

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, 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 decreased moderately in 2019. Total merchandise trade decreased 5.4 per cent to \$8,404.1 billion compared with 2018. Total exports decreased 4.1 per cent to \$3,988.7 billion, while imports decreased 6.5 per cent to \$4,415.4 billion. The territory's biggest trading partner was the Mainland, followed by the United States and Taiwan. Hong Kong was the world's eighth largest trading entity in terms of value of merchandise trade.

Total Exports

In 2019, electrical machinery, apparatus and appliances and electrical parts thereof worth \$1,570.2 billion were the principal commodities exported, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$736.1 billion) and office machines and automatic data processing machines (\$400.3 billion). The Mainland, the US and Japan were the main destinations, accounting for 55.4 per cent, 7.6 per cent and 3 per cent respectively of the total value of total exports.

Imports

In 2019, electrical machinery, apparatus and appliances and electrical parts thereof constituted the largest share of total imports at \$1,672 billion, followed by telecommunications and sound

recording and reproducing apparatus and equipment (\$691.3 billion) and office machines and automatic data processing machines (\$354.3 billion). The Mainland, Taiwan and Singapore were Hong Kong's major suppliers, accounting for 46.6 per cent, 7.5 per cent and 6.6 per cent respectively of the total value of imports.

Services

Hong Kong is one of the world's most service-oriented economies. The services sector's share of Gross Domestic Product (GDP) in 2018 was 93.1 per cent and it provided employment for 3,414,400 people, making up 88.6 per cent of total employment in 2019.

The total services trade of Hong Kong amounted to \$1,413 billion in 2019, the world's 18th largest in value. The territory exported \$793.9 billion worth of services, contributing to 27.7 per cent of GDP, compiled based on the change of ownership principle. It ranked sixth in the region after the Mainland, India, Singapore, Japan and Korea in total value of services exported, and 17th in the world.

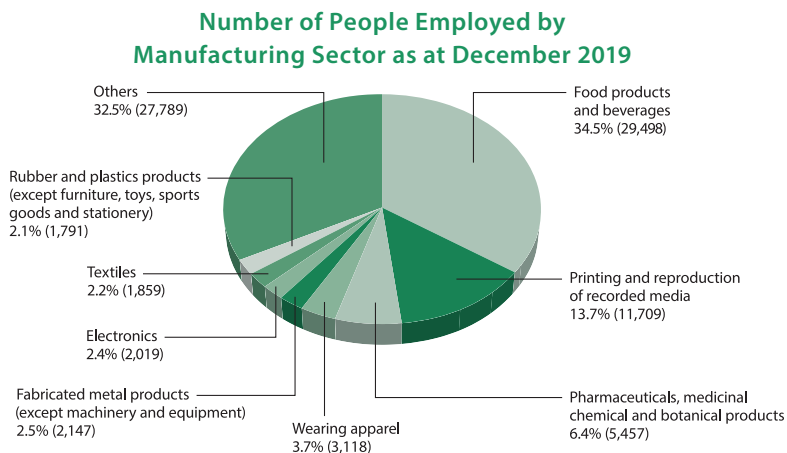
The main components of Hong Kong's exports of services were in transport and travel, accounting for 29.8 per cent and 28.7 per cent respectively of the total value. The territory is a net exporter of services and had an overall surplus of \$174.8 billion during the year, including surpluses of \$97.7 billion and \$18.6 billion in transport and travel respectively.

Manufacturing

Hong Kong is a command and control centre for manufacturing with a globalised production network. Domestic manufacturing contributed 1 per cent of GDP in 2018 and provided employment for 88,100 people in 2019, making up 2.3 per cent of overall employment.

