

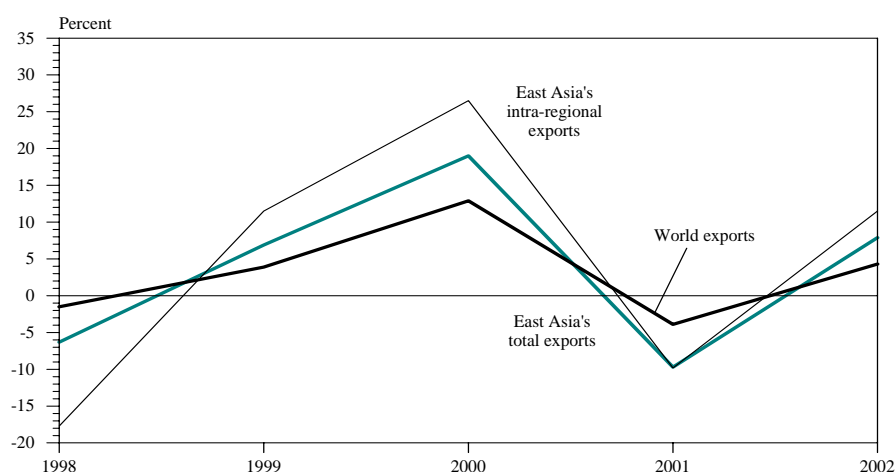
Box 2.2

Intra-regional trade in East Asia

Intra-regional exports in East Asia grew rapidly by an average of 7.6% per annum in US dollar terms between 1992 and 2002, to US\$774 billion in 2002, more than doubled the level a decade ago. In terms of the share in East Asia's total exports, the proportion of intra-regional exports rose from 42.3% in 1992 to 48.0% in 2002, signifying a faster pace of growth in intra-regional exports than in East Asia's total exports over the period.

Apart from the boost from vibrant economic growth and hence import absorption in the region during most of the past decade, increased sub-division of manufacturing processes across the constituent economies has also played an important role in spurring intra-regional trade. The existence of cost differentials amongst the constituent economies has created incentive for relocating manufacturing processes to lower-cost production centres within the region. Aided further by technological advance, the scope for overall cost saving has broadened significantly and intra-regional trade flourished as a result.

World exports, East Asia's total exports and intra-regional exports
(rate of change)



Hong Kong has very intimate trade relations with East Asia. Exports to the region took up 54.5% of Hong Kong's total exports of goods in 2002. Imports from the region had an even larger share in Hong Kong's imports of goods, at 78.4% in 2002. On account of Hong Kong's distinct role in channelling trade between the Mainland and the other East Asian economies, a substantial portion of Hong Kong's exports to East Asia (excluding the Mainland) were re-exports sourced from the Mainland, at 66.2% in 2002. More generally, reflecting Hong Kong's notable role in intra-regional trade, its exports to the region accounted for 14.1% of total intra-regional exports in 2002, after Japan (with a share of 22.3%) and the Mainland (19.3%).

To illustrate further the relative significance of Hong Kong as an entrepôt for the Mainland, 22.1% of the Mainland's exports to the other East Asian economies and 24.5% of the Mainland's imports from the other East Asian economies in 2002 were routed through Hong Kong as re-exports. In addition, there should be some further amount of Mainland – East Asia trade involving Hong Kong in the form of offshore trade, but the respective figures are currently not available. Hong Kong functions not only as an entrepôt but also as a regional services centre, and this underpins Hong Kong's contribution in advancing intra-regional trade.

Box 2.2 (Cont'd)**Hong Kong's role in the Mainland's trade
with other East Asian economies in 2002**

	<u>Hong Kong's re-exports of Mainland origin to other East Asian economies</u>		<u>Hong Kong's re-exports of East Asian origin to the Mainland</u>	
	<u>Value (US\$Bn)</u>	<u>Share in the Mainland's exports to those economies (%)</u>	<u>Value (US\$Bn)</u>	<u>Share in the Mainland's imports from those economies (%)</u>
Japan	9.3	19.2	14.0	26.2
Singapore	2.5	36.5	1.6	22.9
South Korea	1.8	11.7	5.0	17.5
Taiwan	1.7	25.9	10.3	27.1
Indonesia	0.6	18.5	0.8	17.4
Malaysia	1.1	23.1	2.5	26.4
Philippines	1.5	75.0	1.1	32.9
Thailand	1.4	48.9	1.6	27.9
East Asia	20.1	22.1	36.8	24.5