

## 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 an important gateway to the Mainland of China, one of the world's most dynamic economies.*

Hong Kong is a leading international trading and services centre as well as an important command and control centre for manufacturing activities in the region. It is recognised as one of the freest economies in the world, a model for international trade, 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. As a separate customs territory of China, the Hong Kong Special Administrative Region (HKSAR) does not impose any 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 decreased slightly in 2016. Total merchandise trade decreased 0.7 per cent to \$7,596.6 billion compared with 2015. Domestic exports decreased 8.5 per cent to \$42.9 billion, while re-exports decreased 0.4 per cent to \$3,545.4 billion. Imports decreased 0.9 per cent to \$4,008.4 billion. The territory's biggest trading partner was the Mainland of China, followed by the United States and Taiwan. A summary of external merchandise trade statistics is in table 13 of Appendix 6. In 2016, Hong Kong was the world's seventh largest trading entity in terms of value of merchandise trade.

### Imports

In 2016, electrical machinery, apparatus and appliances, and electrical parts thereof constituted the largest share of total imports at \$1,371.8 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$726.8 billion) and office machines and automatic data processing machines (\$321.4 billion). The Mainland, Taiwan and Singapore were Hong Kong's major suppliers, accounting for 47.8 per cent, 7.3 per cent and 6.5 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 \$6.1 billion, or 14.2 per cent of the total value of domestic exports in 2016. Other major export items included plastics in primary and non-primary forms; tobacco manufactured; and medicinal and pharmaceutical products. The Mainland, the US and Singapore were Hong Kong's largest markets, absorbing 43.3 per cent, 8.5 per cent and 6.2 per cent respectively of the total value of domestic exports.

### Re-exports

In 2016, electrical machinery, apparatus and appliances, and electrical parts thereof worth \$1,233.7 billion were the principal commodities re-exported, accounting for 34.8 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 \$739 billion, or 20.8 per cent of the total value of re-exports. The Mainland, Taiwan and South Korea were the main origins of the re-exports, while the Mainland, the US and India were the main destinations.

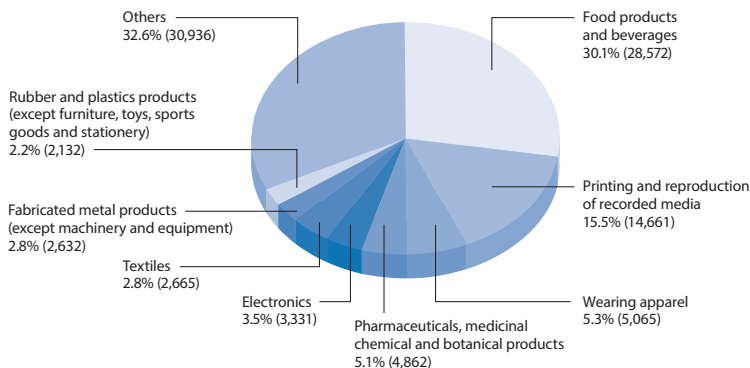
### Manufacturing

With the relocation and expansion of manufacturing activities offshore since the 1980s, Hong Kong's role has evolved into a command and control centre with an increasingly globalised production network. Domestic manufacturing contributed 1.2 per cent of Gross Domestic Product (GDP) in 2015 and provided employment for 97,700 people in 2016, making up 2.6 per cent of overall employment.

Food and beverage producers were the largest employers in the manufacturing sector as at December 2016, followed by employers in the printing and reproduction of recorded media industries. Chart 1 shows the breakdown of manufacturing employment.

Chart 1

Number of People Employed by Manufacturing Sector as at December 2016



## Services

Hong Kong is one of the world's most service-oriented economies. The services sector's share of GDP rose from 91.8 per cent in 2006 to 92.6 per cent in 2015, and accounted for 88.3 per cent of total employment in 2016.

In 2016, Hong Kong's total services trade amounted to \$1,342 billion, the world's 17th largest in value. The territory exported \$764 billion worth of services, contributing to 30.7 per cent of GDP, compiled based on the change of ownership principle. It ranked fifth in the region after China, Japan, India and Singapore in total value of services exported, and 15th in the world.

The main components of Hong Kong's exports of services in 2016 were in travel and transport, accounting for 33.3 per cent and 28.5 per cent respectively of the total value. The territory is a net exporter of services and had an overall surplus of \$186.1 billion in 2016, recording surpluses of \$66.9 billion and \$84.7 billion in travel and transport respectively.

