

Chapter 5

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 and 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 and works at enhancing customs clearance efficiency while maintaining effective control. Hong Kong also adopts an open and liberal investment policy and proactively encourages inward investment.

Merchandise Trade Performance

Hong Kong's external trade grew notably in 2018. Total merchandise trade increased 7.9 per cent to \$8,879.5 billion compared with 2017. Total exports increased 7.3 per cent to \$4,158.1 billion, while imports increased 8.4 per cent to \$4,721.4 billion. The territory's biggest trading partner was the Mainland, followed by the United States and Taiwan. A summary of external merchandise trade statistics is in table 13 of Appendix 6. In 2018, Hong Kong was the world's seventh largest trading entity in terms of value of merchandise trade.

Total Exports

In 2018, electrical machinery, apparatus and appliances and electrical parts thereof worth \$1,585.6 billion were the principal commodities exported, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$777.3 billion) and office machines and automatic data processing machines (\$448.3 billion). The Mainland, the US and India were the main destinations, accounting for 55 per cent, 8.6 per cent and 3.2 per cent respectively of the total value of total exports.

Imports

In 2018, electrical machinery, apparatus and appliances and electrical parts thereof constituted the largest share of total imports at \$1,758 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$742.8 billion) and office machines and automatic data processing machines (\$422.5 billion). The Mainland, Taiwan and Singapore were Hong Kong's major suppliers, accounting for 46.3 per cent, 7.2 per cent and 6.7 per cent respectively of the total value of imports.

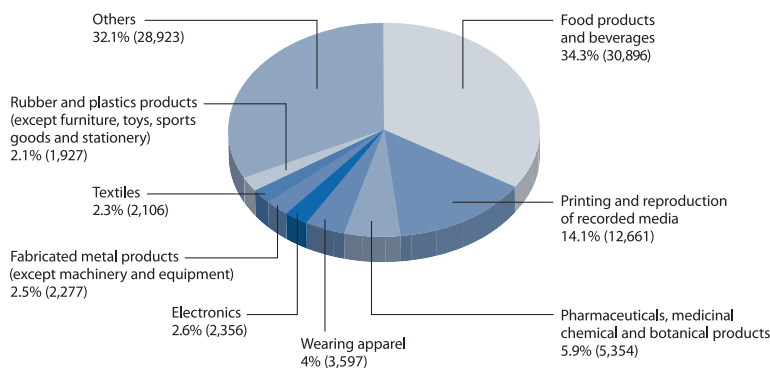
Manufacturing

Hong Kong is a command and control centre for manufacturing with a globalised production network. Domestic manufacturing contributed 1.1 per cent of Gross Domestic Product (GDP) in 2017 and provided employment for 91,900 people in 2018, making up 2.4 per cent of overall employment.

Food and beverage producers are the largest employers in the manufacturing sector, 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 2018



Services

Hong Kong is one of the world's most service-oriented economies. The services sector's share of GDP in 2017 was 92.4 per cent and it provided employment for 3,419,400 people, making up 88.3 per cent of total employment in 2018.

In 2018, Hong Kong's total services trade amounted to \$1,528.2 billion, the world's 17th largest in value. The territory exported \$892.3 billion worth of services, contributing to 31.4 per cent of GDP, compiled based on the change of ownership principle. It ranked fifth in the region after the Mainland, 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 were in travel and transport, accounting for 32.2 per cent and 28.7 per cent respectively of the total value. The territory is a net exporter of services and had an overall surplus of \$256.3 billion during the year, recording surpluses of \$80 billion and \$112.5 billion in travel and transport respectively.

Inward Direct Investment

According to the United Nations Conference on Trade and Development's *World Investment Report 2018*, Hong Kong was the third largest recipient of foreign direct investment (FDI) flow in the world in 2017, after the US and the Mainland. The report entitled *External Direct Investment Statistics of Hong Kong 2017*, released by the Census and Statistics Department, indicated Hong Kong's FDI inflow in 2017 amounted to \$979.6 billion. At the end of 2017, the position of direct investment liabilities¹ totalled \$16,943.5 billion. Chart 2 shows selected major investor countries and territories of inward direct investment. The British Virgin Islands was the largest, accounting for 32.8 per cent of the total. Chart 3 shows the major economic activities of Hong Kong enterprise groups² having received inward direct investment. Those engaged in investment and holding, real estate, professional and business services took up the largest share, at 69.7 per cent of the total.

