



Doing Business in Hong Kong and Macau: 2008 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Hong Kong and Macau

HONG KONG

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Market Overview

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- **Hong Kong is an ideal market platform for doing business in Asia, especially Mainland China.** Hong Kong is a “free port” with virtually no duties or tariffs. Its strong rule of law and respect for property rights make it an ideal strategic platform for U.S. companies, especially small- and medium-sized firms, seeking to do business in Asia. Hong Kong partners typically know, and have close links to, markets in Mainland China and the rest of Asia.
- **Key Characteristics: Open to international tourism, trade and investment.**
Population: 6.96 million (end-2007).
Visitors: 28.2 million (2007).
GDP Per Capita: US\$27,565 (2006).
GDP Growth: 6.2% (3Q/2007).
Trade to GDP Ratio: 343% (2006).
U.S. Exports: US\$20.1 billion, 5.5% of Hong Kong's imports (2007).
Major Trading Partners: Mainland China, U.S., EU, Japan, and Taiwan.
Other: World-class infrastructure; free flow of information; no restrictions on inward or outward investment; no foreign exchange controls; no nationality restrictions on corporate or sectoral ownership; simple low-tax regime; and world financial center.
- **Special Administrative Region of China:** Hong Kong has its own common law legal system, currency and customs jurisdiction. Hong Kong's financial, marketing and technical expertise, and sophisticated infrastructure, combined with the Mainland's rapidly developing manufacturing base, create wide-ranging business opportunities. A majority of Hong Kong manufacturers have moved production to South China's Pearl River Delta (PRD), with Hong Kong functioning as the region's services and trade hub. Mainland China is Hong Kong's largest trading partner, and four thousand Asian and Western multinational firms with interests in Mainland China have their headquarters in Hong Kong.
- **Closer Economic Partnership Arrangement (CEPA) with Mainland China:** This free trade agreement offers Hong Kong's products and firms preferential access to the Mainland's market. CEPA goes beyond Mainland China's World Trade Organization (WTO) commitments, eliminating tariffs and allowing earlier

or preferential access to some services sectors. Overseas companies can partner with, invest in, acquire, or buy into a CEPA-qualified firm in Hong Kong.

Market Challenges

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- **Increasing integration with the Mainland:** As Hong Kong's Mainland China market access and opportunities have grown, higher costs have led to a hollowing out of its manufacturing sector. Mainland rivals present increasing competition, even in sectors where Hong Kong has long been dominant, like container port handling.
- **Firms are bypassing Hong Kong:** Companies that go directly to the Mainland China market without sufficient due diligence, however, often face higher costs and longer delays than if they had first engaged a Hong Kong-based intermediary.

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- **Excellent prospects for U.S. suppliers:** Over twenty percent of all Hong Kong Government contracts are awarded to U.S. firms. Leading export sectors for U.S. firms include computer peripherals, plastic materials & resins, electronic components, drugs and pharmaceuticals, environmental technologies, mass transit equipment, landscape architectural services, automotive parts and accessories, safety and security equipment, green building materials, and cosmetics and toiletries.
- **Major Hong Kong public infrastructure projects include:** Hong Kong International Airport Expansion Plan, Kai Tak Airport Redevelopment, Tourism Infrastructure and City Improvement, Disneyland, West Kowloon Cultural District, Port Development, Ocean Park Revamp Plan, Harbor Area Treatment Scheme, the Hong Kong-Macau-Zhuhai Bridge, the Waste Reduction Project, the South Island Line, the Sha Tin to Central Link, and the Guangzhou-Shenzhen-Hong Kong Express Rail Link.
- **Hong Kong-based Procurement:** Hong Kong is home to a large number of procurement agents and purchasing offices. U.S. suppliers who take time to investigate these networks will find that many purchasing decisions for major projects and conglomerates in Macau, Mainland China or other countries are actually made in Hong Kong.

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- **Hong Kong agents and distributors can increase sales of U.S. products in both Hong Kong and Mainland China.** Given Mainland China's size and diversity, it is sometimes advisable to work with different agents for different regions of Mainland China.

- **Hong Kong firms are eager to work with serious exporters.** U.S. firms can show commitment to success in this market by using metric measurements, providing Chinese-language materials, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and relationship building.
- **Companies considering entering this market should understand Hong Kong's fast-paced business climate.** Decisions are made quickly. Firms must respond immediately to inquiries or risk losing opportunities to faster-moving competitors.

Macau

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- **Macau's GDP grew by 30.9 percent (q to q) in the third quarter of 2007.** As a Special Administrative Region of Mainland China, Macau is a "free port" with low taxation. Since liberalizing the gaming industry in 2002, Macau has benefited from US\$2.2 billion in investment in the gaming industry, spurring more visitors and consumption demand. Other growth areas include finance, insurance, construction, real estate and manufacturing. Macau's exports include textiles, garments, toys, electronics, and footwear. The main export market is the U.S., while imports originate primarily from Mainland China and Hong Kong.
- **Key Characteristics: Rapid growth in tourism and inbound investment.**
 Population: 531,400 (3Q-2007).
 Visitors: 27.0 million (2007).
 GDP Per Capita: US\$28,853 (2006).
 U.S. Exports: US\$226.4 million, 4.2 percent of Macau's imports (2007).
 Trading Partners: Mainland China, Hong Kong, Japan, EU, Taiwan and U.S.
- **Closer Economic Partnership Agreement (CEPA) with Mainland China:** Macau's 2003 agreement with Mainland China enhanced its economic integration with the PRC.

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- **Gaming and tourism growth eclipse other sectors:** Many U.S. firms are overlooking opportunities in other sectors. Though small, Macau offers companies a good foothold to get into the region. In 2007, Macau's gross gaming

revenue rose 46.6% to 83 billion patacas (around 10.4 billion U.S. dollars), exceeding that of the Las Vegas strip.

- **Finding local talent can be challenging:** Macau's explosive growth has led to stiff competition among firms for identifying and retaining high-caliber managers and staff.

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- **U.S. exports to Macau have grown significantly.** In the past year (January-November 2007 compared to the same period in 2006), U.S. capital goods exports increased 58.7 percent, and consumer goods rose 6.8 percent. However, fuel and lubricants dropped 9.7 percent, and raw materials and semi-finished products decreased 0.7 percent.
- **Specific U.S. export opportunities include:** Gaming equipment; architectural services; energy-efficient lighting; recreational and sports equipment; security equipment; "smart building" systems; hotel, restaurant and resort management training services; air conditioning; building materials; carpeting; computer and financial software; and furniture.
- **Major Macau public and private projects include:** Cotai Strip Development of with multiple hotels, resorts and gaming facilities, Wynn Resort expansion, Galaxy Resort and Casino, Macao Studio City, Sociedade de Jogos de Macau (SJM), Pac On Terminal, Light Rail Transit System, and the Hong Kong-Macau-Zhuhai Bridge.
- **Hengqing Island and Regional Development in Zhuhai, PRC.** Hengqing Island in Zhuhai, a stone's throw from Macau, is earmarked for future development by many of the investors currently building projects in Macau. A number of planned projects have been reported in the press including resorts, hotels, integrated retail and convention centers, luxury villas, education facilities and other services areas in Hengqing and elsewhere in Zhuhai.

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Macau and Hong Kong-based agents and distributors can increase sales in Macau. Many major gaming and hotel operators in Macau maintain procurement or purchasing offices in Hong Kong.

The U.S. Commercial Service Office in Hong Kong can provide customized market research and business facilitation services in Macau.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

Hong Kong: <http://www.state.gov/r/pa/ei/bgn/2747.htm>

Macau: <http://www.state.gov/r/pa/ei/bgn/7066.htm>

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Using an Agent or Distributor

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Working with agents and distributors in Hong Kong is very much like working with agents and distributors in the United States. An agent takes orders in the supplier's name. Distributors act in their own name and may stock products purchased from the manufacturer for resale. Although it is possible to identify distributors in Macau, many Hong Kong distributors are capable of covering Macau as well.

Hong Kong has no special legislation regarding agents and distributors. Virtually anything to which both sides can agree and put into a written contract is acceptable and enforceable; this includes restrictions on territory and a grace period for termination of the agreement. While Hong Kong law does not require legal counsel, the more complex the contract, the more helpful legal counsel can be in drafting the text. Items that are often in the contract include:

- Discussion of exclusivity and sales territories – businesses should be careful about granting an exclusive agency too soon or in too large a territory if the agent is to have coverage beyond Hong Kong.
- Discussion of proprietary information – local law prohibits theft of intellectual property, but prevention of piracy is always less expensive and more effective than post-facto remedial legal action.
- Levels of sales activity – set specific targets and goals the agent or distributor must meet in order to maintain or renew the agreement.
- Duration.

- Payment terms.
- Quality control – inspection – verification.
- Rule of law – jurisdiction in the United States vs. Hong Kong. Generally, Hong Kong is chosen, but another location may be specified.
- Covenants restricting business activity following cancellation of the contract.

There are many types of agents and distributors in Hong Kong, ranging from those who simply stock retail stores with standard items to agents who provide sales, engineering and technical support for complex systems. It is common for a single company to deal in a wide variety of products in a particular sector. Agents and trading companies may be less specialized than companies in a large economy like the United States, but the best ones are focused and have contacts in a specific line of business.

Establishing an Office

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Foreign companies are allowed to incorporate their operations, register branches, or set up representative offices freely in Hong Kong. There is no restriction on the ownership of such operations. Company directors need not be citizens of, or reside in, Hong Kong. Reporting requirements are straightforward and not onerous. There is no distinction in law or practice between investment by foreign-controlled companies and those controlled by local interests. There are no disincentives to foreign investment such as limitations on the use or transfer of foreign currency, or any system of quotas, performance requirements, bonds, deposits, or other restrictive regulations. High labor and rental costs are the major disincentives to establishing a presence in Hong Kong.

To incorporate or register in Hong Kong, the foreign company should first file statutory declarations and submit the necessary documents to the Administration Section of the Companies Registry. Specific information on establishing an office in Hong Kong is available at:

New Companies Section
Companies Registry
14/F, Queensway Government Offices
66 Queensway
Hong Kong
Tel: (852) 2867-2587
Email: crenq@cr.gov.hk
Website: <http://www.cr.gov.hk>

Additional information for setting up in Hong Kong can also be found at www.investhk.gov.hk.

For Macau, please visit the Macau Trade and Investment Promotion Institute's website at: <http://www.ipim.gov.mo/en/index2.asp>

Franchising

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Hong Kong's legal framework and high per capita income attracts foreign franchisors looking to sub-franchise. It is relatively easy to set up a foreign franchise operation in Hong Kong as there is no specific legislation governing franchising operations, no exchange controls, no anti-trust laws, and no foreign equity participation or local management participation regulations. Disputes arising from a franchise agreement are subject to the common law (and specifically to contract law) and to legislation relating to licensing, and protection of intellectual property rights, and registration of trademarks/service marks. See Chapter 4: Leading Sectors for U.S. Export and Investment" for more information on franchising in Hong Kong.

Direct Marketing

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Direct marketing has changed significantly over the past ten years - it is now multichannel and electronic to an unprecedented degree. Direct marketing is the fastest growing segment of the marketing business. It is also the segment that produces the most substantial profits for every business from financial services to fast moving consumer goods. The Hong Kong Post Office estimates that the size of direct marketing business in Hong Kong is roughly a tenth of that in the United States as it relates to direct mail.

Regulations regarding direct marketing are primarily centered on right to privacy, data security and postal regulations. The Hong Kong Direct Marketing Association (HKDMA) works with regulatory bodies to ensure that any promulgated regulations do not have an adverse affect on direct marketing users and suppliers. HKDMA also provides information on the seasonality effect that directs strategic planners on devising their annual marketing plans.

Hong Kong has a well-developed network of retail outlets. Supermarkets, department stores, convenience stores and modern shopping malls have become increasingly popular, because of their easy access, convenient location and seven-day accessibility. Consumers prefer buying products from retail outlets to buying products through mail order or person-to-person selling, as they consider retail shopping a leisure activity. Direct sales account for about one percent of total retail sales. The volume of direct sales grew between five percent and eight percent over the past few years, particularly in nutritional supplements. The demand for nutritional supplements increased as Hong Kong consumers became more health-conscious following the SARS outbreak. American firms, Alticor (Amway), NuSkin, Herbalife, Usana, and Unicity dominate the direct selling sector offering nutritional supplements.

Joint Ventures/Licensing

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Joint ventures or strategic alliances can be very helpful in entering the market and are particularly important in competing for major projects.

Licensing is increasingly common in the field of brand name product manufacturing and marketing.

Selling to the Government

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The Government Logistics Department (GLD) is the central purchasing, storage and supply organization for the Government of the Hong Kong Special Administrative Region, serving over 80 government departments, subvented organizations and certain non-government public bodies. The GLD normally purchases by open tender, with decisions based on compliance with tender specifications, competitiveness in price, back-up service and delivery. The GLD gives no preference to any particular source of supply from any country or organization. Hong Kong joined the WTO Agreement on Government Procurement in May 1997. Tenders are now covered by the Agreement on Government Procurement of the World Trade Organization (WTO GPA), and a Review Body on Bid Challenges has been set up by the Government to handle challenges made against alleged breaches of the WTO GPA. Tender invitations are published in the Government of the Hong Kong Special Administrative Region Gazette and in selected Hong Kong newspapers. Tender notices are also published on the Internet in the GLD's Electronic Tendering System (ETS) web site (<https://www.ets.com.hk/>). Tenderers usually have at least three weeks to prepare their offers. For procurement covered by the WTO GPA, the time allowed for bid submission is 40 days. Payment to overseas suppliers is usually effected by wire transfer, bank draft or letter of credit upon acceptance of the goods. Contract awards with the names of successful tenderers and contract sums are published monthly in the Government Gazette and on the Internet.

For information about a subscription to the Government of the Hong Kong Special Administrative Region Gazette, contact:

Information Officer
Publications Sales Unit
Information Services Department
4th Floor, Murray Building
22 Garden Road, Central
Hong Kong
Tel: (852) 2537-1910
Fax: (852) 2523-7195
Email: puborder@isd.gov.hk
Website: <http://www.isd.gov.hk/eng/publication.htm>

The GLD maintains lists of registered suppliers for issuing tender invitations. Any company not currently registered with the GLD wishing to be considered for inclusion in these lists may apply in writing to the Director of Government Logistics or through the ETS at <https://www.ets.com.hk/>. Companies are required to provide basic information about their organizations and the goods they offer, such as the business registration certificate, company profile, annual report and product catalogs. The GLD evaluates this information, and those companies that are found acceptable will be included on the lists. The ETS allows GLD-registered suppliers to download tender documents and to submit tender offers and related questions on-line. To access ETS, firms need to subscribe. Details are available at <https://www.ets.com.hk/>.

Companies seeking more information on the GLD are encouraged to contact:

The Director of Government Logistics
Government Logistics Department
10/F, North Point Government Offices
333 Java Road
North Point, Hong Kong
Tel: (852) 2231-5398
Fax: (852) 2887-6591
Email: info@gld.gov.hk
Website: <http://www.gld.gov.hk>

Macau SAR Government Procurement

The Macau SAR Government is gradually moving many of their procurement notices and tenders to the internet. These notices are published in Chinese and Portuguese.

