



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 2009 was HK\$5,161.4 billion, a decrease of 11.8 per cent compared with 2008.

	Value of trade (HK\$ million)				
	2005	2006	2007	2008	2009
Imports	2,329,469	2,599,804	2,868,011	3,025,288	2,692,356
Domestic exports	136,030	134,527	109,122	90,757	57,742
Re-exports	2,114,143	2,326,500	2,578,392	2,733,394	2,411,347

Imports: The main items were electrical machinery, apparatus and appliances, and electrical parts thereof (26.8% of Hong Kong's total imports in 2009); telecommunications and sound recording and reproducing apparatus and equipment (13.7%); office machines and automatic data processing machines (9.2%); articles of apparel and clothing accessories (4.5%); non-metallic

mineral manufactures (3.8%); and textile yarn, fabrics, made-up articles and related products (2.9%). The principal suppliers were the mainland of China (46.4%), Japan (8.8%), Taiwan (6.5%), Singapore (6.5%), the United States of America (5.3%) and Korea (3.8%).

Domestic Exports: The main items were telecommunications and sound recording and reproducing apparatus and equipment (13.6% of Hong Kong's total domestic exports in 2009); plastics in primary forms (9.6%); electrical machinery, apparatus and appliances, and electrical parts thereof (8.6%); articles of apparel and clothing accessories (7.8%); metalliferous ores and metal scrap (4.1%); and textile yarn, fabrics, made-up articles and related products (3.8%). The major markets were the mainland of China (46.2%), the United States of America (12.7%), Singapore (3.9%), Taiwan (3.3%), the Netherlands (3.2%), Japan (2.9%), Australia (2.3%) and the United Kingdom (2.1%).

Re-exports: The principal items were electrical machinery, apparatus and appliances, and electrical parts thereof (26.8% of Hong Kong's total re-exports in 2009); telecommunications and sound recording and reproducing apparatus and equipment (16.9%); office machines and automatic data processing machines (10.3%); articles of apparel and clothing accessories (7.2%); non-metallic mineral manufactures (3.1%); and textile yarn, fabrics, made-up articles and related products (3.1%). The main markets were the mainland of China (51.3%), the United States of America (11.5%), Japan (4.4%), Germany (3.3%), the United Kingdom (2.4%), Taiwan (2.2%), India (2.1%) and Korea (1.7%).

Trade in Services: With the remarkable structural transformation over the past two decades, the services sector has gained much prominence in the Hong Kong economy. In 2008, the services sector constituted a share of 92.0 per cent of Hong Kong's GDP. Key services sub-sectors in Hong Kong include wholesale, retail and import and export trades, restaurants and hotels (accounted for 28.2% of GDP in 2008), followed by the financing, insurance, real estate and business services (26.7%), community, social and personal services (17.9%), and transport, storage and communications (7.7%).

The total value of trade in services in 2009 was HK\$1,014.0 billion, decreasing by 6.4 per cent from 2008. Hong Kong is consistently a net exporter of services. In 2009, Hong Kong exported HK\$670.0 billion worth of services, bearing a ratio of 41.0 per cent to Hong Kong's GDP.

The services sector constituted a share of 88.0[†] per cent of total employment in 2009.

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 2008, manufacturing accounted for 2.5 per cent of the Gross Domestic Product (GDP) while employment in manufacturing sector took up 3.8%[‡] of the total employment in 2009.

Hong Kong's manufacturing enterprises are mainly SMEs. Of the 12 204[‡] manufacturing business units in 2009, 98.9%[‡] 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 92.0 per cent in 2008. Much of this growth was in the provision of producer services that supported Hong Kong's offshore production operations.

In 2009, 88.0%[‡] of the total employment were engaged in services sector. Like manufacturing, 98.3%[‡] of the 273 350[‡] 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 broaden and enrich the content of CEPA through continuous and further reciprocal liberalisation. The latest Supplement VII to CEPA was signed on May 27, 2010. The new package provides for 35 market liberalisation and trade and investment facilitation measures in 19 sectors. Among them, 27 are liberalisation measures in 14 service sectors, of which eight are measures for "early and pilot implementation". The services liberalisation measures will take effect from January 1, 2011.

Under CEPA, Hong Kong service suppliers can enjoy preferential access in 44 service sectors 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 10 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 December 2009, there were about 282 000[‡] SMEs in Hong Kong. They constituted over 98[‡] per cent of the territory's business units and accounted for about 48[‡] 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 Trade and Industry Department has three funding schemes established to support the SMEs in Hong Kong: the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF) and the SME Development Fund (SDF), which help SMEs secure loans, expand overseas markets and enhance overall competitiveness. The total funding provision and government commitment of the schemes are \$4.25 billion and \$22.75 billion respectively.

To help enterprises during the global financial crisis, a time-limited \$100 billion Special Loan Guarantee Scheme (SpGS) was introduced in mid-December 2008 to help Hong Kong enterprises tide over the liquidity problem arising from the credit crunch.

The Support and Consultation Centre for SMEs (SUCCESS) is an 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 updates on business activities, services and facilities that are of interest to SMEs 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 various member institutions 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, jointly organised by major trade and industrial associations and industry support organisations under the steer of the Director-General of Trade and Industry, aim to recognise outstanding achievements of companies in both the manufacturing and service sectors. There are six categories under the Awards, namely, the consumer product design, machinery and machine tools design, customer service, innovation and creativity, productivity and quality, and technological achievement.

Note:

‡ The statistics are compiled based on the Hong Kong Standard Industrial Classification Version 2.0.