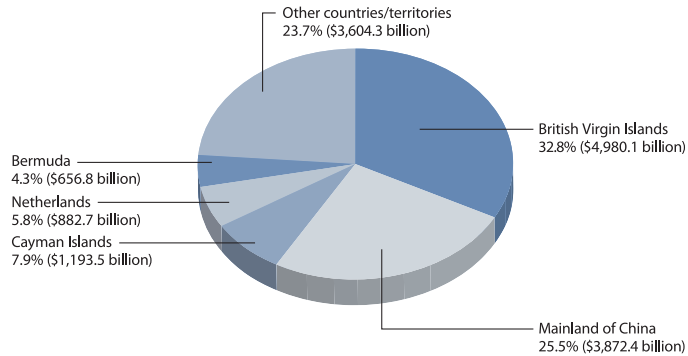
A survey covering some 8,700 companies in Hong Kong with parent companies located outside Hong Kong found 3,955 of them had regional headquarters or regional offices here as at June 2018.

¹ 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.

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

Chart 2

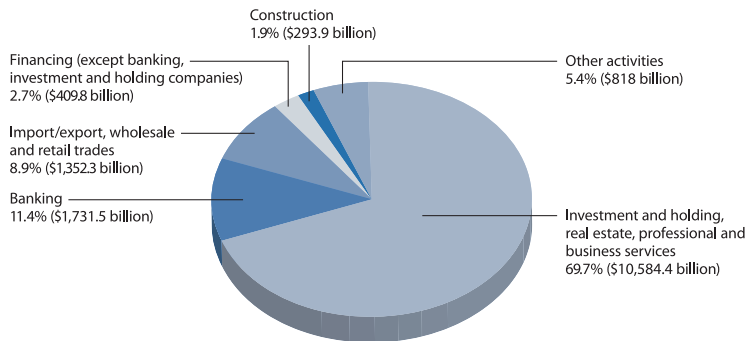
Position of Hong Kong's Inward Direct Investment at Market Value by Selected Major Investor Country/Territory# at end-2017



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

Chart 3

Position of Hong Kong's Inward Direct Investment at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2017



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 sets the overall policy for the HKSAR's participation in the Belt and Road (B&R) Initiative and coordinates the work of the HKSAR Government on the initiative, and 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, including issuing certificates of origin, import and export licences and certificates of Hong Kong service suppliers. It offers general support to various sectors, in particular SMEs, and provides local enterprises with trade information and advice on changes in major trading partners' trade-related laws and regulations.

Invest Hong Kong

Invest Hong Kong (InvestHK) aims to attract and retain 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 16 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 14 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) and other free trade agreements (FTAs) signed with Hong Kong's trading partners; 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 the clothing industry training levy, 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 professional advice on policy and legislation related to intellectual property, provides civil legal advice on intellectual property matters to the government, and promotes public awareness of and respect for intellectual property rights. It also takes forward measures to promote the development of Hong Kong as an intellectual property trading hub in the Asia-Pacific 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 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 promote Hong Kong's economic and trade interests by enhancing understanding of Hong Kong among opinion-formers; monitoring developments that may affect Hong Kong's economic and trade interests; and liaising with government bodies, politicians, businesses, think tanks and the 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, and is also the base of Hong Kong's representative to the International Maritime Organisation. The Berlin ETO fosters economic and trade ties between Hong Kong and eight countries in central and eastern Europe.

The Washington ETO represents Hong Kong's economic and trade interests in the US, monitors developments that may affect Hong Kong's interests and promotes Hong Kong's bilateral relations 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 Korea. The Jakarta ETO represents the HKSAR Government in matters between Hong Kong and the Association of Southeast Asian Nations as a whole, and in particular matters with Indonesia, Brunei Darussalam, Malaysia and the Philippines, while the Singapore ETO is responsible for strengthening economic ties with Singapore, Cambodia, Laos, Myanmar, Thailand and Vietnam.

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

To consolidate and enhance Hong Kong's status in the international trade market and to explore new business opportunities, preparations are under way to set up new ETOs, including one in Bangkok, Thailand, to be opened in early 2019.

