

Commerce and Industry

Hong Kong's low tax rates, first-class infrastructure, effective legal system, and free flow of capital and information all contribute to an environment in which business can flourish. The city is also an important gateway to the mainland of China, one of the world's fastest growing economies.

Hong Kong is a leading international trading and services centre as well as a high value-added manufacturing base. It is recognised as one of the freest economies in the world, and the most strategic gateway to the vast Mainland market. The Government is firmly committed to free trade and sees its task as facilitating commerce and industry within the framework of a free market. It does not impose tariffs. Regulatory measures on international trade are kept to the minimum. Hong Kong also adopts an open and liberal investment policy and proactively encourages inward investment.

Merchandise Trade Performance

Hong Kong's external trade sustained modest growth in 2012. Total merchandise trade increased by 3.4 per cent to \$7,346.5 billion in 2012 compared with 2011. Domestic exports decreased by 10.4 per cent to \$58.8 billion whereas that of re-exports increased by 3.2 per cent to \$3,375.5 billion compared with the previous year. Imports increased by 3.9 per cent to \$3,912.2 billion. A summary of external merchandise trade statistics is at Table 13 of Appendix 6. Hong Kong's biggest trading partner in 2012 was the Mainland, followed by the United States of America (USA) and Japan. In 2012, Hong Kong was the world's ninth largest trading entity in terms of value of merchandise trade.

Imports

Electrical machinery, apparatus and appliances, and electrical parts thereof constituted the largest share of total imports in 2012 at \$1,016 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$626.7 billion) and office machines and automatic data processing machines (\$409.4 billion).

In 2012, the Mainland, Japan and Singapore were Hong Kong's major suppliers, accounting for 47.1 per cent, 8 per cent and 6.3 per cent respectively of the total value of imports.

Domestic Exports

Jewellery, goldsmiths' and silversmiths' wares, and other articles of precious or semi-precious materials formed the largest component of domestic exports, valued at \$8.9 billion or 15.1 per cent of the total value of domestic exports in 2012. Other major export items included plastics in primary and non-primary forms; electrical machinery, apparatus and appliances, and electrical parts thereof and office machines and automatic data processing machines.

The Mainland, the USA and Switzerland were Hong Kong's largest markets during the year, absorbing 44.2 per cent, 11.5 per cent and 5.2 per cent respectively of the total value of domestic exports.

Re-exports

In 2012, electrical machinery, apparatus and appliances, and electrical parts thereof worth \$914.2 billion were the principal commodities re-exported (27.1 per cent of the total value of re-exports). This was followed by re-exports of telecommunications and sound recording and reproducing apparatus and equipment, which amounted to \$628.4 billion (18.6 per cent of the total value of re-exports). The Mainland, Japan and Taiwan were the main origins of the re-exports, while the Mainland, the US and Japan were the main destinations.

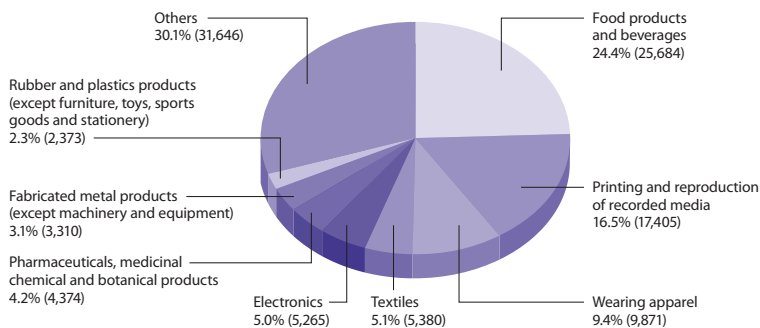
The Manufacturing Sector

With the expansion of manufacturing activities offshore since the 1980s, Hong Kong has evolved into a strategic control centre with an increasingly globalised production network. In spite of Hong Kong's economic restructuring, the manufacturing sector continued to provide employment for 112,000 people (3 per cent of overall employment) in 2012.

Manufacturers of food products and beverages were the largest employers in the manufacturing sector as at December 2012, followed by employers in the printing and reproduction of recorded media industries. *Chart 1* shows the breakdown of employment within the manufacturing sector as at December 2012.

Chart 1

Number of Persons Employed by the Manufacturing Sector as at December 2012



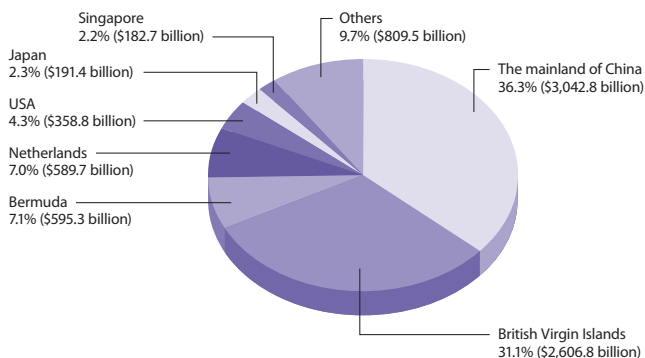
The Services Sector

The services sector has grown significantly in the past decade. Its share of Hong Kong's Gross Domestic Product (GDP) rose from 88.9 per cent in 2002 to 93.1 per cent in 2012, with 88.4 per cent of total employment in this sector. Hong Kong has become one of the most service-orientated economies in the world. In 2012, Hong Kong's total services trade amounted to \$1,421.1 billion, making it the world's 15th largest services trading entity in value, traded and exported \$976.9 billion worth of services, contributing to 47.9 per cent of GDP. In 2012, Hong Kong ranked 5th in the region after China, India, Japan and Singapore in total value of services exported, and 11th in the world. The main components of Hong Kong's exports of services in 2012 were transport and travel, accounting for 33.3 and 32.9 per cent respectively of the total value. Hong Kong is a net exporter of services and had an overall surplus of \$176.7 billion in 2012, with the surplus for transport and travel \$111.9 billion and \$86.4 billion respectively.

