reasons as its stock of inward direct investment value was less than HK\$3 billion.

Source: Census and Statistics Department

Regional Representation by International Companies in Hong Kong

4.12 Hong Kong's increasing role as an intermediary of international trade has attracted multinational companies to set up regional headquarters or regional offices in the territory. By making use of Hong Kong's well-developed trade-related services, these companies can expand their operations in the region.

4.13 According to the findings of an annual survey conducted by the Census and Statistics Department in June 2000⁵, there were 3 001 regional operations in Hong Kong, comprising 855 regional headquarters⁶ and 2 146 regional offices⁷.

Regional Headquarters

4.14 Table 6 presents the number of companies outside Hong Kong with regional headquarters in Hong Kong in June 2000. It can be seen that the most important source was Mainland China (ranking 1; 69 regional headquarters). Germany and the Netherlands ranked second and third, having 50 regional headquarters and 31 regional headquarters respectively.

Table 6 - Number of Companies Outside Hong Kong with Regional Headquarters in Hong Kong in June 2000

	Number of Companies Outside Hong Kong with Regional Headquarters in Hong Kong	Ranking Among the Jurisdictions Studied
Mainland China	69	1
Germany	50	2
Netherlands	31	3
Taiwan	21	4
South Korea	15	5
Malaysia	6	6
Thailand	Less than 5	--
Philippines	Less than 5	--
New Zealand	Less than 5	--
Israel	Less than 5	--

Note: The Census and Statistics Department does not release the exact number of regional headquarters if such figure is less than five for confidentiality reasons.

Source: Census and Statistics Department

Regional Offices

⁵ Census and Statistics Department, *2000 Survey of Regional Offices Representing Overseas Companies in Hong Kong*, 2000.

⁶ Regional headquarters are defined as organizations which have control over the operation of one or more other offices or subsidiaries in the region without the need to make frequent referrals to, or consult with, the parent companies or headquarters.

⁷ Regional offices are companies which are responsible for general business activities in Hong Kong and other countries/territory in the region for the parent companies.

4.15 Table 7 shows the number of companies outside Hong Kong with regional offices in Hong Kong in June 2000. The major source countries/territory were Mainland China (ranking 1; 160 regional offices), Taiwan (ranking 2; 113 regional offices), and Germany (ranking 3; 93 regional offices).

Table 7 - Number of Companies Outside Hong Kong with Regional Offices in Hong Kong in June 2000

	Number of Companies Outside Hong Kong with Regional Offices in Hong Kong	Ranking Among the Jurisdictions Studied
Mainland China	160	1
Taiwan	113	2
Germany	93	3
South Korea	71	4
Netherlands	65	5
Malaysia	15	6
Thailand	13	7
Philippines	6	8
Israel	6	8
New Zealand	Less than 5	10

Note: The Census and Statistics Department does not release the exact number of regional offices if such figure is less than five for confidentiality reasons.

Source: Census and Statistics Department

5. Banking

5.1 Hong Kong has a very strong presence of international banks. In September 2001, there were 149 licensed banks⁸ and 115 local representative offices of banks from more than 40 countries/territory conducting business in Hong Kong.

Licensed Banks

5.2 Table 8 shows the number of licensed banks which are incorporated in the jurisdictions studied but were operating in Hong Kong in September 2001. Mainland China (ranking 1; 11 licensed banks) was the leader, followed by Germany (ranking 2; 9 licensed banks) and Taiwan (ranking 3; 7 licensed banks).

Table 8 - Number of Licensed Banks which are Incorporated in the Jurisdictions Studied but were Operating in Hong Kong in September 2001

	Number of Licensed Banks	Ranking Among the Jurisdictions Studied
Mainland China	11	1
Germany	9	2
Taiwan	7	3
South Korea	3	4
Netherlands	3	4
Philippines	2	6
Malaysia	1	7
Thailand	1	7
New Zealand	Nil	9
Israel	Nil	9

Source: Hong Kong Monetary Authority

⁸ Licensed banks can operate current or saving accounts. They can also accept deposits of any size and any maturity from the public.

Local Representative Offices

5.3 In March 2001, banks from Taiwan (ranking 1) had 12 local representative offices in Hong Kong (see Table 9). Mainland China, with banks having six local representative offices of banks, ranked second. The banks from Germany (ranking 3) had five local representative offices in Hong Kong.

Table 9 - Number of Local Representative Offices of Banks which are Incorporated in the Jurisdictions Studied in Hong Kong in September 2001

	Number of Local Representative Offices of Banks	Ranking Among the Jurisdictions Studied
Taiwan	12	1
Mainland China	6	2
Germany	5	3
South Korea	1	4
Philippines	1	4
New Zealand	1	4
Netherlands	1	4
Israel	1	4
Malaysia	Nil	9
Thailand	Nil	9

Source: Hong Kong Monetary Authority

6. Tourism

Visitor Arrivals

6.1 Visitor arrivals in January - August 2001 increased by 7.4% to about 9.07 million over the corresponding period in 2000. Mainland China was the biggest source for inbound tourism for Hong Kong in January - August 2001. Visitor arrivals from Mainland China (ranking 1) increased by 13.6% to 2 838 462 (see Table 10).

6.2 In January - August 2001, visitor arrivals from Taiwan (ranking 2) increased by 5.4% to 1 658 581, compared to the corresponding period in 2000. Visitor arrivals from South Korea (ranking 3) increased by 18.3% to 285 855.

