

# International Trade and Investment

## Imports

The total imports for the Pearl River Delta region in 2005 were US\$183.79 billion. This figure is slightly overstated because it includes imports for portions of Huizhou and Zhaoqing outside the formal definition of the Pearl River Delta Economic Zone. The figure was equal to 27.84 percent of the imports of the Chinese Mainland in 2005. The import figure for the Yangtze River Delta region in 2005 was US\$226.72 billion. The Yangtze River Delta figure was equal to 34.35 percent of the imports of the Chinese Mainland.

Hong Kong's imports for 2005 were US\$298.65 billion, while those of Macao were US\$3.91 billion. It is tempting to add up the import figures for Hong Kong, Macao, and the Pearl River Delta Economic Zone to get a Greater Pearl River Delta 'regional' figure. In reality, this would include trade flows within the region as well as imports from outside the region. Thus the figures should be adjusted to obtain the proper regional figure. Available data permits this adjustment to be performed for 2004. In 2004, total imports of Hong Kong, Macao, and the Pearl River Delta Economic Zone were US\$270.66 billion, US\$3.48 billion, and US\$159.61 billion, respectively. When adjusted the proper regional figure for 2004 is US\$308.02 billion.

## Exports

The total exports for the Pearl River Delta Economic Zone in 2005 were US\$227.27 billion. This figure is slightly overstated because it includes exports for portions of Huizhou and Zhaoqing outside the formal definition of the Pearl River Delta Economic Zone. The figure was equal to 29.82 percent of the exports of the Chinese Mainland

in 2005. The export figure for the Yangtze River Delta region in 2005 was US\$276.03 billion. The figure was equal to 36.22 percent of the exports of the Chinese Mainland. Exports from the Greater Pearl River Delta jurisdictions to economies other than Hong Kong, Macao, and the Chinese Mainland can be estimated at US\$262.47 billion in 2004, nearly 1.4 times the Yangtze River Delta figure of US\$190.47 billion. The details of these measures can be found in the notes for the table.

## Foreign Direct Investment

In the Chinese Mainland, utilised foreign direct investment is defined as:

*...the investments inside China by foreign enterprises and economic organisations or individuals (including overseas Chinese; compatriots from Hong Kong, Macao, and Taiwan; and Chinese enterprises registered abroad), following the relevant policies and laws of China, for the establishment of ventures exclusively with foreign own[ed] investment, Sino-foreign joint ventures and cooperative enterprises, or for co-operative exploration of resources with enterprises or economic organisations in China. It includes the re-investment of the foreign entrepreneurs with the profits gained from the investment and the funds that enterprises borrow from abroad in the total investment of projects which are approved by the relevant department of the government.*<sup>20</sup>

Not mentioned directly in this definition was the fact that changes have been made in the measurement of foreign direct investment in China. Starting from 2002, the foreign direct investment statistics were supposed to include only overseas borrowings that were from the direct investors or foreign shareholders, not foreign borrowings

<sup>20</sup> China Statistical Yearbook 2005, p. 658.

from third parties, which had been included in earlier years.<sup>21</sup> Starting from 2004, a 'capital verification report' was required to verify the amount of foreign direct investment reported by individual firms. This means that the figures for many jurisdictions are not fully comparable to earlier figures. Complicating matters further is the fact that many jurisdictions in China had not shifted to the new measurement systems by 2004 and many gave little indication which system they employed.

Foreign direct investment into the Pearl River Delta region was US\$8.94 billion in 2004, or 14.74 percent of the total for the Chinese Mainland. Foreign direct investment into the Yangtze River Delta region was US\$24.19 billion, or 39.90 percent of the total for the Chinese Mainland in 2004. Foreign direct investments into Hong Kong and Macao were US\$33.98 billion and US\$498 million respectively in 2004.

Many analysts simply sum the inward investment figures of the different jurisdictions of the Greater Pearl River Delta region to obtain a regional figure, but this method is incorrect. Simply summing up the foreign direct investment figures for the different jurisdictions in the Greater Pearl River Delta region does not accurately reflect FDI into the region since it includes investment flows between the different jurisdictions (i.e. between Hong Kong, Macao, and the Pearl River Delta Economic Zone). To better reflect the investment flows, we have chosen to estimate the investment into the region from locations other than Hong Kong, Macao, and the Chinese Mainland. We have estimated a similar figure for the Yangtze River Delta (foreign investment into the region originating from locations other than Hong Kong, Macao, or the Chinese Mainland) in order to have an apples to apples comparison.

<sup>21</sup> *Guangdong Statistical Yearbook 2003*, p. 454.

The foreign investment into the Greater Pearl River Delta region from outside Hong Kong, Macao, and the Chinese Mainland was on the order of US\$30.78 billion in 2004, while that into the Yangtze River Delta from locations outside of Hong Kong, Macao, and the Chinese Mainland was on the order of US\$16.03 billion. Again, this measure was developed in order to eliminate intra-



regional investment within the Greater Pearl River Delta region and to facilitate the apples to apples comparison with the Yangtze River Delta. The figures show that the Greater Pearl River Delta attracted more than 1.9 times as much foreign direct investment as the Yangtze River Delta in 2004.

## Comments

The data show the importance of the Greater Pearl River Delta region in China's trade and investment. The Greater Pearl River Delta remains by far the most internationally-oriented regional economy in China as shown by its proper regional trade figures. With respect to the Pearl River Delta region, which excludes Hong Kong and Macao, the Yangtze River Delta region has more international trade. The investment statistics also show how difficult it can be to arrive at data that is fully comparable across different jurisdictions in the Chinese Mainland.