Inward Direct Investment

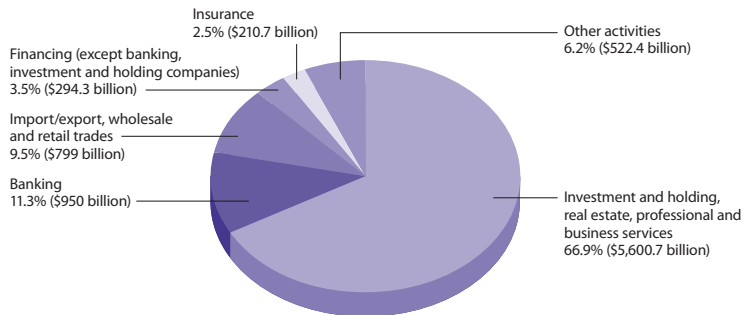
Hong Kong's attraction as a place to do business is evident from the inflow of foreign direct investment (FDI) and the number of regional headquarters and regional offices in Hong Kong set up by companies outside Hong Kong. Hong Kong was the second largest recipient of FDI flow in Asia in 2011 according to the United Nations Conference on Trade and Development's 'World Investment Report 2012'. The 'External Direct Investment Statistics of Hong Kong 2011' released by the Census and Statistics Department indicates that Hong Kong's FDI inflow in 2011 amounted to \$751.8 billion. At the end of 2011, the position of inward direct investment at market value amounted to \$8,377 billion. Chart 2 shows source countries or territories of the inward direct investment. The mainland of China was the largest, accounting for 36.3 per cent of the total as at the end of 2011. Chart 3 shows the major economic activities of enterprise groups in Hong Kong¹. Those engaged in investment and holding, real estate, professional and business services took up the largest share, at 66.9 per cent of the total at the end of 2011.

Chart 2 Position of Inward Direct Investment in Hong Kong at Market Value by Major Investor Country/Territory at the end of 2011



¹ An enterprise group may consist of a parent company, its subsidiaries, associates and branches.

Chart 3 **Position of Inward Direct Investment in Hong Kong at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at the end of 2011**



As at June 2012, Hong Kong was host to 7,250 overseas, Mainland and Taiwan companies representing parent companies located outside Hong Kong, including 3,883 regional headquarters or regional offices.

The Institutional Framework

Commerce, Industry and Tourism Branch

The Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau (CEDB) formulates and co-ordinates policies and strategies in relation to Hong Kong's external commercial relations, tourism, inward investment promotion, convention and exhibition services, intellectual property protection, industry and business support, trade facilitation, consumer protection, promotion of competition, postal services and meteorological services. It also oversees the development of policies and programmes for the industrial and trade sectors, including small and medium enterprises (SMEs), and the promotion of services industries. The branch is assisted by the Trade and Industry Department, Invest Hong Kong, the Customs and Excise Department, the Intellectual Property Department, the Post Office and the Hong Kong Observatory. It is also supported by the overseas Economic and Trade Offices (ETOs).

Trade and Industry Department

The Trade and Industry Department handles the Hong Kong Special Administrative Region's (HKSAR) commercial relations with its trading partners, and protects Hong Kong's trading rights and trade interests. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade.

Locally, the department provides a range of services to locally based trade and industry organisations and businesses, including issuing certificates of origin, export and import licences and certificates of Hong Kong service suppliers. It also provides general support services for various sectors, in particular SMEs, and provides local enterprises with relevant trade information and advises them on changes in major trading partners' import regulations.

The department also co-ordinates discussions with the Mainland authorities on the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

Invest Hong Kong

Invest Hong Kong encourages and assists overseas, Mainland and Taiwanese companies with the potential to contribute to Hong Kong's economic development to set up and expand their operations in Hong Kong. Invest Hong Kong focuses on attracting companies in business sectors and industries where Hong Kong has a competitive edge and encouraging multinational companies to locate their regional or global headquarters and other strategic functions in Hong Kong to tap opportunities on the Mainland and elsewhere. Invest Hong Kong conducts investment promotion activities worldwide through its 14 Investment Promotion Units (IPUs) in Hong Kong ETOs, the Hong Kong Economic, Trade, and Cultural Office in Taiwan and the Beijing Office, as well as its overseas consultants in 13 strategic locations not covered by the IPUs.

Customs and Excise Department

The Customs and Excise Department enforces various trade control systems for the issue of certificates of origin (including those under the CEPA), the import and export of textiles, strategic commodities, pharmaceutical products and medicines, reserved commodities, rough diamonds and other prohibited articles, as well as compliance with the Chemical Weapons Convention. The department also collects import and export declarations, declaration charges and clothing levies, and enforces the relevant statutory controls.

The department also enforces the criminal laws that protect copyright and trade marks, and consumer protection legislation relating to the safety of consumer goods, the provision of accurate sales information on products, and the integrity of weights and measures.

Intellectual Property Department

The Intellectual Property Department operates the trade marks, patents, designs and copyright licensing bodies registries, advises on policy and legislation related to intellectual property protection, provides civil intellectual property legal advice to the Government, and promotes public awareness of and respect for intellectual property rights.

Overseas Hong Kong Economic and Trade Offices

There are 11 overseas Hong Kong ETOs located in Berlin, Brussels, Geneva, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington DC. With the exception of the Geneva office, which represents 'Hong Kong, China' as a member of the World Trade Organisation (WTO), and as an observer to the Trade Committee of the Organisation for Economic Co-operation and Development headquartered in Paris, the other 10 ETOs seek to promote Hong Kong's economic and trade interests by enhancing understanding of Hong Kong among opinion-formers; closely monitoring developments that might affect Hong Kong's economic and trade interests; and liaising closely with the business and commercial sectors, politicians, think tanks and the news media. They also regularly organise events to promote Hong Kong's image.

The Brussels ETO represents Hong Kong's overall economic and trade interests in Europe, in particular in dealings with the European Union (including the European Commission and European Parliament). It also promotes bilateral relations in 15 European countries. The London

ETO represents Hong Kong's interests and promotes bilateral relations in nine countries. Hong Kong's representative to the International Maritime Organisation is based in the London ETO. The Berlin ETO fosters closer economic and trade ties between Hong Kong and eight countries in central and eastern Europe.

