

THE MINERAL INDUSTRY OF

HONG KONG

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With limited natural resources, both Hong Kong and Macau maintained a positive economic growth in 1994. Hong Kong and Macau imported more than 80% of their consumer goods, raw materials, and semimanufactured products. In 1994, Hong Kong's real gross domestic product grew 5.5% and the inflation rate increased by 1% to 9.5%, more than those of 1993. Hong Kong increased its trade deficit to \$10.3 billion in 1994.²

Hong Kong's trade policy was to encourage the operation of market forces across the full range of economic activities. The Hong Kong Government did not intervene to promote specific industry. All imports entered free of tariffs with some exceptions for health, security, and environmental reasons. There was virtually no government influence on the composition or destination of exports, except for restrictions operated under the Multifibre Arrangement. There was no general sales tax in Hong Kong, but it maintains excise duties on fuels, alcoholic beverages, and tobacco. Under the Sino-British agreement, the Basic Law of the Hong Kong Special Administrative Region, which will come into effect on July 1, 1997, provides for the continuation of the current economic monetary and financial regime for 50 years. The authorities did not expect that any changes in trade- and production-related policies would be required by the transfer to Chinese sovereignty in 1997.

Shun Fung Ironworks, which used to own a rebar minimill in Hong Kong, awarded a contract to Danieli of Italy for the supply of a new ironworks to be installed in its new plant,

Shunde Shun Fung Ironworks, in Shunde County, Guangdong Province, China. Groundwork began in August and was scheduled to start producing rebar in mid-1995. The court ruled that Shun Fung should be compensated for \$89 million from the Hong Kong Government for closing its rebar mill 7 years ago. The Hong Kong Government was appealing the award to the Privy Council in the United Kingdom.

Hong Kong Tung Hsing International Holdings Co. Ltd. signed a 50-year joint-venture agreement with Chengdu Iron and Steel Work of China. Tung Hsing would invest \$130 million to assist Chengdu for expanding its steel output capacity from 400,000 metric tons (mt) to 600,000 mt.

China Resource Petroleum and Chemical (Holdings) Ltd., under the Ministry of Foreign Trade and Economic Corp. of China, was constructing an oil storage facility at Tsing Yi Island in Hong Kong. The cost of the project was estimated at \$210 million. After completion in 1995, the total storage area would be 300,000 cubic meters. It would help to stabilize the oil market in Hong Kong and to support the development of the energy sector in the southern part of China.

¹Text prepared July 1995.

²Where necessary, values have been converted from the Hong Kong dollar (HK\$) to U.S. dollars at the rate of HK\$7.80=US\$1.00 and Macau pataca to U.S. dollars at the rate of Pataca 8.00=US\$1.00 for 1994. Hong Kong Monthly Digest of Statistics. Census and Statistics Department, Hong Kong, Apr. 1995.