



Trade and Industry

Many factors contribute towards Hong Kong's international reputation as both a leading manufacturing complex and a major commercial centre within Asia. These include an economic policy of free enterprise and free trade, the rule of law, a well educated and industrious workforce, a sophisticated commercial infrastructure, a port and airport which are among the world's finest. The opening of the vast Mainland market following China's accession to the World Trade Organization (WTO) also provides impetus to bolster its role as an international services and trading hub.

Economic and Commercial Policies: Hong Kong follows the economic policies of free enterprise and free trade. There are no import tariffs, and revenue duties are levied only on locally manufactured or imported tobacco, alcoholic liquors, methyl alcohol and some hydrocarbon oils. There is also a tax payable on first registration of motor vehicles.

Except in the very broadest sense, economic planning as such is not practised by the Government of the Hong Kong Special Administrative Region (HKSAR). Although it provides the infrastructure both through direct services and by co-operation with public utility enterprises, the Government's major role is to provide a suitable and stable framework for commerce and industry to function efficiently and effectively with minimum interference. There is no protection or subsidisation of manufacturers in Hong Kong.

The cornerstone of Hong Kong's commercial policy is the rule-based multilateral trading system under the WTO. Given the externally-oriented and open nature of Hong Kong's economy, the development of international trade policy in and through the WTO is of vital importance to Hong Kong because of the possible impact on external trade, and its knock-on effect on industry and employment. Hong Kong is a member of the WTO, using the name "Hong Kong, China".

Trade in Goods: The total value of all trade in goods in 2007 was HK\$5,555.5 billion, an increase of 9.8 per cent compared with 2006.

	Value of trade (HK\$ million)				
	2003	2004	2005	2006	2007
Imports	1,805,770	2,111,123	2,329,469	2,599,804	2,868,011
Domestic					
exports	121,687	125,982	136,030	134,527	109,122
Re-exports	1,620,749	1,893,132	2,114,143	2,326,500	2,578,392

Imports: The main items were electrical machinery, apparatus and appliances, and electrical parts thereof (25.8% of Hong Kong's total imports in 2007); telecommunications and sound recording and reproducing apparatus and equipment (13.4%); office machines and automatic data processing machines (8.7%); articles of apparel and clothing accessories (5.2%); textile

yarn, fabrics, made-up articles and related products (3.7%); and non-metallic mineral manufactures (3.6%). The principal suppliers were the mainland of China (46.4%), Japan (10.0%), Taiwan (7.2%), Singapore (6.8%), the United States of America (4.8%) and Korea (4.2%).

Domestic Exports: The main items were articles of apparel and clothing accessories (35.6% of Hong Kong's total domestic exports in 2007); electrical machinery, apparatus and appliances, and electrical parts thereof (7.3%); telecommunications and sound recording and reproducing apparatus and equipment (7.2%); plastics in primary forms (5.6%); metalliferous ores and metal scrap (3.5%); and textile yarn, fabrics, made-up articles and related products (3.3%). The major markets were the mainland of China (37.2%), the United States of America (21.9%), the United Kingdom (5.4%), Taiwan (3.7%), Singapore (2.8%), Germany (2.8%), the Netherlands (2.7%) and Japan (2.6%).

Re-exports: The principal items were electrical machinery, apparatus and appliances, and electrical parts thereof (24.9% of Hong Kong's total re-exports in 2007); telecommunications and sound recording and reproducing apparatus and equipment (16.6%); office machines and automatic data processing machines (10.0%); articles of apparel and clothing accessories (7.2%); textile yarn, fabrics, made-up articles and related products (3.9%); and photographic apparatus, equipment and supplies and optical goods, watches and clocks (3.4%). The main markets were the mainland of China (49.2%), the United States of America (13.4%), Japan (4.5%), Germany (3.0%), the United Kingdom (2.7%), Korea (2.0%), Taiwan (1.9%) and Singapore (1.8%).