## Inward Direct Investment

According to the United Nations Conference on Trade and Development's World Investment Report 2016, Hong Kong was the second largest recipient of foreign direct investment (FDI) flow in the world in 2015, after the US. The External Direct Investment Statistics of Hong Kong 2015, released by the Census and Statistics Department, indicated Hong Kong's FDI inflow in 2015 amounted to \$1,403.6 billion. At the end of 2015, the position of direct investment liabilities<sup>1</sup> totalled \$13,697.3 billion. Chart 2 shows selected major investor countries and territories of the inward direct investment. The British Virgin Islands was the largest, accounting for 35.1 per cent of the total. Chart 3 shows the major economic activities of Hong Kong enterprise groups<sup>2</sup>. Those engaged in investment and holding, real estate, professional and business services took up the largest share, at 67.5 per cent of the total.

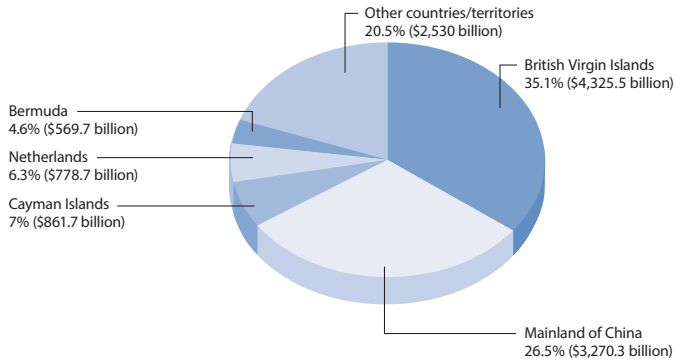
As at June 2016, Hong Kong was host to 7,986 overseas, Mainland and Taiwanese companies, of which 3,731 operated regional headquarters or regional offices here.

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<sup>1</sup> According to the latest international statistical standards, the FDI inflow and the position of direct investment liabilities presented in this paragraph are compiled based on the asset/liability principle, while detailed inward direct investment figures analysed by selected major country/territory and by major economic activity of Hong Kong enterprise groups presented in charts 2 and 3 respectively are based on the directional principle. Owing to the adoption of different presentation principles, the aggregate position of direct investment liabilities is different from the overall totals of the detailed inward direct investment figures by selected major country/territory or by major economic activity of Hong Kong enterprise groups.

<sup>2</sup> A Hong Kong enterprise group consists mainly of a Hong Kong parent company and its Hong Kong subsidiaries, associates and branches.

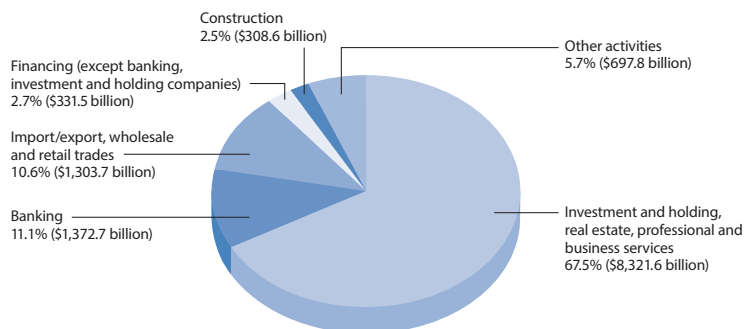
**Chart 2** Position of Hong Kong's Inward Direct Investment at Market Value by Selected Major Investor Country/Territory# at end-2015



Notes: # Selected based on the position of Hong Kong's inward direct investment from individual investor countries/territories in recent years.

Due to rounding, the total percentage does not equal to 100.

**Chart 3** Position of Hong Kong's Inward Direct Investment at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2015



## Institutional Framework

### Commerce, Industry and Tourism Branch

The Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau formulates and coordinates 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, Customs and Excise Department, Intellectual Property Department, Hongkong Post and Hong Kong Observatory. It is also supported by Hong Kong's overseas Economic and Trade Offices (ETOs).

### ***Trade and Industry Department***

The Trade and Industry Department handles the HKSAR's commercial relations with its trading partners, and protects Hong Kong's trading rights and trade interests.

Domestically, the department provides locally based trade and industry organisations and businesses with services that include issuing certificates of origin, export and import licences and certificates of Hong Kong service suppliers. It offers general support services to various sectors, in particular SMEs, and provides local enterprises with trade information and advice on changes in major trading partners' import regulations.

