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EUROPEAN UNION¹ TRADE RELATIONS WITH HONG KONG, CHINA AND TAIWAN - Analysis from 1990 to 1996 -

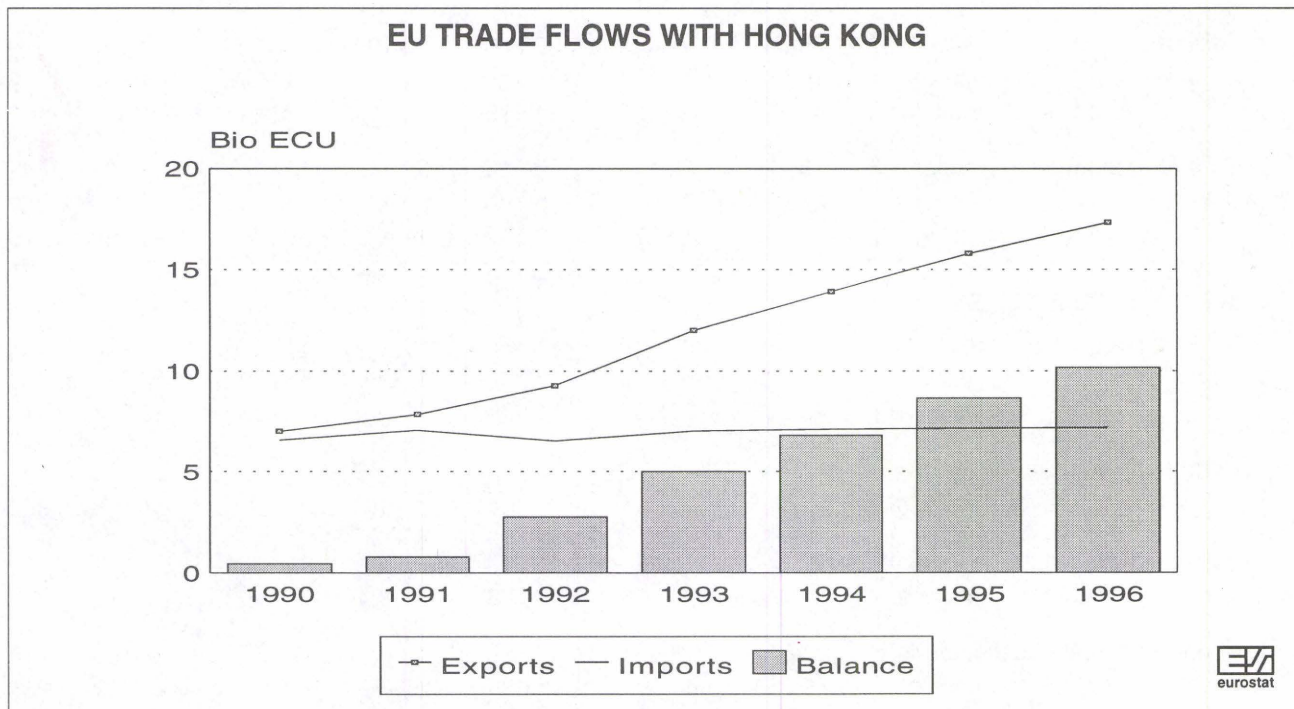
The EU's trade surplus with Hong Kong showed a sharp increase, as it went from ECU 0.4 billion in 1990 to ECU 10.2 billion in 1996. This result was entirely due to the gap between the exports and imports respective growth rates (+16.4% against 1.5% average increase between 1990 and 1996).

As a consequence of the different performances of the Union's flows with Hong Kong compared with the other non-EU countries, the former British colony's exports and imports shares in the total extra-EU trade showed a different behaviour. While the share of the exports went up from 1.8% in 1990 to 2.8% in

1995 and in 1996, the imports share went slightly down from 1.5% between 1990 and 1993 to 1.2% in 1996 (see table next page).

However, if one adds up the shares of Hong Kong with those of China and Taiwan, the growth of the trade in the last 7 years with this area became much more impressive. In fact, these partners covered together, in 1996, 8.6% of the extra-EU imports and absorbed 6.7% of the European exports to third countries with a global value of ECU 50 and 42 billion respectively.

EU TRADE FLOWS WITH HONG KONG



¹ This publication includes all 15 Member States. However, the figures before 1995 for the 3 new Member States (Sweden, Finland, Austria) do not follow the common methodology and therefore should be considered with caution.

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Taking the EU as a single economic zone, in 1996 Hong Kong ranked as the world's 4th largest trading entity with an amount of around ECU 300 billion.