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. In November, Hong Kong completed its latest WTO Trade Policy Review. WTO members generally commended Hong Kong for its free and open trade policies and its unwavering support for the multilateral trading system.

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, Mrs Carrie Lam, and the Secretary for Commerce and Economic Development, Mr Edward Yau Tang-wah, represented Hong Kong in Port Moresby, Papua New Guinea, at the 26th APEC Economic Leaders' Meeting and the 30th 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.

Hong Kong also takes part in the non-governmental Pacific Economic Cooperation Council through the Hong Kong Committee for Pacific Economic Cooperation. The council comprises government officials, business leaders and academics, and works on policy issues to enhance trade, investment and economic development in the Pacific region.

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.

Free Trade Agreements

Hong Kong negotiates FTAs actively with foreign economies to secure more favourable market access for Hong Kong goods and services, thereby creating new opportunities for Hong Kong businesses and promoting free trade. In 2018, Hong Kong signed an FTA with Georgia, its fifth with foreign economies and the third one signed after the current term of government took office. Hong Kong also concluded FTA negotiations with Australia and the Maldives in the same year.

CEPA with Mainland

The Mainland's economic and trade growth boosts Hong Kong's trade in goods and services. Both sides work constantly to broaden the coverage of CEPA, signed in 2003, and to deepen liberalisation in trade and investment. In December 2018, the two sides signed the Agreement on Trade in Goods under the CEPA framework, consolidating and updating commitments on the liberalisation and facilitation of trade in goods under CEPA, and enhancing the arrangement for rules of origin to provide for the full implementation of zero tariffs on goods of Hong Kong origin exported to the Mainland. CEPA was thereby upgraded to a comprehensive FTA, covering the four major areas of trade in goods, trade in services, investment and economic and technical cooperation.

Participation in Belt and Road Initiative

The government adopts a whole-government approach and a five-pronged key strategy in the pursuit of the B&R Initiative, to establish Hong Kong as both a key link and the prime B&R service platform. The strategy comprises enhancing policy coordination, fully leveraging Hong Kong's unique advantages, making the best use of Hong Kong's position as a professional services hub, promoting project participation, and establishing partnership and collaboration.

In 2017-18, the government set up a joint conference mechanism with Mainland authorities in accordance with the Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative, signed in end-2017, to follow up on the implementation of measures set out in the arrangement.

Enterprises and professional services are encouraged to form strategic partnerships to go global en bloc. During the year, the government organised a seminar, Strategies and Opportunities under the Belt and Road Initiative – Leveraging Hong Kong's Advantages, in conjunction with the Belt and Road General Chamber of Commerce at the Great Hall of the People in Beijing; co-organised with the Hong Kong Trade Development Council (HKTDC) the 3rd Belt and Road Summit; and held sharing sessions with the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Commerce.

From time to time, the government and the HKTDC organise joint business and professional missions to B&R-related countries and regions. In March, the Secretary for Commerce and Economic Development led a 48-strong delegation to visit Cambodia and Vietnam.

The government equips the professional services sector to capitalise on opportunities and meet challenges brought by the B&R Initiative. In December, the Belt and Road Cross-Professional Advancement Programme was launched, spearheaded by the Hong Kong Polytechnic University with the support of professional associations and the Hong Kong Chinese Enterprises Association. The bureau held the Belt and Road: Hong Kong – IN forum on the same day.

Investment Promotion and Protection Agreements

Hong Kong has 20 investment promotion and protection agreements with 29 foreign economies to assure overseas investors that their investments in Hong Kong are protected and to enable Hong Kong investors to enjoy similar protection overseas. In 2018, Hong Kong concluded negotiations with Australia and the Maldives, continued negotiations with the Russian Federation and began negotiations with Turkey.

Trade in Goods

In 2018, the Customs and Excise Department carried out 28,808 factory and consignment inspections and concluded 141 investigations to ensure compliance with factory registration conditions and import and export licensing requirements. The department also conducted 42 blitz operations on consignments of goods at various import and export control points. It prosecuted 25 companies and eight offenders successfully, leading to fines totalling \$290,000.