### ***Invest Hong Kong***

Invest Hong Kong (InvestHK) is responsible for attracting and retaining FDI that is of strategic importance to the territory's economic development. It supports overseas, Mainland and Taiwanese companies to set up and expand their operations in Hong Kong. Investment promotion activities are conducted worldwide through its 15 Investment Promotion Units in overseas and Mainland ETOs, the Beijing Office and the Hong Kong Economic, Trade and Cultural Office in Taiwan, as well as its overseas consultants in another 15 strategic global locations.

### ***Customs and Excise Department***

The Customs and Excise Department enforces certain trade control systems for the issue of certificates of origin, including those under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); the import and export of strategic commodities, pharmaceutical products and medicines, reserved commodities, rough diamonds and other prohibited articles; as well as compliance with the Chemical Weapons Convention. It collects import and export declarations, declaration charges and clothing levies, and enforces statutory controls.

The department also enforces the criminal laws that protect copyrights and trade marks, and consumer protection legislation relating to the safety of consumer goods, fair trade practices 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, gives expert advice on policy and legislation related to intellectual property, provides civil legal advice on intellectual property to the government, and promotes public awareness of and respect for intellectual property rights. It also facilitates and promotes the development of Hong Kong as a premier intellectual property trading hub in the region.

## Overseas Hong Kong Economic and Trade Offices

There are 12 overseas Hong Kong ETOs, located in Berlin, Brussels, Geneva, Jakarta, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington. The Geneva office mainly represents 'Hong Kong, China' as a member of the World Trade Organisation (WTO) and as a participant to the Trade Committee of the Organisation for Economic Cooperation and Development (OECD) headquartered in Paris. The other 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 businesses, politicians, government bodies, think tanks and the news media. They organise events regularly to promote Hong Kong's image, and those with Investment Promotion Units also offer support to individual enterprises interested in setting up or expanding their presence in Hong Kong.

The Brussels ETO represents Hong Kong's overall economic and trade interests in Europe, particularly in dealings with the European Union, including the European Commission and European Parliament. It also promotes Hong Kong's bilateral relations with 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 office. 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 US. It monitors federal government policies and legislation that may have implications on Hong Kong's economic and trade relationships with the US. The New York and San Francisco ETOs promote Hong Kong's economic and trade interests in 31 eastern states and 19 western states of the US respectively.

The offices 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 South Korea. In order to tap into emerging markets among the Association of South-East Asian Nations (ASEAN), a new office was set up in Jakarta in 2016. The Jakarta ETO represents the HKSAR Government in matters between Hong Kong and ASEAN as a whole, and handles in particular matters between Hong Kong and Indonesia, Malaysia, Brunei Darussalam and the Philippines, while the Singapore ETO is responsible for strengthening economic ties between Hong Kong and Singapore, Cambodia, Laos, Myanmar, Thailand and Vietnam.

Promotional activities organised by the Hong Kong ETOs are described in the 'Promoting Hong Kong Worldwide' section of Chapter 17 Media and Communications.

## External Commercial Relations

### *Participation in World Trade Organisation*

The rule-based multilateral trading system under the auspices of the WTO is the cornerstone of Hong Kong's external trade policy. Hong Kong is a founding member of the WTO and has continued its separate membership under the name 'Hong Kong, China', since the establishment of the HKSAR. It takes part actively in the multilateral and plurilateral trade negotiations with a view to seeking greater market access for its services and goods.

### ***Regional Economic Cooperation***

Hong Kong plays an active role in enhancing regional economic cooperation. It takes part as a full and separate member in the Asia-Pacific Economic Cooperation (Apec), a regional forum for high-level dialogue and trade and economic cooperation, under the name 'Hong Kong, China'. In November, the Chief Executive, Mr C Y Leung, and the Secretary for Commerce and Economic Development, Mr Gregory So Kam-leung, represented Hong Kong in Lima, Peru, at the 24th Apec Economic Leaders' Meeting and 28th Apec Ministerial Meeting respectively. Hong Kong conducted about 84 per cent of its external trade with the other 20 Apec member economies during the year.

The Pacific Economic Cooperation Council 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 Cooperation advises on and coordinates Hong Kong's participation in the council and plays an active role in the council's activities.

### ***Organisation for Economic Cooperation and Development***

Hong Kong takes part in the Trade Committee and the Committee on Financial Markets of the OECD, which are important forums for discussing policies on international trade and financial services.

### ***Plurilateral and Bilateral Trade Agreements***

To secure more favourable market access for Hong Kong goods and services, the government pursues free trade agreements (FTAs) with trading partners. In 2016, Hong Kong carried on its FTA negotiation with ASEAN and discussions with Macao on a closer economic partnership arrangement. It started FTA negotiations with Georgia and the Maldives in September. Negotiations with some WTO members on a Trade in Services Agreement and an Environmental Goods Agreement continued. These agreements seek to enhance trade and investment flows between Hong Kong and relevant markets, generate new opportunities for Hong Kong businesses, and boost economic growth.

