

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, 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 of China, the Hong Kong Special Administrative Region (HKSAR) does not impose any tariffs. Regulatory measures on international trade are kept to the minimum. Hong Kong also adopts an open and liberal investment policy and proactively encourages inward investment.

Merchandise Trade Performance

Hong Kong's external trade grew notably in 2017. Total merchandise trade increased 8.4 per cent to \$8,232.9 billion compared with 2016. Total exports increased 8 per cent to \$3,875.9 billion, while imports increased 8.7 per cent to \$4,357 billion. The territory's biggest trading partner was the Mainland of China, followed by the United States and Taiwan. A summary of external merchandise trade statistics is in table 13 of Appendix 6. In 2017, Hong Kong was the world's seventh largest trading entity in terms of value of merchandise trade.

Total Exports

In 2017, electrical machinery, apparatus and appliances, and electrical parts thereof worth \$1,387.7 billion were the principal commodities exported, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$759 billion) and office machines and automatic data processing machines (\$404.1 billion). The Mainland, the US and India were the main destinations, accounting for 54.3 per cent, 8.5 per cent and 4.1 per cent respectively of the total value of total exports.

Imports

In 2017, electrical machinery, apparatus and appliances, and electrical parts thereof constituted the largest share of total imports at \$1,578.3 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$736.8 billion) and office machines and automatic data processing machines (\$353.9 billion). The Mainland, Taiwan and Singapore were Hong Kong's major suppliers, accounting for 46.6 per cent, 7.6 per cent and 6.6 per cent respectively of the total value of imports.

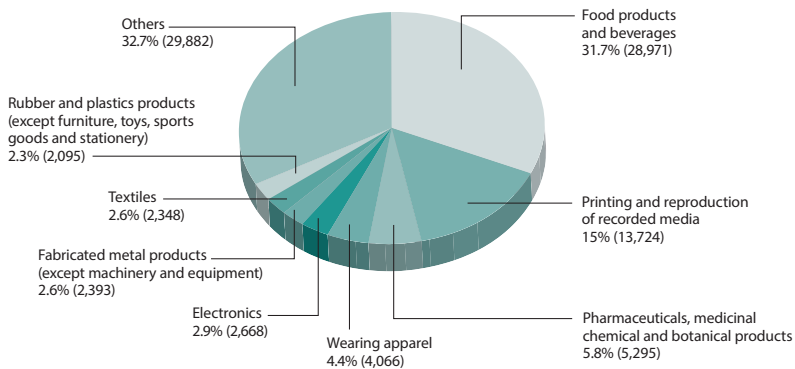
Manufacturing

With the relocation and expansion of manufacturing activities offshore since the 1980s, Hong Kong's role has evolved into a command and control centre with an increasingly globalised production network. Domestic manufacturing contributed 1.1 per cent of Gross Domestic Product (GDP) in 2016 and provided employment for 95,500 people in 2017, making up 2.5 per cent of overall employment.

Food and beverage producers were the largest employers in the manufacturing sector as at December 2017, followed by employers in the printing and reproduction of recorded media industries. Chart 1 shows the breakdown of manufacturing employment.

Chart 1

Number of People Employed by Manufacturing Sector as at December 2017



Services

Hong Kong is one of the world's most service-oriented economies. The services sector's share of GDP in 2016 was 92.2 per cent, and it provided employment for 3,379,600 people, making up 88.2 per cent of total employment in 2017.

In 2017, Hong Kong's total services trade amounted to \$1,412.6 billion, the world's 17th largest in value. The territory exported \$810.3 billion worth of services, contributing to 30.4 per cent of GDP, compiled based on the change of ownership principle. It ranked fifth in the region after the Mainland, Japan, India and Singapore in total value of services exported, and 15th in the world.

The main components of Hong Kong's exports of services in 2017 were in travel and transport, accounting for 32 per cent and 29.2 per cent respectively of the total value. The territory is a net exporter of services and had an overall surplus of \$208.1 billion in 2017, recording surpluses of \$60.4 billion and \$99.5 billion in travel and transport respectively.