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

Chart 1

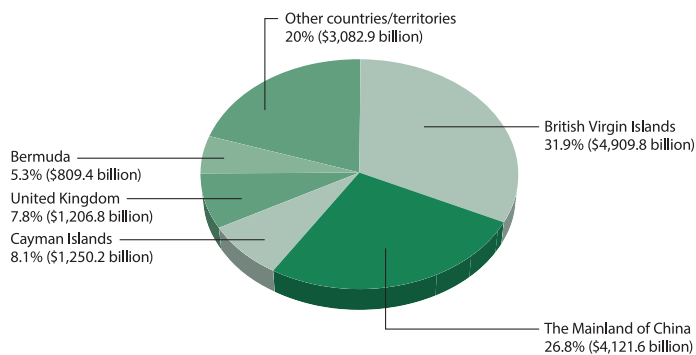


Inward Direct Investment

According to the *World Investment Report 2019* issued by the United Nations Conference on Trade and Development, Hong Kong was the world's second largest destination for inward direct investment in terms of total stock at the end of 2018. The vast stock of external direct investment in Hong Kong demonstrates its status as an international centre for finance and commerce, and its attractiveness as a base for multinational corporations to manage their investment and business round the world. The Census and Statistics Department report, *External Direct Investment Statistics of Hong Kong 2018*, indicated Hong Kong's foreign direct investment (FDI) inflow in 2018 amounted to \$760.5 billion. At the end of 2018, the total stock of inward direct investment¹ amounted to \$17,120.7 billion. Chart 2 shows selected major investor countries and territories of inward direct investment. The British Virgin Islands was the largest, accounting for 31.9 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, and professional and business services took up the largest share, at 69.4 per cent of the total.

A survey covering some 9,000 companies in Hong Kong with parent companies located outside Hong Kong found 4,031 of them had regional headquarters or regional offices here as at June 2019.

Chart 2 **Stock of Hong Kong's Inward Direct Investment at Market Value by Selected Major Investor Country/Territory# at end-2018**



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

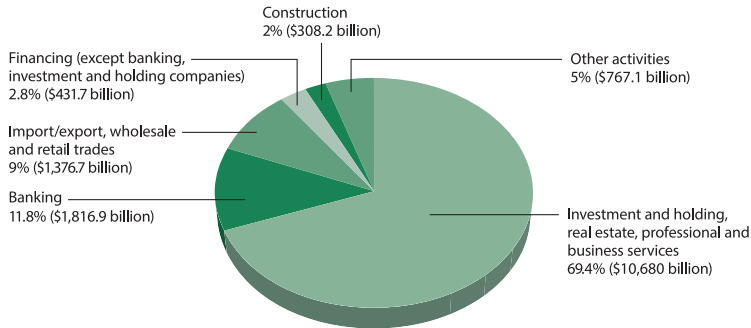
(1) Individual percentage shares may not add up to 100 due to rounding.

¹ According to international statistical standards, the total stock and flow of inward direct investment presented in this paragraph is compiled based on the asset/liability principle, while detailed inward direct investment figures analysed by 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 total stock of inward direct investment is different from the sum of the detailed inward direct investment figures by 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 3

Stock of Hong Kong's Inward Direct Investment at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2018



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. 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 overseas Hong Kong 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.

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 small and medium enterprises (SMEs), and provides local enterprises with updated information on changes in major trading partners' trade-related laws and regulations as well as policies.

Invest Hong Kong

Invest Hong Kong (InvestHK) attracts and retains 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 17 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 13 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 promotes Hong Kong's development as an intellectual property trading hub in the Asia-Pacific.

Overseas Hong Kong Economic and Trade Offices

The Hong Kong Economic and Trade Office in Bangkok opened in February. It brings to 13 the number of overseas Hong Kong ETOs, the other 12 being located in Berlin, Brussels, Geneva, Jakarta, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington D.C. The Geneva ETO 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 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 ETOs in Sydney, Tokyo and Toronto are responsible for bilateral economic and trade relations in their host countries. In addition, the Sydney ETO covers New Zealand and the Tokyo ETO covers Korea. The Jakarta ETO represents the HKSAR Government in matters between Hong Kong and the Association of Southeast Asian Nations (ASEAN) as a whole, and in particular matters with Indonesia, Brunei Darussalam, Malaysia and the Philippines. The Bangkok ETO strengthens economic ties with Thailand, Cambodia, Myanmar and Bangladesh, while the Singapore ETO covers Singapore, Laos, Vietnam and India.