Table 10 - Visitor Arrivals in January - August 2001

	Number of Visitor Arrivals	Percentage Change over the Corresponding Period in 2000 (%)	Ranking Among the Jurisdictions Studied
Mainland China	2 838 462	+13.6	1
Taiwan	1 658 581	+5.4	2
South Korea	285 855	+18.3	3
Philippines	193 233	+0.3	4
Malaysia	175 326	-6.9	5
Thailand	164 989	+14.5	6
Germany	111 007	-8.0	7
Netherlands	42 247	+12.4	8
New Zealand	37 574	+1.0	9
Israel	21 890	+11.8	10

Source: Hong Kong Tourism Board

Tourism Receipts

6.3 The tourism receipts in January - June 2001 increased by 7.7% over the corresponding period in 2000 to HK\$31,260.6 million. The travel and tourism industry has been one of the largest foreign exchange earners among all exports of services in Hong Kong.

6.4 In January - June 2001, the tourism receipts from China amounted to HK\$10,013.1 million (ranking 1) and the tourism receipts from Taiwan (ranking 2) were HK\$6,069.2 million (see Table 11).

Table 11 - Tourism Receipts in January - June 2001

	Tourism Receipts (HK\$ million)	Percentage Change over the Corresponding Period in 2000 (%)	Ranking Among the Jurisdictions Studied
Mainland China	10,013.1	+13.3	1
Taiwan	6,069.2	+19.4	2
South Korea	744.0	+15.2	3
Philippines	561.3	-20.3	4
Thailand	540.1	-8.1	5
Germany	385.5	-0.5	6
Malaysia	381.5	-31.1	7
Netherlands	145.1	+26.8	8
New Zealand	140.0	+19.0	9
Israel ¹	Not Available	Not Available	Not Available

Note ¹: The Hong Kong Tourism Board has not compiled this figure.

Source: Hong Kong Tourism Board

Hong Kong Resident Departures by Destination

6.5 In January - August 2001, the total number of Hong Kong resident departures increased by 3.3% over the corresponding period in 2000 to 40.5 million. The number of Hong Kong resident departures to Mainland China (ranking 1) was around 34.1 million (see Table 12).

6.6 The next two important destinations for Hong Kong residents were Thailand (ranking 2) and Taiwan (ranking 3).

Table 12 - Hong Kong Resident Departures by Destination in January - August 2001

	Hong Kong Resident Departures	Percentage Change over the Corresponding Period in 2000 (%)	Ranking Among the Jurisdictions Studied
Mainland China	34 151 445	+2.9	1
Thailand	402 005	+9.9	2
Taiwan	343 984	+10.2	3
South Korea	193 787	-1.2	4
Philippines	188 970	-3.9	5
Malaysia	163 114	+7.8	6
Germany	26 699	+2.6	7
New Zealand	21 987	+3.6	8
Netherlands ¹	Not Available	Not Available	Not Available
Israel ¹	Not Available	Not Available	Not Available

Note ¹: The Hong Kong Immigration Department has not compiled these figures.

Source: Hong Kong Immigration Department

7. Summary

7.1 Hong Kong's economic ties with the jurisdictions studied are summarized in Table 13.

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Table 13 - Summary of Hong Kong's Economic Ties with the Jurisdictions Studied

Ranking	External Trade (January - July 2001)			Direct Investment				Banking (September 2001)		Tourism			
	Total Trade	Total Exports	Imports	Stock of Inward Direct Investment in Hong Kong (end-1999)	Stock of Hong Kong's Outward Direct Investment (end-1999)	Regional Headquarters (June 2000)	Regional Offices (June 2000)	Licensed Banks	Local Representative Offices	Visitor Arrivals (January - August 2001)	Tourism Receipts (January - June 2001)	Outbound Travel (January - August 2001)	
1	Mainland China	Mainland China	Mainland China	Mainland China	Mainland China	Mainland China	Mainland China	Mainland China	Taiwan	Mainland China	Mainland China	Mainland China	
2	Taiwan	Germany	Taiwan	Netherlands	New Zealand	Germany	Taiwan	Germany	Mainland China	Taiwan	Taiwan	Thailand	
3	South Korea	Taiwan	South Korea	Taiwan	Germany	Netherlands	Germany	Taiwan	Germany	South Korea	South Korea	Taiwan	
4	Germany	South Korea	Malaysia	Germany	Malaysia	Taiwan	South Korea	South Korea And Netherlands	South Korea, Philippines, New Zealand, Netherlands, and Israel	Philippines	Philippines	South Korea	
5	Malaysia	Netherlands	Germany	South Korea	Thailand	South Korea	Netherlands			Philippines	Malaysia	Thailand	Philippines
6	Thailand	Thailand	Thailand	Thailand	Netherlands	Malaysia	Malaysia	Malaysia	and Thailand	Thailand	Germany	Malaysia	
7	Netherlands	Philippines	Philippines		Philippines		Thailand	and Thailand	Israel	Germany	Malaysia	Germany	
8	Philippines	Malaysia	Netherlands		Taiwan		Philippines and Israel	Malaysia and Thailand	Netherlands	Netherlands	Netherlands	Netherlands	New Zealand
9	Israel	Israel	Israel		South Korea		Israel	New Zealand	New Zealand	New Zealand	New Zealand	New Zealand	
10	New Zealand	New Zealand	New Zealand		Israel		New Zealand	and Israel	and Thailand	Israel			

References

1. Census and Statistics Department, *External Direct Investment Statistics of Hong Kong 1999*, May 2001.
2. Census and Statistics Department, *Hong Kong Monthly Digest of Statistics*, September 2001.
3. Census and Statistics Department, *2000 Survey of Regional Offices Representing Overseas Companies in Hong Kong*, 2000.
4. Hong Kong Monetary Authority, *Monthly Statistical Bulletin*, September 2001.
5. Hong Kong Tourism Board, *Tourism Receipts*, August 2001.
6. Hong Kong Tourism Board, *Visitor Arrival Statistics*, August 2001.