### ***CEPA with Mainland***

The Mainland's economic and trade growth has boosted Hong Kong's trade in goods and services. Since the signing of CEPA in 2003, the two sides have continuously broadened CEPA's coverage and deepened liberalisation on trade in services. The Agreement on Trade in Services signed under the CEPA framework to basically achieve liberalisation of trade in services between Hong Kong and the Mainland was implemented on 1 June 2016. This agreement opens up 153 service sectors on the Mainland to Hong Kong service suppliers, accounting for 95.6 per cent of all services sectors according to the WTO's classification.

Under CEPA, the Mainland applies zero tariff to all imported goods of Hong Kong origin that meet agreed CEPA rules of origin. As at end-2016, the rules of origin for some 1,820 products had been agreed.

The government offers a \$1 billion BUD fund to help Hong Kong enterprises enhance competitiveness and further business development on the Mainland through developing brands, upgrading and restructuring operations, and promoting domestic sales.

### ***Bilateral Investment Promotion and Protection Agreements***

Hong Kong has 19 Investment Promotion and Protection Agreements (IPPAs) with other economies to assure overseas investors their investments in Hong Kong are protected and to enable Hong Kong investors to enjoy similar protection overseas. These include the Hong Kong-Canada IPPA, which came into force in 2016, and an investment agreement signed with Chile in the same year. Hong Kong concluded IPPA negotiations with Bahrain, Myanmar and the United Arab Emirates, while negotiations with the Russian Federation, Iran and Mexico were under way. Hong Kong also announced its intent to launch IPPA negotiations with India.

### ***Trade in Goods***

In 2016, the Customs and Excise Department carried out 25,293 factory and consignment inspections and concluded 135 investigations to ensure compliance with factory registration conditions, and import and export licensing requirements. The department also conducted 51 blitz operations on consignments of goods at various import and export control points. It successfully prosecuted 43 companies and 28 offenders, leading to fines totalling \$1.63 million and imprisonment sentences of up to 72 days.

### ***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 the territory 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 cooperates closely with its trading partners to keep abreast of international developments on strategic trade controls and to make sure its control arrangements complement those of its trading partners.

In 2016, the Customs and Excise Department investigated 192 cases of unlicensed import and export of strategic commodities and prosecuted 52 companies and one offender, resulting in fines totalling \$1.18 million. Goods valued at \$11 million were confiscated.

### ***Customs Cooperation***

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 seconded one officer each to the WCO Compliance and Facilitation Directorate in Brussels, Belgium, the WCO Regional Intelligence Liaison Office for Asia and the Pacific in Seoul, South Korea, and the WCO Asia Pacific Regional Office for Capacity Building in Bangkok, Thailand. They help take forward the WCO's initiatives.



Local companies that satisfy the department's security standards under the Hong Kong Authorised Economic Operator Programme may be accredited as authorised economic operators and enjoy customs facilitation, including less inspection and prioritised clearance of their goods. To provide authorised economic operators with more clearance benefits at the international level, the department has concluded mutual recognition arrangements with the customs administrations of the Mainland, India, Japan, Malaysia, Singapore, South Korea and Thailand. It will continue to develop more of such arrangements with the territory's trading partners.

The department cooperates with other law enforcement agencies and holds regular meetings with them to exchange intelligence and experience on enforcement. It has bilateral cooperation arrangements with a number of customs administrations.

### **Inward Investment Promotion**

In 2016, InvestHK helped a record 391 overseas, Mainland and Taiwanese companies set up or expand operations in Hong Kong, involving direct investment of more than \$16.3 billion and the creation of over 3,900 new jobs within the first year of their operation or expansion<sup>3</sup>.

InvestHK promotes the territory's business advantages by holding investment promotion activities in key markets on the Mainland and overseas, and through sponsoring events such as Art Basel and Cosmoprof. In November, it organised a joint event with Guangdong Province in Paris, France, to promote advantages offered by the economic integration of Hong Kong and the Pearl River Delta region. Promotional programmes were also carried out in high-growth Mainland cities, including Beijing, Xian, Tianjin, Chongqing, Xiamen, Wuhan, Changzhou and Baotao, to promote Hong Kong as the ideal platform for Mainland companies to go global. InvestHK completed 82 projects from the Mainland, representing 21 per cent of its total number of completed projects.