According to IMF statistics, the value of Hong Kong exports (including the re-exports) and imports amounted to ECU 142 billion (3.6% of the world exports) and ECU 156 billion (3.8%) respectively. This means an important increase since 1990 when the two shares were around 2.5% each.

Most of the Hong Kong trade is in fact transit trade. In 1996, 85% of the former British colony's exports were actually re-exports of foreign goods. The increasing role of this transit trade is also a possible explanation of the dramatic increase of the EU exports to this economy (see box next page).

However, during the period 1990-1996 the EU share in the Hong Kong exports went down from 18.5% to 15%, while the EU import share remained stable at around 11%.

Between 1990 and 1996, EU exports of goods to Hong Kong showed an outstanding growth of 16.4% p.a., more than doubling its value which went from ECU 7 billion to ECU 17.3 billion.

EU exports to China as well showed a significant increase going from ECU 5.8 billion in 1990 to ECU 14.6 billion in 1996 meaning an average growth rate of 16.7% p.a. during the mentioned period.

The dynamic of EU sales to Taiwan was less impressive, showing even a contraction of 1.7% between 1995 and 1996. However in the period 1990-1996, EU exports to this country recorded a remarkable increase of 10.7% p.a., reaching ECU 9.9 billion in 1996.

The trend of EU imports from Hong Kong remained quite stable over the period 1990 (ECU 6.5 billion) to 1996 (ECU 7.2 billion), especially compared to the EU imports from China which more than doubled during the same period (1990: ECU 11.4 billion to 1996: ECU 29.9 billion). EU purchases from Hong Kong registered a sluggish growth (1.5% p.a.) while those from China displayed an average growth per annum of 17.6% between 1990-96.

EU imports from Taiwan amounted to 12.9 billion ECU in 1996, an increase of 9.6% compared to 1995; during the period 1990-1996, the growth was 4.2% p.a.

EU TRADE FLOWS IN GOODS WITH HONG KONG, CHINA AND TAIWAN

		(Mio ECU)						
		1990	1991	1992	1993	1994	1995	1996
Hong Kong	exports	6 999	7 830	9 272	12 000	13 913	15 791	17 340
	imports	6 554	7 052	6 518	7 005	7 111	7 155	7 179
	balance	445	778	2 754	4 995	6 801	8 636	10 161
China	exports	5 796	6 255	7 578	12 356	13 991	14 625	14 652
	imports	11 356	15 979	17 968	21 119	24 619	26 341	29 978
	balance	-5 560	-9 724	-10 390	-8 763	-10 629	-11 715	-15 325
Taiwan	exports	5 396	6 028	6 780	8 198	9 263	10 106	9 932
	imports	10 084	12 061	11 705	11 358	11 380	11 765	12 908
	balance	-4 688	-6 033	-4 925	-3 160	-2 117	-1 659	-2 976
Total 3 economies	exports	18 190	20 113	23 630	32 553	37 167	40 521	41 924
	imports	27 994	35 093	36 191	39 481	43 111	45 260	50 064
	balance	-9 803	-14 979	-12 561	-6 928	-5 944	-4 739	-8 140
MEMORANDUM ITEMS								
EU total trade (extra-EU)	exports	390 316	398 440	411 375	470 855	521 823	570 755	623 057
	imports	439 179	468 630	462 777	469 664	518 560	544 811	578 969
	balance	-48 863	-70 190	-51 402	1 190	3 264	25 944	44 087
Hong Kong % share	exports	1.8	2.0	2.3	2.5	2.7	2.8	2.8
	imports	1.5	1.5	1.4	1.5	1.4	1.3	1.2
3 economies % share	exports	4.7	5.0	5.7	6.9	7.1	7.1	6.7
	imports	6.4	7.5	7.8	8.4	8.3	8.3	8.6
Hong Kong total trade (re-exports included)	exports	64 519	79 551	92 082	115 493	127 273	132 680	142 175
	imports	64 783	80 921	95 086	118 409	136 001	147 372	156 369
	balance	-265	-1 369	-3 004	-2 916	-8 728	-14 693	-14 195
Source: IMF-DOTS								
EU % share	exports	18.5	18.8	17.1	16.1	15.1	15.0	14.9
	imports	10.4	9.7	10.0	10.3	10.3	10.8	11.1

ANALYSIS BY PRODUCTS

EU trade with Hong Kong is heavily concentrated in the manufacturing sectors (SITC 5-8). In 1996, these products accounted for 97% of the EU imports and 88% of the EU-exports.

A more in depth analysis of products shows that it took only five products to account for 75% of all imports from Hong Kong.

