

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 rapid economic growth of the Mainland in recent years 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.

The multilateral trading system under the World Trade Organization (WTO) is the cornerstone of Hong Kong's trade policy. As one of the most externally-oriented and open economies in the world, Hong Kong embraces the globalisation of trade and services and is an active member of the WTO, under the name of "Hong Kong, China".

**Trade in Goods:** The total value of all trade in goods in 2016 was HK\$7,596.6 billion, a decrease of 0.7 per cent compared with 2015.

*Value of trade (HK\$ million)*

	2012	2013	2014	2015	2016
Imports	3,912,163	4,060,717	4,219,046	4,046,420	4,008,384
Domestic exports	58,830	54,364	55,283	46,861	42,875
Re-exports	3,375,516	3,505,322	3,617,468	3,558,418	3,545,372

**Imports:** The main items include electrical machinery, apparatus and appliances, and electrical parts thereof (34.2 per cent of Hong Kong's total imports in 2016); telecommunications and sound recording and reproducing apparatus and equipment (18.1 per cent); office machines and automatic data processing machines (8.0 per cent); non-metallic mineral manufactures (4.7 per cent) and articles of apparel and clothing accessories (2.6 per cent). The principal suppliers were the Mainland (47.8 per cent), Taiwan (7.3 per cent), Singapore (6.5 per cent), Japan (6.2 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 (14.2 per cent of Hong Kong's total domestic exports in 2016); plastics in primary and

non-primary forms (7.8 per cent); tobacco manufactured (7.7 per cent); medicinal and pharmaceutical products (7.1 per cent) and machinery specialised for particular industries (6.1 per cent). The major markets were the Mainland (43.3 per cent), the United States of America (8.5 per cent), Singapore (6.2 per cent), Vietnam (4.6 per cent) and Taiwan (4.3 per cent).

**Re-exports:** The principal items include electrical machinery, apparatus and appliances, and electrical parts thereof (34.8 per cent of Hong Kong's total re-exports in 2016); telecommunications and sound recording and reproducing apparatus and equipment (20.8 per cent); office machines and automatic data processing machines (10.3 per cent); non-metallic mineral manufactures (5.0 per cent) and articles of apparel and clothing accessories (3.4 per cent). The main markets were the Mainland (54.3 per cent), the United States of America (9.0 per cent), India (3.3 per cent), Japan (3.3 per cent) and Taiwan (2.0 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 2015, the services sector constituted a share of 92.6 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 22.7 per cent of GDP in 2015), followed by financing and insurance (17.6 per cent), public administration, social and personal services (17.5 per cent) and real estate, professional and business services (10.9 per cent).

The total value of trade in services in 2016 was HK\$1,342 billion <sup>P</sup>, decreasing by 3.0 per cent from 2015. Hong Kong is consistently a net exporter of services. In 2016, Hong Kong exported HK\$764 billion worth of services, bearing a ratio of 30.7 per cent to Hong Kong's GDP, compiled based on the change of ownership principle.

The services sector constituted a share of 88.3 per cent of total employment in 2016.

**Trade and Industry Department:** The Trade and Industry Department (TID) handles Hong Kong's commercial relations with its trading partners, coordinates HKSAR's participation in the World Trade Organization, the Asia-Pacific Economic Cooperation, the Organization of Economic Cooperation and Development's Trade Committee, and the Pacific Economic Cooperation Council using the name "Hong Kong, China", and is committed to promoting and protecting Hong Kong's trading rights and trade interests.

<sup>P</sup> "Preliminary figure".

To secure favourable conditions for exports of goods and services from Hong Kong to the Mainland and international markets, the TID has been working closely with the Mainland to introduce further liberalisation measures continually under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement, and actively taking forward Free Trade Agreement and Investment Promotion and Protection Agreement negotiations with our trading partners.

