

Box 2.1

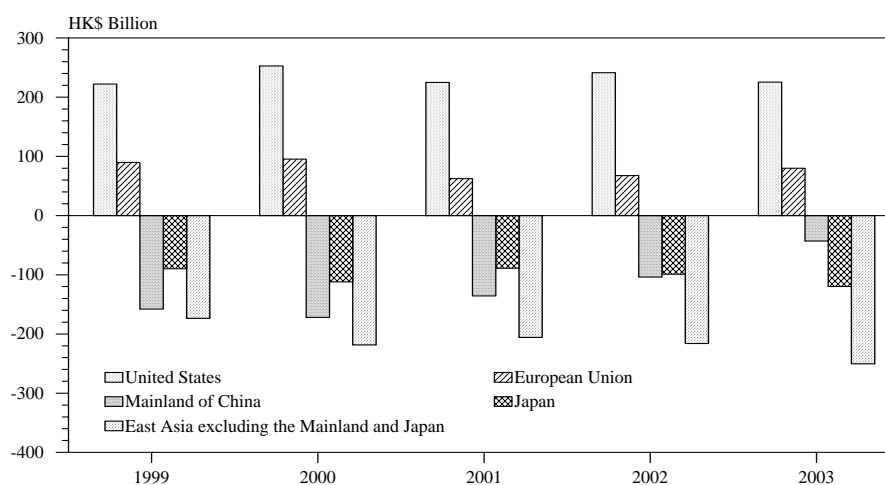
Bilateral trade balances

While Hong Kong's overall visible trade balance was persistently in deficit over the past ten years, there were considerable variations in the bilateral trade balances with different regions.

Hong Kong's bilateral visible trade balance with the major trading partners

	Overall trade balance		Mainland of China		US		EU		Japan		East Asia (excluding the Mainland & Japan)	
	\$ Bn	% of imports	\$ Bn	% of imports	\$ Bn	% of imports	\$ Bn	% of imports	\$ Bn	% of imports	\$ Bn	% of imports
1999	-43.7	3.1	-157.9	26.0	222.2	225.4	89.7	70.6	-89.7	55.1	-173.7	57.3
2000	-85.3	5.1	-172.0	24.1	252.7	224.0	95.5	66.2	-111.8	56.2	-218.4	58.2
2001	-87.2	5.6	-135.9	19.9	224.8	214.2	62.5	41.4	-89.0	50.4	-205.7	59.6
2002	-58.9	3.6	-103.8	14.5	241.5	264.0	67.5	48.5	-98.9	54.1	-216.1	58.5
2003	-63.3	3.5	-43.1	5.5	225.5	228.4	80.0	53.0	-120.0	56.1	-250.4	59.3

Visible trade balance by major country/region



In general, Hong Kong persistently attained bilateral trade surpluses with the industrialised economies, viz. the United States, Canada, Germany, the United Kingdom and Australia. On the other hand, Hong Kong persistently incurred bilateral trade deficits with the East Asian economies, including most notably the mainland of China (the Mainland), Japan, Singapore, Taiwan and the Republic of Korea. This difference in the pattern of bilateral trade balances across regions reflects the fact that the industrialised economies in general are final consumers of goods from Hong Kong, whereas East Asia in general, and the Mainland in particular, are net suppliers of goods to Hong Kong. This in turn signifies Hong Kong's prominent role as the trade hub of the region in facilitating trade flows between the Mainland and other East Asian economies, and also as a trade conduit channelling goods from the Mainland and other East Asian sources out to places beyond, like North America and Europe.

Box 2.1 (Cont'd)

As an illustration of Hong Kong's prominent role as an entrepôt for the Mainland, in 2003 around 90% of the re-exports routed through Hong Kong involved the Mainland. On the other hand, imports sourced from the Mainland which were for Hong Kong's local use accounted for just 5% of the imports of Mainland origin last year. As to the other East Asian economies, a considerable portion of the imports from these sources are also for subsequent re-exporting, but the proportions are not as high as that for the Mainland. The proliferation of outward processing arrangements, whereby Hong Kong exports material inputs to the Mainland for processing and then imports the products back to Hong Kong for exporting elsewhere, was the key factor contributing to the surge in trade flows between Hong Kong and the Mainland over the years.

Hong Kong's bilateral trade deficit with the Mainland was persistently the largest amongst the various individual East Asian economies during 1998-2002. But it was also worth noting that the size of the deficit has been declining over the past few years, both in absolute value and relative to Hong Kong's imports from the Mainland. The shrinkage was particularly distinct in 2003. This may serve to reveal the rising significance of the Mainland as a final export market for Hong Kong.