Trade in Strategic Commodities

The Trade and Industry Department maintains a comprehensive law-based 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 works with its trading partners to keep abreast of international developments on strategic trade controls and to ensure its control arrangements abide by international standards.

In 2018, the Customs and Excise Department successfully prosecuted 53 companies and six offenders involving the unlicensed import and export of strategic commodities, resulting in fines totalling \$940,000. Goods valued at \$1.45 million were confiscated.

Customs Cooperation

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and the APEC's Sub-Committee on Customs Procedures. It 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, Korea, and the WCO Asia Pacific Regional Office for Capacity Building in Bangkok, Thailand.

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 reduced inspection and prioritised clearance of their goods. To provide authorised economic operators with more clearance benefits in other economies, the department has in place mutual recognition arrangements with the customs administrations of Australia, India, Japan, Korea, the Mainland, Malaysia, New Zealand, Singapore and Thailand.

The department shares intelligence and enforcement experience with other law enforcement agencies. It also maintains bilateral cooperation arrangements with a number of customs administrations.

Inward Investment Promotion

In 2018, InvestHK helped 436 overseas, Mainland and Taiwanese companies set up or expand operations in Hong Kong, involving direct investment of more than \$22.9 billion and the creation of over 5,200 new jobs within the first year of their operation or expansion³.

The department promotes the city's business advantages by organising investment promotion activities in Mainland and key overseas markets, and by sponsoring important events which will bring FDI to Hong Kong, including the Innovate Finance Global Summit and Forbes 30 Under 30 Asia. It organised a joint event in June with the Guangdong and Macao governments in

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

Paris, France, to promote the Guangdong-Hong Kong-Macao Greater Bay Area, and conducted programmes in the high-growth Mainland cities of Beijing, Chengdu, Chongqing, Fuzhou, Guangzhou, Hefei, Nanjing, Shanghai, Urumqi, Wuhan and Xiamen to promote Hong Kong as the ideal platform for Mainland companies to go global. InvestHK completed 101 investment projects from the Mainland during the year, representing 23 per cent of its total number of completed projects.

The StartmeupHK initiative under the department aims to attract global start-ups to set up business in Hong Kong, promote the territory as a leading hub for start-ups and entrepreneurship, and support the development of the local start-up ecosystem. It hosted the week-long StartmeupHK Festival in January to focus on different technological sectors, recording over 6,000 delegates. A financial technology (fintech) team helps overseas and Mainland fintech-related companies establish their presence in Hong Kong and organises international events, such as the annual flagship Hong Kong Fintech Week.

Industrial Policy

Leveraging Hong Kong's competitive edge, the government is proactive in developing a high value-added and diversified economy which embraces the development of new economic sectors. The government also encourages industry participation to capitalise on opportunities emerging from the B&R Initiative and the Greater Bay Area development, in order to generate new impetus for the territory's economic development.

Small and Medium Enterprises

SMEs are manufacturing businesses that employ fewer than 100 people and non-manufacturing businesses employing fewer than 50 people in Hong Kong. There are about 340,000 SMEs, representing over 98 per cent of all local enterprises and employing over 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 public education programmes. This has earned Hong Kong a reputation for effective protection of intellectual property.

Registration

The Intellectual Property Department provides electronic registration and management services through the internet. Its e-registers allow free data search in Chinese or English, while the e-filing system enables intellectual property owners and agents to file their applications securely and to make changes to the particulars of their registrations and applications directly. During the year, 69 per cent, 88 per cent and 80 per cent of applications for trade marks, patents and designs respectively were filed electronically.

Trade Marks

The Trade Marks Registry received 40,331 applications in 2018, a year-on-year rise of 7.2 per cent. It registered 34,970 marks, taking the number of registered marks to 423,036 by the year end. Out of the 117 countries and regions that filed applications, the principal ones were:

Hong Kong	14,953	France	984
Mainland	7,302	United Kingdom	937
US	4,045	Taiwan	777
Japan	3,076	Germany	749
Korea	1,163	Switzerland	705

The government is preparing a bill to amend the Trade Marks Ordinance to pave the way for Hong Kong's implementation of the international registration system under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

Patents

The Patents Ordinance provides for the grant of standard patents based on corresponding patents granted by one of three designated patent offices, namely the National Intellectual Property Administration of China, UK Patent Office, and European Patent Office in respect of patents designating the UK. It also provides for the grant of short-term patents upon formality examination. The Patents Registry received 15,986 standard patent and 791 short-term patent applications in 2018. It granted 9,651 and 763 standard and short-term patents respectively, 44.7 per cent and 31.1 per cent higher than in 2017.