The Washington ETO represents Hong Kong's interests in the United States capital. It liaises closely with the US Administration, Congress and think tanks and monitors government policies and legislation that may have implications on Hong Kong's economic and trade relationships with the USA. The New York ETO promotes Hong Kong's economic and trade interests in 31 eastern states of the USA, while the San Francisco ETO is responsible for 19 western states.

The ETOs in Sydney, Tokyo and Toronto are responsible for bilateral economic and trade relations in their host countries. In addition, the Sydney ETO covers New Zealand and the Tokyo ETO covers the Republic of Korea. The Singapore ETO looks after Hong Kong's bilateral economic and trade relations with the 10 member states of the Association of Southeast Asian Nations.

For details of the promotional activities organised by the overseas Hong Kong ETOs, please refer to the section on Promoting Hong Kong Worldwide in Chapter 17 (Communications, the Media and Information Technology).

External Commercial Relations

Hong Kong's Participation in the World Trade Organisation

Hong Kong is a founding member of the World Trade Organisation (WTO) and has continued its separate membership in the WTO since the establishment of the HKSAR under the name of 'Hong Kong, China'. Hong Kong participates in the WTO to sustain the momentum of trade liberalisation, and to strengthen the multilateral rules-based trading system. The HKSAR participates actively in the current round of multilateral trade negotiations launched in Doha, Qatar, in November 2001, mainly to seek greater market access for its services sectors and industrial goods.

Regional Economic Co-operation

Hong Kong continues to play an active role in enhancing regional economic co-operation. It participates as a full and separate member in Asia-Pacific Economic Co-operation (APEC), a regional forum for high-level dialogue and co-operation on trade and economic issues, under the name of 'Hong Kong, China'. In September 2012, the Financial Secretary and the Secretary for Commerce and Economic Development represented Hong Kong in Vladivostok, Russia, at the 20th APEC Economic Leaders' Meeting and the 24th APEC Ministerial Meeting respectively. In 2012, some 83 per cent of Hong Kong's external trade was conducted with the other 20 member economies of APEC.

The assessment conducted by the APEC Policy Support Unit in 2012 shows that continuing progress has been made by member economies towards APEC's goals of free and open trade and investment by 2010 for industrialised economies and 2020 for developing economies but there are still areas for further improvements. The assessment also shows that Hong Kong maintains a liberal, transparent and open regime for trade and investment.

The Pacific Economic Co-operation Council (PECC) is a non-governmental regional forum comprising government officials, business leaders and academics. It works on policy issues to enhance trade, investment and economic development in the Pacific region. The Hong Kong Committee for Pacific Economic Co-operation advises on and co-ordinates the HKSAR's participation in the PECC and plays an active role in the PECC's activities.

Organisation for Economic Co-operation and Development

Hong Kong is an observer on the Trade Committee and the Committee on Financial Markets of the Organisation for Economic Co-operation and Development, which are important forums for discussing policies on international trade and financial services.

Regional and Bilateral Trade Agreements

To secure more favourable access to overseas markets for Hong Kong goods and services, the Government continues to pursue free trade agreements (FTAs) with trading partners that are in Hong Kong's interests, consistent with WTO provisions and that contribute to multilateral trade liberalisation. In 2012, Hong Kong signed an FTA with Chile and has been actively pursuing closer economic partnership with the Association of Southeast Asian Nations so as to allow local traders and investors to access the Southeast Asian market under more favourable conditions and contribute to further regional economic integration.

Liaison with the Mainland and the Mainland and Hong Kong Closer Economic Partnership Arrangement

The Mainland's rapid economic and trade growth has helped boost Hong Kong's external trade and intermediary services, and has facilitated economic and trade co-operation and integration between the two places. Since the Mainland and Hong Kong signed CEPA in June 2003, the two sides have concluded a number of supplements to broaden CEPA's coverage and to deepen the liberalisation measures in different service areas. The latest, Supplement IX, was signed in June 2012.

Since 1 January 2006, the Mainland has applied a zero tariff to all imported goods of Hong Kong origin that meet the agreed CEPA rules of origin (ROOs). As at the end of 2012, the CEPA ROOs for some 1,740 products had been agreed. For trade in services, 338 liberalisation and facilitation measures have been announced, covering 48 service areas². Under these measures, Hong Kong service suppliers enjoy preferential treatment in entering the Mainland's service industries. In addition, with the Mainland policy of expansion of domestic demand, the Government has been assisting Hong Kong enterprises in tapping the Mainland market. In June 2012, the Government introduced a \$1 billion dedicated fund to assist Hong Kong enterprises in

² These service areas are: accounting, advertising, air transport, audiovisual, banking, building-cleaning, computer and related services, construction and related engineering, convention and exhibition, cultural, distribution, education, environmental, examinations for professional and technical qualification, freight forwarding agency, individually owned stores, insurance, inter-disciplinary research and experimental development services, legal, library, museum and other cultural services, logistics, management consulting, maritime transport, market research, medical, other business services, patent agency, photographic, placement and supply services of personnel, printing, public utility, rail transport, real estate, related scientific and technical consulting services, research and development, road transport, securities and futures, services incidental to manufacturing, services incidental to mining, services related to management consulting, social services, sporting, storage and warehousing, technical testing, analysis and product testing, telecommunications, tourism, trade mark agency, translation and interpretation.

developing brands, upgrading and restructuring operations, and promoting domestic sales in the Mainland.

Bilateral Investment Promotion and Protection Agreements

To assure overseas investors that their investments in Hong Kong are adequately protected, and to enable Hong Kong investors to enjoy similar protection overseas, Hong Kong has concluded 17 Investment Promotion and Protection Agreements (IPPAs) with its trading partners. In November 2012, Hong Kong commenced negotiations on an IPPA with the Russian Federation.

Trade in Textiles

With its geographical advantage, expertise and networks, Hong Kong has evolved into a world-class logistics and sourcing hub for textiles. At the same time, Hong Kong maintains effective origin control measures to prevent abuse and safeguard the interest of Hong Kong's textiles trade.

In 2012, the Customs and Excise Department carried out 4,096 factory and consignment inspections and concluded 42 investigations to combat illegal transshipment of textiles. The department also conducted 240 'blitz' check operations on textile consignments at various import and export control points. It successfully prosecuted 40 offenders, with fines amounting to \$0.76 million.

