

# **An Evaluation of the Intermediation Role of Hong Kong in Chinese Foreign Trade**

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## **Summary**

This paper gives a brief discussion on Hong Kong's intermediation role in Chinese foreign trade. It is noticed that the bilateral trade statistics reported by both the Census and Statistics Department, Hong Kong and the National Bureau of Statistics of China (NBSC) are not comparable. Because there were two different statistical criteria adopted by the China Customs in reporting China's country/area specific trade statistics before and after 1993, the data published by NBSC can not be used directly in evaluating Hong Kong's intermediation role in Chinese foreign trade. Nevertheless, data from different sources show from different angles a gradually declining trend of Hong Kong's share in Chinese foreign trade. With the expected appreciation of the RMB, Hong Kong's share in Chinese foreign trade will decrease further. It is worth noting that Hong Kong's re-exports originating from China are calculated from the exports of Hong Kong, so that the re-export margin is included. As the margin of Hong Kong re-exports originating from China is well above 30%, one needs to be cautious when citing the data on Hong Kong re-exports originating from China. These margins might be the most important sources of bilateral trade discrepancies between China and many countries. Careful estimation gives evidence that Hong Kong's offshore trade has grown rapidly, but the total Chinese trade intermediated by Hong Kong is still very limited. Offshore trade has not yet been strong enough to offset the declining share of Hong Kong in Chinese foreign trade. Manufacturing shift from Hong Kong to China, the development in port construction in China, and the direct trade between China and the rest of the world will further decrease Hong Kong's intermediation role.