Promotional activities organised by the 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 Dubai in the United Arab Emirates, which is expected to open in 2020.

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. Hong Kong takes part actively in WTO discussions to safeguard Hong Kong's trade interest and contribute to the WTO reform process.

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 May, the Secretary for Commerce and Economic Development, Mr Edward Yau Tang-wah, represented Hong Kong at the APEC Ministers Responsible for Trade Meeting in Viña del Mar, Chile. 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. The territory has signed six FTAs with foreign economies. This includes the FTA signed in 2019 with Australia, the fourth one signed after the current term of government took office. In addition, the Hong Kong-Georgia FTA came into effect in February, while the FTA between Hong Kong and ASEAN has been taking effect gradually since June.

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. CEPA has become a comprehensive FTA, covering trade in goods, trade in services, investment and economic and technical cooperation. The Agreement on Trade in Goods under the CEPA framework was implemented from January. In November, the two sides signed the Agreement Concerning Amendment to the Agreement on Trade in Services to further liberalise trade in services between the two places.

Investment Promotion and Protection Agreements

Hong Kong has signed 21 investment promotion and protection agreements with 30 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 2019, Hong Kong signed such agreements with Australia and the UAE, and continued negotiations with Russia and Turkey. The agreement with Chile came into force in July, while the agreement signed in 2017 with ASEAN has been coming into force gradually since June 2019.

Trade in Goods

In 2019, the Customs and Excise Department carried out 28,388 factory and consignment inspections and concluded 203 investigations to ensure compliance with factory registration conditions and import and export licensing requirements. The department also conducted 48 blitz operations on consignments of goods at various import and export control points. It prosecuted 29 companies and three offenders successfully, leading to fines totalling \$390,000.

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 department also administers a permit system for certain chemicals in order to implement the requirements under 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 are in line with international standards.

In 2019, the Customs and Excise Department successfully prosecuted 59 companies and two offenders involving the unlicensed import and export of strategic commodities, resulting in fines totalling \$660,000. Goods valued at \$2.07 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, the WCO Regional Intelligence Liaison Office for Asia and the Pacific in Seoul, and the WCO Asia Pacific Regional Office for Capacity Building in Bangkok.

Local companies that satisfy the department's security standards may be accredited under the Hong Kong Authorised Economic Operator Programme and enjoy customs facilitation, including reduced inspection and prioritised clearance of their goods in Hong Kong and in economies with mutual recognition and arrangements with Hong Kong. As at December, these economies included the Mainland, Australia, Canada, India, Israel, Japan, Korea, 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.

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 consolidate Hong Kong's position as both a key link and the prime B&R 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. The Commissioner for Belt and Road assumed office in June and is the focal point of contact between the HKSAR Government and B&R stakeholders.

In July, 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, the second joint conference was convened between the HKSAR Government and Mainland authorities to follow up on the implementation of measures set out in the arrangement. In November, the Commerce and Economic Development Bureau and the Ministry of Commerce held the second high-level meeting of the Mainland and Hong Kong Belt and Road Task Group to coordinate related matters in trade and economic cooperation and to strengthen B&R collaboration.

Hong Kong and Mainland enterprises and Hong Kong's professional services are encouraged to form strategic partnerships to go global en bloc. During the year, the government co-organised with the Hong Kong Trade Development Council (HKTDC) the fourth Belt and Road Summit, organised a series of Belt and Road: Hong Kong-IN sharing sessions in conjunction with the

State-owned Assets Supervision and Administration Commission of the State Council; and supported the Ministry of Commerce to stage an exchange seminar on B&R trade and investment policies and measures.

In April, the Chief Executive, Mrs Carrie Lam, led a high-level delegation to participate in the second Belt and Road Forum for International Cooperation in Beijing. A dedicated session themed 'Belt and Road: Hong Kong IN' was held to showcase Hong Kong's positioning as an international gateway and important hub for the Mainland, and to highlight Hong Kong's cross-sectoral expertise.

From time to time, the government and the HKTDC organise business and professional missions to B&R-related countries and regions. During the year, the bureau led delegations on three missions to Georgia and Hungary; Spain, Serbia and the UAE; and Malaysia and Thailand.