Trade in Strategic Commodities

The Trade and Industry Department maintains a comprehensive import and export control licensing system to monitor the movement of strategic commodities through Hong Kong. The system ensures that while Hong Kong has access to advanced products and technologies to sustain its economic development, it is not used as a conduit for illicit diversion of strategic commodities. The department also administers a permit system to monitor activities involving sensitive chemicals as required by the Chemical Weapons Convention. Hong Kong co-operates closely with its trading partners to keep abreast of international developments on strategic trade controls, and to make sure that its control arrangements are complementary to those of its trading partners.

In 2012, the Customs and Excise Department investigated 178 cases of unlicensed import and export of strategic commodities and prosecuted 49 offenders, resulting in fines of \$1.8 million. Goods valued at \$0.12 million were confiscated.

Customs Co-operation

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and APEC's Sub-Committee on Customs Procedures. The department maintains close liaison with the WCO and three officers have been seconded to the WCO Compliance and Facilitation Directorate in Brussels, Belgium, the WCO Regional Intelligence Liaison Office for Asia and the Pacific in Seoul, Korea, and the WCO Asia Pacific Regional Office for Capacity Building in Bangkok, Thailand, to assist in taking forward the WCO's initiatives.

Under the department's Hong Kong Authorised Economic Operator Programme, formally launched in April 2012, local companies that satisfy certain pre-determined security standards will be accredited by the department as Authorised Economic Operators (AEOs) and enjoy priority clearance and reduced examination. The department is working out arrangements for mutual recognition of similar programmes of other customs administrations so that Hong Kong AEOs can enjoy corresponding customs facilitation.

The department co-operates with other customs administrations and law enforcement agencies and regular bilateral meetings are held with the Mainland and other customs authorities to exchange intelligence and experience on enforcement. The department has also concluded bilateral co-operation arrangements with a number of customs administrations.

Inward Investment Promotion

In 2012, despite the challenges of the global economic downturn, Invest Hong Kong assisted a record 316 overseas, Mainland and Taiwan companies in setting up or expanding operations in Hong Kong involving direct investment of some \$7.7 billion and the creation of about 3,000 new jobs within the first year of their operation/expansion³.

Invest Hong Kong organised or sponsored a range of activities in 2012, including the Asian Financial Forum, Society of Publishers in Asia Awards Dinner, ArtHK, 'Think Global, Think Hong Kong' promotion in Tokyo and Osaka, World SME Expo, Super Return Asia, and the Cable and Satellite Broadcasting Association of Asia Convention. In addition, Invest Hong Kong organised joint investment promotions with Mainland provinces and cities in the Pearl River Delta Region (including Guangdong Province, Guangzhou, Zhuhai and Macao) and in overseas cities such as Moscow, Bristol and Seoul to promote the advantages offered by the economic integration of Hong Kong and the Mainland.

Campaigns were held in leading financial centres (including New York, Chicago, Los Angeles, Zurich, Geneva and Lugano) to promote Hong Kong as China's global financial centre. Invest Hong Kong also tapped into the outward investment potential of Mainland companies through a series of promotional programmes, including investment promotion seminars and sector-focused workshops in high-growth Mainland cities like Wuhan, Tangshan, Xian, Taiyuan, Nanchang, Shantou and Xiamen. The department completed 62 projects related to Mainland investments in Hong Kong in 2012, representing nearly 20 per cent of the total number of completed projects from all markets.

Small and Medium Enterprises

Small and Medium Enterprises (SMEs) refers to those manufacturing businesses in Hong Kong employing fewer than 100 people, or non-manufacturing businesses with fewer than 50. There are about 308,000 SMEs in Hong Kong, representing over 98 per cent of all local enterprises and employing more than 1.2 million people. To support SMEs, the Government has set up three

³ These represent investment amount and job opportunities reported by the companies assisted by Invest Hong Kong. Not all of these companies disclosed the data.

SME funding schemes to help SMEs secure loans from financial institutions, expand export markets and enhance overall competitiveness.

In the light of the uncertain external economic environment and the financing difficulties which enterprises (in particular SMEs) might face as a result of possible credit tightening, in May the Hong Kong Mortgage Corporation Limited introduced a time-limited special concessionary measure under its SME Financing Guarantee Scheme to provide 80 per cent loan guarantees at a concessionary fee rate. The Government has provided a total loan guarantee commitment of \$100 billion.

Promotion of Innovation and Technology

Innovation and technology development is a key driver of economic growth. The Government is determined to facilitate the growth of this industry in which Hong Kong enjoys clear advantages. The Government provides both hardware and software support to foster innovation and technology development and to create synergies among the government, industry, academia, and the research sector.

Innovation and Technology Commission

The Commerce and Economic Development Bureau's Innovation and Technology Commission spearheads Hong Kong's drive to become a world-class, knowledge-based economy. It formulates and implements policies and measures to promote innovation and technology; supports applied research and development (R&D); supports technology transfer and applications; promotes technological entrepreneurship; facilitates the provision of innovation and technology infrastructure and development of human resources; and promotes internationally-accepted standards and conformity assessment services to underpin technological development and international trade.

Innovation and Technology Fund

The Innovation and Technology Fund (ITF) supports applied R&D projects that help upgrade technology and promote innovation in the manufacturing and service industries. By the end of 2012, the fund had committed over \$7 billion to support more than 3,000 projects undertaken by research institutions and the industry. In July 2012, the financial ceiling for each ITF project was raised from \$21 million to \$30 million, while the funding scope was extended to cover the production of prototypes/samples and conduct of trial scheme in the public sector (including government departments, public bodies and trade associations) for all ITF-funded projects.

The ITF's Small Entrepreneur Research Assistance Programme provides matching grants for R&D by small start-up companies to turn innovative technological ideas into commercially viable products or services. By the end of 2012, \$398 million had been provided to assist 359 projects. In April 2012, the following enhancements were implemented:

- the funding ceiling for each project was increased from \$4 million to \$6 million;
- the programme was extended to cover enterprises with venture capital investment; and

- the funding scope was expanded to facilitate commercialisation, including industrial design, testing and certification of prototype and clinical trials.