Inward Direct Investment

According to the United Nations Conference on Trade and Development's *World Investment Report 2017*, Hong Kong was the fourth largest recipient of foreign direct investment flow in the world in 2016, after the US, the United Kingdom and the Mainland. The *External Direct Investment Statistics of Hong Kong 2016* report, released by the Census and Statistics Department, indicated Hong Kong's FDI inflow in 2016 amounted to \$1,034.1 billion. At the end of 2016, the position of direct investment liabilities¹ totalled \$14,142.2 billion. Chart 2 shows selected major investor countries and territories of the inward direct investment. The British Virgin Islands was the largest, accounting for 34.2 per cent of the total. Chart 3 shows the major economic activities of Hong Kong enterprise groups². Those engaged in investment and holding, real estate, professional and business services took up the largest share, at 67.5 per cent of the total.

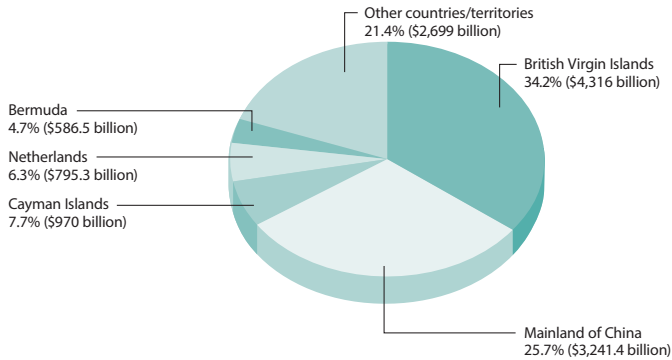
A survey covering some 8,200 companies in Hong Kong with parent companies located outside Hong Kong found 3,752 of them had regional headquarters or regional offices here as at June 2017.

¹ According to the latest international statistical standards, the FDI inflow and the position of direct investment liabilities presented in this paragraph are compiled based on the asset/liability principle, while detailed inward direct investment figures analysed by selected major 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 aggregate position of direct investment liabilities is different from the overall totals of the detailed inward direct investment figures by selected major 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 2

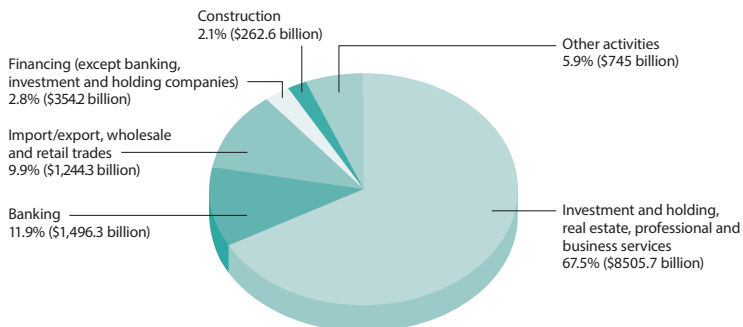
Position of Hong Kong's Inward Direct Investment at Market Value by Selected Major Investor Country/Territory# at end-2016



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

Chart 3

Position of Hong Kong's Inward Direct Investment at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2016



Due to rounding, the total percentage does not equal to 100.

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 Initiative and coordinates the work of the HKSAR Government on the initiative, and oversees the development of policies and programmes for the industrial and trade sectors, including small and medium enterprises (SMEs), and the promotion of services industries. 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 Hong Kong's overseas 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.

Domestically, the department provides locally based trade and industry organisations and businesses with services, including issuing certificates of origin, export and import licences and certificates of Hong Kong service suppliers. It offers general support services to various sectors, in particular SMEs, and provides local enterprises with trade information and advice on changes in major trading partners' import regulations.

Invest Hong Kong

Invest Hong Kong (InvestHK) aims to attract and retain 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 15 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 15 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); 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 takes forward measures to promote the development of Hong Kong as an intellectual property trading hub in the region.

Overseas Hong Kong Economic and Trade Offices

There are 12 overseas Hong Kong ETOs, located in Berlin, Brussels, Geneva, Jakarta, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington. The Geneva office 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 seek to promote Hong Kong's economic and trade interests by enhancing understanding of Hong Kong among opinion-formers; monitoring developments that might affect Hong Kong's economic and trade interests; and liaising with businesses, politicians, government bodies, think tanks and the news media. They organise events regularly 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. Hong Kong's representative to the International Maritime Organisation is based in the London office. The Berlin ETO fosters closer economic and trade ties between Hong Kong and eight countries in central and eastern Europe.

