

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 an 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 Hong Kong's 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, but excise duties are levied on four types of commodities, namely liquors, tobacco, hydrocarbon oil and methyl alcohol, for domestic consumption, irrespective of whether they are imported or locally manufactured. Moreover, tax is payable on the first registration of motor vehicles in Hong Kong.

Except in the very broadest sense, economic planning as such is not practised by the Government of the Hong Kong Special Administrative Region. 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 2015 was HK\$7,651.7 billion, a decrease of 3 per cent compared with 2014.

Value of trade (HK\$ million)

	2011	2012	2013	2014	2015
Imports	3,764,596	3,912,163	4,060,717	4,219,046	4,046,420
Domestic					
exports	65,662	58,830	54,364	55,283	46,861
Re-exports	3,271,592	3,375,516	3,505,322	3,617,468	3,558,418

Imports: The main items include electrical machinery, apparatus and appliances, and electrical parts thereof (31.1 per cent of Hong Kong's total imports in 2015); telecommunications and sound recording and reproducing apparatus and equipment (18.6 per cent); office machines and

automatic data processing machines (8.7 per cent); non-metallic mineral manufactures (4.5 per cent) and articles of apparel and clothing accessories (2.8 per cent). The principal suppliers were the Mainland (49 per cent), Taiwan (6.8 per cent), Japan (6.4 per cent), Singapore (6.1 per cent) and the United States of America (5.2 per cent).

Domestic Exports: The main items include jewellery, goldsmiths' and silversmiths' wares, and other articles of precious or semi-precious materials (14.7 per cent of Hong Kong's total domestic exports in 2015); plastics in primary and non-primary forms (8 per cent); tobacco manufactured (7.4 per cent); machinery specialised for particular industries (6.3 per cent) and medicinal and pharmaceutical products (6.2 per cent). The major markets were the Mainland (43.6 per cent), the United States of America (8.3 per cent), Singapore (4.8 per cent), Taiwan (4.5 per cent) and Vietnam (4.2 per cent).

Re-exports: The principal items include electrical machinery, apparatus and appliances, and electrical parts thereof (32 per cent of Hong Kong's total re-exports in 2015); telecommunications and sound recording and reproducing apparatus and equipment (21.1 per cent); office machines and automatic data processing machines (11.1 per cent); non-metallic mineral manufactures (4.6 per cent) and articles of apparel and clothing accessories (4 per cent). The main markets were the Mainland (53.8 per cent), the United States of America (9.5 per cent), Japan (3.4 per cent), India (2.8 per cent) and Vietnam (2.1 per cent).

Trade in Services: With the remarkable structural transformation over the past few decades, the services sector has gained much prominence in the Hong Kong economy. In 2014, the services sector constituted a share of 92.7 per cent of Hong Kong's Gross Domestic Product (GDP). Key services sub-sectors in Hong Kong include the import/export, wholesale and retail trades (accounted for 24.1 per cent of GDP in 2014), followed by public administration, social and personal services (17.2 per cent), financing and insurance (16.6 per cent) and real estate, professional and business services (10.9 per cent).

The total value of trade in services in 2015 was HK\$1,540 billion, decreasing by 1.2 per cent from 2014. Hong Kong is consistently a net exporter of services. In 2015, Hong Kong exported HK\$1,053.6 billion worth of services, bearing a ratio of 43.9 per cent to Hong Kong's GDP.

The services sector constituted a share of 88.4 per cent of total employment in 2015.

Trade and Industry Department: The Trade and Industry Department (TID) 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 globally, including 13 in the Mainland, the HKTDC promotes Hong Kong as a platform for doing business with the Mainland and throughout Asia. The HKTDC also organises international exhibitions, conferences and business missions to provide companies, particularly SMEs, with business opportunities in the Mainland and overseas markets, while providing the latest market and product information via trade publications, research reports and digital channels including the media room.

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.

