

# THE MINERAL INDUSTRY OF HONG KONG AND MACAU

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Over the past several years, the economic growth of Hong Kong and Macau has slowed to around 5% per year. In Hong Kong, the slowdown had pushed unemployment to a 11-year high of 3.2% in 1995 and it fell below 3% in July 1996 and was expected to average around 3% for 1996. Having attained a per capita income comparable with that of the industrialized countries, it is expected that Hong Kong's economic growth rate will slow to a pace similar to that of these countries. Since the mid-1980's, Hong Kong's economy has advanced transformation from a tertiary production-based structure into a major regional trade and servicing center. In 1990's, Hong Kong's service sector accounts for more than 80% of the territory's gross domestic product (GDP), compared with about 65% in 1980's. Over the years, the combined share of various industrial sectors—including manufacturing, construction, and utilities—has dwindled from 31% to 16%. Mining and quarrying sector accounts for less than 0.1% of GDP.

Because of its rapidly increasing size, the service sector has begun to dominate the pattern of Hong Kong's economic growth. The relocation of Hong Kong's manufacturing base to southern China to make use of cheaper labor and land resources helped to keep Hong Kong's export prices low, despite rising costs in the domestic sector in the past decade. Now, as the relocation of the manufacturing base to southern China is near completion, Hong Kong's economic growth mainly depends upon the increased output of the service sector. Weaker global demand, as well as shift in China's trade and investment policies, were among the major factors underlying the territory's economic growth in the past 2 years.

Hong Kong's external trade was weak in 1996, with imports and exports growing by a mere 3% and 4%, respectively, in real terms. It is the lowest growth rate registered in 14 years. The weak trade activity in 1996 was largely attributed to external factors—the disruption caused by the severe winter in the United States and the Taiwan-China Straits conflict in March. Changes in China's trade and investment policies also affected Hong Kong's trade performance. In particular, China's export levels had fallen since November 1995, before staging a recovery in the third quarter of 1996. Inevitably, Hong Kong has felt the efforts of the slackening China trade.

A general slow down in global demand, in particular for electronic products, has deferred the anticipated external trade recovery in the second half of 1996 in Hong Kong and in most of the other major exporting countries in the region. Nevertheless, due to its relatively low reliance on electronics exports (10%) compared with several of its Asian countries—Malaysia, the Philippines, the Republic of Korea,

and Singapore (30% to 70%), Hong Kong's external trade remained positive growth in 1996. The future of Hong Kong's external trade depends on the timing of global recovery. The future expansion of Hong Kong's external trade sector will depend on the trade disputes between China and the United States, as well as between Hong Kong and the United States, the diversion of U.S. import orders to Canada and Mexico, following the implementation of the North American Free Trade Agreement. The long term outlook will be affected by Hong Kong's integrating trade relations with China, with changes in the China's trade and investment policies having a strong bearing on Hong Kong's external trade performance. In the past 2 years, China has gradually acquired the necessary skills and knowledge to handle some of the international trade documentation and shipping procedures. More trade flows in the form of transshipments rather than re-exports in Hong Kong will result as improved port-handling facilities in China. Although Hong Kong's trade figures will not reflect the ever-increasing transshipment volume, the territory will benefit from the greater volume of China trade using the improved facilities of the Pearl River Delta region.

In addition to trade, Hong Kong is a major funding center for China. Under the terms of the joint declaration made by the United Kingdom and China in 1984, Hong Kong will revert to China as a Special Administrative Region on July 1, 1997. Hong Kong will continue to be an international financial center for China. In the past decades, China's state-owned enterprises have penetrated into Hong Kong's stock market. In the 1960's, the Bank of China, China Merchants, China Resources, and China Travel Service had a major role in Hong Kong's economy. In the 1980's, China International Trust and Investment Corp. began an extensive investment in Hong Kong. In the 1990's, ferrous and nonferrous metals enterprises such as Baoshan Iron and Steel Corp., Shoudu Iron and Steel Corp., and China National Nonferrous Metals Industry Corp. began to set up trade offices and to acquire properties in Hong Kong. There are more than 20 China's state-owned enterprises listed on Hong Kong's stock market. Of continuing importance to Hong Kong, the Chinese Government put emphasis on maintaining the existing infrastructure, business transparency, and legal system within Hong Kong to prevent capital shifts to other Asian countries.

The result of the Sino-Portuguese joint declaration, Macau will revert to Chinese rule on December 20, 1999. Macau's authorities continued their efforts to expand the enclave's financial service sector with a rapid approval to foreign banks seeking to set up offices in the territory. The Government

intends to attract some Hong Kong's banking operations that involve in fundraising activities related to doing business in China. Gambling generates one-half of the government revenues and accounts for a quarter of Macau's economy. Most other economic actions depends on tourism and property development.

Because the Hong Kong authorities redesigned its city plan, Shiu Wing Steel Work, the only steel work in Hong Kong, relocated its steel plant from Junk Bay to Tuen Mun. Shiu Wing began the construction of a 650,000-ton-per-year steel plant in 1996. The new rolling mill was commissioned at the end of October 1996. An electric arc furnace and a continuous caster

are scheduled to be completed by the fourth quarter of 1997. After the completion of new plant, the existing mill in Junk Bay will be moved to a site on the Pearl River Delta area in southern China and will be renamed as Easiatic Steel Ltd. Easiatic will mainly produce angles and other merchant bar products. Rebar production will remain the domain of the Hong Kong mill.

**Major Source of Information**

Census and Statistics Department, Hong Kong: Hong Kong Digest of Statistics, monthly.