

HK's mainland investment up 95% in H1

First-half Hong Kong Special Administrative Region investment in the Chinese mainland nearly doubled in value from a year earlier, the Ministry of Commerce reported on Thursday, although it's unclear how much of this investment was actually speculative funds or so-called "hot money".

From January to June, the Chinese mainland approved the establishment of 6,900 Hong Kong-invested projects, down 8.2 percent year-on-year, but investment actually used soared 94.5 percent to \$23.39 billion.

Given the close trade and economic ties between the Hong Kong Special Administrative Region (SAR) and the Chinese mainland, analysts said, at least some of the investment might be speculative funds.

That's because the amount invested surged while the number of projects fell, at the same time that numerous foreign-funded processing enterprises were closing in the Pearl River Delta, adjacent to Hong Kong, according to professor Ding Zhijie with the Beijing-based University of International Business and Economics.

Ding said given the close Hong Kong-Chinese mainland relationship, it was much easier for hot money seeking to profit from interest and exchange rate differentials to enter the Chinese mainland through Hong Kong.

Also, he said, "in comparison with other channels, it is much easier for speculative funds that entered the Chinese mainland in the form of direct investment from Hong Kong to leave. This is more hazardous."

China has recently tightened control over foreign direct investment (FDI) and intensified scrutiny of investors' credentials. The aim is to curb the influx of short-term speculative funds, which has added to the inflationary pressure on the Chinese mainland.

According to the Ministry of Commerce, as of the end of June, the Chinese mainland had approved the establishment of 292,663 Hong Kong-funded projects, involving \$331.93 billion of capital actually used, or 40.7 percent of total FDI used in the Chinese mainland.

The figures are cumulative since 1978, the start of the reform and opening-up policies on the Chinese mainland.

First-half Chinese mainland-Hong Kong trade was \$97 billion, up 8 percent year-on-year. The total included \$90.65 billion in exports to Hong Kong, up 7.8 percent, and \$6.35 billion in imports from the SAR, up 9.8 percent.

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