The Manufacturing Sector: The manufacturing sector of Hong Kong 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 2014, manufacturing accounted for 1.3 per cent of the GDP. In 2015, employment in manufacturing took up 2.7 per cent of the total employment.

Hong Kong's manufacturing enterprises are mainly SMEs. Of the 9 797 manufacturing business units in end 2015, 98.9 per cent 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 it one of the most service-oriented economies in the world. The share of services sector in GDP increased from 90.5 per cent in 2004 to 92.7 per cent in 2014. Of which, financing and insurance; and real estate, professional and business services recorded largest increases in their shares in GDP.

In 2015, 88.4 per cent of the total employment were engaged in services sector. Like manufacturing, the majority (98.3 per cent) of the 310 695 service business units were SMEs (engaging fewer than 50 persons) in end 2015.

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 and content of CEPA. The latest Agreement on Trade in Services under the framework of CEPA was

signed on November 27, 2015 and implemented on June 1, 2016 to basically achieve liberalisation of trade in services between the Mainland and Hong Kong, enabling both sides to reach a new milestone after the continuous liberalisation of trade in services through CEPA over the years.

Under CEPA, Hong Kong service suppliers can enjoy preferential access in most 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 services sectors. 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.

To assist Hong Kong enterprises in enhancing their competitiveness in the Mainland, the Government introduced the "Dedicated Fund on Branding, Upgrading and Domestic Sales" (the BUD Fund) of \$1 billion in June 2012 to assist Hong Kong enterprises in developing brands, upgrading and restructuring operations, and promoting domestic sales in the Mainland. The BUD Fund comprises the Enterprise Support Programme and the Organisation Support Programme, providing funding support to individual enterprises and non-profit-distributing organisations respectively. The Hong Kong Productivity Council acts as the Secretariat to assist in implementing the Enterprise Support Programme whereas the Organisation Support Programme is implemented by the TID.

Support for SMEs: SMEs are an important driving force in Hong Kong's economic development. As at December 2015, there were about 317 000 SMEs in Hong Kong. They constituted over 98 per cent of the territory's business units and accounted for about 46 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 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 TID has three funding schemes established to support the SMEs in Hong Kong: the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund, which help SMEs secure loans, expand markets outside Hong Kong and enhance overall competitiveness. The total funding provision and government commitment of the schemes are \$6.75 billion and \$35.25 billion respectively.

The Support and Consultation Centre for SMEs (SUCCESS) is an information and advisory centre for SMEs run by the TID. 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 information on government business licensing 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 electronic business databases, a reference library and regular publication of E-newsletter and “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, the Hong Kong Science and Technology Parks Corporation (HKSTPC) manages three industrial estates (IE), located at Tai Po, Yuen Long and Tseung Kwan O, providing 217 hectares of land in total. The Government and the HKSTPC have revised the IE policy to accommodate innovation and technology industries. In future, HKSTPC would mainly build and manage specialised multi-

storey industrial buildings for rental to multiple innovation and technology industrial partners. The HKSTPC plans to develop two pilot projects on the vacant sites in the Tseung Kwan O IE in the next few years.

Manpower for Industry: Vocational Training Council (VTC) provides a comprehensive range of vocational and professional education and training programmes on the latest knowledge and skills through various member institutions including Technological and Higher Education Institute of Hong Kong, Institute of Professional Education And Knowledge, School for Higher and Professional Education, Hong Kong Institute of Vocational Education, Hong Kong Design Institute, Youth College, Hotel and Tourism Institute, Chinese Culinary Institute, International Culinary Institute and Pro-Act by VTC etc, to meet the changing needs of both Hong Kong’s industrial and commercial sectors.

Promoting Outstanding Achievements: The Hong Kong Awards for Industries, championed by the Government, and jointly organised by major trade and industrial associations and industry support organisations, aims to recognise outstanding achievements of local companies in both the manufacturing and service sectors. There are seven categories under the 2016 Awards, namely, the consumer product design, equipment and machinery design, customer service, innovation and creativity, productivity and quality, technological achievement, and upgrading and transformation.