The StartmeupHK initiative under InvestHK aims to attract global start-ups to set up business in Hong Kong and to promote the territory as a leading hub for start-ups and entrepreneurship. It established a financial technology team in 2016 to organise international events to showcase Hong Kong as a worldwide hub for financial technology and to help start-ups, investors and R&D institutions establish their presence in the territory.

### **Industrial Policy**

Hong Kong's competitive edge, coupled with the government's 'appropriately proactive' approach, makes it well placed to diversify local industries to meet residents' aspirations for start-up initiatives, investment, business operation and employment. The government seeks to increase business volume, diversify the products and services of existing industries, and identify new areas for development.

The Economic Development Commission, led by the Chief Executive, studies and considers the overall strategy and policy to broaden Hong Kong's economic base and to enhance economic

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<sup>3</sup> As reported by some of the companies assisted by InvestHK. Not all the companies disclosed their data.

growth and development. The commission's four working groups, responsible for transport; convention and exhibition industries and tourism; manufacturing industries, innovative technology, and cultural and creative industries; and professional services, are submitting specific recommendations for these industries progressively for the government's consideration.

### Small and Medium Enterprises

Small and medium enterprises are manufacturing businesses that employ fewer than 100 people and non-manufacturing businesses employing fewer than 50 people in Hong Kong. The territory has about 320,000 SMEs, representing over 98 per cent of all local enterprises and employing nearly 1.3 million people. The Trade and Industry Department's funding schemes help SMEs secure loans from lending institutions, expand export markets and enhance their competitiveness.

### Protection of Intellectual Property Rights

Hong Kong maintains a robust regime for protecting intellectual property rights that features comprehensive legislation, convenient registration systems, rigorous enforcement and continuous public education programmes. This has earned the territory a reputation for effective protection of intellectual property.

#### Registration

The Intellectual Property Department provides electronic services that enable efficient and cost-effective registration and management through the internet. Its registers are maintained in electronic format, allowing free data searches in Chinese or English, while the electronic filing system enables intellectual property owners or agents to file their applications securely.

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 registry records. The electronic services have been well received. In 2016, electronically filed trade mark applications accounted for 64 per cent of the total number of trade mark applications, 2 per cent more than the previous year's, while electronic filings for patent and design applications remained at 81 per cent and 77 per cent respectively.

#### Trade Marks

In 2016, the Trade Marks Registry received 36,181 applications and registered 35,504 marks. The number of registrations was 5.3 per cent fewer than in 2015. Out of the 117 countries and regions that filed applications, the principal ones were:

Hong Kong	13,336	France	838
Mainland	6,550	United Kingdom	826
US	3,823	Germany	814
Japan	2,350	Switzerland	729
South Korea	1,205	British Virgin Islands	582

The register had 382,688 registered marks at the end of the year.

### **Patents**

The Patents Ordinance provides for the grant of standard patents based on the corresponding patents granted by one of three designated patent offices, namely the State Intellectual Property Office of China, United Kingdom Patent Office, and European Patent Office in respect of patents designating the United Kingdom. It also provides for the grant of short-term patents upon formality examination. The Patents Registry received 14,092 standard patent applications and 762 short-term patent applications in 2016. It granted 5,698 standard patents and 485 short-term patents, representing a decrease of 4.4 per cent and 2 per cent respectively compared with 2015.

In June 2016, the Legislative Council passed the Patents (Amendment) Bill 2015 to provide for the fundamental legal framework for reforming the local patent system. This is significant in facilitating Hong Kong's development into an IP trading hub and a regional innovation and technology hub.

### **Registered Designs**

In 2016, the Designs Registry received 2,515 applications for the registration of 4,936 designs and registered 4,432 designs, a 5.7 per cent decrease from 2015.

### **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.

### **Enforcement**

The Customs and Excise Department enforces criminal sanctions against the 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.

In addition to targeted raids, officers carry out intensive and high-profile patrols in high-risk areas to deter the peddling of pirated and counterfeit goods, including street sales. In 2016, the department arrested 158 people in 124 piracy cases and confiscated goods, mostly pirated optical discs, worth \$2.7 million. It also seized counterfeit goods worth \$158 million and arrested 650 people in 809 cases of forged trade marks.

### **Customs-Business Partnership**

To help effective enforcement against piracy and counterfeiting activities, the department liaises closely with businesses to promote intellectual property rights protection.