The Washington ETO represents Hong Kong's interests in the US. It monitors federal government policies and legislation that may have implications on Hong Kong's economic and trade relationships 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 offices 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 South Korea. In order to tap into emerging markets among the Association of Southeast Asian Nations (ASEAN), a new office was set up in Jakarta in 2016. The Jakarta ETO represents the HKSAR Government in matters between Hong Kong and ASEAN as a whole, and handles in particular matters between Hong Kong and Indonesia, Malaysia, Brunei Darussalam and the Philippines, while the Singapore ETO is responsible for strengthening economic ties between Hong Kong and Singapore, Cambodia, Laos, Myanmar, Thailand and Vietnam.

Promotional activities organised by the Hong Kong ETOs are set out in the 'Promoting Hong Kong Worldwide' section of Chapter 17 Media and Communications.

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. In December, Hong Kong attended the 11th WTO Ministerial Conference held in Buenos Aires, Argentina. The Secretary for Commerce and Economic Development, Mr Edward Yau Tang-wah, was one of the Vice-Chairs of the ministerial conference.

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 November, the Chief Executive, Mrs Carrie Lam, and the Secretary for Commerce and Economic Development represented Hong Kong in Da Nang, Vietnam, at the 25th APEC Economic Leaders' Meeting and the 29th APEC Ministerial Meeting respectively. Hong Kong conducted about 84 per cent of its external trade with the other 20 APEC member economies during the year.

The Pacific Economic Cooperation Council is a non-governmental regional forum comprising government officials, business leaders and academics. It works on policy issues to enhance trade, investment and economic development in the Pacific region. The Hong Kong Committee for Pacific Economic Cooperation advises on and coordinates Hong Kong's participation in the council and plays an active role in the council's activities.

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.

Bilateral Trade Agreements

To secure more favourable market access for Hong Kong goods and services, the government pursues free trade agreements (FTAs) with trading partners. In 2017, Hong Kong forged an FTA with ASEAN, signed a CEPA with Macao and concluded FTA negotiations with Georgia. It started FTA negotiations with Australia in May and continued its negotiation with the Maldives. These agreements seek to enhance trade and investment flows between Hong Kong and relevant markets, generate new opportunities for Hong Kong businesses and boost economic growth.

Hong Kong also launched the Strategic Dialogue on Trade Partnership with the UK to explore opportunities for cooperation and strengthen the bilateral economic relationship.

CEPA with Mainland

The Mainland's economic and trade growth has boosted Hong Kong's trade in goods and services. Since the signing of CEPA in 2003, the two sides have continuously broadened CEPA's coverage and deepened liberalisation on trade in services. In June 2017, the two sides signed the Investment Agreement and the Agreement on Economic and Technical Cooperation under the CEPA framework to upgrade it into a comprehensive FTA, covering the four major areas of trade in goods, trade in services, investment and economic and technical cooperation.

Under CEPA, the Mainland applies zero tariff to all imported goods of Hong Kong origin that meet agreed CEPA rules of origin. As at end-2017, the rules of origin for some 1,890 products had been agreed.

The government's Dedicated Fund on Branding, Upgrading and Domestic Sales helps Hong Kong enterprises enhance competitiveness and further business development on the Mainland through developing brands, upgrading and restructuring operations and promoting domestic sales.

Investment Promotion and Protection Agreements

Hong Kong has 20 Investment Promotion and Protection Agreements (IPPAs) with 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 2017, Hong Kong forged an investment agreement with ASEAN and concluded IPPA negotiations with Bahrain and Mexico, while negotiations with the Russian Federation and Iran were under way.

Trade in Goods

In 2017, the Customs and Excise Department carried out 26,737 factory and consignment inspections and concluded 219 investigations to ensure compliance with factory registration conditions and import and export licensing requirements. The department also conducted 41 blitz operations on consignments of goods at various import and export control points. It successfully prosecuted 18 companies and five offenders, leading to fines totalling \$420,000.

Trade in Strategic Commodities

The Trade and Industry Department maintains a comprehensive import and export control licensing system to monitor the movement of strategic commodities through Hong Kong. The system ensures that while the territory has access to advanced products and technologies to sustain its economic development, it is not used as a conduit for illicit diversion of strategic commodities. The department also administers a permit system to monitor activities involving sensitive chemicals, as required by the Chemical Weapons Convention. Hong Kong cooperates closely with its trading partners to keep abreast of international developments on strategic trade controls and to make sure its control arrangements complement those of its trading partners.