The government is working to launch within 2019 an original grant patent system which will facilitate Hong Kong's development into a regional innovation and technology hub and an intellectual property trading hub.

Designs

In 2018, the Designs Registry received 2,583 applications for the registration of 4,435 designs, and registered 4,547 designs, a 1.2 per cent drop from 2017.

Copyright

The Copyright Ordinance protects original 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 authors and performers. No registration is required to obtain protection.

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 the possession of such goods 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 2018, the department arrested 145 people in 119 piracy cases and confiscated goods, mostly pirated optical discs, worth \$7 million. It also seized counterfeit goods worth \$98 million and arrested 662 people in 897 cases of forged trade marks.

The department liaises with businesses to investigate cases and promote protection of intellectual property rights.

Public Education

The Intellectual Property Department promotes the value of intellectual property trading and the importance of protecting intellectual property rights. In 2018, nine trade associations with over 1,100 retail merchants, covering more than 6,600 outlets, took part in its No Fakes Pledge scheme. Through school visits and interactive dramas, the department reached out to 186 schools and over 49,500 students. Events were also organised to promote creativity among the city's youth.

Intellectual Property Trading

The Intellectual Property Department promotes the commercialisation and trading of intellectual property in Hong Kong and strengthens Hong Kong's role as an intellectual property trading hub in the Asia-Pacific region. The department offers free consultation service, the Intellectual Property Manager Scheme and, in collaboration with stakeholders, training courses. It promotes intellectual property auditing and due diligence, showcases success stories and works with the Department of Justice to promote arbitration and mediation in resolving intellectual property disputes. In December, the department released a summary of survey results on intellectual property manpower in Hong Kong. The findings showed that a wide range of industries were engaged in intellectual property intermediary services and trading and management activities, and needed the relevant manpower.

Cooperation with Mainland

The Intellectual Property Department works with its Mainland counterparts, including those in the Greater Bay Area, to promote intellectual property protection, management and trading.

The Customs and Excise Department exchanges experience and information with its Mainland counterparts on the detection and prosecution of intellectual property-related offences. It conducts regular joint operations with Guangdong customs to intercept the cross-boundary movement of infringing goods, and collaborates with the Economic Crime Investigation Bureau of the Guangdong Provincial Public Security Department to share intelligence and provide mutual assistance in fighting online piracy.

Participation in International Organisations

The Intellectual Property Department takes part in events of the WTO's Council for Trade-related Aspects of Intellectual Property Rights and the World Intellectual Property Organisation, and at 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 businesses in Hong Kong while safeguarding the public interest. The advisory committee provides an effective platform for the business, academic, professional and political sectors to communicate with government officials on new regulatory proposals or legislation in order to reduce compliance cost.

Business Liaison Groups foster dialogue between the government and major business sectors to resolve regulatory and licensing matters at the operational level. A business consultation e-platform helps businesses to access information on proposed regulations, administrative measures and procedures which may affect them, and to offer their comments.

Twenty-nine government bureaus and departments involved in licensing services for businesses take part in the government's 'Be the Smart Regulator' Programme to improve the efficiency, transparency and business-friendliness of the licensing work. A total of 132 measures to enhance licensing services were introduced in 2018-19.

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 and intellectual property rights; and to ensure the territory's continued access to advanced technologies and high-tech products. An origin certification system is in place to facilitate exports to external markets.

Road Cargo System

The Customs and Excise Department's Road Cargo System facilitates customs clearance of road cargo through prior risk-profiling. Under the arrangement, a shipper or his agent submits key cargo information electronically before the consignment is imported to, or exported from, Hong Kong. The arrangement allows cross-boundary goods vehicles, except those selected for inspection, to go through seamless customs clearance at land boundary control points.

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 normally undergoes inspection only once, if selected at all, at the point of entry or exit.

The Single E-lock Scheme streamlines customs clearance procedures by connecting the ITFS with a speedy clearance system operated by Mainland customs. Mutually recognised electronic locks are used to minimise duplicate inspections of the same consignment at the boundary.