### **Public Education**

The Intellectual Property Department promotes the value of intellectual property trading and the importance of protecting intellectual property rights. In 2016, nine trade associations with

1,052 retail merchants, covering 6,685 outlets, took part in its 'No Fakes Pledge' scheme. Through school visit and interactive drama programmes, the department also reached out to 200 schools and 54,258 students.

### ***Intellectual Property Trading***

The Working Group on Intellectual Property Trading recommended 28 measures in 2015 to develop Hong Kong as a premier regional intellectual property trading hub under four strategic areas: enhancing the intellectual property protection regime; supporting intellectual property creation and exploitation; fostering intellectual property intermediary services and manpower capacity; and pursuing promotion, education and external collaboration. The Intellectual Property Department has implemented a number of support measures, such as launching an intellectual property consultation service, an intellectual property manager scheme and public education campaigns that include videos showcasing success stories. The department is also sponsoring and promoting training courses related to intellectual property organised by stakeholders, and plans to conduct a survey on the manpower engaged in intellectual property trading and management in Hong Kong.

### ***Cooperation with Mainland***

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

The Customs and Excise Department maintains close cooperation 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.

### ***Participation in International Organisations***

The Intellectual Property Department takes part in international forums, including events of the WTO's Council for Trade-related Aspects of Intellectual Property Rights and the World Intellectual Property Organisation, and represents Hong Kong, China, at international and regional symposiums and conferences, including meetings of the Apec Intellectual Property Experts Group.

### ***Business Facilitation***

The Business Facilitation Advisory Committee and its task forces advise 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 advisory committee is made up of representatives from the business, academic, professional and political sectors and senior government officials from the relevant bureaus.

Business Liaison Groups foster communication between the government bureaus and departments and the major business sectors and help resolve regulatory and licensing matters at the operational level. A business consultation e-platform, [www.gov.hk/bizconsult](http://www.gov.hk/bizconsult), helps businesses to access information on proposed regulations, administrative measures and procedures that would affect business, and to offer their comments.

Thirty government bureaus and departments involved in providing licensing services to businesses take part in the government's 'Be the Smart Regulator' programme, aimed at improving the efficiency, transparency and business-friendliness of the licensing system. The programme is coordinated jointly by the Efficiency Unit under the Chief Secretary for Administration's Office and the Business Facilitation Division of the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office. The division also supports the work of the advisory committee and its task forces.

### **Trade Documentation**

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

Hong Kong maintains an origin certification system to facilitate its exports to external markets.

### **Road Cargo System**

The Customs and Excise Department's Road Cargo System facilitates customs clearance through prior risk-profiling. It requires a shipper or his agent to submit a few items of cargo information electronically through the system 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 and Single E-lock Scheme**

The Intermodal Transshipment Facilitation Scheme (ITFS) simplifies customs clearance procedures for air-land and sea-land intermodal transshipment cargo. Enrolment is voluntary. Participating enterprises convey their transshipment cargo using goods vehicles installed with electronic locks and Global Positioning System devices recognised by the department. The cargo will normally undergo inspection only once, if selected at all, at the point of entry or exit.

The Single E-lock Scheme further streamlines customs clearance procedures through connecting the ITFS with the Speedy Customs Clearance System operated by the Guangdong Customs. This uses the same mutually recognised electronic lock to minimise duplicate inspections of the same consignment at the boundary.

### **Free Trade Agreement Transshipment Facilitation Scheme**

The Free Trade Agreement Transshipment Facilitation Scheme provides for consignments passing through Hong Kong to enjoy preferential tariffs under FTAs signed between the

Mainland and her trading partners. The department supervises the transshipment and issues a Certificate of Non-manipulation enabling traders to claim preferential tariff from the authorities at the importing end.

### ***Government Electronic Trading Services***

The Government Electronic Trading Services allows the trading community to submit certain trade-related documents electronically to fulfil statutory obligations in a cost-effective and environmentally friendly manner. Three government-appointed operators provide the services, which processed about 20 million transactions in 2016.

### ***Trade Single Window***

At present, the import and export trade submits trade documents to the government through different platforms, including the Government Electronic Trading Services. To maintain Hong Kong's trading competitiveness and position as a logistics hub, the government announced in the 2016-17 Budget Speech that it would establish a Trade Single Window to allow one-stop lodging of all 50-plus trade submissions with the government for trade declaration and customs clearance purposes. The Trade Single Window may connect with other governments' systems and with trade information platforms run by the private sector. The government set up a project management office in 2016 to coordinate among relevant departments, engage the industries and prepare a detailed design and implementation programme, and conducted a public consultation exercise between April and July. The first phase of the Trade Single Window is expected to be launched in 2018.