In December, the HKSAR Government, in collaboration with Mainland authorities, embarked on the Belt and Road Joint Conference Policy Exchanges and Capacity Building Programme. The programme featured presentations, discussions and site visits covering finance, business and trade, legal and dispute resolution, city management, transport and aviation, and professional services.

Inward Investment Promotion

In 2019, InvestHK helped 487 overseas, Mainland and Taiwanese companies set up or expand operations in Hong Kong, involving direct investment of more than \$52.3 billion and the creation of over 6,000 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 the 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 symposium with the Guangdong and Macao governments in Tokyo to promote the Guangdong-Hong Kong-Macao Greater Bay Area, and conducted programmes in the high-growth Mainland cities of Changchun, Changsha, Chengdu, Chongqing, Hangzhou, Hohhot, Jinan, Kunming, Nanjing, Wuhan, Xiamen, Xi'an and Zhengzhou to promote Hong Kong's unique roles in the B&R Initiative and its position as the ideal platform for Mainland companies to go global. InvestHK completed 115 investment projects from the Mainland during the year, representing 25 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 promote innovation and technology, recording over 17,000 delegates.

InvestHK's financial technology team helps overseas and Mainland fintech-related companies establish their presence in Hong Kong and organises international events, such as the annual

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

flagship Hong Kong Fintech Week, which recorded more than 12,000 attendees from over 60 economies in November.

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 with fewer than 50 employees in Hong Kong. There are more than 340,000 SMEs, representing over 98 per cent of all local enterprises and employing about 1.3 million people. The government'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 searches 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 certain particulars of their registrations and applications directly. During the year, 73 per cent, 91 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 36,980 applications in 2019, an 8.3 per cent drop on 2018. It registered 33,371 marks, taking the number of registered marks to 442,263 by end-2019. Of the 112 countries and regions that filed applications, the principal ones were:

Hong Kong	13,574	United Kingdom	928
Mainland	6,589	France	797
US	3,808	Taiwan	749
Japan	2,860	Germany	699
Korea	1,231	Switzerland	626

In February, the government introduced 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. The Bills Committee set up by the Legislative Council completed its scrutiny of the bill and reported the results to the House Committee in May.

Patents

On 19 December, the government launched a new patent system. It is an original grant patent system that provides a direct route for applicants to file standard patent applications in Hong Kong that are subject to the Patents Registry's substantive examination. The existing re-registration system is retained to grant standard patents based on corresponding patents granted by one of three designated patent offices, namely the China National Intellectual Property Administration, UK Intellectual Property Office, and European Patent Office in respect of patents designating the UK. The new patent system also refines the short-term patent system by enabling short-term patent owners or third parties having a legitimate interest in the validity of a patent to ask the registry to carry out post-grant substantive examination.

The registry received 16,521 standard patent and 791 short-term patent applications in 2019. It granted 6,780 and 520 standard and short-term patents respectively, 29.7 per cent and 31.8 per cent lower than in 2018.

Designs

In 2019, the Designs Registry received 2,576 applications to register 4,974 designs and registered 4,579 designs, a 0.7 per cent increase from 2018.

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. In November, the government introduced a bill to amend the Copyright Ordinance to enhance copyright exceptions relating to persons with print disability to bring the exceptions in line with standards under the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled.

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

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 2019, the

department arrested 118 people in 101 piracy cases and confiscated goods, mostly pirated optical discs, worth \$3.6 million. It also seized counterfeit goods worth \$114 million and arrested 554 people in 846 cases of forged trade marks.

Public Education

The Intellectual Property Department promotes the value of intellectual property trading and the importance of protecting intellectual property rights. In 2019, nine trade associations with over 1,200 retail merchants, covering more than 6,600 outlets and online shops, took part in its No Fakes Pledge scheme. Through school visits and interactive dramas, the department reached out to 176 schools and over 48,200 students. Events were organised to promote creativity among the youth.