The government is exploring with the Mainland authorities the extension of the scheme to more clearance points in Guangdong and the Greater Bay Area.

Free Trade Agreement Transshipment Facilitation Scheme

The Free Trade Agreement Transshipment Facilitation Scheme allows consignments passing through Hong Kong to be charged preferential tariffs under FTAs signed between the Mainland and her trading partners. The department supervises such consignments 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 environment-friendly manner. Three government-appointed operators provide the services, which processed more than 21 million transactions in 2018.

Trade Single Window

The government is working to set up a Trade Single Window to allow one-stop lodging of all 50-plus types of trade submissions with the government for trade declaration and customs clearance purposes. Phase 1 was launched during the year, covering five types of trade documents initially, and will be extended progressively to cover 13 types of trade documents in total.

Trade and Industrial Support Organisations

Hong Kong Trade Development Council

The statutory HKTDC promotes, assists and develops Hong Kong's trade. With 50 offices globally, including 13 in the Mainland, it promotes Hong Kong as a two-way global investment and business hub.

The HKTDC organises international exhibitions, conferences and business missions to create business opportunities for companies, particularly SMEs, in the Mainland and international markets. It also provides up-to-date market insights and product information via trade publications, research reports and digital news 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.

In 2018, the corporation's total insured business was the same as last year's \$157 billion amid the uncertain global economy, while gross premium income edged up 0.3 per cent to \$332.2 million. Payment of claims rose 336.4 per cent to \$360.5 million amid the challenging consumer goods environment. In September, a new one-stop online credit insurance platform, EC-Reach,

was launched to provide Hong Kong exporters, especially SMEs, with a fast and simple means of managing credit risk and buying export credit insurance.

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.

Promotion of Competition

The government promotes sustainable competition to enhance economic efficiency and free flow of trade, thereby benefiting both consumers and businesses. The Competition Ordinance provides a legal framework to tackle anti-competitive conduct in all sectors and regards conduct such as price fixing, market sharing, bid rigging and output limitation as serious anti-competitive conduct.

Established under the Competition Ordinance, the government-appointed Competition Commission enforces the ordinance and investigates possible contraventions, promotes public understanding of the ordinance, conducts market studies and advises the government on competition matters. In 2018, it received 756 complaints and enquiries, and brought its third case to the Competition Tribunal.

Creative Industries

Create Hong Kong

Creative industries in Hong Kong cover eight sectors, namely advertising, architecture, design, digital entertainment, film, printing and publishing, television, and music. The government supports their development through Create Hong Kong (CreateHK) under the Communications and Creative Industries Branch of the Commerce and Economic Development Bureau.

Support for Film Sector

Film Development Council

The Film Development Council advises the Secretary for Commerce and Economic Development on the policies, strategies and institutional arrangements for the promotion and development of the film industry, and the use of the Film Development Fund to support the implementation of film-related activities to nurture talent for the industry's manpower and training needs, enhance local production, expand markets and build audiences.

Film Development Fund

The fund supports low- to mid-budget productions for commercial release and projects conducive to the local industry's sustainable and long-term development. In 2018, six productions for commercial release and 18 other projects beneficial to industry development received a total of \$68 million from the fund. The government announced in the 2018 Policy Address a plan to inject \$1 billion into the fund.

Nurturing Talent

The First Feature Film Initiative identifies new filmmakers through a competition on screenplay and production proposals, and fully subsidises the winning teams to make their first feature-length commercial films. In 2018, three winning projects were awarded the production grant and two were released commercially with positive reviews.

CreateHK also works with the industry to provide local and overseas training to groom talent in different areas of filmmaking, including post-production services.

Enhancing Local Production

In 2018, two films were approved under the Film Production Financing Scheme and four films under the Film Production Grant Scheme of the fund. Five films funded by these two schemes were commercially released.

Expanding Markets and Audiences

CreateHK funds the promotion of the annual Entertainment Expo Hong Kong organised by the HKTDC, including the expo's iconic Hong Kong International Film and TV Market, which attracted 850 exhibitors from 37 countries and regions and over 8,700 visitors.