## **Trade and Industrial Support Organisations**

### ***Hong Kong Trade Development Council***

The statutory Hong Kong Trade Development Council (HKTDC) promotes, assists and develops trade with places outside Hong Kong. With more than 40 offices globally, including 13 on the Mainland, it promotes the territory as a platform for doing business with the Mainland, throughout Asia and the world.

The HKTDC organises international exhibitions, conferences and business missions to help companies, particularly SMEs, seize business opportunities on the Mainland and in international markets, while providing market information via trade publications, research reports and digital channels.

### ***Hong Kong Export Credit Insurance Corporation***

The statutory Hong Kong Export Credit Insurance Corporation encourages and supports export trade by providing insurance protection for Hong Kong exporters against non-payment risks arising from commercial and political events. It also offers a free buyer credit assessment service to help local exporters seize business opportunities.

In 2016, the corporation's total insured business increased 15.7 per cent to \$125 billion, while gross premium income gained 6.2 per cent to \$282.9 million amid the modest global economy. Payments over cash claims rose 37.6 per cent to \$72.4 million. To help SMEs reduce operating

costs and explore new markets, the corporation waived its annual policy fee permanently and offered a premium discount under its small business policy from 1 March.

### ***Other Trade and Industrial Support Organisations***

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

## **Creative Industries**

### ***Create Hong Kong***

Create Hong Kong (CreateHK) under the Commerce and Economic Development Bureau's Communications and Creative Industries Branch aims to drive the development of creative industries by:

- nurturing a pool of creative human capital,
- facilitating start-ups and the development of creative establishments,
- generating demand for innovation and creativity and expanding the local market for creative industries,
- promoting creative industries on the Mainland and overseas to explore outside markets,
- fostering a creative atmosphere within the community,
- developing creative clusters to generate synergy and facilitate exchanges, and
- sponsoring signature events to promote Hong Kong as Asia's creative capital.

### ***CreateSmart Initiative***

CreateHK's CreateSmart Initiative supports the promotional and educational projects of various creative sectors. It provided \$235.6 million to 42 such projects in 2016.

### ***Film Development Fund***

The Film Development Fund under CreateHK provides funding support to small-to-medium budget film productions for commercial release and projects conducive to the long-term development of the local film industry. In 2016, it approved total funding of \$29.3 million to four film productions for commercial release and 15 other film-related projects beneficial to the healthy and long-term development of the industry.

### ***Creative Talent***

CreateHK funds a Design Incubation Programme to nurture design start-ups. By end-2016, the programme had admitted more than 180 start-ups since its launch in 2006. A new phase of the

programme was launched in August with a view to recruiting 90 incubatees in the next three years.

Other programmes sponsored by CreateHK to nurture creative talent include the First Feature Film Initiative, which provided funding for the two winning teams in its screenplay and production proposal competition in 2016 to make their first feature films. Eleven winners of the Hong Kong Young Design Talent Award 2016 received sponsorship to undertake overseas studies or work attachments.

CreateHK's Fourth Animation Support Programme provides resources, training and mentorship to 15 animation start-ups and small animation enterprises. Its Third Microfilm Production Support Scheme (Music) supports 18 new advertising production companies to produce original music microfilms while offering more performance and exposure opportunities to budding singers.

### **Creative Events**

CreateHK works closely with stakeholders to foster an environment conducive to the development of creative industries. In particular, it helps industry groups organise major creative events to engage the public and to attract enterprises, talent and academics in creative industries round the world to visit Hong Kong. Initiatives and events in 2016 included the:

- Second Hong Kong-Shenzhen Design Biennale;
- Entertainment Expo Hong Kong, coordinated by the HKTDC;
- Business of Design Week;
- Fashion Asia 2016 Hong Kong;
- 17th Asian Congress of Architects; and
- Fifth Hong Kong Comic Camp, featuring comic artists from Hong Kong, Guangdong, Macao and Taiwan.

### **Mainland, Taiwan and Overseas Promotions**

CreateHK promotes the accomplishments of Hong Kong's creative industries to the Mainland, Taiwan and overseas countries and helps them explore new markets.

Hong Kong ETOs organise Hong Kong film festivals in major overseas cities to promote the territory as a film production centre. CreateHK takes part in major international events, including exhibitions, to promote location filming in Hong Kong, and helped 23 non-local production crews carry out shooting in the territory in 2016.