Trade in Services: With the remarkable structural transformation over the past decade, the services sector has gained much prominence in the Hong Kong economy. In 2007, the services sector constituted a share of 92.3 per cent of Hong Kong's GDP. Key services sub-sectors in Hong Kong include the financing, insurance, real estate and business services (accounted for 29.3% of GDP in 2007), followed by wholesale, retail and import and export trades, restaurants and hotels (27.0%), community, social and personal services (17.0%), and transport, storage and communications (8.9%).

The total value of trade in services in 2007 was HK\$973.5 billion, making an increase of 14.1 per cent over that of 2006. Hong Kong is consistently a net exporter of services. In 2007, Hong Kong exported HK\$651.8 billion worth of services, bearing a ratio of 40.3 per cent to Hong Kong's GDP.

The services sector constituted a share of 86.7 per cent of total employment in 2007.

Trade and Industry Department: The Trade and Industry Department is responsible for conducting Hong Kong's international trade relations, implementing trade policies and agreements, as well as providing general support services for industries and small and medium enterprises (SMEs).

The Hong Kong Trade Development Council: The Hong Kong Trade Development Council (HKTDC) is the international marketing arm for Hong Kong-based traders, manufacturers and service providers. With more than 40 offices worldwide, including 11 in the Mainland, the HKTDC promotes Hong Kong as a platform for doing business with China and Asia. The HKTDC also organises trade fairs and business missions to connect companies with opportunities in Hong Kong and the Mainland, while providing information via trade publications, research reports and their web page.

Industry: Hong Kong is the strategic control centre of a region-wide production network and a prominent international and regional services hub. It is also one of the world's leading exporters of a wide range of consumer goods, including textiles, clothing, toys, timepieces and jewellery. About 80 per cent of Hong Kong's manufactured products are for export.

The Manufacturing Sector: The manufacturing sector has undergone a substantial restructuring process during the 1980s and early 1990s. Hong Kong now has a large trans-boundary manufacturing base which combines high value-added and technology-intensive manufacturing processes in the territory with land-and labour-intensive processes in the southern part of the Mainland and other economies.

In 2007, manufacturing accounted for 2.5 per cent of the Gross Domestic Product (GDP) while employment in manufacturing sector took up 4.9% of the total employment in 2007.

Hong Kong's manufacturing enterprises are mainly SMEs. Of the 14 399 manufacturing business units in 2007, 98.6% were with persons engaged fewer than 100 persons. Large factories and SMEs are linked through an efficient and flexible subcontracting network so that they can respond swiftly to changes in external demand.

The Services Sector: The rapid growth of Hong Kong's services sector in the past two decades has made Hong Kong one of the most service-oriented economies in the world. The share of services sector in GDP increased from 68.3 per cent in 1980 to 92.3 per cent in 2007. Much of this growth was in the provision of producer services that supported Hong Kong's offshore production operations.

In 2007, 86.7% of the total employment were engaged in services sector. Like manufacturing, 98.2% of the 253 053 service business units were SMEs (engaging fewer than 50 persons).

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA): CEPA is the first free trade agreement ever concluded by the Mainland and Hong Kong. The main text of CEPA was signed on June 29, 2003 and came into full implementation on January 1, 2004. Since its inception, the two sides have been adopting a building block approach to expand the scope of CEPA in phases through the signing of Supplements annually. The latest Supplement V to CEPA was signed on July 29, 2008. The new package comprises 29 liberalisation measures in 17 services sectors which will take effect on January 1, 2009.

Under CEPA, Hong Kong service suppliers can enjoy preferential access in 40 service areas in the Mainland market. On trade in goods, the Mainland has given all imported goods of Hong Kong origin (except prohibited

articles) tariff free treatment, upon applications by local manufacturers and upon the CEPA rules of origin being agreed and met. Under the trade and investment facilitation framework of CEPA, both sides have agreed to enhance co-operation in nine areas.

Government Support for Industry: In the context of the free market and free enterprise economic framework, the Government strives to provide a business-friendly environment for manufacturing and service industries. This includes the maintenance of macro-economic stability, a low and simple tax regime, provision of an excellent infrastructure, investment in education, training and human resources, and the effective protection of individual and property rights through Hong Kong's sound legal system.