Research and Development Cash Rebate Scheme

The R&D Cash Rebate Scheme reinforces the research culture among enterprises and encourages them to establish stronger partnerships with local research institutions. The \$200 million scheme provides cash rebates to companies conducting applied R&D projects under the ITF, or in collaboration with designated research institutions. With effect from 1 February 2012, the level of cash rebate was increased from 10 per cent to 30 per cent. By the end of 2012, the scheme had approved over 530 applications for rebates amounting to about \$36 million.

Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI)

The publicly-funded ASTRI carries out R&D projects to raise the standard of Hong Kong's technology-based industries and to strengthen their growth. The ASTRI houses the R&D Centre for Information and Communications Technologies which focuses on five technology sectors: communications technologies, enterprise and consumer electronics, integrated circuit design, material and packaging technologies, and bio-medical electronics.

Research and Development Centres

The Government's five R&D Centres drive and co-ordinate applied R&D in selected focus areas and promote commercialisation of R&D results and technology transfer. The five centres are:

- Automotive Parts and Accessory Systems R&D Centre (APAS);
- R&D Centre for Information and Communications Technologies under ASTRI;
- Hong Kong Research Institute of Textiles and Apparel;
- Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies; and
- Nano and Advanced Materials Institute.

To enhance APAS's research capability and cost effectiveness, APAS was merged with the Hong Kong Productivity Council in November 2012.

Technology Co-operation with the Mainland

The Mainland/Hong Kong Science and Technology Co-operation Committee is a high-level steering committee for the Mainland's Ministry of Science and Technology and Hong Kong's Commerce and Economic Development Bureau to work together in fostering technology collaboration. At its seventh meeting in September 2012, the two sides agreed to proactively implement the Central Government's policy measures on science and technology, announced in June, to strengthen co-operation between the Mainland and Hong Kong, including encouraging Hong Kong researchers to participate in national science and technology programmes and to apply for national talent recruitment programmes, and initiating a new round of the selection process for Hong Kong laboratories applying for the status of Partner

State Key Laboratories (PSKLs). To help them strengthen their research capability, the ITF will provide up to \$10 million to each Hong Kong PSKL during the period 2011-12 to 2015-16.

The HKSAR and Guangdong governments jointly run a Guangdong-Hong Kong Technology Co-operation Funding Scheme (TCFS) to encourage collaboration between their universities, research institutions and technology enterprises. Since its inception in 2004, the TCFS has supported 44 joint projects costing over \$250 million. The Guangdong/Hong Kong Expert Group on Co-operation in Innovation and Technology agreed in August 2012 to implement the 2012 Guangdong/Hong Kong Technology Co-operation Funding Scheme and further enhance science and technology collaboration between Hong Kong and Guangdong under the 'Framework Agreement on Hong Kong/Guangdong Co-operation'.

Publicity and Promotional Events

The Innovation and Technology Commission's annual InnoTech Month features a wide range of activities to foster a stronger innovation and technology culture in Hong Kong. Activities included a roadshow, exhibitions, seminars, workshops, a carnival and conferences. The commission also collaborated with non-profit-making organisations and government departments in organising science competitions to strengthen students' interest in innovation and technology. The Innovation and Technology Scholarship Award Scheme provides recognition to outstanding science undergraduates in local universities and encourages them to pursue innovation and technology as a career.

Protection of Intellectual Property Rights

Hong Kong maintains a robust regime for protecting intellectual property rights. With its comprehensive legislation, convenient registration systems, rigorous enforcement and creative public education programmes, Hong Kong has gained a reputation for effective protection of intellectual property.

Registration

The Intellectual Property Department is committed to providing high-quality and responsive registration services to the public. The department provides various electronic services to enable efficient and cost-effective registration and management of trade marks, patents and registered designs. The registers of trade marks, patents and designs are maintained in electronic format, allowing searches of relevant data in Chinese or English through the internet, at any time, free of charge (<http://ipsearch.ipd.gov.hk>). The electronic filing system also provides a secure and user-friendly environment for intellectual property owners or agents to file their applications at any time (<https://iponline.ipd.gov.hk>).

By using the department's interactive services, owners of intellectual property rights or their agents can make changes directly to certain particulars of their registrations and applications recorded in the registers. These changes are updated instantly in the various registry records. The electronic services, particularly electronic filing, have been well received. In 2012, over 50 per cent of trade marks, patents and designs applications respectively were filed electronically.

Trade Marks

In 2012, the Trade Marks Registry received 35,530 applications. During the period, 26,383 marks were registered, an increase of 9.4 per cent as compared with 2011. The principal countries/ areas out of the 109 filing applications were:

Hong Kong	13,204	United Kingdom	826
Mainland	6,964	Switzerland	727
USA	3,786	Taiwan	695
Japan	2,818	Germany	681
France	876	British Virgin Islands	641

The register had 299,119 registered marks by the end of the year.

Patents

The Patents Ordinance provides for the grant of standard patents based on patents granted by the State Intellectual Property Office of China, the United Kingdom Patent Office or the European Patent Office (in respect of patents designating the United Kingdom). It also provides for the grant of short-term patents, which may be registered following local formality examination procedures. The Patents Registry received 12,988 standard patent applications and 645 short-term patent applications in 2012, and 5,035 standard patents and 515 short-term patents were granted, more or less the same as in 2011.

The Government commenced a comprehensive review of the patent system in October 2011. Taking into account the result of a public consultation exercise, an advisory committee appointed by the Secretary for Commerce and Economic Development submitted its report to the Government in December 2012. The Government plans to announce how it will proceed in early 2013.

Registered Designs

In 2012, the Designs Registry received 2,552 applications for the registration of 5,206 designs, and 4,549 designs were registered, representing an increase of 1.6 per cent compared with 2011.

Copyright

The Copyright Ordinance protects literary, dramatic, musical and artistic works, typographical arrangements of published editions, sound recordings, films, broadcasts, cable programmes and performers' performances irrespective of the domicile of the copyright owners. In line with international practice, there is no requirement to register copyright.