Intellectual Property Trading

The Intellectual Property Department promotes the commercialisation and trading of intellectual property in Hong Kong and strengthens the territory's role as an intellectual property trading hub in the Asia-Pacific. The department offers free consultation, the Intellectual Property Manager Scheme and, in collaboration with stakeholders, seminars and training courses. It also showcases success stories of enterprises that engage in intellectual property trading in Hong Kong, and works with the Department of Justice to promote arbitration and mediation in resolving intellectual property disputes.

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 joint operations with Guangdong Customs to intercept the cross-boundary movement of infringing goods, and works with the Economic Crime Investigation Bureau of the Guangdong Provincial Public Security Department to share intelligence and provide mutual assistance in combating cross-boundary infringing activities.

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 attends meetings of the APEC Intellectual Property Rights 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 bureaux 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 145 measures to enhance licensing services were introduced in 2019-20.

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 system, a shipper or his agent submits key cargo information electronically before the consignment is imported to, or exported from, Hong Kong. As a result, cross-boundary goods vehicles, except those selected for inspection, may 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) seeks to simplify 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, when entering or leaving Hong Kong.

The Single E-lock Scheme (SELS) seeks to streamline customs clearance procedures by connecting the ITFS to 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. Since May, the number of clearance points under the SELS in Guangdong Province has increased to 52, covering all nine Mainland municipalities in 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 certificates

of non-manipulation, enabling traders to claim preferential tariffs from the authorities at the importing end.

Government Electronic Trading Services

The Government Electronic Trading Services allows the trading community to submit a number of key trade-related documents electronically to fulfil statutory obligations in a cost-effective and environment-friendly manner. Three government-appointed operators selected by open tender provide the services. They processed more than 20 million transactions in 2019.

Trade Single Window

The government is setting 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 extended to cover 12 types of trade documents by end-2019. The last type of trade document under phase 1 will be rolled out in mid-2020.

Trade and Industrial Support Organisations

Hong Kong Trade Development Council

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

The HKTDC organises international exhibitions, conferences and business missions to create for companies, particularly SMEs, business opportunities 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.

Amid the uncertain and unstable global economy, the corporation's total insured business and gross premium income respectively slipped 20.6 per cent to \$124.7 billion and 10.8 per cent to \$296.4 million in 2019, while payment of claims rose 14.8 per cent to \$414 million. During the year, the corporation twice extended special enhanced measures to 30 June 2022 to step up support to Hong Kong exporters, especially SMEs, amid the worsening business environment caused by the volatile global economy, the continued China-US trade conflict and weakening external demands.

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 the free flow of trade, 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 ordinance, the government-appointed Competition Commission enforces the ordinance and investigates possible contraventions, promotes public understanding of the ordinance, carries out market studies and advises the government on competition matters. During the year, the commission received over 600 complaints and enquiries and brought a case to the Competition Tribunal, the fourth case since the ordinance took effect fully in 2015.

In May, the tribunal ruled in favour of the commission in Hong Kong's first two competition cases⁴ involving bid-rigging, market sharing and price fixing. It found 14 companies in contravention of the ordinance.

Creative Industries

Create Hong Kong

Creative industries in Hong Kong cover eight sectors, namely advertising, architecture, design, digital entertainment, film, music, printing and publishing, and television. 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 and strategies for the promotion and development of the film industry, and the use of the Film Development Fund to support 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 productions for commercial release and other film-related projects conducive to the local industry's sustainable and long-term development. The government effected a one-off injection of \$1 billion into the fund in May, bringing the total amount

⁴ As at end-2019, both cases were under appeal by certain respondents.

injected since 2005 to \$1.54 billion. Three productions for commercial release and 22 other film-related projects beneficial to the industry's development received a total of \$55.74 million from the fund during the year.

Nurturing Talent

The First Feature Film Initiative identifies new directors through a competition on screenplay and production proposals, and fully subsidises the winning teams to make their first feature-length commercial films. In 2019, three winning projects⁵ were awarded the production grant and two⁶ were released commercially with positive reviews.

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

Enhancing Local Production

In 2019, three films were approved under the Film Production Financing Scheme. Two films⁷ funded by the Film Production Financing Scheme and the Film Production Grant Scheme were released commercially.

