



What Sells in Hong Kong Sells in China

The Belt and Road and Greater Bay Area initiatives are potentially huge for UK businesses exporting to Hong Kong and mainland China.

– By Paul McComb

Having spent the previous 18 months leading the set-up of the new UK Department for International Trade, I arrived in Hong Kong in December 2017, as the new Director General for Trade and Investment – and boy did I need to hit the ground running!

The GREAT Festival of Innovation – the UK’s biggest trade event in the globe in 2018 – was only a matter of months away and there was an air of anticipation in Hong Kong, with everyone I met talking about the ‘Greater Bay Area’ and the ‘Belt and Road’. I must confess with the delivery of the festival in front of the Hong Kong team, everything else got only cursory attention.

However, with the festival delivered, I enjoyed a few weeks rest, and decided to crawl over trade flow data between the UK and Hong Kong, UK and mainland China, and between China and Hong Kong, and I discovered something that many readers of this excellent magazine have probably known for years!

A third of all UK exports to China are to Hong Kong

Just over 5% of UK exports, worth £32.7 billion, are to China and about a third of that, £10.5 billion, is to

Hong Kong. The bulk of these exports, just under 80%, are goods with 20% of trade in services – Hong Kong figures are 73% goods, 27% services.

While these figures underline the prominent and continuing role of Hong Kong in the UK’s trade with China, it is perhaps surprising that UK exports are not even higher.

Hong Kong is an advanced world class city with a population of 7.3 million people and a strong demand for UK goods and services. One might have hoped that the growth of mainland China’s urban population, to 786 million – 100 times the size of Hong Kong – should have led to a similarly greater demand for UK goods and services.

But if you dig deeper two other factors emerge which might help explain this.

Hong Kong is made for trade

First, many of the UK goods exports to Hong Kong probably get re-exported to mainland China. Hong Kong plays an important entrepot role for trade between mainland China and the rest of the world – re-exporting around US\$435 billion, which is just under

90% of Hong Kong's total re-export trade value. So Hong Kong is clearly made for international trade, which is reflected by the fact that the services sector contributed to 92% of GDP and accounted for 88% of total employment.

Second, it is easier for UK companies to do business with Hong Kong. Hong Kong is 5th in the world when it comes to ease of doing business; China is 78th. The Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA) also offers international companies improved market access to the mainland, through Hong Kong, regardless of nationality and size.

The Bay Area

I mentioned at the head of this article that, when I arrived in Hong Kong, everyone was talking about the Belt and Road and Greater Bay Area initiatives. Much has been written about both topics, including in this magazine, by people with much more knowledge and understanding than I have. But the anticipated blueprint for the Greater Bay Area (GBA) is potentially a huge opportunity for UK businesses.

The GBA covers 11 cities, including Hong Kong and Macau, with a combined GDP of US\$1.5 trillion today, predicted to grow to US\$4.3 trillion by 2030 – so more than the GDP of Australia today and larger than Germany if the 2030 predictions are achieved.

The current population of the GBA is approaching 70 million and the infrastructure and transport plans promise travel between each city in an hour or so, thanks to the high speed rail expansion, an extra 3000km of additional roads, tunnels and bridges – so a population roughly the size of the UK able to get around in less than a half a day is pretty amazing.

But the lightbulb moment came when I attended a lunch with the Hong Kong European Business Council, where we had a lively discussion about the Greater Bay Area initiative. The one message, however, that I took away was, and I quote, ...what sells in Hong Kong sells

UK Trade in Numbers



To help address the public interest in trade and specifically UK trade data the Department for International Trade recently published UK trade in numbers. This publication contains the latest trade and investment statistics, as of date of publication. It draws on a number of sources from the UK, including the Office for National Statistics (ONS), HM Revenue & Customs (HMRC) and the Department for International Trade (DIT), and international databases. It is a handy reference whether you use trade statistics on a daily basis or just wish to better understand the UK trade position. www.gov.uk/government/statistics/uk-trade-in-numbers

in China.... Maybe I took away what I wanted to hear, but it sounded plausible.

So what?

The British Government and the work of the Department for International Trade supports and encourages UK businesses to drive sustainable growth through selling more abroad. Our role is to help and support businesses to develop strategies to achieve this – increasingly that will be through opening markets and building free and fair trading frameworks with new and existing partners.

While we do that in this region, Hong Kong must remain the easiest international gateway to mainland China. And, if the hypotheses that 'what sells in Hong Kong sells in China' holds true, and the Greater Bay Area initiative delivers an expanded economic market of the scale anticipated, UK exports to China could, indeed should, more than double! **B**



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The UK's Department for International Trade (DIT) has an overall responsibility for promoting UK trade across the world and attracting foreign investment to its economy. DIT is a specialised government body with a responsibility for negotiating international trade policy, supporting business, as well as delivering an outward-looking trade diplomacy strategy.