For tender information on Macau SAR Government website, visit: <http://www.gov.mo>, click English ==> click on "Proclamation" on the left vertical menu, ==> click on "Gov Tender."

Distribution and Sales Channels

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One of the best ways to sell products in Hong Kong is through the use of agents or distributors. It is also an excellent way to minimize the initial investment in the market. There is a wide range of companies that can serve as agents or distributors for U.S. firms. Other options for pursuing Hong Kong's market are establishing an office or partnering. Companies that are looking to sell equipment needing long-term maintenance, technical support or installation, or that are seeking to become involved in infrastructure projects, frequently partner with local companies.

Selling Factors/Techniques

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The major selling factors are the same as in the United States: price, quality, compliance with technical specifications, timeliness of delivery, and service. Initial sales require more face-to-face contact as Asian agents, distributors and buyers generally place a premium on developing personal connections.

Hong Kong firms are eager to work with serious exporters. Firms can show their commitment to successful market entry by using metric measurements, providing Chinese-language materials, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and building relationships.

Companies considering entering this market should understand Hong Kong's fast-paced business climate. Decisions are made quickly. Firms must respond immediately to inquiries or risk losing opportunities to faster-moving competitors.

Usage of personal computers (PCs) and the Internet have become an integral part of Hong Kong daily life. Hong Kong is on a par with the world's cities with the highest PC and broadband penetration in the world. According to a government survey conducted in 2007, over 1.67 million households or 74.2% of all domestic households in Hong Kong had PCs at home. Among those households with a PC at home, some 1.58 million or 94.5% had their PCs connected to the Internet, representing 70.1% of all domestic households in Hong Kong. This represents a slight increase when compared to the situation in 2006. In 2007, some 3.9 million persons aged 10 and over, or 64.8% of all persons in that age group, had used Internet service in the twelve months before the survey via various media including PC, WAP phones and personal digital assistants (PDA). In terms of Internet connection, 90 percent of the households and all commercial buildings in Hong Kong have access to broadband.

Utilization of electronic business services was also high among people in Hong Kong. About 98.2% of all persons aged 15 and over had used electronic business services of one form or another for personal matters in the twelve months before the survey, representing a slight increase when compared to the situation in 2006 (97.4%). The electronic business services covered in the Household Survey included the use of Octopus transit card, Automatic Teller Machines (ATM), e-cash, Easy Pay System (EPS), Payment by Phone Service (PPS), online searching for financial information/information on goods and services/information on job vacancies, etc.

Regarding the usage of online purchasing services, the 2007 survey estimated that around 576,800 persons aged 15 and over, or 10.1% of all persons in that age group, had used one or more types of online purchasing services for personal matters in the twelve months before the survey, representing a slight increase when compared to the situation in 2006 (508,300 persons and 8.8%).

The Hong Kong SAR Government is committed to continue with its efforts and strives to help the industry, especially the small and medium enterprises, to exploit the full potential and benefits of IT in improving their competitiveness. Under the e-government program, the Government has launched a new One-Stop Access Portal, named GovHK, in September 2007 to facilitate better access to online government information and services.

U.S. companies can use a variety of promotional vehicles to introduce and raise the visibility of their products and services in the Hong Kong market. These include:

- Special trade fairs and exhibitions
- Advertising in the media and other public relations activities
- Seminars
- In-store promotions
- Joint promotions with wholesale and retail outlets

Hong Kong is a major conference and exhibition center. Hundreds of international exhibitions are held annually. Located in the business district on Hong Kong Island, the Hong Kong Convention and Exhibition Center (HKCEC, <http://www.hkcec.com>) is owned by the Hong Kong Trade Development Council (HKTDC) and operated by Hong Kong Convention and Exhibition Center Management Ltd. HKCEC consists of five exhibition halls, two ballroom-style convention halls, two theatres, and 52 variously-sized meeting rooms. In December 2005, a new world-class exhibition and event venue, AsiaWorld-Expo (<http://www.asiaworld-expo.com>) opened. Located next to Hong Kong International Airport, AsiaWorld-Expo offers over 70,000 square meters of exhibition and function space. Both facilities make Hong Kong “The Events Capital of Asia”.

Television is a widely used medium with an estimated daily audience of 2.25 million households out of a population of nearly 6.9 million people. Hong Kong Television also reaches much of neighboring Guangdong Province in Mainland China, where Hong Kong programming is very popular.

Hong Kong is one of the largest centers in the world for Chinese-language publications. Hong Kong produces 748 publications, including 49 daily newspapers (22 Chinese, 14 English, eight bilingual, five Japanese), and 699 periodicals. Advertising agencies, including many international agencies, offer a full range of services in Hong Kong.

Suppliers should provide technical catalogs in English, and preferably in Chinese as well, for distribution to agents and firms. Company brochures are particularly useful when visiting Hong Kong for the first time. English-Chinese business cards are also helpful. Suppliers to economic development projects in Asia should consider using Hong Kong’s film industry to make agricultural and industrial training and marketing films in Chinese and other Asian languages to supplement technical manuals, catalogs and brochures.

Newspapers:

South China Morning Post: <http://www.scmp.com>
The Standard: <http://www.thestandard.com.hk>
Wall Street Journal Asia: <http://www.wsj-asia.com/>

Chinese Newspapers:

Apple Daily: <http://www.appledaily.atnext.com>
Hong Kong Economic Times: <http://www.etpress.com.hk>
Ming Pao Daily News: <http://www.mingpao.com>
Oriental Daily News: <http://orientaldaily.on.cc/>
Sing Tao Daily: <http://www.singtao.com>

Trade Journals:

AmCham (Monthly): <http://www.amcham.org.hk>
Building Journal; Construction & Contract News (Monthly): <http://www.building.com.hk>
Far Eastern Economic Review (Monthly with the exception of February and August): <http://www.feer.com>
Fortune (Bi-weekly): <http://www.cci.com.hk>

Hong Kong Business: <http://www.hkbusiness.com.hk>
Hong Kong Entrepreneur (Monthly): <http://www.cma.org.hk>
Hong Kong Industrialist (Monthly): <http://www.fhki.org.hk>
Logistics HK (Monthly): <http://www.hkpc.org>
Machinery & Materials (in Chinese) (Monthly): <http://www.hkmaschine.com.hk>

Featured U.S. Exporters (FUSE) is a directory of U.S. products featured on U.S. Commercial Service websites around the world. It gives U.S. companies an opportunity to target specific country markets in the local language of business. Currently, listings are offered to qualified U.S. exporters seeking trade leads or representation in over 50 markets around the world including Hong Kong. For detail information please visit website: <http://www.buyusa.gov/home/fuse.html>.

Pricing

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If possible, quote in metric and use a term of sale specifying delivery to Hong Kong (i.e. CIF or C&F destination rather than FOB origin). Hong Kong companies have many sourcing options, so American companies must make it as easy as possible to “buy American.”

Sales Service/Customer Support

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Some sort of local presence, whether it is a branch office or an agent or distributor, is very important in getting established in the market. Doing business in Hong Kong (and elsewhere in Asia) requires relationships that can only be developed with some kind of local presence. Prompt responses to inquiries and after-sales service are also crucial to succeeding in this very competitive market.

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights in Hong Kong and Macau. First, it is important to have an overall strategy to protect IPR. Second, Hong Kong, Macau and Mainland China all have different legal systems, which means that IPR is protected differently in each of these markets, and differently than in the U.S. Third, rights must be registered and enforced in Hong Kong and Macau under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Hong Kong or Macau. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a

timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract and your IP rights. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors, manage your inventory and keep an eye out for potential problems.

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at:- www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small-and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. For more information on Hong Kong, contact Stewart.Ballard@mail.doc.gov or usptochina@mail.doc.gov .

IPR Climate in Hong Kong and Macau

The best protection for an American company is to market aggressively in Hong Kong. By using a good local agent, American manufacturers or suppliers can make their product legally available. Dealers have a strong incentive to stop any piracy or counterfeiting and, with good local connections, have a better chance of making that happen than an American company that is not actively participating in the market. The chief law enforcement agency for intellectual property rights (IPR) is the Hong Kong

Customs and Excise Department, which works closely with affected industries and conducts vigorous anti-piracy and anti-counterfeiting operations. However, protecting copyrights or trademarks takes vigilance. For more information, see Chapter 6: Investment Climate - Protection of Property Rights.

Due Diligence

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Knowing your business partner is critical to evaluating any major business deal. In today's business climate, while a company's financial and legal standing are important, issues relating to the company's reputation, history, business ethics, integrity, business acumen, and influence in its business sectors and local environments can all be critical to a successful deal. One key aspect, often misunderstood, is that negative information need not be a deal killer. Such information often offers opportunities to re-negotiate better terms and/or structure deals to mitigate identified risks. The key to due diligence is to do it up front, before any commitments or deals are signed. Unlike Mainland China where it is difficult to gather information, getting information on Hong Kong entities is relatively easy. There are many service providers that offer investigative due diligence. A list of local service providers is available from the U.S. Commercial Service Hong Kong website: <http://www.buyusa.gov/hongkong/en/businessserviceproviders.html>.

Local Professional Services

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Association of Accredited Advertising Agents of Hong Kong: <http://www.aaaa.com.hk>
The Direct Selling Association of Hong Kong Limited: <http://www.hkdsa.org.hk>
Hong Kong Designers Association: <http://www.hongkongda.com>
Hong Kong Institute of Marketing: <http://www.hkim.org.hk>
Hong Kong Management Association: <http://www.hkma.org.hk>
Law Society of Hong Kong: <http://www.hklawsoc.org.hk>
Management Consultancies Association of Hong Kong: <http://www.mca.org.hk>

Business Service Providers listing on the U.S. Commercial Service Hong Kong website: <http://www.buyusa.gov/hongkong/en/businessserviceproviders.html>

Web Resources

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Hong Kong:

Business Licence Information Services:

<http://www.success.tid.gov.hk/tid/eng/blics/index.jsp>

Companies Registry: <http://www.cr.gov.hk>

Digital 21: <http://www.info.gov.hk/digital21>

Doing Business in Hong Kong: <http://www.gov.hk/en/business/>

Government Logistics Department: <http://www.gld.gov.hk>

GS1 Hong Kong (formerly Hong Kong Article Numbering Association – HKANA): <http://www.gs1hk.org>

Hong Kong Industry Internet: <http://www.hkindustry.org>

Hong Kong Industry On-Line: <http://www.hkiol.org>

Hong Kong Productivity Council (HKPC): <http://www.hkpc.org/>

Hong Kong Trade Development Council: <http://www.tdctrade.com>

Hongkong Post: <http://www.hongkongpost.gov.hk/>

Invest Hong Kong: <http://www.investhk.gov.hk>

Support and Consultation Centre for SMEs (small & medium enterprises):
<http://www.success.tid.gov.hk>

Vocational Training Council (VTC): <http://www.vtc.edu.hk/>

Macau:

Macau SAR Government: <http://www.gov.mo>

Macau Trade and Investment Promotion Institute: <http://www.ipim.gov.mo/en/index2.asp>

Macau Government Tourism Office: <http://www.macautourism.gov.mo/en/>

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

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Agricultural Sector

U.S. Merchandise Exports to Hong Kong
(in millions of U.S. dollars)

Product	2004	2005	2006	Jan-Sep 2007
Electrical Machinery	6,035	5,743	5,567	4,471
Nuclear Reactor Parts	2,093	2,359	2,640	1,919
Pearls, Precious Metals + Stones	1,296	1,702	2,037	1,938
Plastic & Plastic Articles	922	1,012	1,244	941
Optical Goods	963	1,003	1,077	829
Other	5,420	4,500	5,213	4,557
TOTAL	15,809	16,322	17,778	14,655

With U.S. exports to Hong Kong in the first three quarters of 2007 of USD14.6 billion, Hong Kong is the U.S.'s 14th largest export market worldwide. The U.S. ran a USD9.5 billion trade surplus with Hong Kong in the first three quarters of 2007.

The U.S. is Hong Kong's fifth biggest foreign supplier country, trailing Mainland China, Japan, Taiwan and Singapore, but ahead of South Korea, Malaysia, Germany, Thailand and the Philippines. In the first three quarters of 2007, imports from the U.S. jumped 12.3 percent over the comparable period in 2006.

The top ten U.S. states exporting merchandise to Hong Kong in the first three quarters of 2007 were:

- | | |
|----------------------------------|---------------------------------|
| 1. California (\$3.65 billion) | 6. Illinois (\$428 million) |
| 2. New York (\$2.51 billion) | 7. Pennsylvania (\$381 million) |
| 3. Texas (\$972 million) | 8. Florida (\$347 million) |
| 4. Washington (\$809 million) | 9. New Jersey (\$340 million) |
| 5. Massachusetts (\$436 million) | 10. Georgia (\$277 million) |

U.S. Merchandise Exports to Macau
(in millions of U.S. dollars)

Product	2004	2005	2006	Jan-Sep 2007
Nuclear Reactor Parts	18.2	24.0	54.7	53.8
Special Classification Provisions	14.6	20.9	35.1	34.9
Toys, Games & Sport Equipment	6.6	14.5	29.3	29.1
Electrical Machinery	12.3	14.3	27.7	16.8
Aircraft and spacecraft	14.4	11.4	13.3	11.3
Other	19.2	16.2	40.1	32.1
TOTAL	85.5	101.5	200.2	178.0

Total U.S. exports to Macau increased 24.5 percent in the first three quarters of 2007 to USD178 million. There is significant dependence by Macau on Hong Kong in terms of economic activities. The Special Administrative Regions of Hong Kong and Macau together are the United States' 14th largest export market worldwide. The United States ran a USD1.0 billion trade deficit with Macau in 2006, representing a decrease of 9% from 2005. The deficit reflects the opportunities for market expansion in the Macau local market for U.S. products since Macau's trade surplus with the United States gives Macau's population relatively large imports purchasing power.

Cosmetics and Toiletries (COS)

Overview

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	2006	2007 (estimated)	2008 (estimated)
Total Market Size	726	861	1054
Total Local Production	56	57	58
Total Exports	541	552	563
Total Imports	1211	1356	1559
Imports from the U.S.	145	155	167

(Exchange rate: US\$1 equivalent to HK\$7.8)

Source: Hong Kong Trade Statistics

Imports dominate Hong Kong's supply of cosmetics, toiletries, and skincare products as there is very little domestic manufacturing. China was Hong Kong's largest supplier of the USD726 million market in 2006, with a 16% market share. The U.S., France and Japan were the other major suppliers. Hong Kong imported USD145 million worth of cosmetics, toiletry and skincare products from the U.S. in 2006. Imports of cosmetics, toiletry and skincare products will likely grow at between 12-15% in 2007 and 2008 given strong local demand from continued economic growth and strong tourists' spending on these products in Hong Kong.