Following the lapse of an amendment bill upon expiry of the previous term of the Legislative Council in July 2012, the Government continues efforts to address different stakeholders' concerns for strengthening copyright protection in the digital environment.

Enforcement

The Customs and Excise Department enforces criminal sanctions for infringement of intellectual property rights. It investigates reports of copyright infringement and trade mark counterfeiting; maintains licensing control on all optical disc and stamper factories; and takes action against the manufacture, distribution, sale, import and export of pirated and counterfeit goods and possession for business use. It also combats copyright piracy and other infringement on the internet involving the sale of counterfeit goods.

In 2012, the department took action in 116 piracy cases, arrested 166 people and seized goods (mostly pirated optical discs) worth \$7 million. The department took action to prevent on-street sale of pirated and counterfeit goods. In addition to targeted raids, officers carry out intensive and high-profile patrols in high risk areas to deter and suppress the peddling of pirated and counterfeit goods. In 2012, the department took action in 438 false trade mark cases, seizing counterfeit goods worth \$136 million and arresting 485 people.

Customs-Business Partnership

To help effective enforcement against piracy and counterfeiting activities, the department fosters industry support and co-operation through the Intellectual Property Rights Protection Alliance and various associations representing copyright and trade mark owners.

Public Education

In 2012, nine trade associations with 795 retail merchants, covering 6,196 outlets in Hong Kong, took part in the Intellectual Property Department's 'No Fakes Pledge' scheme. The department's school visit programmes to promote respect for intellectual property rights covered 111 schools and 33,929 students in 2012. The department also promoted the value of intellectual property trading and the importance of protecting intellectual property rights through local seminars and exhibitions.

Co-operation with Mainland Counterparts

The Intellectual Property Department works closely with its Mainland counterparts at the national, regional and provincial level to promote the protection and management of intellectual property rights.

The Customs and Excise Department maintains close co-operation with its Mainland counterparts in exchanging experience and information on the detection and prosecution of intellectual property-related offences. Hong Kong and Guangdong customs conduct regular joint operations to intercept infringing goods smuggled across the boundaries. The department and the National Copyright Administration provide mutual administrative assistance in the fight against internet piracy to better protect the interests of intellectual property rights owners.

Participation in International Organisations

The Intellectual Property Department participates in various international forums, including activities and conferences of the WTO Council for Trade-related Aspects of Intellectual Property Rights and the World Intellectual Property Organisation, and represents Hong Kong, China at various international and regional intellectual property symposiums and conferences.

Professional Services Development Assistance Scheme

A \$100 million Professional Services Development Assistance Scheme was launched in 2002 to provide funding support, on an equal matching basis, for professional service sectors to organise projects that enhance their external competitiveness and standards. These include capacity building programmes (such as international conferences and training courses), market research and promotional activities (such as road shows and exhibitions). Of the 260 projects that received funding under the scheme up to the end of 2012, about 37 per cent were to enhance the competitiveness of local professional services in the Mainland market.

Business Facilitation

The Business Facilitation Advisory Committee (BFAC) advises the Government on the development and implementation of programmes and measures to facilitate business compliance with government regulations and to sustain a competitive regulatory environment for business in Hong Kong while safeguarding the public interest. The BFAC is made up of representatives from the business, academic, professional and political sectors and senior government officials from the relevant bureaux. Around 30 Government bureaux and departments which issue licences to various business sectors participate in the Government's 'Be the Smart Regulator' programme, aimed at improving the efficiency, transparency and business-friendliness of the licensing system.

Business Liaison Groups foster communication between the Government bureaux and departments and the major business sectors and help resolve regulatory and licensing matters at the operational level. A business consultation e-platform (<http://www.gov.hk/bizconsult>) has been set up under the GovHK portal to help the business community access information on proposed regulations, administrative measures and procedures that would impact on business, and to offer their views or comments. Its mobile application is also available for free download (<http://www.gov.hk/en/about/govdirectory/mobilesites.htm>).

The Business Facilitation Division of the Financial Secretary's Office's Economic Analysis and Business Facilitation Unit co-ordinates the Government's efforts under the 'Be the Smart Regulator' programme and also supports the work of the BFAC and its task forces.

Trade Documentation

As a free port, the HKSAR maintains optimal import and export documentation requirements to facilitate legitimate trade. Most products do not need licences to enter or leave Hong Kong. Licences are required mainly to fulfil HKSAR's international obligations; to protect public health, safety, the environment, or intellectual property rights; or ensure Hong Kong's continued access to advanced technologies and hi-tech products.

The HKSAR also maintains an origin certification system to facilitate its exports to external markets.

Road Cargo System

The Customs and Excise Department's Road Cargo System (ROCARS) facilitates customs clearance through prior risk-profiling. To do this, a shipper or his agent is required to submit a few items of cargo information electronically to the department through ROCARS before the consignment is imported to, or exported from, Hong Kong. All cross-boundary goods vehicles, except those selected for inspection, now enjoy seamless customs clearance at the land boundary.

Intermodal Transshipment Facilitation Scheme

The Intermodal Transshipment Facilitation Scheme (ITFS) simplifies customs clearance procedures for air-land and sea-land intermodal transshipment cargoes. Enrolment to ITFS is voluntary. Transshipment cargoes of participating enterprises, conveyed by goods vehicles installed with electronic locks and tracking devices approved by the Customs and Excise Department, will normally be subject to inspection only once (if selected) at either the point of entry or exit.

Government Electronic Trading Services

The Government Electronic Trading Services system allows the trading community to submit certain trade related documents electronically, thereby discharging their statutory obligations in a cost-effective and environmentally friendly manner. Three Government-appointed operators provide the services, which processed about 21 million transactions in 2012.

Trade and Industrial Support Organisations

Hong Kong Trade Development Council

The Hong Kong Trade Development Council (HKTDC) was established under the HKTDC Ordinance to promote, assist and develop Hong Kong's trade with places outside Hong Kong, with particular reference to exports; and to make such recommendations to the Government as it sees fit in relation to any measures which it considers would achieve an increase in Hong Kong's trade. With its global network of more than 40 offices, including 11 in the Mainland, the HKTDC helps Hong Kong companies, especially SMEs, develop business opportunities in mainland and overseas markets, and acquire market knowledge and competitive skills.