CreateHK promotes Hong Kong-produced Cantonese films in the Mainland by subsidising their distribution and publicity. It organised a promotional tour to Hungary in 2018 to publicise Hong Kong's production and post-production services.

CreateHK funds trade organisations to arrange screenings, seminars and film appreciation courses to cultivate film literacy among the public, especially young people.

Support for Non-Film Creative Sectors

CreateSmart Initiative

The CreateSmart Initiative (CSI) supports promotional and educational projects from seven non-film creative sectors, providing \$223.5 million to 57 such projects in 2018. The government injected \$1 billion into the initiative in May.

Nurturing Talent and Facilitating Start-ups

Through the CSI, CreateHK supports the manpower development of creative industries and the nurturing of start-ups. Activities in 2018 included the following:

- The Design Incubation Programme, which aims to nurture design start-ups, admitted 23 incubatees.
- The Fashion Incubation Programme, which aims to nurture up-and-coming fashion designers, admitted six incubatees.
- Graduate programmes admitted 47 graduates of relevant creative disciplines to internships at digital advertising and digital entertainment companies.

- The Design Graduates Employment Supporting Scheme supported 19 design graduates to undertake internships.
- The DFA Hong Kong Young Design Talent Award selected 11 winners to receive government funding to pursue work attachments or further studies overseas.
- Creative talent participated in advertising and short film events, such as the Busan International Short Film Festival.
- Design competitions were held, including the Hong Kong Smart Design Awards and Redress Design Award.
- The Animation Support Programme funded 22 start-ups and small companies to produce original animation.
- The Support Programme for Advertising and Music Talents (Microfilm Production) offered funding and mentorship to 27 advertising production companies and directors.
- The Ear Up Music Global programme funded 16 singers and bands to participate in Mainland and overseas music festivals.

Exploring Markets

Through the CSI, CreateHK supports the non-film creative sectors to bring high-value customers to Hong Kong, and takes local talent and products to Mainland and overseas markets. Activities in 2018 included the International Architecture Exhibition of the Venice Biennale – Hong Kong Exhibition; the Hong Kong Pavilion at international book fairs in Beijing, Shanghai, Taipei, Frankfurt and Bologna; a showcase of young designers' work at the Bangkok and Melbourne design weeks; an exhibition of Hong Kong's designs during the HKTDC's Think Global, Think Hong Kong promotional event in Tokyo and a Hong Kong design showcase at the Chengdu Creativity and Design Week.

Promoting Hong Kong as Asia's Creative Capital

Hong Kong fosters collaboration with Mainland and overseas cities to raise the profile of its creative industries locally and internationally. The CSI provided \$86.6 million for 15 such projects in 2018.

A new project, the “Hang⁴ Zyu⁶ Sik⁶ Zi⁶” In Search of Hong Kong's Light and Shade Exhibition, was staged during the year in Taiwan, showing advertisements, animation and installation designs created by Hong Kong's young creative talent.

Consumer Protection

Consumer Council

The statutory, government-appointed Consumer Council protects and promotes the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property.

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 2018, the council received 26,165 consumer complaints and 77,952 consumer enquiries, and completed 44 product tests, 29 surveys and 17 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 Trade Descriptions Ordinance prohibits unfair trade practices commonly deployed against consumers of goods and services, including false trade descriptions, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payments.

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.

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 2018, the department carried out 8,929 spot checks and concluded 308 enforcement cases.

The Government Laboratory provides analytical and advisory services to the department in the enforcement of consumer protection legislation. In 2018, the laboratory carried out 33,487 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 5,608 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 enforced by both the Agriculture, Fisheries and Conservation Department and the Customs and Excise Department. It provides for a maximum fine of \$10 million and imprisonment of up to 10 years. In 2018, the departments issued 18,942 licences and certificates and secured 200 convictions.

Websites

Business consultation e-platform: www.gov.hk/bizconsult

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

Competition Commission: www.compcomm.hk

Consumer Council: www.consumer.org.hk

Create Hong Kong: www.createhk.gov.hk

Environment Bureau: www.enb.gov.hk

Film Development Council: www.fdc.gov.hk

Film Services Office: www.fso-createhk.gov.hk

Intellectual Property Department: www.ipd.gov.hk

Special Effects Licensing Unit: www.createhk-esela.gov.hk