Hong Kong is an important launch pad for marketing cosmetics and skincare products into the Mainland Chinese market; it acts as a showcase for the millions of Chinese tourists (an estimated 15.5 million in 2007) that annually visit Hong Kong to shop. For local retailers and distributors of cosmetics, toiletry and skincare products, increased sales in the next few years are expected to come from the Mainland Chinese tourists who are attracted by retail prices that are lower than prices on the Mainland. Part of the reason for this price discrepancy is the 15-22% tariff that the Mainland imposes on cosmetics as well as the VAT and registration costs.

There are no import duties on cosmetics, toiletry and skincare products in Hong Kong and registration is not required for cosmetic products. The market is very competitive, with the top ten brands accounting for about 70% of the market. Appointing a local distributor and working closely with that distributor to promote the brand, adapting the products to include whitening ingredients, packaging, and product sizes to suit local tastes are important to remain competitive. U.S. cosmetic and toiletry suppliers are, however, known for being innovative in product development, and for producing high quality, safe products at competitive prices. Many U.S. brands are market leaders through continuous brand-building activities and advertisements, adaptation of products and competitive pricing.

To assist U.S. exporters, the U.S. cosmetics industry organizes a pavilion at the annual Cosmoprof Asia Show. U.S. companies have had tremendous success at this show. Hong Kong is an important entrepot for regional trading of cosmetic products, especially for re-exports to China and some S.E. Asian countries. Many U.S. companies sell their cosmetics and skincare products to China through their Hong Kong distributors.

Best Prospects/Services

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Products with the best sales prospects in Hong Kong are:

- Complete line of facial whitening and anti-aging products
- Hair coloring and treatment products
- Color cosmetics for eyes, lips and face including permanent make-up for eyes
- Nail colors, nail-care products, and artificial nails
- Skin treatments, slimming treatments and massage products for use in spas and professional skincare salons or under dermatologists' supervision.
- Skincare, and personal care products made of naturally-derived and organically-grown ingredients
- Chirally-formulated make-up and skincare products

Opportunities

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Several international cosmetics brands chose Hong Kong as the first overseas market or for launching new products in Asia citing its open regulatory environment as the attraction. There are no tariffs on imported cosmetics and toiletries. Hong Kong accepts U.S. product labeling and there are no local mandatory labeling or registration requirements on cosmetics.

Demand from tourists accounts for about 30% of Hong Kong's total retail sales of cosmetics, skincare and toiletry products. According to the Hong Kong Tourism Board, about 80% of the Mainland Chinese tourists who visited Hong Kong "went shopping" and cosmetic and skincare products were among their top three shopping purchases. There are therefore tremendous opportunities for U.S. cosmetics and skincare products' suppliers to export to Hong Kong as these retailers and distributors are eager to increase the brands and types of products that they can offer to Mainland Chinese shoppers. The number of Mainland Chinese tourists in Hong Kong is expected to grow at an average annual rate of 6.9% to 20 million by 2011. U.S. cosmetic products enjoy an excellent reputation among Chinese consumers.

The mega and luxury casino resorts in Macau that will be opening in the next two years will feature facilities such as spas and skincare treatment centers for the many casino and MICE visitors. Macau received an estimated 27 million visitors in 2007 (compared with an estimated 28 million for Hong Kong), an increase of 23% compared with the previous year. Demand for high quality skincare and body treatment products and spa management services will increase in Macau.

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Major trade show: Cosmoprof Asia 2008; total exhibitors: 1,258 in 2007 (highest in 11 years), and total number of visitors in 2007: 37,078.

This is Asia's largest, most comprehensive and international beauty industry trade show for the past 11 years. It is the Asia version of the world's best beauty industry trade show, Cosmoprof, held annually in Bologna, Italy for the past 39 years. The trade show features equipment, products (skin care, cosmetics, personal care products, nail products, perfumes & toiletries, cosmetic raw materials) packaging, and training services in the beauty industry: hairdressing, spas, beauty and skincare salons. Website for the show: <http://www.cosmoprof-asia.com>. Under the U.S. Department of Commerce's "Asia Now" program, U.S. exhibitors at this show receive free market research and can enjoy the buyers' matching and counseling services of 15 U.S. Commercial Service offices in the Asia Pacific region. At Cosmoprof Asia 2007, the U.S. Commercial Service offices in Singapore, the Philippines, Korea (South) and Taiwan, recruited 85 buyers to meet the U.S. exhibitors.

The Cosmetic & Perfumery Association of Hong Kong Ltd.

<http://www.cosmetic-perfume.com>

A listing of the Association's members comprising contact details of importers, distributors, wholesalers, and retailers is available at this website.

Hong Kong Cosmetic Technical Resources Centre

<http://www.hkctr.com>

Provides consultancy on regulatory requirements and assistance with product registrations in Hong Kong and China, technical support on product development, product testing and quality control services, provides customized technical training for cosmetic practitioners, and assistance in setting up laboratories.

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Franchising (FRA)

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Hong Kong's legal framework and high per capita income attracts foreign franchisors looking to expand to international markets. There are approximately 130 franchised systems in Hong Kong in 2007, predominately in catering, retail, photo processing, laundry services, IT and educational training services. Just fewer than 50% are foreign-owned, the majority of which are from the U.S. 35% of franchises in Hong Kong are in the catering and quick-service restaurants category, one-third are in services, and the rest are in retailing. Most of the local franchisees of U.S. franchises operate as area developers and do not sub-franchise. They do, however, often include the Pearl River Delta (PRD) region of Southern China and the Special Administrative Region of Macau as their territory of operation. The PRD (immediately to the north of Hong Kong) continues to post strong economic growth, and economic integration between Hong Kong and this region has created a wealthy consumer base with strong franchising potential. With its unique ties to China, Hong Kong franchise consultants often assists franchise owners, both local and foreign to develop a strategy for expanding the franchise operations to this region. It is also common for the Hong Kong area developer to partner the U.S. franchisor to jointly develop the franchise in the PRD region, involving equity participation from the U.S. franchisor.

U.S. brands such as Starbucks, 7-Eleven, California Pizza Kitchen, Three Dog Bakery, Gymboree, Krispy Kreme, and Century 21 are popular in Hong Kong. American franchisors will, however, find strong competition in Hong Kong due to the maturity of its market and the long establishment of major franchise systems. Successful franchisors are those who understand the need to tailor products and services to local consumer tastes and market, and promote them through effective channels.

Best Prospects/Services

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Best prospects include quick-service restaurants with an entertainment theme, and franchise systems that focus on pets, children and education.

Opportunities

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In Hong Kong, most franchise-related growth has centered around quick-service restaurants, nutritional supplements retailing, nail and beauty care, and learning centers.

In Macau, recent growth in gaming, hospitality and MICE (meetings, incentives, conventions and exhibitions) business has boosted visitor numbers and increased local demand for food and beverage outlets and related services. The shortage of skilled labor in the hospitality industry in Macau is also major challenge – franchises that offer turn-key solutions, training and support may find new opportunities related to quick-service restaurant, spas, nail bars, and hospitality-related services.

Hong Kong with its open import market and excellent transportation and business infrastructure serves as a regional distribution, logistics and marketing hub for many U.S. franchisors to service existing Asia Pacific franchisees, and to find new franchisees in the region. Hong Kong also serves as a regional showcase for U.S. franchisors looking to penetrate the Mainland Chinese market.

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A list of franchise operators in Hong Kong can be found on the Hong Kong General Chamber of Commerce's franchise website at www.franchise.org.hk.

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Electronic Parts/Components (ELC)

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	2006	2007	2008 (estimated)
Total Market Size	3128	6206	6827
Total Local Production	2000	2200	2420
Total Exports	118986	128157	140972
Total Imports	120114	132163	145379
Imports from the U.S.	5488	5794	6083

All figures are in US\$ millions. The above statistics are unofficial estimates.

Hong Kong's electronic parts and components imports in 2007 were USD 132 billion, a 10% increase over 2006. The value of U.S. electronic parts and components exports to Hong Kong was USD 5.7 billion in 2007, representing a 5.6% increase over 2006.

Best Prospects/Services

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Hong Kong imports a wide range of electronic parts and components, particularly for computers, telecommunications equipment, telephone apparatus, toys, games, watches /clocks, and audio/visual equipment. The growing popularity of the Internet, mobile-commerce, and digitization, as well as new developments and applications in multimedia, will sustain near-term demand for parts and accessories for computers and telecommunications. Best Products include integrated circuits, switches, diodes, transistors, semi-conductors, capacitors, printed circuits, and parts for computers and telecommunications equipment.

Opportunities

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China's Five-Year Plan in developing the electronic information industry and its WTO membership will sustain continuous demand for electronic parts and components. The Five-Year-Plan aims to develop 1) local computer hardware including network equipment and products, digital products, peripherals, spare parts, information security products, and applications; 2) software; 3) integrated circuits; 4) communication equipment; and 5) digital visual products. U.S. companies should be aware of the latest developments in Hong Kong's technology and focus on Hong Kong and China's growing demand for high-technology electronics parts and components.

Hong Kong plays an important role in U.S. exports to Mainland China due to its geographical proximity to China and its experience in China trade. In 2007, 70% of Hong Kong's total exports of electronic parts and components went to China, totaling approximately USD 89 billion. Hong Kong re-exported a substantial amount of imported electronic parts and components such as integrated circuits (ICs) and micro-assemblies to China for further production.

Major Trade Shows:

Hong Kong Electronics Fair (Spring Edition)
April 14-17, 2008
Venue: Hong Kong Convention and Exhibition Center

ElectronicAsia (<http://electronicasia.com>)
October 13-16, 2008
Venue: Hong Kong Convention and Exhibition Center

Hong Kong Electronics Fair (<http://www.hkelectronicfair.com>)
October 13-16, 2008
Venue: Hong Kong Convention and Exhibition Center

Associations:

The Hong Kong Electronic Industries Association
(www.hkeia.org)

The Hong Kong Printed Circuit Association
(<http://www.hkpca.org>)

Surface Mount Technology Association (Hong Kong Chapter)
(http://www.smta.org/chapters/chapters_detail.cfm?chapter_id=100)

Hong Kong Electronic Packaging & Manufacturing Services Association
(www.hkepmsa.org)

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Computer Peripherals (CPT)

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	2006	2007	2008 (estimated)
Total Market Size	2500	2625	2756
Total Local Production	6377	4205	4416
Total Exports	40415	33559	35237
Total Imports	36538	31979	33577
Imports from the U.S.	2009	1800	1890

All figures are in US\$ millions. The above statistics are unofficial estimates.

Hong Kong's IT equipment (computer and parts) imports in 2007 reached USD 31.9 billion. The value of U.S. IT equipment exports to Hong Kong was USD 1.8 billion, representing a 5.6% of Hong Kong's total IT imports, and is the 4th largest IT equipment importer for Hong Kong.

Best Prospects/Services

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Along with the importance of IT and sustained popularity of the Internet, the demand for IT products and solutions continue to grow in Hong Kong, particularly in the following areas: Wireless/Mobile Applications; Multi-Media Products; Digital Entertainment; Logistics/Supply Chain Management; Customer Relationship Management; Business Intelligent Application; E-Commerce, Data Storage, and IT Security.

Opportunities

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The Digital 21 Strategy was first published in 1998 by the Government of the Hong Kong Special Administrative Region to set out the Government's vision of developing Hong Kong into a leading digital city. The strategy was revised in 2001 and 2004 to take into account the evolving needs of the community and technological advancements. Moving ahead, the Government announced on 21 December 2007 the fourth edition of the Digital 21 Strategy. The vision of the [2008 Digital 21 Strategy](#) is "Advancing Hong Kong's achievements and seizing new opportunities: building on Hong Kong's position as a world digital city." Five key action areas are identified for implementation between 2008 and 2010. These key action areas include:

I. Facilitating a digital economy - Government continues to play a significant role as a user, supporter and facilitator of ICT and its applications.

II. Promoting advanced technology and innovation - Maintain Hong Kong's edge as a world digital city for technology adoption and innovation.

III. Developing Hong Kong as a hub for technological cooperation and trade - Harness Hong Kong's role as the two-way platform for Mainland enterprises to bring in foreign

investment and participate in the global economy; foster a vibrant ICT industry with a knowledgeable and versatile workforce; and ensure the continued presence of an environment that is conducive to technological business.

IV. Enabling the next generation of public services - Use ICT to re-engineer process to improve public service delivery.

V. Building an inclusive, knowledge-based society - Ensure that the benefits of ICT adoption are widely available to different segments of the community, including disadvantaged groups.

The Government is one of the major driving forces behind IT development and usage in Hong Kong. Estimated Government IT spending for fiscal year 2007/2008 is USD 690 million.

Although Hong Kong is a relatively small market for US IT exports, U.S. companies should consider Hong Kong as a gateway into the Mainland China market. A substantial amount of IT products imported to Hong Kong is re-exported to China. In 2007, about 60% of Hong Kong's total exports of IT equipment went to China, totaling approximately USD 20 billion.

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Major Trade Shows:

International ICT Expo

<http://ictexpo.com>

April 14-17, 2008

Venue: Hong Kong Convention and Exhibition Center

Associations:

Information and Software Industry Association

Ms. Satti Wong

Tel: (852) 2622-2867

Fax: (852) 2622-2731

Email: info@isia.org.hk

Website: www.isia.org.hk

Hong Kong Information Technology Federation Ltd.

Daniel Ng, President

Tel: (852) 2287-8001

Fax: (852) 2287-8038

Email: daniel.ng@hkitf.org.hk

Website: www.hkitf.org

Hong Kong Wireless Technology Industry Association Ltd.

John Chiu, Chairman

Michael Kan, Executive Director

Phone: (852) 2370-3130

Fax: (852) 8208-8782
Email: contact@hkwtia.org
Website: <http://www.hkwtia.org>

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Landscape Architectural Services (ACE)

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	2005	2006	2007
Gross Value of Construction Work	20,708	21,743	22,830
Consulting fee involved (approx. 1%)	207	217	228
Market share for HK and overseas firms (est. 70%)	145	152	160
Market share for US firms (est. 30%)	62	65	68

All figures are in US\$ millions. These are unofficial estimates.

Best Prospects/Services

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There is a shortage of landscape architects in Hong Kong. Only a few, sizable firms specialize in landscape architectural services. Hong Kong's landscape architects are trained mostly in Britain, Australia, and New Zealand. Some are trained in Canada and a few in the United States. The University of Hong Kong only started offering landscaping courses several years ago, with 24 students graduating every two years. Landscape architects trained in Commonwealth countries qualify automatically for local license requirements while those who train elsewhere must undergo assessment by the Hong Kong Institute of Landscape Architects. All landscape architects must register with the Landscape Registration Board. It is estimated that the private sector and the Hong Kong Government (HKILA) each employ half of the 200 landscape architects in Hong Kong.

Opportunities

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Landscape architects are in short supply at a time when there is a focus by the Hong Kong Government (HKG) to "green" the environment and to increase the number of infrastructure projects, especially tourism-related projects. The Hong Kong Government's Environmental Impact Assessment Ordinance requires landscape impact studies for infrastructure projects, so landscape architecture services are in demand.