Expanding Markets and Building Audiences

CreateHK funds the promotion of the annual Entertainment Expo Hong Kong organised by the HKTDC which, including the iconic Hong Kong International Film and TV Market, attracted 880 exhibitors from 35 countries and regions and over 9,000 visitors in the 2019 edition.

CreateHK promotes Hong Kong-produced Cantonese films in the Mainland by subsidising their distribution and publicity. It organised a Hong Kong film screening programme in Shanghai in November. CreateHK also supports the overseas promotion of Hong Kong films by subsidising their participation in local film festivals and organising delegations to film-related events. In November, it led a delegation of cinema operators to participate in the Europa Cinemas Network Conference in Lisbon, Portugal.

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 other seven non-film creative sectors, providing \$305.4 million to 61 such projects in 2019.

⁵ *The Dinner, Time Still Turns the Pages* and *A Light Never Goes Out*.

⁶ *The Assassination of G*, released in March with box-office takings of \$1.05 million, and *Still Human*, released in April with box-office takings of \$19.84 million.

⁷ *I Love You, You're Perfect, Now Change* and *The Lady Improper*.

Nurturing Talent and Facilitating Start-ups

Through the CSI, CreateHK supports the manpower development of creative industries and nurturing of start-ups.

The support is granted under regular arrangements including the Design Incubation Programme, which nurtures design start-ups; the Fashion Incubation Programme, which nurtures up-and-coming fashion designers; graduate programmes, which admit graduates for internships at digital advertising and digital entertainment companies; the Design Graduates Employment Supporting Scheme, which supports design graduates to undertake internships; the DFA Hong Kong Young Design Talent Award, which selects winners to receive government funding to pursue work attachments or further studies overseas; the Unleash! Empowered by Design Thinking programme, which enhances awareness of design thinking and its application across sectors; the Animation Support Programme, which funds start-ups and small companies to produce original animation; the Hong Kong Game Enhancement and Promotion Scheme, which supports game companies to develop marketing campaigns and enhance the quality and profitability of their products; the Support Programme for Advertising and Music Talents (Microfilm Production), which offers funding and mentorship to advertising production companies and directors; and the Ear Up Music Global programme, which funds singers and bands to participate in Mainland and overseas music festivals.

Creative talent is also sponsored to take part in advertising and short film events, such as the Cannes Lions International Festival of Creativity.

Exploring Markets

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. Examples of CSI-sponsored activities in 2019 included the Hong Kong Pavilion at international book fairs in Beijing, Guangzhou, Taipei, Frankfurt and Bologna; the promotion of local fashion brands and designers at Centrestage 2019 in Hong Kong; the sending of delegations of local designers to fashion weeks in Shanghai, Tokyo and Paris; and an architecture exhibition on projects by Hong Kong architects in the Greater Bay Area and B&R countries, held during the HKTDC's Think Asia, Think Hong Kong flagship promotional event in Los Angeles.

Delegation visits were also organised, including a digital entertainment delegation's trip to Malaysia and a design delegation's trip to Myanmar.

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 \$59.3 million for eight such projects in 2019.

A new project, 'Hong Kong Illustration X Original Design Brands Exhibition', was staged in Shanghai at Festival Hong Kong 2019 – A Cultural Extravaganza@Shanghai, which showcased illustration works and design brands created by Hong Kong's 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 to enhance consumer access to legal remedies. In 2019, the council received 24,615 consumer complaints and 70,128 consumer enquiries, and completed 43 product tests, 30 surveys and 11 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 2019, the department carried out 9,570 spot checks and concluded 284 enforcement cases.

The Government Laboratory provides analytical and advisory services to the department in the enforcement of consumer protection legislation, and conducts on-site investigations to support the enforcement of the Weights and Measures Ordinance. In 2019, the laboratory carried out 33,378 tests to check the compliance of toys, children's products and consumer goods with safety standards, and to determine the weight of retail goods. It also carried out 4,995 tests to examine the authenticity of commodities and the correctness of trade descriptions 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 2019, the departments issued 19,955 licences and certificates and secured 199 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

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