In 2017, the Customs and Excise Department investigated 231 cases of unlicensed import and export of strategic commodities and successfully prosecuted 36 companies and two offenders, resulting in fines totalling \$750,000. Goods valued at \$1.17 million were confiscated.

Customs Cooperation

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and 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, Belgium, the WCO Regional Intelligence Liaison Office for Asia and the Pacific in Seoul, South Korea, and the WCO Asia Pacific Regional Office for Capacity Building in Bangkok, Thailand.

Local companies that satisfy the department's security standards under the Hong Kong Authorised Economic Operator Programme may be accredited as authorised economic operators and enjoy customs facilitation, including less inspection and prioritised clearance of their goods. To provide authorised economic operators with more clearance benefits in other economies, the department has in place mutual recognition arrangements with the customs administrations of Australia, India, Japan, the Mainland, Malaysia, Singapore, South Korea and Thailand. It will continue to extend the network of such arrangements with Hong Kong's trading partners.

The department cooperates with other law enforcement agencies and holds regular meetings with them to exchange intelligence and experience on enforcement. It also has bilateral cooperation arrangements with a number of customs administrations.

Inward Investment Promotion

In 2017, InvestHK helped 402 overseas, Mainland and Taiwanese companies set up or expand operations in Hong Kong, involving direct investment of more than \$16.6 billion and the creation of nearly 5,100 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 Mainland and key overseas markets, and sponsoring important events which will bring in foreign direct investment to Hong Kong, including Art Basel, London Technology Week and the China Overseas Investment Fair. In November, it organised a joint event with Guangdong Province in Paris, France, to promote advantages offered by the economic integration of Hong Kong and the Pearl River Delta region. Promotional programmes were also carried out in high-growth Mainland cities, including Baotao, Beijing, Changzhou, Chongqing, Tianjin, Wuhan, Xiamen and Xian, to promote Hong Kong as the ideal platform for Mainland companies to go global. InvestHK completed 86 projects from the Mainland during the year, representing 21 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 and to promote the territory as a leading hub for start-ups and entrepreneurship. A dedicated financial technology team organises international events and helps start-ups, investors and research and development institutions establish their presence in Hong Kong.

Industrial Policy

Leveraging Hong Kong's competitive edge, the government seeks to be 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 Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development, in order to generate new impetus for the territory's economic development.

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

Small and Medium Enterprises

SMEs are manufacturing businesses that employ fewer than 100 people and non-manufacturing businesses employing fewer than 50 people in Hong Kong. There are about 330,000 SMEs, representing over 98 per cent of all local enterprises and employing over 1.3 million people. The Trade and Industry Department'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 continuous public education programmes. This has earned the territory a reputation for effective protection of intellectual property.

Registration

The Intellectual Property Department provides electronic services that enable efficient and cost-effective registration and management through the internet. Its registers are maintained in electronic format, allowing free data searches in Chinese or English, while the electronic filing system enables intellectual property owners or agents to file their applications securely.

By using the department's interactive services, owners of intellectual property rights or their agents can make changes directly to certain particulars of their registrations and applications recorded in the registers. These changes are updated instantly in the registry records. The electronic services have been well received. During the year, 66 per cent, 83 per cent and 80 per cent of applications for trade marks, patents and designs respectively were filed electronically.

Trade Marks

In 2017, the Trade Marks Registry received 37,630 applications and registered 35,488 marks. The number of new registrations was very close to that in 2016. Out of the 116 countries and regions that filed applications, the principal ones were:

Hong Kong	14,509	UK	886
Mainland	6,758	France	808
US	3,720	Germany	720
Japan	2,524	Switzerland	714
South Korea	1,050	Taiwan	692

The register had 402,099 registered marks at the end of the year.

The government will amend the Trade Marks Ordinance to pave the way for implementing in Hong Kong an international registration system under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

Patents

The Patents Ordinance provides for the grant of standard patents based on corresponding patents granted by one of three designated patent offices, namely the State Intellectual Property Office of China, United Kingdom Patent Office, and European Patent Office in respect of patents designating the United Kingdom. It also provides for the grant of short-term patents upon formality examination. The Patents Registry received 13,299 standard patent applications and 693 short-term patent applications in 2017. It granted 6,671 standard patents and 582 short-term patents, representing an increase of 17.1 per cent and 20 per cent respectively compared with 2016.