Although some designs are done in-house, the Government hires private consultants to provide landscape design services, particularly for large projects. It is also common for the Government to hire a lead architect who will then sub-contract the landscaping portion. U.S. landscape architecture firms can team up with local architects to provide conceptual design.

Private developers are putting more emphasis on landscaping to enhance the value of their properties in Hong Kong. Most of these developers invest heavily in hotel, residential and shopping mall projects in Mainland China, where land is more abundant and the demand for landscape architectural services is huge.

Macau, another Special Administrative Region near Hong Kong, has liberalized its gaming industry. Las Vegas Sands, Wynn Resorts, and MGM are all making investments in the enclave, which aims to become the Las Vegas of Asia. Ultimately, the investment of the gaming concessionaires will amount to USD14 billion. The construction of theme parks, casinos, a convention center and hotels will increase the demand for U.S. landscape as well as architectural expertise.

Macau has remarkably poor tourist infrastructure. Millions of visitors take the high-speed ferries from Hong Kong each year to visit Macau. There are some improvements in the works, but are several years away. These include a light rail system, an airport expansion, and a cross-harbor tunnel between the Macau peninsula and the Cotai Strip. Across the border from Macau in Hangqing Island of China, many U.S. companies are planning to build resorts, hotel and theme parks as well. The need for land planning, landscape, architecture and construction services as well as demand for construction materials will increase.

Resources

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Major Trade Shows:

Hong Kong International Building and Decoration Materials & Hardware Fair 2008 (Oct 28 - 31, 2008): <http://www.hkbdh.com/>

Associations and Related Organizations:

Hong Kong Institute of Landscape Architects
Tel: (852) 2131-8630
Fax: (852) 2131-8609
Address: P.O. Box 20561
Hennessy Road Post Office
Wanchai
Hong Kong
Website: <http://www.hkila.com>
Email: hkilonline@gmail.com

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Green Building Materials (BLD, ACE, CON)

Overview

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	2005	2006	2007
Total Market Size	95	100	105
Total Local Production	N/A	N/A	N/A
Total Exports	121	127	133
Total Imports	216	227	238
Imports from the U.S.	19	20	21

All figures are in US\$ millions. These are unofficial estimates.

Best Products/Services

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There has been growth in the usage of environmentally--friendly building products during the last five years. One reason is that developers find “green” features economical in the long run, despite higher initial installation costs. Another is that they help attract multinational corporate tenants. Government incentives and brand building concerns are also significant contributing factors.

Best sales prospects include those products that help to save energy, recover heat, reduce waste or maintenance needs, improve indoor air quality or come from sustainable sources. Twenty to thirty percent more green buildings have been built in Hong Kong in the past five years. T5 lamps, variable speed pumps, heat recovery systems, service-on-demand features, advanced window glazings and motion sensors have become more common. Building-integrated photovoltaic panels also are becoming popular. The market for green building products has significant potential.

Hong Kong re-exports over 50% of its imports to China. In 2005, major Hong Kong property developers paid more than USD4 billion to acquire 90 million square feet of land in China. U.S. companies should take advantage of Hong Kong’s strategic location and its ties with China to penetrate the China market.

Opportunities

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Government regulations and incentives are playing a significant role in promoting the use of green building materials. Since 2001, the government has provided incentives to encourage developers to adopt green building features and construction methods to reduce waste. The incentive exempts green features from the calculation of the gross floor area of a property, which grants developers extra floor space to boost the market value of properties.

Universities in Hong Kong are promoting the concept of “green campus” through various measures including the use of more environmentally--friendly building products. For example, the City University of Hong Kong planned to reduce energy consumption by 7% over 5-year period using year 2003 as the baseline. In the first two years until end of

2005, 5.5% savings in electricity bill was achieved. Some of the energy saving measures included replacement of exit signs with LED lamps, raising room temperatures to 25 °C, replacement of lighting fittings with T-5 energy efficient fluorescent tubes, installation of heat pump for hot water supply for shower use, installation of capacitor banks to power distribution systems to enhance the power factor.

The upcoming USD630 million design-and- build government complex project at Tamar site will be one of the government's "greenest" complexes when completed in 2011. Environmentally--friendly and energy-efficient features will include double-layer ventilated facades, green roofs, high energy efficiency sea-water cooled chiller plants, rainwater recycling for irrigation purpose, solar electricity panels, service-on-demand escalators, daylight sensor controls and computerized lighting controls.

On the private-sector front, there is a voluntary certification scheme that began in 1996 called the Hong Kong Building Environmental Assessment Method (HK-BEAM). HK-BEAM recognizes improved environmental performance in building design and management. Through May 2005, there have been 100 buildings or over 60 million square feet of floor space assessed by HK-BEAM. These include 52,000 residential units, equivalent to the homes of 150,000 people or slightly more than two percent of the Hong Kong population. The numbers make HK-BEAM the most widely used scheme of its kind in the world on a per capita basis.

In August 2005, the Hong Kong Government's Building Department also launched CEPAS (Comprehensive Environmental Performance Assessment Scheme), a new buildings' rating system. The scheme is voluntary, rating buildings on a "five-star" grading system. The rating system is based on 34 criteria in eight categories, ranging from hygiene and ventilation to waste management and cultural preservation during the design and construction stage. The best buildings are given a platinum label. The other grades are gold, silver, bronze and unclassified. The certificate is valid for five years. This system is a benchmark for all construction in Hong Kong, making environmental awareness a business plus.

In a sign that the public is growing increasingly environmentally conscious, the government is proposing to make its voluntary building energy codes mandatory by 2010 to reduce power consumption. They would apply to all new commercial buildings and to public areas of new residential and industrial buildings, as well as to existing buildings undergoing major renovation. The codes cover the energy efficiency of air conditioning, lifts, and escalators, lighting and electrical installations in communal areas. Although estimated building costs will increase by 3 to 5 percent, a potential saving of 2.8 billion kilowatt hours can be achieved in 10 years. Also, there is a saving of a potential 1.96 million tones of carbon dioxide emissions in 10 years.

Resources

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Major Trade Shows:

Hong Kong International Building and Decoration Materials & Hardware Fair 2008 (Oct 28 - 31, 2008): <http://www.hkbdh.com/>

Asia Building Technologies 2008 (June 4-6, 2008: <http://www.asianbt.com/>)

Associations:

Hong Kong Professional Green Council
<http://www.hkpgbc.org/>

Sustainable Development Strategy
<http://www.susdev.org.hk/>

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Film (FLM)

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Hong Kong's box office regained its momentum in 2007 with box office revenues totaling USD130.5 million. With an increase of 11.5% from the previous year, it marked the best year since 2001. U.S. blockbusters "Spider-Man 3" and "Harry Potter And The Order Of The Phoenix" grossed in excess of USD7 million and USD6.5 million respectively, making them the top two earners in 2007.

Top 10 films in Hong Kong (Jan 1 to Dec 30, 2007)

1. Spider-Man 3 – USD 7,098,966
2. Harry Potter And The Order Of The Phoenix – USD 6,763,595
3. Lust, Caution – USD 6,282,730
4. Pirates Of The Caribbean: At World's End – USD 5,398,776
5. Transformers – USD 5,124,610
6. Night At The Museum – USD 4,843,499
7. Prot`mg`m – USD 3,423,335
8. Ratatouille – USD 3,259,009
9. Warlords – USD 2,997,056
10. Shrek 3 – USD 2,719,396

Source: MPIA

Best Products/Services

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The opening of new cinemas helped grow box office potential in Hong Kong. UA launched Hong Kong's first IMAX theatre in Kowloon Bay which offers 3D technology while MCL opened the biggest ever 12-screen multiplex at Elements shopping mall and a new 4D Extreme Screen at the airport. Macao Studio City, Asia's first leisure resort property combining theatre, television and film production facilities, and studio with gaming, entertainment and hotels, requires theater and production equipment.

Products with the best sales prospects in Hong Kong and Macau are:

- U.S. independent feature or documentary films and videos that Hong Kong firms can distribute in Asia, especially mainland China.
- American partners to co-produce films with Hong Kong firms for distribution in China.
- U.S. products used in movie theaters in China and elsewhere in Asia.
- Cooperative agreements with U.S. film education and training institutions.
- U.S. digital entertainment and animation technologies.
- U.S. commercial advertising agencies.
- U.S. film financing and deal-structuring techniques and services.

Opportunities

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The U.S. is the largest exporter of films to Hong Kong. During the last few years, U.S. films constituted about 80 percent of the total import market. U.S. films are known for high budget films, strong story lines, script-driven films with universal themes, well-known actors and directors, established technical film capabilities and advanced technologies and a proven track record of productions.

To increase their market share, U.S. exporters should consider selling films to TV stations in the region which require content, as well as to Hong Kong agents for both its Hong Kong rights and rights in Asia. This will minimize the potential copyright infringement issues by limiting the number of movie samples sent out. U.S. companies should also consider selling theatre, television and film production equipment to the new facilities in Hong Kong and Macau.

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Major Trade Shows:

Filmart 2008
March 17-20, 2008
Venue: Hong Kong Convention and Exhibition Center
www.hkfilmart.com

Cineasia 2008
October 13-16, 2008
Venue: Hong Kong Convention and Exhibition Center
www.cineasia.com

Digital Film, Entertainment and TV trade mission to the U.S.
October 2008

For more information about this industry sector, please contact U.S. Commercial Service:

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Financial Services (FNS)

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The Hong Kong Stock Exchange, a listed company that also acts a market regular, has set forth its policy direction in emissions trading and commodity markets. Following the completion of a feasibility study in December 2007, the Hong Kong Stock Exchange (HKEx) is currently seeking to partner with an overseas exchange to build a trading and clearing platform for carbon and other emissions-related products in Hong Kong.

Estimates of the size of the global emissions trading market by 2010 vary from USD40 billion to USD100 billion. Asia has 80% of the Clean Development Mechanism market (CDM, an emission trading system created under the Kyoto Protocol) while China has around 61% market share (by value) in CDM, according to the World Bank. Given Hong Kong's financial strengths and its proximity to Mainland China, it has the potential to become a global leader in emissions trading.

Best Products/Services

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The best prospects for U.S. organizations are: exchange and financial institution partnerships as well as consultancy and project development for environmental and greenhouse gas related transactions.

There are a number of possibilities for U.S. exchange partnerships across a number of categories of bourses including existing major exchanges such as the New York Stock Exchange (NYSE) and the New York Mercantile Exchange Inc. (NYMEX); and newer bourses established solely for the emissions market, such as the Chicago Climate Exchange (CCX).

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The Hong Kong Stock Exchange is considering the adoption of an emissions trading system. Under a typical emissions trading program, a factory or a power plant is issued an allowance by the government for emissions up to a mandated cap. If it does not use all its allowance, the remainder can be sold to other emitters, which would otherwise be fined if their annual emissions exceeded their existing pollution allowances. Corporations began voluntarily trading greenhouse gas emission allowances on the Chicago Climate Exchange in 2003.

HKEx is also considering the possibility of establishing an auction in Hong Kong for Certified Emissions Reduction (CER) units, which are carbon credits generated by Clean Development Mechanism projects. China accounts for the majority (by value) of global CERs generated.

HKEx would also continue to develop existing business (e.g. initial public offerings, Exchange Traded Funds and index linked products) with a focus on environmental and greenhouse gas markets. This will open several new business avenues in Hong Kong for U.S. service providers, traders, insurance and other financial service firms.

Hong Kong Exchanges and Clearing Limited
www.hkex.com.hk

For more information about this industry sector, please contact U.S. Commercial Service:

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Safety and Security Equipment (SEC)

Overview

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Safety & Security Market in Hong Kong

Year	2005	2006	2007 (estimated)
Total Market Size	124	151	200
Total Local Production	300	350	350
Total Exports	977	1125	1150
Total Imports	801	926	1000
Imports from the U.S.	47	55	65

Source: Hong Kong Census & Statistics Department
All figures are in USD millions. These are unofficial estimates.
US\$1=HK\$7.8

Hong Kong is a growing market for safety and security equipment and services. In general, the Hong Kong market leans towards more sophisticated, high-tech products, an area in which U.S. firms enjoy a prominent market share. In 2006, imports for security and safety equipment totaled approximately USD926 million. After Japan, the United States was the second largest supplier of high-tech security products. The European Union was the third major competitor in this area. China and Taiwan are market leaders in the low-end technology security market.

Being a regional transportation and logistics hub, Hong Kong spends heavily on security systems in its airport and freight-cargo facilities. Other areas of major security equipment outlay occur in commercial and financial sectors. Home security systems are becoming increasingly popular.

In neighboring Macau Special Administrative Region, major security companies are supplying sizeable integrated security systems for international hotels with casino facilities. Hong Kong and international security companies have won projects there, including the provision of advanced biometric identification systems for casinos. As the gaming industry booms, there are many deluxe hotels / casino development projects in the pipeline, which will require sophisticated security systems.

China's safety and security market demand is growing rapidly. The market has expanded from its traditional base in the financial, insurance, custom, police, and airport sectors to the construction, transportation, and tourism fields. U.S. manufacturers, contractors and vendors should actively market their products using Hong Kong as a springboard.

U.S. exporters should be aware that certain security products may be subject to U.S. Export Control Regulations, and should pursue China projects after determining compliance requirements.

Best Products/Services

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Alarms and access controls
Identification devices
Biometrics
Radio frequency wireless technologies
X-ray scanners
Chemical detection systems
Rescue equipment
Surveillance equipment
Detention equipment

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Hong Kong has been a sourcing agent for China in terms of security equipment. It re-exported about 31% (or US\$ 291 million) of its total security equipment imports to China in 2006. Re-exports of security equipment to China has shown tremendous growth (20% average annual growth rate for the period beginning 2004 to end of 2006). U.S. companies should use Hong Kong as a base for outreaching final customers in China.

The Macau market offers outstanding opportunities. U.S. companies wishing to enter the Macau market may wish to partner with related Hong Kong companies, who are actively pursuing opportunities in Macau.

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Trade Show:

Asian Securitex 2008 - Asian International Security, Safety & Fire Protection Show and Conference
Date: June 4-6, 2008
Venue: Hong Kong Convention & Exhibition Center
Website: www.asiansecuritex.com

Trade Associations:

International Professional Security Association (Hong Kong) Ltd.
Website: www.ipsa.com.hk

Asian Professional Security Association
Website: www.apsahk.org

For more information about this industry sector, please contact U.S. Commercial Service:

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2/15/2008

Environmental Technologies (POL)

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Environmental Technologies Market in Hong Kong

Year	2005	2006	2007 (estimated)
Total Market Size	150	170	200
Total Local Production	0	0	0
Total Exports	350	380	400
Total Imports	500	550	600
Imports from the U.S.	150	170	200

All figures are in USD millions. These are unofficial estimates.
US\$1=HK\$7.85

Hong Kong has been putting a lot of resources toward tackling air pollution, water pollution and solid waste treatment problems. Owing to the imminent need to extend the life of existing landfills and construct a new Integrated Waste Management Facility (IWMF), solid waste management solutions and technologies will absorb most of the Government's investment in the environment in the next few years. Two possible sites for the IWMF have been identified in the end of January 2008. The core technology of the IWMF will be incineration (the first phase calls for a capacity of approximately 3,000 tons per day), supplemented by sorting and recycling technologies. In addition to the IWMF, the Hong Kong Government will develop an organic waste treatment facility at another location.