Domestically, the department provides local business with various import and export licensing, certification and registration services. It offers general support services to business enterprises, in particular small and medium enterprises (SMEs), e.g. through administering various SME Funding Schemes. It also provides local enterprises with information on changes in major trading partners' import regulations.

**The Hong Kong Trade Development Council:** Established in 1966, the Hong Kong Trade Development Council (HKTDC) is a statutory body dedicated to creating opportunities for Hong Kong's businesses. 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, Asia and the world. It organises international exhibitions, conferences and business missions to provide companies, particularly SMEs, with business opportunities in the Mainland and international markets, while providing the latest business insights 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 2015, manufacturing accounted for 1.2 per cent of the GDP. In 2016, employment in manufacturing took up 2.6 per cent of the total employment.

Hong Kong's manufacturing enterprises are mainly SMEs. Of the 9 453 manufacturing business units in end 2016, 98.8 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. In 2015, the services sector constituted 92.6 per cent of Hong Kong's Gross Domestic Product (GDP).

In 2016, 88.3 per cent of the total employment were engaged in services sector. Like manufacturing, the majority (98.4 per cent) of the 317 374 service business units were SMEs (engaging fewer than 50 persons) in end 2016.

**Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA):** CEPA is the first free trade agreement concluded by the Mainland and Hong Kong respectively. It was signed in 2003 and implemented 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 for achieving progressive liberalisation and facilitation of trade and investment.

CEPA covers four main areas: (1) For trade in goods, all Hong Kong products can enjoy zero tariff upon importation into the Mainland market provided that the relevant CEPA rules of origin are agreed and met. (2) For trade in services, the two sides have basically achieved liberalisation of trade in services. Hong Kong service suppliers can enjoy preferential access in most service sectors in the Mainland market. (3) For investment, Hong Kong investors can enjoy investment protection and facilitation in the Mainland. (4) For economic and technical cooperation, the two sides commit to enhancing cooperation in 22 areas to cater for the trend and needs for the development of the two places and promote the cooperation in the economic and trade areas of the "Belt and Road" Initiative and Sub-regional Cooperation, with a view to setting the direction for closer cooperation in future.

**Free Trade Agreements (FTAs):** To secure favourable conditions for Hong Kong's exports of goods and services, the Government endeavours to forge FTAs with its trading partners. In addition to the CEPA with the Mainland, Hong Kong has signed FTAs with New Zealand in 2010, the Member States of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland) in 2011 and Chile in 2012.

**Investment Promotion and Protection Agreements (IPPAs):** The Government endeavours to sign IPPAs with other economies in order to give additional assurance to overseas investors that their investments in Hong Kong are protected, and enable Hong Kong investors to enjoy reciprocal protection in respect of their investments overseas. So far, Hong Kong has signed 19 IPPAs, with a geographic coverage over the Asia-Pacific region, Europe, Middle East, North America and South America.

**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 March 2017, there were about 324 000 SMEs in Hong Kong. They constituted over 98.3 per cent of the territory’s business units and accounted for about 45.8 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 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](http://www.success.tid.gov.hk)). It also provides free access to electronic business databases and a reference library, and regularly publishes E-newsletter and a 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, the Hong Kong Science and Technology Parks Corporation (HKSTPC) manages three industrial estates (IEs), located at Tai Po, Yuen Long and Tseung Kwan O, with a total area of 217 hectares. In order to encourage the development of innovation and technology industries in Hong Kong, the HKSTPC will now focus on building and managing specialised multi-storey industrial buildings for rental to multiple innovation and technology industrial partners. Under this new IE policy, the HKSTPC is developing two pilot projects in Tseung Kwan O IE, namely an Advanced Manufacturing Centre and a Data Technology Hub, to promote re-industrialisation and support smart manufacturing. The projects are expected to be completed between 2020 and 2022.

**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, supported 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 2017 Awards, namely, the consumer product design, equipment and machinery design, customer service, innovation and creativity, productivity and quality, technological achievement, and upgrading and transformation.