In fact, more than 35% of the EU purchases were found in the Division concerning Articles of apparel and clothing accessories, while Electrical machinery & appliances, PC and office machinery and Miscel-

laneous manufactures goods registered shares of around 11%. Photographic equipment, optical goods, watches & clocks followed with 8.6% share.

As far exports are concerned, Machinery and transport equipment (SITC 7) covered the highest share of 37.8%. Actually five of the first ranged exports were found within this sector. These were: Electrical machinery & appliances, Telecommunication's equipment, General industrial machinery, Machinery specialised for particular industry and Other transport equipment.

EU TRADE FLOWS WITH HONG KONG BY MAIN PRODUCTS (in %)

SITC Rev.3	Imports		Exports		Balance	
	1990	1996	1990	1996	1990	1996
TOTAL (Mio ECU)	6 554	7 179	6 999	17 340	445	10 161
Raw Materials (0-4)	1.0	1.1	10.5	8.4	84.4	89.6
Food and live animals (0)	0.5	0.7	3.1	2.5	74.5	79.3
Beverages and tobacco (1)	0.0	0.0	5.2	2.3	99.5	98.8
Crude materials, except fuels (2)	0.4	0.4	1.6	3.3	60.2	91.6
Mineral fuels (3)	0.0	0.0	0.2	0.1	89.7	94.4
Animals and veg. oils, fat and waxes (4)	0.0	0.0	0.5	0.1	94.5	87.7
Manufactured products (5-8)	96.8	97.3	85.3	88.3	-3.0	37.3
Chemicals (5)	0.4	0.6	13.4	11.0	94.5	95.2
Manufactured goods (6)	7.0	6.3	24.1	22.6	57.1	79.3
Machinery and transports equipment (7)	25.5	31.0	27.1	37.9	6.3	49.4
Misc. manufactured goods (8)	63.9	59.4	20.6	16.8	-48.7	-18.8
Other not classified goods (9)	2.2	1.6	4.2	3.3	33.7	67.3



Eurostat is at present carrying out a trade data reconciliation study with China in order to have a clearer picture of the evolution of the EU trade with this area. The first results of this study, based on 1995 data, show that around 56% of the EU imports from China and conversely 25% of Chinese imports from the EU were transhipped via Hong Kong. This is a further element that confirms the transit role of Hong Kong in the EU trade relations with the Far East.

ANALYSIS BY EU MEMBER STATES

In 1996, the Netherlands, United Kingdom and Germany purchased the highest shares from Hong Kong, recording around ECU 1.8 billion each. The former showed an increase of 7.7% compared to 1995, while the latter showed a reduction of 6% (see table next page).

In the cases of China and Taiwan, the most important importer was Germany with ECU 8.8 and 3.7 billion respectively. The UK followed with ECU 5.6 billion and 2.5 billion.

On the export side, the UK, Italy and Germany sold around ECU 3.4 billion each to Hong Kong. In fact,

Italy and the UK showed quite dynamic growths of 16% and 15% respectively compared to 1995.

Germany was the first EU exporter to China (ECU 5.7 billion) and Taiwan (ECU 3.5 billion). France and Italy were also active partners registering figures of around ECU 2 billion with China and more than one billion ecus with Taiwan.

Italy recorded the most outstanding trade surplus with Hong Kong: ECU 3.3 billion in 1996 (half a billion more than in the previous year). France followed with 2.3 billion. Next in line came Germany and the United Kingdom with ECU 1.6 billion each.

EU TRADE FLOWS WITH HONG KONG, CHINA AND TAIWAN BY MEMBER STATES

(Mio ECU)