The majority of Hong Kong's wastewater undergoes primary treatment provided through the Harbor Area Treatment Scheme (HATS). Stage 1 of HATS was completed in December 2001. Stage 2A of HATS requires the provision of additional disinfection, the construction of sewage tunnels and expansion of existing chemical treatment capacity whereas Stage 2B requires the installation of biological treatment facilities at Stonecutters Island. Detailed planning is underway with the aim of completing Stage 2A in 2013-14. The timing of Stage 2B will depend upon a review of water quality trends, population increases and sewage flow build up, to be undertaken in 2010-11.

Hong Kong's air pollution problem is a regional one. The Government has agreed with the authorities in Guangdong (the Chinese province across the border) to cut emissions of major air pollutants, i.e., sulphur dioxide, nitrogen oxides and respirable suspended particulates, to meet stringent caps by 2010. Power generation is the primary source of local emissions. To meet the emissions reduction target, the Government will introduce the Air Pollution Control (Amendment) Bill 2008 into the Legislative Council on February 20, 2008. The bill will stipulate the emission caps for the three above-mentioned pollutants from Hong Kong power plants in 2010 and beyond.

Best Products/Services

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Air:

Analytical instruments
Vehicle emission particulate reduction devices
Desulphurization/denitrification technologies

Water/wastewater:

Water filtration equipment (such as biological filtration)
Disinfection technologies (UV, membrane & ozonation)
Analytical instruments

Solid waste:

Incineration
Mechanical-biological treatment (waste sorting & separation)
Biological treatment (composting)
Waste-to-energy technologies

Opportunities

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The Hong Kong Government has recently identified possible sites for its Integrated Waste Management Facility (IWMF), which opens the huge waste reduction, recycling and treatment technologies market and represents outstanding business opportunities for U.S. companies.

The market for industrial pollution prevention equipment has been increasing. Most of Hong Kong's manufacturers (estimated total of 80,000 industrial establishments) have shifted their production base to southern China. Traditionally, these manufacturers purchase plant and equipment from Hong Kong suppliers. Recently, the authorities in southern China have been encouraging these manufacturing facilities to recycle as much as 75 percent of its water consumption, and thus have created a rise in the demand for water reuse and recycling technologies.

Recent attention to air pollution, combined with plans to develop regional emissions trading, improve prospects for air pollution and emissions reduction technologies.

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Trade Show:

Eco Expo Asia - International Trade Fair on Environmental Protection
Date: Oct 28 – 31, 2008
Venue: Asia World Expo
Website: <http://ecoexpoasia.tdctrade.com>

Trade Associations:

Environmental Contractors Management Association
www.ecma.org.hk

Green Council
www.greencouncil.org

Hong Kong Environmental Industry Association
www.hkenvia.org

Hong Kong Waste Management Association
www.hongkongwma.org.hk

For more information about this industry sector, please contact U.S. Commercial Service:

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Travel/Tourism (TRA)

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	2004	2005	2006	2007 (estimated)
Arrivals from Hong Kong	184,668	205,117	209,219	215,496
Travel Receipts (USD million)	295	359	364	410
Fare Receipts (USD million)	256	284	299	323

Source: Hong Kong Immigration Department. These statistics are unofficial estimates

Hong Kong has a significant outbound tourist market. There are five major reasons behind this phenomenon: 1). Hong Kong is a crowded city with a population of 6.9 million and people who live in Hong Kong often choose to spend their holidays overseas because of a lack of local recreational options; 2). Hong Kong citizens have relatively high average incomes; 3). Hong Kong's geographical location allows for easy access for people to travel abroad; 4). Most Hong Kong citizens hold the Special Administrative Region (SAR) passport which does not require visas to access over 140 countries; and 5). Most important, the Hong Kong government controls neither its people nor foreign exchange from leaving the territory. Due to these factors, Hong Kong residents are traveling abroad in record numbers for business and pleasure. In addition, Hong Kong citizens have become more affluent over the past two decades. Although the economy has experienced some problems since 1998, in 2003 the economy rebounded, leading to a strong 2006 per capita GDP of USD 27,000 (the second highest income city in Asia). Traveling abroad is no longer considered a luxury activity, but a habit perhaps taken for granted by the young generation.

Best Products/Services

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1. FIT (for individual travel)
2. Prepaid package tours for family vacations
3. VRF (visiting relatives & friends)
4. MICE (meeting, incentive, conference and exhibition)
5. Cruises

Opportunities

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Hong Kong citizens usually spend public holidays such as Chinese New Year, Easter, and Christmas overseas because the average worker only has around 10-14 days of annual leave. The traveling season usually centers around these festive holidays and

summer holidays. The summer months of June, July, and August accounted for 30 percent of outbound travelers to the U.S.

Hong Kong citizens prefer to join package tours, particularly for first-time traveling and trips to new destinations. Travelers visiting a region for the first time want to see as many places as possible and cover multiple-destinations in one trip. Package tours offer precisely that: a packed itinerary covering several destinations. Some specialty tours for diving, golf, wine appreciation, horse riding and skiing have been quite successful. Furthermore, cruises have become popular. Cruise suppliers from Florida, California, Alaska or Hawaii should consider this new business opportunity and introduce cruise products in Hong Kong.

Shopping is a theme for many outbound Hong Kong tourists. U.S. destinations may wish to incorporate shopping into their product offerings.

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Trade Shows:

ITE 2008 – The 22nd International Travel Expo Hong Kong

Date: 12 – 13 June 2008 (Trade Days)
14 – 15 June 2008 (Public Days)
Venue: Hong Kong Convention & Exhibition Center (HKCEC)
Organizer: TKS Exhibition Services Ltd.
Room 601, Stanhope House
734 King's Road
Quarry Bay, Hong Kong
Tel: (852) 3155-0600
Fax: (852) 3520-1500
Website: www.itehk.com

Guangzhou International Travel Fair

Date: 4 – 6 April, 2008
Venue: Guangzhou Tinhhan Exhibition Center
Organizer: Hannover Fairs China Ltd.
Guangzhou Office
Contact: Ms. Iris Han
Tel: 8620-8628-6696
Fax: 8620-8626-6690
Email: gift@hfchina.com
Website: www.gjtf.com.cn

China International Travel Mart (CITM) 2008

Date: November 20 – 21, 2008 (Trade Days)
November 22 – 23, 2008 (Public Days)
Venue: Shanghai New International Expo Center
Organizers: China National Tourism Administration
Shanghai Municipal People's Government
Website: www.citm.com.cn

Hong Kong Immigration Department
www.immd.gov.hk

Visit USA Committee Hong Kong
Mr. Gilbert Chow, Chairman
(General Manager of Northwest Airlines, Inc.)
Unit 1908, 19/FI., Cosco Tower
183 Queen's Road Central
Sheung Wan, Hong Kong
Email: gilbert.chow@nwa.com

Travel Industry Council of Hong Kong
Mr. Ronnie Ho, Chairman
(Managing Director of Jetour Holiday Ltd.)
Suite 1420, 14/FI., Ocean Ctr.
Harbor City, T.S.T.,
Kowloon, Hong Kong
Website: <http://www.tichk.org/public/website/en/index.html>
Email: ronnieho@jetour-holiday.com

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Education/Training (EDS)

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	2004	2005	2006	2007 (estimated)
Total Student Visas Issued in HK (US, Australia, and Canada)	14,294	14,458	15,100	15,402
Total Expenditures Abroad by HK Students (USD million)	304	310	332	345
Total Students in the US	7,180	7,849	8,241	8488
Total Expenditures in the US by HK Students (USD million)	172	188	198	210

These figures are unofficial estimates.

Education is of great public interest and concern in Hong Kong. The capacity of local universities is not adequate to accommodate applicants. Hong Kong is a cosmopolitan city, and most high-paying jobs require proficiency in English. English language proficiency is a highly regarded skill so many students seek opportunities overseas for their higher education. There is also a perception that the quality of locally educated university students is declining. Many parents feel that it is important for their children's future to send them abroad for secondary, tertiary, and higher education. According to the Hong Kong Education Department, nearly 16,000 Hong Kong students studied overseas in 2006. The top four destinations were – the U.S., Australia, Canada, and Britain. In order to keep its market position, U.S. universities need to promote their educational programs more actively to keep pace with schools from these other countries.

Due to the business community's complaints about declining English language capability of Hong Kong students and the increased concern about a weakening education system from parents of Hong Kong students, there are significant opportunities for American institutes of higher education. In 2007, the U.S. Consulate General in Hong Kong issued 7,000 student visas (over 99% approval rate) for Hong Kong students to study in the U.S. Hong Kong was the 12th leading place of origin in 2006 (up from #15). We estimate that each Hong Kong student spends about USD24,000 each year and a Hong Kong student population of 8,488 generates an "export" of USD210 million in education and related services. Hong Kong students are inclined to study in the U.S. because they perceive American institutions to have the best programs in business, tourism and hospitality management (the fastest growing industries in Hong Kong), engineering, computer science, and information technology in the world. In addition to this, the business community in Hong Kong prefers U.S. degrees, because of the strong

business relationships between U.S, Hong Kong and China, which make U.S. education even more attractive. Preferred states are California, New York, Massachusetts, Washington, and Michigan.

Best Products/Services

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Since the service sector in Hong Kong has grown rapidly over the last several years, business, management in tourism and hospitality, service training for cruise and convention and exhibition, engineering, computer science, and information technology have become extremely popular fields of study in the U.S. institutes. Other popular fields are mathematics, fine arts, social sciences, humanities, and health science. MBAs and EMBA's are also very popular, because it is essential that Hong Kong sustain a workforce with high education standard to carry on as the international business center in Asia.

Opportunities

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Many U.S. educational institutions (both secondary and tertiary) are active in recruiting Hong Kong students. Strong competition exists, however, from schools in Australia, Canada and the U.K. Nevertheless, industry experts predicted that Hong Kong students study overseas to be increased 10% for next year.

The most cost-effective way to recruit Hong Kong students is to hire a local representative because parents and students often depend on these agencies for information and assistance, admission and student visa application processing, overseas boarding recommendations and travel arrangements. Another way to disseminate information to Hong Kong students is by sending promotional materials to Hong Kong high schools or public libraries. Taking part in education fairs is also a good way to reach Hong Kong students.

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Trade Shows:

The Education & Careers Expo, 2008

Date: February 21-24, 2008 (annual)
Venue: Hong Kong Convention & Exhibition Center
1 Harbor Road, Wanchai, Hong Kong
Organizer: Mr. Kevin Ho, Marketing Officer
Hong Kong Trade Development Council Unit 13, Expo Galleria
Hong Kong Convention & Exhibition Plaza, Wanchai, Hong Kong
Tel: (852) 2240-4358
Fax: (852) 2169-9610
Email: Kevin.ch.ho@tdc.org.hk
Website: www.tdctrade.com

2008 U.S. Higher Education Fair

Date: October, 2008 (annual)
Venue: To be confirmed
Organizer: Ms. Maria Luk, Program Officer
Institute of International Education
Room 601, General Commercial Bldg,
156-164 Des Voeux Road, Central, Hong Kong
Tel: (852) 2603-5771
Fax: (852) 2603-5765
Email: mluk@iiehongkong.org
Website: www.iiehongkong.org

2008 North American Boarding Schools Fair in Hong Kong

Date: November (to be confirmed), 2008 (annual)
Venue: To be Confirmed
Organizer: Ms. Maria Luk, Program Officer
Institute of International Education
Room 601, General Commercial Bldg,
156-164 Des Voeux Road, Central, Hong Kong
Tel: (852) 2603-5771
Fax: (852) 2603-5765
Email: mluk@iiehongkong.org
Website: www.iiehongkong.org

Trade Associations:

The Institute of International Education
Room 601, General Commercial Building,
156 - 164 Des Voeux Road,
Central, Hong Kong.
Tel: (852) 2603-5771
Fax: (852) 2603-5765
Website: www.iiehongkong.org
Email: iiehk@cuhk.edu.hk

Education and Manpower Bureau
Room 1815, Landmark North
39 Lung Sum Avenue, Shung Shui, Hong Kong
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Total U.S. agricultural exports to Hong Kong are expected to reach over US\$1.3 billion in 2007, an increase of 15% over 2006. This ranks Hong Kong as the 11th largest market for U.S. agricultural products.

U.S. Exports of Agricultural, Fish & Forestry Products to Hong Kong
CY 2002 - 2006 and Year-To-Date Comparisons
(in thousands of dollars)

Product	Calendar Years (Jan-Dec)					January – November Comparisons		
	2002	2003	2004	2005	2006	2006	2007	% Change
Bulk Agricultural Total	79,065	82,512	89,847	97,534	92,732	85,207	82,158	-3.58
Wheat	0	6	49	1,301	1,166	1,045	1,509	44.39
Coarse Grains	575	248	5,383	7,684	11,585*	10,597	5,847	-35.39
Rice	1,820	1,579	2,658	2,859	695	643	1,010	57.13
Soybeans	623	16	233	235	1,092	915	1,169*	27.81
Cotton	63,115	66,240	60,788	62,463	66,627	61,367	57,959	-5.55
Tobacco	2,210	3,838	6,999	4,365	510	510	3,013	490.87
Peanuts	766	1,007	895	816	830	744	846	13.76
Other Bulk Commodities	9,310	8,897	11,944	16,848*	9,618	8,832	9,127	3.34
Intermediate Agricultural Total	289,373	371,346*	297,330	241,983	275,169	248,110	253,727	6.29
Wheat Flour	69	37	72	36	167	167	85	-51.05
Soybean Meal	3,940	4,733	5,812	6,231*	5,276	4,817	2,557	-46.91
Soybean Oil	4,763	389	830	5,601	14,159	8,294	9,149	10.31
Vegetable Oils (excl Soybean Oil)	7,507	5,851	3,938	4,626	6,864	5,666	4,026	-28.95
Feeds & Fodders (excl Pet Foods)	4,585	4,573	4,577	4,052	4,292	3,968	3,742	-5.69
Live Animals	3,776	3,832	4,563	4,452	4,345	3,670	3,314	-9.70
Hides & Skins	137,010	197,485*	166,859	134,734	182,574	167,744	179,928	7.26
Animal Fats	1,285	1,785	1,010	1,873	162	145	520	259.51
Planting Seeds	5,106	5,916	3,627	4,104	3,196	2,853	2,760	-3.57
Sugars, Sweeteners, & Beverage Bases	9,845	9,782	2,194	1,295	1,466	1,413	1,574	11.42
Other Intermediate Products	111,388	135,964	103,848	74,979	52,669	49,363	56,074	13.59
Consumer-oriented Agricultural Total	722,747	659,995	525,363	532,291	608,872	533,484	683,922	28.20
Snack Foods (excl Nuts)	22,012	19,007	26,255	26,606	25,599	23,491	29,196	24.28
Breakfast Cereals & Pancake Mix	5,751	7,513	5,617	3,446	4,658	4,145	4,850	16.99
Red Meats, Fresh/Chilled/Frozen	95,041	118,175*	24,433	23,954	55,386	47,815	99,641	108.39
Red Meats, Prepared/Preserved	4,390	6,894	7,221	6,793	12,345	11,669	12,282	5.25
Poultry Meat	191,041	120,639	79,086	63,483	62,549	56,758	50,040	-11.84
Dairy Products	19,199	10,723	10,592	11,124	10,106	9,482	7,899	-16.69
Eggs & Products	11,957	9,310	9,984	15,300	16,524	14,830	20,838	40.51
Fresh Fruit	165,064	164,850	121,783	138,270	147,617	135,847	120,184	-11.53
Fresh Vegetables	9,663	7,135	6,116	6,457	6,440	5,951	4,564	-23.31
Processed Fruit & Vegetables	53,616	42,596	49,095	51,663	51,589	46,218	55,102	19.22