The government is making preparations to put the Patents (Amendment) Ordinance 2016 into effect following the enactment of the ordinance, which provides for a fundamental legal framework to reform the local patent system and establish an original grant patent system. The new patent system will facilitate Hong Kong's development into an intellectual property trading hub and a regional innovation and technology hub.

Registered Designs

In 2017, the Designs Registry received 2,609 applications for the registration of 4,816 designs and registered 4,604 designs, a 3.9 per cent increase from 2016.

Copyright

The Copyright Ordinance protects 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 copyright owners. In line with international practice, there is no requirement to register copyright.

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 possession for business use.

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 2017, the department arrested 145 people in 115 piracy cases and confiscated goods, mostly pirated optical discs, worth \$11.3 million. It also seized counterfeit goods worth \$107 million and arrested 657 people in 866 cases of forged trade marks.

Customs-Business Partnership

To help effective enforcement against piracy and counterfeiting activities, the department liaises closely with businesses to promote protection of intellectual property rights.

Public Education

The Intellectual Property Department promotes the value of intellectual property trading and the importance of protecting intellectual property rights. In 2017, nine trade associations with over 1,100 retail merchants, covering more than 6,800 outlets, took part in its No Fakes Pledge scheme. Through school visits and interactive dramas, the department reached out to 179 schools and over 48,000 students. Events are organised to promote creativity among the younger generation.

Intellectual Property Trading

To promote intellectual property trading, the Intellectual Property Department works with stakeholders to implement measures under four strategic areas, namely enhancing the intellectual property protection regime; supporting intellectual property creation and exploitation; fostering intellectual property intermediary services and manpower capacity; and pursuing promotion, education and external collaboration efforts. The department offers a consultation service, the Intellectual Property Manager Scheme and, in collaboration with stakeholders, relevant training courses. It also promotes intellectual property auditing and due diligence, showcases success stories and works with the Department of Justice to promote arbitration and mediation in resolving intellectual property disputes. In January, the department commissioned a survey on the manpower involved in intellectual property trading and management in Hong Kong. The survey is expected to be completed in the first half of 2018.

Cooperation with Mainland

The Intellectual Property Department works closely with its Mainland counterparts, including those in the bay area, to promote intellectual property protection, management and trading.

The Customs and Excise Department maintains close cooperation with its Mainland counterparts in exchanging experience and information on the detection and prosecution of intellectual property-related offences. It conducts regular 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 exchange intelligence and offer mutual assistance in investigations. The Hong Kong customs and the National Copyright Administration also provide mutual administrative assistance in the fight against internet piracy.

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 represents Hong Kong, China, at meetings of the APEC Intellectual Property 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 business in Hong Kong while safeguarding the public interest. The advisory committee is

made up of representatives from the business, academic, professional and political sectors and senior officials from government bureaus.

Business Liaison Groups foster communication between government bureaus and departments and major business sectors and help 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 that would affect business, and to offer their comments.

Twenty-nine government bureaus and departments involved in providing licensing services to businesses take part in the government's Be the Smart Regulator programme, aimed at improving the efficiency, transparency and business-friendliness of their licensing systems. The programme is coordinated jointly by the Efficiency Unit under the Chief Secretary for Administration's Office and the Business Facilitation Division of the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office. The division also supports the work of the advisory committee and its task forces.

Trade Documentation

As a free port, Hong Kong maintains optimal import and export documentation requirements to facilitate trade, including an origin certification system to help its exports access external markets. Most products do not need licences to enter or leave Hong Kong. Licences are required mainly to fulfil Hong Kong's international obligations; to protect public health, safety, the environment and intellectual property rights; or to ensure the territory's continued access to advanced technologies and high-tech products.

Road Cargo System

The Customs and Excise Department's Road Cargo System facilitates customs clearance of road cargo through prior risk-profiling. It allows a shipper or his agent to submit key cargo information electronically before the consignment is imported to, or exported from, Hong Kong. All cross-boundary goods vehicles, except those selected for inspection, undergo seamless customs clearance at the land boundary control points.