Support for SMEs: SMEs are an important driving force in Hong Kong's economic development. As at March 2008, there were about 265 000 SMEs in Hong Kong. They constituted over 98 per cent of the territory's business units and accounted for about 50 per cent of private sector employment. The Government attaches great importance in supporting SMEs at various stages of development.

The Small and Medium Enterprises Committee (SMEC) was appointed by the Chief Executive (CE) to advise him on issues affecting the development of SMEs and suggest measures to support and facilitate their development and growth. The SMEC comprises businessmen, professionals, bankers, academics, representatives from organisations that provide support to SMEs and government officials. The SMEC submitted a report to the CE in June 2001, suggesting more than 30 recommendations on means to help SMEs further develop, including the setting up of four funding schemes. In his Policy Address in October 2001, the CE accepted the Committee's recommendations to set up four SME funding schemes to support SMEs. They are, namely the SME Loan Guarantee Scheme (formerly known as SME Business Installations and Equipment Loan Guarantee Scheme), the SME Training Fund (ceased accepting new applications from July 1, 2005), the SME Export Marketing Fund and the SME Development Fund. \$1.9 billion (with a total commitment of \$7.5 billion) were set aside for the four funding schemes to help SMEs secure loans for acquiring business installations and equipment, expand overseas markets, upgrade human resources, and enhance overall competitiveness. In May 2005 and January 2008, the Legislative Council Finance Committee agreed to provide additional funding of \$300 million and \$500 million respectively to extend the operation of the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund. The total funding provision and government commitment of the schemes have been raised to \$2.7 billion and \$14.35 billion respectively.

The Support and Consultation Centre for SMEs (SUCCESS) is the Government information and advisory centre for SMEs run by the Trade and Industry Department. It collaborates with various industrial and trade organisations, professional bodies, private enterprises and other Government departments to provide SMEs with a comprehensive range of free business information and consultation services. On business information, SUCCESS provides comprehensive information on business licensing and certification requirements, and SME interested information, activities, services and facilities through a user-friendly website (www.success.tid.gov.hk). It also provides free access to business electronic databases, a reference library and a regular publication "SME Pulse". Furthermore, seminars, workshops and other activities are organised to help broaden SMEs' business knowledge and enhance their entrepreneurial skills. On

consultation services, SMEs seeking professional and expert advice may apply for the "Meet-the-Advisors" Business Advisory Service or join the SME Mentorship Programme.

Industrial Land: In addition to industrial sites which are sold by public auction or tender, three industrial estates with a total of 217 hectares of fully serviced land have been developed and are managed by the Hong Kong Science and Technology Parks Corporation to accommodate companies in both manufacturing and service industries investing in new or improved processes which cannot operate efficiently in multi-storey buildings.

Manpower for Industry: Vocational Training Council (VTC) provides a comprehensive range of vocational education and training programmes on the latest knowledge and skills through its 12 member institutes including Hong Kong Institute of Vocational Education, Hong Kong Design Institute, School of Business and Information Systems and Training and Development Centre etc, to meet the changing needs of both Hong Kong's industrial and commercial sectors.

Promoting Outstanding Achievements: The Hong Kong Awards for Industries which gives a high regard to outstanding achievements of companies in both the manufacturing and service sectors, is jointly organised by the major trade and industrial associations and industry support organisations under the steer of the Director-General of Trade and Industry on an annual basis. There are seven award categories under the Awards, namely, the consumer product design, machinery and machine tools design, customer service, environmental performance, innovation and creativity, productivity and quality, and technological achievement.

Support to Industry on Environmental Matters: The Government aims to assist manufacturers comply with various environmental requirements. To this end, the Trade and Industry Department has published an online guide to *Pollution Control Legislation Affecting Industries* in a dedicated webpage highlighting the legislative requirements relating to environmental protection and setting out the contact particulars of organisations that provide technical advice on compliance with the requirements.