

15.C

Hong Kong's Re-exports

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Re-exports are not permitted in the GTAP model. The raw trade statistics however include re-exports. This presents a data problem for the model. Hong Kong is the largest re-exporting country in the world, with more than 75 percent of its imports re-exported. To solve this problem all Hong Kong's imports destined for other countries must be re-routed such that they are on a direct trade basis. In the GTAP trade data base the country of origin exports directly to the final destination rather than imported by Hong Kong and re-exported.

Re-exports generate economic activity contributing to GDP for the Hong Kong economy. There is a value-adding marketing service provided even though the process of re-exporting of goods does not involve the transformation of merchandise. The value of this service is accounted for and referred to here as the *re-export markup*. It is the difference between the import unit value and the re-export unit value. This margin must be estimated. Surveys and interviews are one source of information for making an estimate of the re-export margins. In the version 4 GTAP data base, re-export margins were estimated directly from Hong Kong's trade data.¹ Version 5 uses the same procedure to obtain markups.

The trade data for Hong Kong is reported only by Hong Kong and is not reconciled with partner trade flows. Hong Kong reports 3 main types of trade: re-exports, national exports, and general imports. These data are shown in table 15.C.1. National exports are those goods produced by Hong Kong. In 1997, Hong Kong exported only \$26.5 billion of national exports while it re-exported \$155.1 billion. General imports refer to all imported goods whether or not they are subsequently re-exported or used in Hong Kong. In 1997, Hong Kong imported \$205 billion in total

¹ See chapter 11.B of the version 4 GTAP data base documentation for details of Hong Kong's re-export markups.

merchandise. Once Hong Kong's trade is adjusted by removing those imports destined for re-exportation, this value drops to \$87.4 billion. These are imported goods that are retained by Hong Kong. The adjusted export value for total merchandise trade of \$26.8 billion is basically identical to the reported national exports.

Re-export activity varies by sector. Most of the value of vegetable and fruits (GSC 4) imported by Hong Kong are retained. This is seen in table 15.C.1 where there is little difference between the level of general imports and adjusted imports. This is true for most food and beverages sectors. In several of the manufacturing sectors, more than 50 percent of imports are subsequently re-exported. Out of the \$48.2 billion in electronic equipment (GSC 40) that Hong Kong imports, only \$20 billion is retained. Only 25 percent of the imports of other manufactures (GSC 42) are retained.

Table 15.C.1 Hong Kong's Reported Trade by GTAP Sector

GSC2		Re-exports	National Exports	General Imports	Adjusted Exports	Adjusted Imports
1	pdr	0	0	0	0	1
2	wht	0	0	5	0	6
3	gro	1	0	4	0	4
4	v_f	377	0	1,295	1	1,061
5	osd	17	0	34	0	22
6	c_b	0	0	0	0	0
7	pfb	33	0	202	0	210
8	ocr	369	2	593	2	332
9	ctl	0	0	58	1	61
10	oap	299	2	1,082	7	831
11	mk	0	0	0	0	0
12	wol	54	0	95	0	51
13	for	191	0	268	0	219
14	fsh	54	38	654	38	678
15	col	0	0	198	0	241
16	oil	0	0	0	0	0
17	gas	0	0	282	0	270
18	omn	97	0	174	1	147
19	cmt	163	4	398	4	304
20	omt	624	4	1,286	4	715
21	vol	410	20	1,010	20	806
22	mil	202	8	444	10	305
23	pcr	9	0	221	0	227
24	sgr	39	3	111	3	99
25	ofd	1,164	390	3,335	399	2,422

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GSC2		Re-exports	National Exports	General Imports	Adjusted Exports	Adjusted Imports
26	b_t	1,297	328	1,898	332	916
27	tex	13,760	3,724	16,817	3,818	7,613
28	wap	10,572	7,068	11,457	7,145	4,229
29	lea	13,196	58	11,271	73	821
30	lum	830	29	1,210	40	547
31	ppp	2,348	1,022	3,950	1,040	2,067
32	p_c	2,046	69	3,145	0	1,660
33	crp	14,315	1,267	18,094	1,290	5,750
34	nmn	2,085	130	3,358	131	1,749
35	i_s	2,513	99	4,005	99	1,910
36	nfm	2,457	309	8,756	309	6,884
37	fmp	2,841	444	3,300	450	1,121
38	mvh	1,823	24	5,656	25	3,892
39	otn	1,014	10	2,161	10	1,229
40	ele	33,255	5,620	48,273	5,630	20,203
41	ome	28,258	4,499	35,580	4,508	13,820
42	omf	18,431	1,325	14,323	1,343	3,701
43	ely	0	43	473	47	263
Total Merchandise		155,146	26,540	205,475	26,780	87,387