Intermodal Transshipment Facilitation Scheme and Single E-lock Scheme

The Intermodal Transshipment Facilitation Scheme (ITFS) simplifies 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, at the point of entry or exit.

The Single E-lock Scheme streamlines customs clearance procedures through connecting the ITFS with 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. This service is available at 34 clearance points in the Guangdong and Hunan provinces.

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 a certificate of non-manipulation enabling traders to claim preferential tariff from the authorities at the importing end.

Government Electronic Trading Services

The Government Electronic Trading Services allows the trading community to submit certain trade-related documents electronically to fulfil statutory obligations in a cost-effective and environment-friendly manner. Three government-appointed operators provide the services, which processed about 21 million transactions in 2017.

Trade Single Window

At present, the import and export trade submits trade documents to the government through different platforms, including the Government Electronic Trading Services. The government is working to set 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. The Trade Single Window may in future connect with single window systems in other territories and with trade information platforms run by the private sector. During the year, the government refined the Trade Single Window proposal to take into account views raised in a consultation exercise, continued to engage stakeholders and made preparations for rolling out the first of three phases of the Trade Single Window in mid-2018.

Trade and Industrial Support Organisations

Hong Kong Trade Development Council

The statutory Hong Kong Trade Development Council promotes, facilitates and develops trade and investment opportunities for Hong Kong. With more than 40 offices globally, including 13 on the Mainland, it promotes Hong Kong as a platform for doing business with the Mainland and throughout Asia, and as an international commercial hub for the Belt and Road Initiative.

The council organises international exhibitions, conferences and business missions to help companies, particularly SMEs, seize business opportunities on the Mainland and in international markets, while providing market information via trade publications, research reports and digital 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. It also offers free buyer credit assessments to help exporters seize business opportunities. In June, the cap on the corporation's contingent liability under contracts of insurance was increased to \$55 billion.

In 2017, the corporation's total insured business increased 25.6 per cent to \$157 billion, while gross premium income gained 17.2 per cent to \$331.7 million amid steady global economic recovery. Payments over cash claims rose 14.1 per cent to \$82.6 million. In September, the corporation introduced a fixed amount cover endorsement on a pilot basis for one year to provide SMEs with more flexible options.

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 free flow of trade, thereby bringing benefits to both consumers and businesses. The Competition Ordinance provides a legal framework for tackling 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 Competition Ordinance, the Competition Commission enforces the ordinance and investigates possible contraventions, promotes public understanding of the ordinance, conducts market studies and advises the government on competition matters. The commission members, including the chairman, are appointed by the government. In 2017, the commission received 767 complaints and enquiries, brought two cases to the Competition Tribunal and issued its first block exemption order. It also published a study report on the local vehicle-fuel market.

Creative Industries

Create Hong Kong

Creative industries in Hong Kong cover eight sectors, namely advertising, architecture, design, digital entertainment, film, printing and publishing, television, and music. The government supports their development through Create Hong Kong (CreateHK), formed in 2009 under the Commerce and Economic Development Bureau's Communications and Technology Branch, which was renamed the Communications and Creative Industries Branch on 20 November 2015.

Support for Film Sector

Film Development Council

The Film Development Council advises the Secretary for Commerce and Economic Development on the policies, strategies and institutional arrangements for promoting and developing the film industry; use of public funds to support the industry; planning, coordination and implementation of film-related activities; the industry's manpower and

training needs; and promotion of film literacy in Hong Kong. The council is chaired by a non-official member and consists mainly of members of the film industry, with CreateHK providing secretarial support.

Encouraging Local Film Production

The Film Development Fund supports low and mid-budget productions for commercial release and projects conducive to the local industry's sustainable and long-term development. In 2017, seven productions for commercial release and 21 other projects beneficial to industry development received a total of \$61.63 million.

Nurturing Film Talent

The First Feature Film Initiative identifies new filmmakers through a competition on screenplay and production proposals, and fully subsidises them to make their first feature-length commercial films. *Mad World*, a winning project in the first edition of the initiative, was released commercially in 2017 and had won 19 local and overseas awards by the year end.

During the year, CreateHK worked with the industry to launch a local programme to provide practical training for front-line film talent, and an overseas scheme to support outstanding post-production talent to undertake further studies and internships.