Fruit & Vegetable Juices	8,075	7,989	4,548	6,787	16,187	14,752	16,684*	13.10
Tree Nuts	59,970	57,527	67,550	58,914	100,674	75,694	150,484*	98.81
Wine & Beer	11,500	13,168	13,708	13,399	8,110	7,038	7,688	9.24
Nursery Products & Cut Flowers	763	3,221	557	812	376	376	707	87.75
Pet Foods (Dog & Cat food)	8,268	8,136	10,123	13,056	16,020	13,792	17,780*	28.91
Other Consumer-Oriented Products	56,437	63,112	88,594	92,228	74,690	65,626	85,984	31.02
Forest Products (excl Pulp & Paper)	160,894*	140,207	138,854	102,903	104,752	98,394	92,654	-5.83
Logs and Chips	42,001	36,286	39,478	32,117	41,414	38,597	50,860*	31.77
Hardwood Lumber	86,900*	70,870	65,802	43,416	36,271	33,737	24,888	-26.23
Softwood and Treated Lumber	1,335	2,107	1,839	903	468	459	1,176	156.36
Panel Products (incl Plywood)	25,027	24,250	26,251*	19,345	14,130	13,571	8,962	-33.96
Other Value-Added Wood Products	5,630	6,694	5,485	7,121	12,4808	12,030	6,768	-43.74
Fish & Seafood Products, Edible	32,088	35,500	39,688	44,913	55,006*	49,941	41,281	-17.34
Salmon, Whole or Eviscerated	58	18	91	272	249	249	657	164.23
Salmon, Canned	0	0	7	52	2,752*	2,752	250	-90.92
Crab & Crabmeat	1,353	471	835	1,458	1,663	1,630	4,771*	192.71
Surimi (Fish Paste)	3	0	0	0	0	0	53	-
Roe & Urchin (Fish Eggs)	6,327	5,672	7,310*	5,681	3,760	3,661	3,696	0.94
Other Edible Fish & Seafood	24,348	29,340	31,445	37,450	46,582*	41,649	31,854	-23.52
Agricultural Product Total	1,091,185	1,113,852	912,540	871,908	976,773	866,800	1,029,807	18.81
Agricultural, Fish & Forestry Total	1,284,167	1,289,560	1,091,082	1,019,723	1,135,541	1,015,134	1,163,742	14.64

Analysis By: Commodity and Marketing Programs/FAS/USDA

Source: U.S. Bureau of the Census Trade Data

NOTE: * Denotes highest export levels since at least CY 1970

For more information, please visit the FAS website "FASOnline" at www.fas.usda.gov, Select search, then BICO reports or email FAS at usthelp@fas.usda.gov.

Despite having a population of just 7 million, Hong Kong is an even more important market for U.S. consumer-oriented (i.e. grocery) products which expanded by nearly 30% in 2007. Aided by a strong economy and falling dollar, this rate of growth is unusual for a developed market. Hong Kong was the 10th largest U.S. market for consumer ready products in 2006 and poised to become the 8th largest in 2007 and 2008. U.S. red meat exports reached a total export value of USD100 million in the first eleven months of 2007, representing a surge of 108 percent between January – November, 2006 and January – November, 2007.

There are several factors attributed to the rapid growth of Hong Kong' as a major food import market:

1. Absence of trade barriers to most food and beverage products (an excise tax on alcohol and lingering restrictions for bone-in beef are the only obstacles);

2. A strategic location in Southern China with excellent infrastructure/logistical facilities, which enable Hong Kong to perform the important role as the gateway to China and other markets in the region;
3. Highly-developed marketing system, with tourists (estimated at 28 million for 2007) and affluent consumers who demand high value imports. Per capita income (estimated at US\$ 29,000 for 2007) in Hong Kong is among the highest in Asia, with a significant portion of income spent on food.

Hong Kong's unemployment rate dropped from its peak of over 8 percent in 2003 to only 3.4 percent in November 2007. Shoppers are buying an increasing percentage of their groceries in supermarkets, as opposed to traditional wet markets. Demand for grocery store products, meats, poultry, eggs and fresh fruit continues to be very strong. Although still a small segment of the overall market, demand for natural and organic food and beverages is growing rapidly.

Outlook for 2008: U.S. exports of consumer-ready products are expected to continue their strong growth in 2008, albeit at a slower pace than in 2007. This is because U.S. food traders are aggressively seeking ways to penetrate international markets as well as take advantage of their products' price competitiveness due to the weaker U.S. dollar. In addition, Hong Kong consumers have increasing food safety concerns about food imports, particularly from China. U.S. food products are well-known in Hong Kong for their high quality and are therefore likely to enjoy more opportunities as Hong Kong consumers are becoming more health and safety conscious. Furthermore, due to tightened food supplies from China and appreciation of the Chinese Renminbi, prices for Chinese products have escalated significantly since late 2007. This trend is expected to continue in 2008 and further reduce or eliminate their price advantage over U.S. products. This situation is already leading Hong Kong food traders to seek imports from the U.S. Lastly, tourist arrivals in Hong Kong are expected to reach 35 million in 2008, bolstered by the 2008 Olympic Games. Similarly, the continued boom of Hong Kong's neighboring city of Macau – the “Las Vegas in the Far East” is poised to attract also around 35 million visitors in 2008. Most of these visitors will also stay in Hong Kong before or after their visits to Macau.

U.S. exports of consumer-oriented food products to Hong Kong are expected to reach US\$ 790 million in 2007, an increase of 30% over 2006. In view of the foregoing, it is expected that U.S. exports of consumer-oriented food products to Hong Kong will continue to grow in 2008, but at a slower rate of around 20%, due to reduced aggregate demand for food because of higher food prices.

Retail Sales and Outlets

- In 2007, Hong Kong's food retail sales and restaurant receipts are estimated at over US\$ 7 billion and US\$ 8.5 billion respectively, an increase of 5% and 7.6% respectively over 2006. Despite a possible slow down of Hong Kong's economic growth, the large influx of tourists (estimated at 35 million for 2008) will likely help achieve a growth of 5% for retail sales and restaurant receipts in 2008.
- Despite a highly centralized supermarket retail network, with two supermarket chains accounting for about 80% of the supermarket turnover, the total number of

retail establishments stands at approximately 14,842. These establishments include: (a) 1,384 outlets of supermarkets (covering chain supermarkets and individually-owned supermarkets) and convenience stores; and (b) 13,458 wet market stalls and “mom and pop” shop operators. Retail shops in Hong Kong generally are very small in size, i.e. about 98% hire less than 10 employees per shop.

- Traditionally, Hong Kong consumers shop for food daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including wet markets and mom-and-pop shops. While both wet market and supermarket sales are increasing, supermarkets are taking a greater share of total sales. The supermarket’s share in terms of retail sales rose from 44% of total sales in 1995 to 53% in 2006 (latest available figure).
- Based on the latest available figures (up to 2006), number of supermarkets is unlikely to grow significantly. Wet markets used to offer more fresh foods than supermarkets. However, many supermarkets in Hong Kong now offer fresh foods at competitive prices and provide a comfortable shopping environment. Although the Hong Kong government has been carrying out works to improve the shopping environment of wet markets, the supermarket share of retail sales is expected to continue to expand in the future at the expense of traditional markets.

Retail Sales between 2001 – 2006, in US\$ billion

	2001	2002	2003	2004	2005	2006
Supermarkets/Dept. stores	2.95	3.02	3.03	3.22	3.43	3.61
Other outlets	2.84	2.75	2.73	2.80	2.94	3.15
Total	5.79	5.76	5.76	6.02	6.37	6.76

(Source: Retail Sales Statistics 2001-2006, Hong Kong Census & Statistics Department)

2006 Retail Sales, US\$6.76 billion

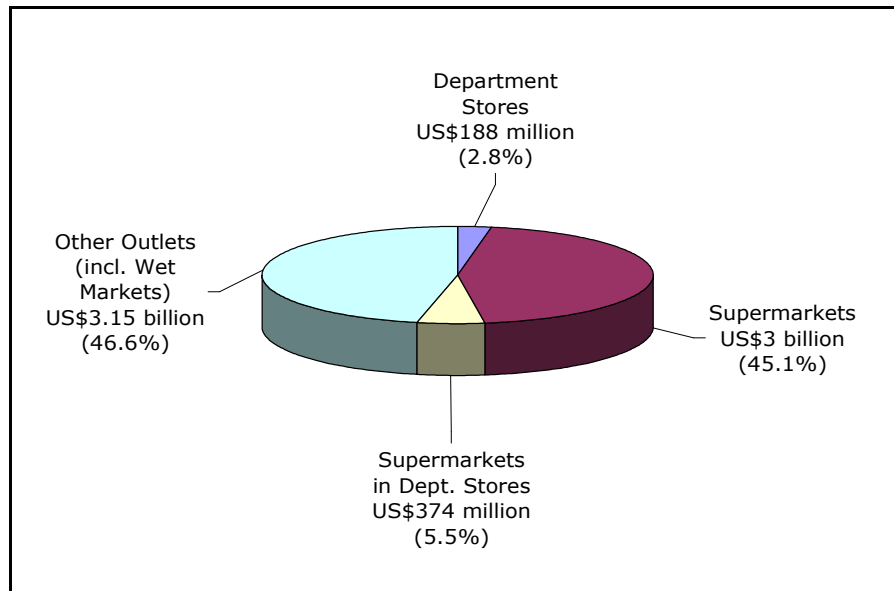


(Source: Retail Sales Statistics 2001-2006, Hong Kong Census & Statistics Department)

Percentage of Sales by Retail Outlets

	2001	2002	2003	2004	2005	2006
Supermarkets/ Dept. stores	51%	52%	53%	53%	54%	53%
Other outlets	49%	48%	47%	47%	46%	47%
Total	100%	100%	100%	100%	100%	100%

(Source: Retail Sales Statistics 2001-2006, Hong Kong Census & Statistics Department)



(Source: Retail Sales Statistics 2001-2006, Hong Kong Census & Statistics Department)

- In short, wet markets are strong in fresh foods, while supermarkets are strong in chilled and frozen, high added value, and processed food products. The competition between wet markets and supermarkets has intensified in recent years. Some wet markets have turned air-conditioned and provide free shuttle to nearby residential areas.

HRI Food Service Sector

1. Restaurants

The value of total restaurant receipts in 2007 is estimated at US\$ 8.5 billion, an increase of 7.6% over 2006.

- Based on the latest available figures (up to 2006), Hong Kong has around 10,000 restaurants serving a wide range Eastern and Western cuisines along with a wide variety of culinary delights. In addition, there are over 1,000 bars and other eating and drinking establishments.

Number of Establishments	2004	2006	% of total in 2004	% of total in 2006
Chinese restaurants	4,429	4,684	46%	45%
Non-Chinese restaurants	3,625	4,078	38%	39%
Fast food shops	1,537	1,601	16%	15%
Total	9,591	10,363	100%	100%

(Source: Bi-annual statistics in 2004 and 2006, Hong Kong Census & Statistics Department)

- Chinese restaurants:** More than half of the eating establishments in Hong Kong are Chinese restaurants (estimated at 4,800 in 2007). A typical lunch at a nice Chinese restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$150-400 per person.
- Non-Chinese restaurants:** Although the majority of the Hong Kong population is Chinese, non-Chinese restaurants are thriving (estimated at 4,300 in 2007). A typical lunch at a nice western restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$200-500 per person.
- Fast food shops:** According to a survey conducted by AC Nielsen, Hong Kong consumers are the world's most frequent patrons of fast food restaurants. The survey revealed that 61% of Hong Kong consumers eat at a fast food restaurant (estimated at 1,633 in 2007) at least once a week. The popularity of fast food in Hong Kong is mainly due to convenience and price. The survey showed that the most popular fast food chains in Hong Kong are McDonald's, KFC and Pizza Hut. There are also some large local fast food chains such as Café De Coral, Maxim's and Fairwood that serve both Chinese and western foods. Competition to keep the price for a meal at a very low level is quite intense. The average cost is around HK\$18 for breakfast, HK\$26 for lunch, HK\$17 for afternoon tea and HK\$34 for dinner (US\$1 = HK\$7.8). To further meet competition, many fast food operators have renovated their outlets to make them look more modern, spacious and attractive. To meet the demand of a growing number of health-conscious customers, fast food chains have also introduced more new ingredients and developed healthy-food options involving salads, fruits, fresh juices, etc.
- New feature – Coffee Shops:** The coffee shop market is growing in Hong Kong. In recent years, the trend has been to open upstairs cafes to save on rental costs. They are largely located in commercial areas. Starbucks (65 outlets) and Pacific Coffee (49 outlets) are Hong Kong's two largest coffee shop chains. McDonald's has also vigorously expanded its McCafe in order to gain share in this growing market. Of its 176 outlets, 34 have already included McCafes inside their shops.
- Growing Trend – Healthy Eating:** Food safety and quality concerns aside, Hong Kong diners prefer to eat fresh foods rather than processed, chilled, frozen etc. Hong Kong consumers have become increasingly aware of food safety and nutrition. These issues have been used successfully as marketing points for various food commodities and specific products. The growth of Mix and juice bars are good examples of specialty restaurants selling healthy products.

Organic foods are also gaining interest among consumers as evidenced by the growth of specialized retail outlets for organic foods.