The HKTDC has helped position Hong Kong as Asia's international exhibition and convention centre. It organised more than 30 exhibitions in 2012, nine of which were the largest of their kind in Asia and three were the largest of their kind in the world.

In the Mainland, the HKTDC's focus was on promoting Hong Kong as a professional, creative and financial services platform, a logistics hub, a partner for mainland businesses seeking global opportunities and a prime supplier of fashionable and lifestyle products. In mature markets, the HKTDC promoted Hong Kong's professional services, while stepping up efforts to differentiate Hong Kong merchandise by highlighting reliable quality, stylish designs and adherence to stringent green and safety standards. The HKTDC's focus in new markets was primarily on path-finding and image-building to identify business opportunities for Hong Kong SMEs.

Hong Kong Export Credit Insurance Corporation

To encourage and support the export trade, the Hong Kong Export Credit Insurance Corporation (ECIC) was established by statute to protect Hong Kong exporters against non-payment risks arising from commercial and political events. An increase in its contingent liability under contracts of insurance guaranteed by the HKSAR Government from \$30 billion to \$40 billion was gazetted in December 2012. The ECIC is required to operate in compliance with the Hong Kong Export Credit Insurance Corporation Ordinance and to pursue a policy directed towards securing revenue sufficient to meet all expenditure properly chargeable to its revenue account.

The ECIC's total insured business in 2012 amounted to \$95 billion, an increase of 9.2 per cent over 2011. Gross premium income slightly decreased by 0.3 per cent to \$282.5 million. Cash claims payments increased by 105.3 per cent to \$85.6 million.

In view of the uncertain overseas market conditions, the ECIC introduced additional measures in February 2012 to assist Hong Kong exporters in doing business with overseas buyers. It offered special policy terms and premium discounts to companies with small annual business turnover and extended the insurance cover to sales contracts between Hong Kong exporters' majority owned subsidiaries in the Mainland or other markets and their buyers. In addition, the ECIC extended the annual policy fee waiver for one more year to 30 November 2013.

The Hong Kong Science and Technology Parks Corporation

The Hong Kong Science and Technology Parks Corporation provides one-stop infrastructural support services to technology-based companies. It nurtures start-ups through incubation programmes, provides facilities and services at the Science Park for applied R&D, and offers land in industrial estates for manufacturing and servicing industries.

The 22-hectare Science Park in Sha Tin is the flagship infrastructure that supports the Government's mission to turn Hong Kong into a regional innovation hub. Phases 1 and 2 have been completed and have an occupation rate of 95 per cent. Phase 3 will be available for use between early 2014 and 2016. The three phases will provide a total of 330,000 square metres of gross floor area for R&D by local and overseas companies in electronics, information technology and telecommunications, biotechnology, precision engineering and green technology. The corporation also manages three industrial estates in Tai Po, Yuen Long and Tseung Kwan O occupying 217 hectares. Serviced land is provided to companies using new or improved technology and processes that cannot operate in multi-storey buildings. The corporation will continue to revitalise the industrial estates to meet the challenges and opportunities brought about by economic re-structuring and to help broaden Hong Kong's industry base.

The corporation runs incubation programmes for technology start-ups, providing them with rental, marketing, financial and technical assistance in their critical initial years.

Hong Kong Productivity Council

The Hong Kong Productivity Council (HKPC) promotes productivity excellence among Hong Kong enterprises. Its focus is on the manufacturing and service industries in Hong Kong and the Pearl River Delta region in four areas: manufacturing technologies, information technologies,

environmental technologies and management systems. The council helps Hong Kong manufacturers move up the value ladder through higher technology and better manufacturing processes. The HKPC is a strong promoter of 'green' manufacturing and continually introduces new technology to assist manufacturers in meeting the environmental requirements of Hong Kong, the Mainland and other countries. In addition, the HKPC continues to forge close technological collaboration between Hong Kong and the Mainland to help innovative industries capitalise on new business opportunities and to strengthen the competitiveness of Hong Kong's business and manufacturing sectors.

Other Trade and Industrial Support Organisations

The Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong, the Hong Kong General Chamber of Commerce, the Chinese General Chamber of Commerce and the Hong Kong Chinese Importers' and Exporters' Association promote the interests of, and foster relationships among, their members. There are numerous other associations representing specific sectors or interests, and overseas chambers of commerce.

Development of Testing and Certification Industry

The Hong Kong Council for Testing and Certification (HKCTC) advises the Government on the overall development strategy of the testing and certification industry. The HKCTC comprises members from the testing and certification industry, the business sector, professional organisations and relevant public bodies and government departments.

The Government has been working closely with the HKCTC to implement the three-year industry development plan, formulated by the HKCTC in March 2010, which aims to make general improvements to the accreditation service and factors of production (ie manpower, technology, capital and land) of the industry and to promote development of testing and certification services in four selected trades (Chinese medicines, food, construction materials and jewellery). Services being developed include authenticity testing of Chinese herbal medicines, food hygiene management system certification, certification of construction materials and development of standard testing methods for two types of jade. In May 2012, the HKCTC set up two new panels to explore with the industry new business opportunities in environmental protection and the information and communications technology sectors.

The Mainland has gradually opened up its market to Hong Kong testing organisations and now allows qualified Hong Kong laboratories to test all 22 types of products under the China Compulsory Certification System if they are processed in Hong Kong. Supplement IX to CEPA, signed in June 2012, expands the scope of testing that can be undertaken by Hong Kong organisations to food-related certification on a pilot basis in Guangdong.

The ITC's Hong Kong Accreditation Service (HKAS) operates in accordance with international standards and is active in international and regional accreditation communities. Through its multilateral mutual recognition arrangements, the results of tests, calibrations, certifications and inspections provided by its accredited organisations are widely recognised globally, thus facilitating cross-border business and trading.

Standards and Calibration Services

The ITC's Standards and Calibration Laboratory is the official custodian of Hong Kong's physical measurement reference standards. It provides a comprehensive calibration service traceable to the International System of Units. It is a signatory to the Mutual Recognition Arrangement of the International Committee for Weights and Measures and its calibration certificates are recognised internationally.