Film Market Development

CreateHK funds the Hong Kong Trade Development Council to promote the annual iconic event, Entertainment Expo Hong Kong, a key part of which is the Hong Kong International Film and TV Market (Filmart), which attracted 815 exhibitors from 35 countries and regions and over 8,000 visitors in 2017.

On the Mainland, CreateHK promotes Hong Kong films by subsidising the distribution and publicity of Hong Kong-produced Cantonese movies. It organised promotional tours to Iran and Malaysia in 2017 to promote Hong Kong's production and post-production services.

Support for Non-Film Creative Sectors

CreateSmart Initiative

The CreateSmart Initiative (CSI) supports the promotional and educational projects of the seven non-film creative sectors. It provided \$137.8 million to 51 such projects in 2017, including seven projects to celebrate the 20th anniversary of the establishment of the HKSAR. In the 2017 Policy Address, the government proposed injecting \$1 billion into the initiative to strengthen support for the development of the creative industries.

Nurturing Talent and Facilitating Start-ups

Through the CSI, CreateHK supports the manpower development of creative industries and the nurture of start-ups. Activities in 2017 included the following:

- The Design Incubation Programme admitted 30 incubatees, while the Fashion Incubation Programme, launched in 2016, admitted five incubatees.

- Graduate programmes which offer internships at digital advertising and digital entertainment companies for graduates of relevant creative disciplines admitted 49 interns.
- The Hong Kong Young Design Talent Award 2017 selected 11 winners, who will receive funding to pursue work attachment or further study overseas.
- Creative talent participated in advertising and short film events, such as the Busan International Short Film Festival.
- Design competitions, including the Hong Kong Smart Design Awards, EcoChic Design Award and DFA Awards, were held.
- The Animation Support Programme funded 14 start-ups and small companies to produce original animation.
- The Mobile Game Start-ups Support Programme subsidised 10 start-up companies to produce original mobile game content.
- The Support Programme for Advertising and Music Talents (Microfilm Production) offered funding and mentorship to 18 advertising production companies and directors.
- The Ear Up Record Label Creation and Incubation Programme funds the music sector to provide training on the development of independent and SME labels. The programme supported 12 singers and bands.

Exploring Markets

Through the CSI, CreateHK supports the non-film creative sectors to bring high-value customers to Hong Kong, and takes local talent and products to the Mainland and overseas markets. Activities in 2017 included the Bi-city Biennale of Urbanism\Architecture (Hong Kong); the '20....43 Business of Hong Kong Design' exhibition in Suzhou, Shanghai, Shenzhen, Hangzhou and Wuhan; and the Business of Design Week.

Promoting Hong Kong as Asia's Creative Capital

In 2017, Hong Kong strengthened cross-sectoral collaboration with the Mainland and overseas businesses through regional business platforms such as Filmart, the Hong Kong – Asia Film Financing Forum and the Business of Design Week.

The CSI provided in total \$10 million for six cross-sectoral, cross-territorial projects. The '20 Years of Hong Kong Game x Music Exhibition' showed Taiwanese audiences the development and uniqueness of Hong Kong's digital games and their classic songs, while the 'SmartHK, Fuzhou' exhibition was a platform for 15 of Hong Kong's creative SMEs to establish business ties with the manufacturing and service sectors in Fujian. These efforts have helped raise the profile of Hong Kong's creative industries locally and overseas.

Consumer Protection

Consumer Council

The statutory Consumer Council protects and promotes the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property. Members of the council, including the chairman and vice-chairman, are government-appointed.

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, which enhances consumer access to legal remedies.

In 2017, the council received 24,881 consumer complaints and 82,085 consumer enquiries, and completed 44 product tests, 30 surveys and 22 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 2017, the department carried out 8,824 spot checks and concluded 299 enforcement cases.

The Government Laboratory provides analytical and advisory services to the department in the enforcement of consumer protection legislation. In 2017, the laboratory carried out 34,052 tests to check the compliance of toys, children's products and consumer goods with safety standards, and to determine the weight of retail goods. Where necessary, it conducted on-site investigations in support of the enforcement of the Weights and Measures Ordinance. The laboratory also carried out 5,023 tests to examine the authenticity of commodities and the correctness of trade descriptions as part of investigations 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 \$5 million and imprisonment of up to two years. In 2017, the departments issued 19,043 licences and certificates and secured 186 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

Environment Bureau: www.enb.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