2. Hotels (based on latest available statistics in 2006)

	2005	2006	Growth
Number of hotels/hostels/guesthouses	585	612	+5%
Number of rooms	48,891	52,512	+7%
Room occupancy rate	86%	87%	-

(Source: Hong Kong Census & Statistics Department)

Hotel and boarding houses receipts:

(Value in US\$ million)	2005	2006	Growth
Receipt	2,563	2,768	+8%

(Source: Quarterly Restaurant Receipts and Purchases, Hong Kong Census & Statistics Department)

- According to the Hong Kong Tourism Board, 58% of receipts came from food and beverage sales, revenues from food and beverage sales at hotels were US\$ 1.6 billion in 2006.
- Many five-star hotels serve U.S. beef, chicken, turkey, eggs, and a wide range of fruits and vegetables, which has clearly benefited the United States as a supplier. Among all hotels/hostels/guesthouses, about 21 of them are classified as the “high tariff A hotels” with average room rate over US\$ 196/night. Room rate for some of these top-end hotels in Central District even exceed US\$ 300/night for a standard room.
- The government provides a searchable list of licensed Hotels & Guest Houses at http://www.info.gov.hk/had_la/. A list of Hong Kong hotels is available at http://www.discoverhongkong.com/eng/mustknow/search/mk_sear_inde.jsp
- Hong Kong tourism industry faces keen competition from Macau and neighboring cities. To meet competition, Hong Kong started the redevelopment of Ocean Park in late 2006 and plans to invite tender for a new cruise terminal in 2008. Hong Kong will also build more hotels/boarding houses preparing for the opening of the new tourism infrastructures and the continuing influx of tourists from Mainland China.

3. Institutions

- Institution categories of significance include schools, hospitals, and airlines. They are served by a small number of large catering groups who are generally affiliated with the restaurant sector. These caterers mainly source their ingredients from China where supplies are cheaper and more abundant. They also use ingredients from other countries such as the U.S. when they cannot find the same products in China, or when they want to use products with better quality and taste.

- **Schools:** School regulators prohibit primary and lower secondary students from eating out. Students therefore either pack their lunches or subscribe to school lunch box program. During the 2006/2007 school year, there were 668 primary schools and 528 secondary schools. The total number of primary students and lower secondary students amounted to 410,516 and 255,992 respectively. About 70% of students buy their lunches in school. A typical lunch box consists of meat, rice and some cooked vegetables. The annual turnover is estimated at US\$ 220 million. Healthy eating programs are underway to encourage a change in eating trends for schools. Caterers have to register with the Hong Kong Food and Environmental Hygiene Department (FEHD) before they are eligible to bid tenders provided by individual schools. ATO Hong Kong can provide U.S. exporters with the list of registered caterers for school lunch box programs.
- **Hospitals:** According to the latest available statistics, the Hospital Authority operates 40 hospitals with a total of 27,742 beds and staff size of 52,642. The catering service for the hospitals is outsourced and by tender. The hospitals are served by catering groups, many of which also operate restaurants, fast food chains or school lunch catering services.
- **Airlines:** There are three aircraft catering franchisees at the Hong Kong International Airport, each with a 15-year term. The aircraft caterers provide a comprehensive range of flight catering services. These services include the preparation and assembly of flight meals, loading and unloading of food and other catering loads onto aircraft, and the storage of catering equipment and supplies.

Catering Franchisee	Investment (HK\$)	Size (sq. m.)	Capacity (meals/day)
Cathay Pacific Catering Services	1.6 billion	50,400	80,000
Lufthansa Service Hong Kong Ltd	660 million	15,000	30,000
Gate Gourmet Hong Kong Ltd	382 million	8,850	10,000

(Source: Website of the Hong Kong Airport Authority:
<http://www.hongkongairport.com/eng/afacilities/aircatering.html>)

Ten Best Prospects for U.S. Consumer Oriented Food Product Exports in 2008

- Meats
- Fresh Fruits
- Processed Fruits & Vegetables
- Juice Drinks
- Tree Nuts
- Organic Food & Beverages
- Wine
- Eggs
- Snack Foods
- Pet Foods

Opportunities are also available for U.S. exporters to gain exposure to the Hong Kong/Mainland China market via the following Food and Beverage Trade Shows that take place in Hong Kong or Macau in 2008:

May 27-29	Vinexpo Asia Pacific Show	http://www.vinexpo.com/en/asia-pacific-2008/
Jun 26-28	Natural Products Expo Asia	http://www.naturalproductsasia.com
Sep 9-11	Restaurant and Bar Show	http://www.restaurantandbarhk.com
Sep 10-12	Asia Fruit Logistica	http://www.asiafruitlogistica.com
Nov 5-7	Wine and Gourmet Asia	http://www.wineandgourmetasia.com

Contact the U.S. Agricultural Trade Office – Hong Kong for more information on Hong Kong's Market for Great American Food!

Agricultural Trade Office
18/F, St. John's Building
33 Garden Road, Central
Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
Email: atohongkong@usda.gov
Website: <http://www.usfoods-hongkong.net/>

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Hong Kong imposes no tariffs on general imports, with the exception of four categories of goods: liquors, tobacco, hydrocarbon oil, and methyl alcohol. For example, the excise tax on distilled spirits is 100 percent, wine 40 percent and beer 20 percent, and the rate for unleaded gasoline is US\$ 0.78 per liter. The current list of dutiable goods and corresponding rates is available at:

http://www.customs.gov.hk/eng/major_dutiable_freeport_e.html. In addition, a steep "First Registration Tax," which ranges from 35 to 100 percent of the price, is levied on new car purchases.

To inquire about specific products contact:

Customs and Excise Department
8/F, Harbour Building
38 Pier Road, Central
Hong Kong
Tel: (852) 2852-3324
Fax: (852) 2542-3334 (Dutiable Commodities Division)
Website: <http://www.customs.gov.hk>

Trade Barriers

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Hong Kong is a duty-free port, with few barriers to trade in goods and services and few restrictions on foreign capital flows and investment.

Import Requirements and Documentation

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U.S. standard trade documentation is acceptable.

U.S. Export Controls

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Hong Kong maintains an effective, highly autonomous and transparent export control regime that the U.S. Government has encouraged others to emulate. The United States continues to provide Hong Kong importers a comparable level of access to controlled dual-use U.S. technologies as before reversion. The Hong Kong Government imposes restrictions on the import and export of high-technology products, mirroring the control lists of the internationally observed multilateral export control regimes (Wassenaar, MTCR, Australia Group and the Chemical Weapons Convention). Hong Kong has also adopted catch-all export license provisions that cover exports and re-exports to entities and institutions involved in promoting the production of weapons of mass destruction. This includes restrictions on unlicensed re-exports from Hong Kong to Mainland China. A caution to U.S. exporters: Hong Kong has not adopted U.S. unilateral export controls, but the U.S. Government will penalize U.S. firms involved in transactions covered by U.S. unilateral controls where the goods transiting Hong Kong go to countries or entities sanctioned by U.S. export control laws.

With the January 1, 2005 elimination of all remaining quotas on textile and apparel imports from WTO members, Hong Kong textile and apparel exports are no longer subject to quantitative restrictions.

Temporary Entry

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Most products are not subject to any Hong Kong duties or taxes. For alcohol, cigarettes and fuel, however, companies must fill out a duty waiver form, which can be obtained from Hong Kong Customs at <http://www.customs.gov.hk>.

Labeling and Marking Requirements

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Non-tariff barriers such as labeling requirements, standards, etc. are minimal.

Prohibited and Restricted Imports

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The import of munitions, firearms and fireworks is strictly forbidden.

Customs Regulations and Contact Information

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Customs valuation is only an issue for the taxable items listed above. The tax on tobacco is by quantity: HK\$804 for every 1,000 cigarettes, and HK\$1,035 per kilogram for cigars. The tax on distilled spirits is 100 percent, wine 40 percent and beer 20 percent. The tax on petroleum products is by both volume and value. The value is based on the bill of lading as long as it represents a reasonable market value. The tax on automobiles is based on both retail price and engine size.

For more information about Hong Kong customs regulations, please check the Hong Kong Customs and Excise Department's website at <http://www.customs.gov.hk>.

U.S. Immigration and Customs Enforcement (formerly U.S. Customs Service) maintains an office in Hong Kong. It can be contacted at:

U.S. Immigration and Customs Enforcement
U.S. Consulate General
26 Garden Road, Central
Hong Kong
Inquiry Hotline: (852) 2524-1136
Fax: (852) 2810-6550

Standards

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Overview

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Hong Kong's policy, in accordance with the World Trade Organization (WTO) Agreement on Technical Barriers to Trade, is to adhere to international standards to the maximum extent possible. Hong Kong regulatory agencies adopt standards as and when necessary, and they generally avoid using standards to dictate market development or protect certain sectors of the economy.

The APEC (Asia-Pacific Economic Cooperation) Sub-Committee on Standards and Conformance (SCSC) has agreed that APEC member economies would establish websites to disseminate standards and conformance information. In this regard, information about the standards, regulations and conformity assessment requirements in Hong Kong, China can be accessed at <http://www.standard.gov.hk>.

The [Product Standards Information Bureau](#) (PSIB) represents Hong Kong, China to participate in the APEC SCSC Meetings and coordinates among bureaus and departments of the Government to take part in the related projects and events of APEC.

Standards Organizations

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Hong Kong does not have a central standards body that develops and implements domestic standards. More information on standards used in Hong

Kong is available from the Standards, Regulations and Conformity Assessment Database. (<http://www.itc.gov.hk/en/quality/psis/srca/db.htm>)

The Product Standards Information Bureau (PSIB) of the Innovation and Technology Commission (ITC) represents Hong Kong in the APEC Sub-Committee on Standards and Conformance (SCSC), the International Organization for Standardization (ISO) and the Pacific Area Standards Congress (PASC). The Hong Kong Accreditation Service of ITC actively participates in the Pacific Accreditation Cooperation (PAC), Asia Pacific Laboratory Accreditation Cooperation (APLAC), International Accreditation Forum (IAF) and International Laboratory Accreditation Cooperation (ILAC). In addition, the Standards and Calibration Laboratory of ITC is a full member of the Asia Pacific Metrology Program and an Associate of the General Conference of Weights and Measures (CGPM) of the Metre Convention, while the Customs and Excise Department is a Correspondent Member of the International Organization of Legal Metrology (OIML) and a Member of the Asia Pacific Legal Metrology Forum (APLMF). The Office of the Telecommunications Authority also sends its officers to attend meetings of the International Telecommunications Union (ITU).

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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Hong Kong has a comprehensive range of conformity assessment services including testing, calibration, certification and inspection. The majority of such services are provided by the private sector. Compliance is certified through third-party accreditation.

Product Certification

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The Hong Kong Accreditation Service (HKAS) of the Innovation and Technology Commission (ITC) manages a program called the "Hong Kong Laboratory Accreditation Scheme (HOKLAS)," which is a program open to voluntary participation from any Hong Kong laboratory that performs objective testing and calibration falling within the scope of the Scheme and meets the HOKLAS criteria of compliance. HOKLAS has concluded mutual recognition agreements/arrangements (MRA) with forty-eight laboratory accreditation bodies in thirty-seven countries, including the United States.

[Mutual Recognition Agreements/Arrangements](#)

Every effort is made to promote acceptance of test data from accredited laboratories, both internationally and locally. HOKLAS has signed the following types of mutual recognition agreements/arrangements.

HOKLAS currently has bilateral agreements with six overseas national laboratory accreditation programs – NATA of Australia, RvA of the Netherlands, IANZ of New Zealand, SAC of Singapore, UKAS of United Kingdom and A2LA of the United States.

HOKLAS also has a bilateral group agreement with the European Co-operation for Accreditation (EA). This agreement with the EA multilateral agreement group in effect means HOKLAS accepts accreditation from the following national programs – BMwA of Austria, BKO/OBE and BELTEST of Belgium, CAI of the Czech Republic, DANAK of Denmark, FINAS of Finland, COFRAC of France, DAR of Germany (including DACH, DAP, DASMIN, DATECH and DKD), NAB of Ireland, ISRAC of Israel, SIT and SINAL of Italy, LA of Lithuania, RvA of the Netherlands, NA of Norway, IPQ of Portugal, SNAS of Slovakia, ENAC of Spain, SWEDAC of Sweden, SAS of Switzerland and UKAS of the United Kingdom.

As a member of the Asian Pacific Laboratory Accreditation Co-operation (APLAC) Multilateral Mutual Recognition Agreement, HOKLAS accepts accreditation from NATA of Australia, SCC of Canada, NABL of India, KAN of Indonesia, JAB and IA Japan of Japan, KOLAS of Korea, IANZ of New Zealand, CNAL of the People's Republic of Mainland China, SAC-SINGLAS of Singapore, CNLA of Taiwan, VILAS/STAMEQ of Vietnam and A2LA, ICBO and NVLAP of the United States.

HOKLAS is one of the signatories of the International Laboratory Accreditation Cooperation (ILAC) Multilateral Mutual Recognition Agreement signed in Washington, D.C. on November 2, 2000, at the General Assembly of the ILAC. This arrangement, which involves 33 accreditation bodies from 26 countries, authorizes signatory countries to accept test results issued by a laboratory that is accredited by any of the other signatory countries of the Arrangement.

The following areas have special regulations, standards and conformity assessment mechanisms: animals and plants (sanitary and phytosanitary); boilers and pressure vessels, building materials, chemicals (pesticides); consumer goods, drugs and medical devices, electrical products, energy, environment, food, information technology equipment, radioactive substances and irradiating apparatus, shipping safety, toys and children's products, and transport equipment. Please visit the following website for specific product regulations and standards: <http://www.itc.gov.hk/en/quality/psis/srca/db.htm>

Accreditation

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The Hong Kong Accreditation Service (HKAS), a government organization set up in 1998, provides accreditation for laboratories, certification bodies and inspection bodies. HKAS operates three accreditation programs - Hong Kong Laboratory Accreditation Scheme (HOKLAS) for laboratories, Hong Kong Certification Body Accreditation Scheme (HKCAS) for certification bodies, and

Hong Kong Inspection Body Accreditation Scheme (HKIAS) for inspection bodies. HOKLAS was launched in 1985, HKCAS was launched in 1998, and HKIAS was launched in 1999. Participation in these programs is voluntary.

HKAS participates in a number of mutual recognition arrangements. It is a member of the International Accreditation Forum (IAF), International Laboratory Accreditation Cooperation (ILAC), Pacific Accreditation Cooperation (PAC) and Asia Pacific Laboratory Accreditation Cooperation (APLAC).

Contact information for HKAS:
Hong Kong Accreditation Service
Quality Services Division
Innovation and Technology Commission
36/F, Immigration Tower
7 Gloucester Road, Wan Chai
Hong Kong
Tel: (852) 2829-4837
Fax: (852) 2824-1302
Email: HKAS@itc.gov.hk
Website: <http://www.itc.gov.hk/en/quality/hkas/secretariat.htm#a1>

Publication of Technical Regulations

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Technical regulations are proposed and passed by respective relevant government departments. There may or may not be public consultation before each regulation is passed, depending on the specifics of that particular technical regulation.

Information on Hong Kong's technical regulations can be obtained from the following website: <http://www.itc.gov.hk/en/quality/psis/regulations.htm>.

Technical regulations are published in the Government of the Hong Kong Special Administrative Region Gazette.

For information about a subscription to the Government of the Hong Kong Special Administrative Region Gazette, contact:

Information Officer, Publications Sales Section
Information Services Department
Email: puborder@isd.gov.hk
Website: www.isd.gov.hk/eng/publication.htm#gaze

Labeling and Marking

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Food products, such as milk, pre-packaged food, beverages, and frozen confections, need to be legibly marked or labeled in either the English or Chinese language, or in both languages. The label/markings need to include the full company name and address or details of the registered or principal office of the manufacturer or packer. It also must have the food's name or designation, list of ingredients, composition or contents, with the net weight or net volume, and

indication of “Best before” or “Use by” date. Statements of special conditions for storage or instructions also need to be legibly marked or labeled. Pharmaceuticals and over-the-counter (OTC) drugs must have indications of dosage and frequency on the label in both Chinese and English.