The Product Standards Information Bureau disseminates information relating to documentary standards. It operates a product standards library and provides sales of standards and free technical advice on standards-related matters. The bureau represents the HKSAR in regional and international standardisation bodies and encourages local experts to take part in international standardisation activities, including participation in the International Organisation for Standardisation for the development of international standards. It also acts as Hong Kong's Enquiry Point and Notification Authority under the World Trade Organisation Agreement on Technical Barriers to Trade.

Human Resources, Technical Education and Industrial Training

The knowledge-based economy of the 21st century requires talent and skilled manpower at all levels. A variety of post-secondary education and training programmes are available in Hong Kong. The Vocational Training Council provides a comprehensive system of vocational education and training for school leavers and adult learners. It also administers the New Technology Training Scheme which provides financial help to employers to train their staff to use new technologies. The Clothing Industry Training Authority runs two training centres for the clothing and footwear industries.

Consumer Protection

Consumer Council

The Consumer Council is a statutory body to protect and promote the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property. The council comprises 22 members (including the Chairman and Vice-chairman) appointed by the Chief Executive (with the power to appoint the Vice-Chairman and members delegated to the Secretary for Commerce and Economic Development) from a wide spectrum of the community.

The council's services include testing of consumer products, market surveys, price surveillance, complaint and enquiry handling, advice to the Government and public authorities on consumer protection issues, consumer education and dissemination of consumer information. It also administers the Consumer Legal Action Fund, which enhances consumer access to legal remedies.

The council's testing and survey programmes seek to provide consumers with objective and up-to-date information so that they can make informed choices. In 2012, 43 product tests, 27 survey projects and 25 in-depth studies were completed. The council publishes the findings of its product tests and surveys together with practical advice to the public through its monthly

magazine, CHOICE, which is available in hard copy, or via the internet, residential fixed-lines and mobile phones.

In 2012, the council received 27,326 consumer complaints and 104,909 consumer enquiries through its telephone hotlines, seven Consumer Advice Centres and its website.

The council also monitors trade practices and addresses competition-related issues that may have implications on consumer interests. In 2012, it conducted studies on various topics including those related to the fees and performance of mandatory provident funds and the prices of fresh pork and beef. It expressed views to the Government on consumer-related subjects such as regulation of the sale of first-hand residential properties, the development of a Hong Kong marketing code for breast milk substitutes, the licensing scheme for private columbaria and competition law. A report on unfair terms in standard form consumer contracts was also published.

In 2012, the council organised a number of awards for the media and the public (including students and 'third age' persons) to increase awareness of consumer rights. The council maintains close contact with overseas and Mainland counterparts, and collaborates with them in handling consumer complaints from tourists and formulates measures to enhance consumer welfare. The council has signed memorandums of understanding for co-operation with major Mainland cities and provinces to strengthen consumer protection for Mainland tourists. The council maintains an informative website 'Shopsmart' providing a broad range of consumer information to Mainland tourists.

Enforcement of Consumer Protection Legislation

The Customs and Excise Department carries out spot checks and investigations to ensure that toys, children's products and consumer goods supplied in Hong Kong are safe, that the quantity of goods supplied in the course of trade by weight and other measures is accurate, and to guard against false trade descriptions and misstatements in respect of goods. In 2012, the department carried out 9,487 spot checks and concluded 2,381 investigations.

The Government Laboratory provides analytical and advisory services to the Customs and Excise Department in the enforcement of consumer protection legislation. In 2012, the laboratory carried out 33,940 tests to check the compliance of toys, children's products and consumer goods with relevant safety standards, and to determine the weight of retailed goods. Where necessary, it conducted on-site investigations to verify traders' weighing or other measuring equipment in support of the enforcement of the Weights and Measures Ordinance. The laboratory also carried out 6,396 tests to examine the authenticity of commodities and the correctness of trade descriptions in relation to investigations under the Trade Descriptions Ordinance.

Review of Legislation on Consumer Protection

The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012, enacted by the Legislative Council in July 2012, criminalises some common unfair trade practices deployed against consumers, including false trade descriptions of services, misleading omissions, aggressive commercial practices, bait advertising, 'bait-and-switch' practices, and wrongly

accepting payment. It introduces a civil mechanism to encourage compliance by traders and to stop identified non-compliant practices. The ordinance also codifies the private right of action.

The Customs and Excise Department is the principal agency to enforce the ordinance, while the Communications Authority has concurrent jurisdiction to enforce the ordinance in relation to commercial practices of licensees under the Broadcasting Ordinance and the Telecommunications Ordinance that are directly connected with the provision of a broadcasting or telecommunications service. Draft enforcement guidelines for the ordinance were published for public consultation in December 2012, to enable the commencement of the ordinance in 2013.

The Pyramid Schemes Prohibition Ordinance was enacted by the Legislative Council in December 2011 and came into operation on 1 January 2012.

Trade in Endangered Species

The Protection of Endangered Species of Animals and Plants Ordinance implements the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). It regulates the import, export, re-export, introduction from the sea or possession of endangered species. The commercial import, export and re-export of highly endangered species are prohibited, and international trade in less endangered species is subject to licensing requirements.

The ordinance is administered by the Agriculture, Fisheries and Conservation Department, and enforced by both that department and the Customs and Excise Department. It provides for a maximum fine of \$5 million and imprisonment for up to two years. In 2012, 25,909 licences and certificates were issued and 135 prosecutions were conducted.

Trade in Genetically Modified Organisms

The Genetically Modified Organisms (Control of Release) Ordinance implements the Cartagena Protocol on Biosafety to the Convention on Biological Diversity. The ordinance controls the release into the environment and the trans-boundary movement of genetically modified organisms (GMOs). Under the ordinance, the release and import intended for release into the environment of GMOs require prior approval from the Director of Agriculture, Fisheries and Conservation. Prescribed documents must accompany imports or exports of shipments containing GMOs.

Websites

Commerce and Economic Development Bureau: www.cedb.gov.hk

(links to related departments and agencies)

Hong Kong Consumer Council: www.consumer.org.hk

Environment Bureau: www.enb.gov.hk