CreateHK provides funding to the trade to take part in major international events that open up opportunities to target potential clients in strategic markets. The publishing and printing sectors set up a Hong Kong pavilion at international book fairs in Bologna, Frankfurt and Taipei



to showcase their achievements. Hong Kong designs were displayed at Paris Fashion Week 2016 and Ambiente 2016 in Frankfurt. The development of Hong Kong comics was introduced at the 2016 Angouleme International Comics Festival in France. The Hong Kong Week 2016 in Taipei showcased works of over 50 Hong Kong fashion designers.

### **International Awards**

CreateHK supports the participation of local creative talent and creative works in international competitions and promotional events to help them gain exposure and recognition overseas, and to raise the global profile of Hong Kong and its creative industries. As at end-2016, local creative talent and companies sponsored by CreateHK had won about 180 awards.

To recognise design excellence, CreateHK funds awards including the Design for Asia Awards, EcoChic Design Awards, Global Design Awards, Greater China Illustration Awards and Hong Kong Smart Gifts Design Awards.

### **Creative Clusters**

CreateHK supports the promotional efforts of PMQ and the Comix Home Base, with a view to generating greater awareness of both creative landmarks. PMQ in Central provides studio shops for young designers to display and sell their creative products, while serving as a venue for creative events such as deTour 2016. The Comix Home Base in Wan Chai celebrated its third anniversary in 2016 with a series of animation and comic-related programmes.

### **Film Development Council**

The Film Development Council advises the Secretary for Commerce and Economic Development on policy, strategy and institutional arrangements for the promotion and development of the film industry; the use of public funds to support the industry; the planning, coordination and implementation of film-related activities; the industry's manpower and training needs; and the promotion of film literacy in Hong Kong. The council is chaired by a non-official member and consists mainly of members of the film industry.

## **Consumer Protection**

### **Consumer Council**

The statutory Consumer Council protects and promotes the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property. It comprises 22 government-appointed members, including the chairman and vice-chairman.

The council tests consumer products, conducts market surveys, monitors prices and trade practices, handles complaints and enquiries, advises the government and public authorities on consumer protection, and raises awareness of consumer rights. It maintains close contact with its counterparts round the world to promote and protect consumer interests, and administers the Consumer Legal Action Fund, which enhances consumer access to legal remedies.

In 2016, the council received 25,098 consumer complaints and 86,188 consumer enquiries, and completed 42 product tests, 31 surveys and 22 in-depth studies. It published the findings and disseminated practical consumer advice in its monthly magazine, Choice.

### **Enforcement of Legislation**

The Customs and Excise Department enforces the Consumer Goods Safety Ordinance, Toys and Children's Products Safety Ordinance, Trade Descriptions Ordinance, and Weights and Measures Ordinance.

The Toys and Children's Products Safety Ordinance is updated regularly to ensure toys and other children's products supplied in Hong Kong comply with operative, up-to-date international safety standards. Updated safety standards for items listed in Schedule 2 of the ordinance came into effect in October.

The department carries out spot checks and investigations to ensure toys, children's products and consumer goods supplied locally are safe and 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 other unfair trade practices over goods and services. In 2016, the department carried out 8,815 spot checks and concluded 345 enforcement cases.

The Government Laboratory provides analytical and advisory services to the department in the enforcement of consumer protection legislation. In 2016, the laboratory carried out 34,032 tests to check the compliance of toys, children's products and consumer goods with safety standards, and to determine the weight of retail goods. Where necessary, it conducted on-site investigations in support of the enforcement of the Weights and Measures Ordinance. The laboratory also carried out 4,642 tests to examine the authenticity of commodities and the correctness of trade descriptions as part of investigations under the Trade Descriptions Ordinance.

### **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. 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 of up to two years. In 2016, the departments issued 19,935 licences and certificates and initiated 154 prosecutions.

### **Websites**

Business consultation e-platform: [www.gov.hk/bizconsult](http://www.gov.hk/bizconsult)  
Commerce and Economic Development Bureau: [www.cedb.gov.hk](http://www.cedb.gov.hk)  
Consumer Council: [www.consumer.org.hk](http://www.consumer.org.hk)  
Create Hong Kong: [www.createhk.gov.hk](http://www.createhk.gov.hk)  
Environment Bureau: [www.enb.gov.hk](http://www.enb.gov.hk)  
Film Development Council: [www.fdc.gov.hk](http://www.fdc.gov.hk)  
Film Services Office: [www.fso-createhk.gov.hk](http://www.fso-createhk.gov.hk)  
Intellectual Property Department: [www.ipd.gov.hk](http://www.ipd.gov.hk)  
Special Effects Licensing Unit: [www.createhk-esela.gov.hk](http://www.createhk-esela.gov.hk)