	Hong Kong			China			Taiwan		
	1995	1996	96 / 95 % var	1995	1996	96 / 95 % var	1995	1996	96 / 95 % var
EU IMPORTS									
BLEU	278.1	266.5	-4.2	1 516.3	1 831.0	20.8	419.9	474.8	13.1
Denmark	139.7	160.9	15.1	567.2	634.7	11.9	207.7	243.1	17.1
Germany	1 804.8	1 698.7	-5.9	8 066.6	8 844.3	9.6	3 675.3	3 658.6	-0.5
Greece	39.9	46.3	15.9	287.9	365.1	26.8	113.6	145.0	27.7
Spain	112.2	99.1	-11.7	1 454.2	1 565.5	7.7	459.1	480.6	4.7
France	414.7	420.2	1.3	3 094.0	3 704.7	19.7	1 155.2	1 224.3	6.0
Ireland	142.8	103.5	-27.5	206.7	220.5	6.7	273.0	282.3	3.4
Italy	196.3	165.9	-15.5	3 004.2	3 174.8	5.7	885.3	975.6	10.2
Netherlands	1 734.1	1 868.1	7.7	1 908.4	2 233.0	17.0	1 700.0	2 026.1	19.2
Austria	154.5	139.3	-9.9	457.1	489.0	7.0	238.9	256.4	7.3
Portugal	32.2	30.0	-6.8	150.8	182.6	21.1	76.2	96.0	26.1
Finland	94.2	95.7	1.6	250.0	292.5	17.0	144.2	152.9	6.0
Sweden	230.9	254.1	10.0	826.8	847.0	2.4	388.1	428.8	10.5
United Kingdom	1 780.3	1 830.7	2.8	4 550.7	5 592.7	22.9	2 028.6	2 463.5	21.4
EU	7 154.8	7 178.9	0.3	26 340.7	29 977.5	13.8	11 765.0	12 908.0	9.7
EU EXPORTS									
BLEU	905.6	1 032.5	14.0	674.5	696.1	3.2	554.6	526.2	-5.1
Denmark	287.2	362.6	26.2	200.0	236.0	18.0	144.0	155.4	7.9
Germany	3 083.1	3 342.4	8.4	5 699.9	5 694.2	-0.1	3 877.5	3 511.9	-9.4
Greece	25.8	39.1	51.8	12.6	38.1	201.9	18.5	18.9	2.4
Spain	377.1	476.8	26.4	686.2	431.0	-37.2	272.5	225.3	-17.3
France	2 960.4	2 719.9	-8.1	2 028.3	1 978.2	-2.5	1 292.9	1 279.8	-1.0
Ireland	115.4	172.0	49.1	28.3	39.6	39.9	83.2	118.5	42.5
Italy	2 975.4	3 450.5	16.0	2 020.8	2 208.8	9.3	1 127.9	1 104.7	-2.1
Netherlands	906.6	870.8	-4.0	634.6	577.9	-8.9	876.0	1 048.6	19.7
Austria	249.0	219.4	-11.9	343.2	267.0	-22.2	161.6	154.9	-4.2
Portugal	41.1	45.8	11.4	25.8	25.5	-1.1	27.5	21.0	-23.6
Finland	425.3	522.0	22.7	440.0	459.0	4.3	154.2	187.7	21.7
Sweden	442.6	632.1	42.8	852.2	1 096.4	28.7	442.4	460.7	4.1
United Kingdom	2 996.0	3 454.2	15.3	978.7	904.1	-7.6	1 072.8	1 118.7	4.3
EU	15 790.6	17 340.1	9.8	14 625.3	14 652.1	0.2	10 105.5	9 932.3	-1.7
	1995	1996	96 / 95 abs. var	1995	1996	96 / 95 abs. var	1995	1996	96 / 95 abs. var
EU TRADE BALANCE									
BLEU	627.5	766.0	138.5	- 841.8	-1 134.9	- 293.1	134.7	51.4	-83.3
Denmark	147.5	201.7	54.2	- 367.2	- 398.7	- 31.5	- 63.7	- 87.8	-24.1
Germany	1 278.3	1 643.7	365.4	-2 366.7	-3 150.2	- 783.5	202.1	- 146.7	-348.8
Greece	- 14.1	- 7.1	7.0	- 275.2	- 327.0	- 51.8	- 95.1	- 126.1	-31.0
Spain	264.8	377.7	112.8	- 767.9	-1 134.5	-366.6	- 186.6	- 255.3	-68.6
France	2 545.6	2 299.7	- 246.0	-1 065.7	-1 726.5	-660.9	137.7	55.5	-82.2
Ireland	- 27.5	68.5	95.9	- 178.3	- 180.9	- 2.6	- 189.8	- 163.8	26.0
Italy	2 779.0	3 284.6	505.6	- 983.4	- 966.0	17.4	242.6	129.1	-113.5
Netherlands	- 827.4	- 997.3	- 169.8	-1 273.9	-1 655.0	-381.2	- 823.9	- 977.5	-153.5
Austria	94.5	80.1	- 14.4	- 113.8	- 221.9	-108.1	- 77.3	- 101.5	-24.3
Portugal	8.9	15.8	6.9	- 125.0	- 157.1	- 32.1	- 48.7	- 75.0	-26.4
Finland	331.1	426.3	95.2	190.0	166.5	- 23.4	10.0	34.8	24.8
Sweden	211.7	378.1	166.4	25.4	249.4	224.0	54.3	31.9	-22.4
United Kingdom	1 215.7	1 623.5	407.7	-3 571.9	-4 688.6	-1 116.6	- 955.8	-1 344.8	-389.1
EU	8 635.8	10 161.2	1 525.5	-11 715.4	-15 325.4	-3 610.0	-1 659.5	-2 975.7	-1 316.3