Proposed New Legislation on Food Safety

The Hong Kong Government is considering the introduction of a Food Safety Bill to provide for a comprehensive registration scheme for food importers and distributors. Under the scheme, importers and distributors will be required to maintain proper transaction records of imported food, so that in the event of a food incident, the government can trace the sources and points of sale of the food concerned swiftly and thoroughly. Under the new legislation, when public health is under serious threat, the authorities will be empowered to require all wholesalers and retailers to stop selling and recall the food concerned. The government expects to submit the proposals to the Legislative Council by end of 2008.

In addition to ensuring food safety, the government will enact food labeling legislation to help consumers make informed choices and protect their health. The new requirement for labeling food additives and allergens on pre-packaged food came into effect in July 2007. Drafting work will soon be completed for regulations on the Labeling Scheme on Nutrition Information for pre-packaged food, and the amendment bill will be introduced into the Legislative Council in early 2008.

In parallel with reforming the food safety regulatory regime, the Hong Kong Government will also formulate a set of comprehensive and clear food safety standards on the control regimes on residues of agricultural pesticides and veterinary drugs in 2008.

Contacts

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Hong Kong central contact point:

Innovation and Technology Commission
Executive Administrator, Hong Kong
Accreditation Service
36/F, Immigration Tower
7 Gloucester Road, Wan Chai
Hong Kong
Tel: (852) 2829-4867
Fax: (852) 2583-9371, 2824-1302
Email: psib@itc.gov.hk
Website: www.info.gov.hk/itc/psis

For regulatory contact points, please refer to the following website:
<http://www.itsd.gov.hk/standard/eng/contact.htm>.

Point of contact at the Commercial Service for standards issues:

Fanny Chau
Email: fanny.chau@mail.doc.gov
Tel: (852) 2521-3721; Fax: (852) 2845-9800

Trade Agreements

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Hong Kong is a founding member of the World Trade Organization (WTO) as well as a member of the Asia-Pacific Economic Cooperation (APEC).

With Mainland China's accession to the WTO, Hong Kong is well positioned to play a key role for U.S. firms wishing to expand exports to one of the world's fastest-growing markets. Hong Kong is a trading hub for Mainland China and the region; its trading firms are experts at promoting U.S. products and services in Mainland China. Similarities in linguistic and cultural traditions have enabled Hong Kong traders to maximize opportunities for U.S. firms, and in particular for small and medium-sized enterprises and first-time exporters.

On June 29, 2003, Hong Kong and Mainland China signed the Closer Economic Partnership Arrangement (CEPA), a free trade agreement granting Hong Kong's manufacturers export to Mainland China free of Mainland Chinese tariffs and granting Hong Kong's service suppliers preferential access to the Mainland Chinese market. CEPA was implemented on January 1, 2004, providing tariff-free treatment for Hong Kong-origin goods in 374 categories as well as preferential access to 18 Mainland service sectors. Preferential access for five types of value-added telecommunications services was implemented on October 1, 2003.

Hong Kong and Mainland China signed the second phase of CEPA on August 27, 2004, to liberalize further trade in goods and services. At that time, Hong Kong-origin goods in 529 additional categories could be exported to Mainland China tariff-free; in January, 2006, another 184 products enjoyed this privilege.

The third phase of CEPA took effect in 2006. As a result, all Hong Kong-origin goods in 27 sectors (e.g. logistics and distribution) were entitled to preferential treatment in Mainland China.

The fourth phase, announced in July 2007, further expanded access for service providers. Service providers in 38 sectors (e.g., logistics, distribution) now enjoy preferential treatment on the mainland.

In order to qualify as a Hong Kong company under CEPA, the company, including a subsidiary of a foreign company, must incorporate in Hong Kong, have been engaged in substantial business operation here for more than three years, and employ at least half its staff in Hong Kong. In addition, foreign companies that have acquired or merged with a Hong Kong company on or after June 29, 2003, qualify after one year of operation as a Hong Kong company.

Hong Kong Accreditation Service: <http://www.itc.gov.hk/en/quality/hkas/about.htm>

Hong Kong Customs and Excise Department: <http://www.customs.gov.hk/>

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Chapter 6: Investment Climate

Hong Kong

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Openness to Foreign Investment

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Hong Kong pursues a free market philosophy, and there is minimum government interference in the economy. The Hong Kong Government welcomes foreign investment. It neither offers special incentives nor imposes disincentives for foreign investors. Hong Kong's well-established rule of law is applied consistently and without discrimination. There is no distinction in law or practice between investments by foreign-controlled companies and those controlled by local interests. Hong Kong is a member of the World Trade Organization in its own right and a separate customs territory. Hong Kong is a duty free port, except for a small number of tariffs on products such as cigarettes and alcohol. There are no quotas or dumping laws.

Foreign firms and individuals are allowed freely to incorporate their operations in Hong Kong, register branches of foreign operations, and set up representative offices without encountering discrimination or undue regulation. There is no restriction on the ownership of such operations. Company directors are not required to be citizens of, or resident in, Hong Kong. Reporting requirements are straightforward and not onerous.

Hong Kong's extensive body of commercial and company law generally follows that of the United Kingdom, including the common law and rules of equity. Most statutory law is made locally. The local court system provides for effective enforcement of contracts, dispute settlement, and protection of rights. Formalities are minimal in company incorporation and business registration. Foreign and domestic companies register under the same rules and are subject to the same set of business regulations.

The Hong Kong Government's InvestHK encourages inward investment as a means of introducing new or improved products, processes, designs and management techniques. U.S. and other foreign firms can participate in government financed and subsidized research and development programs on a national treatment basis.

There is no capital gains tax, nor are there withholding taxes on dividends and royalties. Profits can be freely converted and remitted. Foreign-owned and Hong Kong-owned firms are taxed at the same rate, 16.5 percent of profits in 2008-2009. There are no preferential or discriminatory export and import policies that affect foreign investors. There are no direct subsidies to domestic industries.

There are no disincentives to foreign investment such as quotas, bonds, deposits, or other similar regulations. The Hong Kong Code on Takeovers and Mergers (1981) sets out general principles for acceptable standards of commercial behavior.

According to Hong Kong Government statistics, there were 3,890 regional operations of overseas companies in Hong Kong in 2007. The Government defines regional operations as: regional headquarters that control the operation of other branches in the region without frequent referrals to the parent company outside Hong Kong; and regional offices as offices that coordinate operations elsewhere in the region with frequent referrals to the parent company outside Hong Kong or a regional headquarters. The U.S. has the largest number of regional headquarters and offices in Hong Kong (891 companies), followed by Japan (748 companies) and the United Kingdom (347 companies). The major lines of business of the regional headquarters include wholesale/retail, import/export, finance and banking, manufacturing, and transport and related services.

The Hong Kong Government owns all land, granting long-term leases without transferring title. Local and foreign leaseholders are treated equally. The Government plays a significant role in the housing market: about 50 percent of homes in Hong Kong are rented from the Government or purchased with government assistance at below market rates.

With few exceptions, the Hong Kong Government does not attempt to limit the activities of foreign investors either in specified projects or sectors. Foreign investment in Hong Kong flows freely into the industrial sector as well as into services, franchises, restaurants, the entertainment industry, and the ownership of property, both residential and commercial. The telecommunications services market has been fully liberalized since January 1, 2003.

The exceptions to the Hong Kong Government's open foreign investment policy are:

Broadcasting - Voting control of free-to-air television stations by non-residents is limited to 49 percent. There are also residency requirements for the directors of broadcasting companies.

Legal Services - Foreign lawyers are able to practice foreign and international law in Hong Kong. Foreign lawyers can apply to take the Hong Kong Bar Examination and, if successful, practice Hong Kong law. Foreign law firms may not hire local lawyers to advise on Hong Kong law, but may themselves become "local" firms after satisfying

certain residency and other requirements. They may thereafter hire local attorneys, but must do so on a 1:1 basis with the foreign lawyers. They also can form associations with local law firms.

Hong Kong has a free trade agreement with Mainland China, referred to as CEPA, or the Closer Economic Partnership Arrangement. CEPA provides tariff-free export to Mainland China of Hong Kong-origin goods and preferential access for specific services sectors. The agreement was originally implemented at the beginning of 2004 and has been expanded three times. When the third phase was implemented at the beginning of 2006, all Hong Kong-origin products became eligible for tariff-free access to Mainland China. The fourth phase, announced in July 2007, expanded access for service providers. Service providers in 38 sectors (e.g., logistics, distribution) now enjoy preferential treatment on the mainland. U.S. and other foreign firms with a significant presence in Hong Kong are eligible to take advantage of CEPA concessions to enter the mainland market.

Conversion and Transfer Policies

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There are no restrictions on conversion and inward or outward transfer of funds for any purpose. The Hong Kong dollar is a freely convertible currency that, since late 1983, has been linked via currency board to the U.S. Dollar at an exchange rate of approximately HKD7.75 = US\$ 1. There is no allocation of foreign exchange.

Expropriation and Compensation

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The U.S. Consulate General is not aware of any expropriation actions in the recent past. Expropriation of private property may occur if it is clearly in the public interest, but only for well-defined purposes such as implementation of public works projects. If this is the case, expropriations are to be conducted through negotiations, in a non-discriminatory manner in accordance with established principles of international law. Due process and transparency are to be observed. Investors in and lenders to expropriated entities are to receive prompt, adequate, and effective compensation. Property may be acquired under the State Land Resumption Ordinance, the Land Acquisition Ordinance, the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance or the Roads Ordinance. These ordinances provide for payment of compensation. If agreement cannot be reached on the amount payable, either party can refer the claim to the Land Tribunal.

Dispute Settlement

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The U.S. Consulate General is not aware of any investor-state disputes in recent years involving U.S. or other foreign investors or contractors and the Hong Kong Government. The Hong Kong Department of Justice is also not aware of any such disputes. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

The Hong Kong Government accepts international arbitration of investment disputes between itself and investors. Following reversion to Chinese sovereignty on July 1, 1997, Hong Kong applies provisions of the International Center for the Settlement of Investment Disputes (ICSID), known as the Washington Convention, and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Hong Kong has also adopted the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration.

Hong Kong and Mainland China signed a Memorandum of Understanding in June 1999 on an arrangement parallel to the New York Convention for the reciprocal enforcement of arbitral awards, since the New York Convention, being an international agreement, is no longer applicable to the enforcement of arbitral awards between Hong Kong and Mainland China.

Hong Kong's legal system is firmly based on the rule of law and the independence of the judiciary. Courts of justice in Hong Kong include the Court of Final Appeal, the High Court (composed of the Court of Appeal and the Court of First Instance), the District Court, the Magistrate's Courts, the Coroner's Court, and the Juvenile Court. There are also a Lands Tribunal, Labor Tribunal, and other statutory tribunals.

Performance Requirements and Incentives

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Consistent with its non-interventionist economic philosophy, Hong Kong imposes no export performance or local content requirements as a condition for establishing, maintaining or expanding a foreign investment. Hong Kong offers no special privileges to attract foreign investment. There are no requirements that Hong Kong residents own shares, that foreign equity be reduced over time, or that technology be transferred on certain terms.

All of Hong Kong is a duty-free zone. Subject to non-discriminatory application of excise taxes and restricted entry in some sectors, as noted above, local and foreign firms are free to take advantage of investment opportunities as they arise.

Right to Private Ownership and Establishment

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Hong Kong law and regulations provide for the right of foreign and domestic private entities to establish, own and dispose of interests of business enterprises. Foreign investors are allowed, except for the sectors noted above, to engage in all lawful forms of remunerative activity. The Hong Kong Government does not generally engage directly in business activity via public enterprises. Business privileges, franchises and land development rights are granted on the basis of competitive equality.

Protection of Property Rights

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Hong Kong's commercial and company laws provide for effective enforcement of contracts and protection of corporate rights. Hong Kong has filed its notice of

compliance with the trade-related intellectual property requirements of the World Trade Organization. The Intellectual Property Department, which includes the Trademarks and Patents Registries, is the focal point for the development of Hong Kong's intellectual property regime. The Customs and Excise Department is the principal enforcement agency for intellectual property rights (IPR). Hong Kong has acceded to the Paris Convention for the Protection of Industrial Property, the Bern Convention for the Protection of Literary and Artistic Works, and the Geneva and Paris Universal Copyright Conventions. Hong Kong also continues to participate in the World Intellectual Property Organization, as part of Mainland China's delegation.

The Hong Kong Government devotes significant attention and resources to IPR enforcement. Implementation of laws passed in recent years, including aggressive raids at the retail level, has significantly reduced illegal production and retail sales of copyright and trademark protected products. The Hong Kong courts have imposed longer jail terms for violations of Hong Kong's copyright ordinance. The Hong Kong Government has conducted public education efforts to encourage respect for intellectual property rights. Nevertheless, pirated and counterfeit products remain available at the retail level throughout Hong Kong. In addition, end-use piracy of software and textbooks, the rapid growth of peer-to-peer downloading via the Internet, and the illicit importation and transshipment of pirated and counterfeit goods, including optical discs and name-brand handbags and apparel from Mainland China and elsewhere in the region, are continuing problems. Hong Kong authorities have taken steps to address these problems by: continued monitoring of suspect shipments at points of entry; establishing a task force to monitor and crack down on peer-to-peer (P2P) piracy over the Internet in December 2004; prosecuting software end-use piracy, and proposing a new Copyright Amendment. The P2P task force made its first arrest for distributing unauthorized movies via this technology in January 2005. The court sentenced the offender to three months' imprisonment in November 2005. In December 2006, the Court of Appeal upheld this conviction and sentence. An additional vulnerability is that health authorities continue to permit the registration of generic drugs for marketing without regard to whether these products infringe on valid patents. Despite extensive consultations with industry, no progress has been made on closing this loophole.

The Copyright Ordinance protects any original copyright work created or published by any person anywhere in the world. The government made amendments to the Copyright Ordinance and enacted the changes in July 2007. In particular, two new provisions create a criminal offence against the copying and distribution of infringing copies of printed works in business and a separate civil liability against the act of circumventing technological protection measures. These provisions will be enacted by the government in the form of two pieces of subsidiary legislation which define the scope within which the relevant acts do not attract the new liabilities. While the government is still consulting the stakeholders, it targets to submit the subsidiary legislation to the Legislative Council in the second quarter of 2008. The Copyright Ordinance provides for rental rights for sound recordings, computer programs, films and comic books. It provides for enhanced penalty provisions against copyright piracy and additional legal tools to facilitate enforcement. It decriminalizes parallel imports of copyrighted products 15 months after their release anywhere in the world, but maintains civil penalties. It retains the existing scope of the law defining an offence as possession of an infringing copy of computer programs, movies, TV dramas, musical recordings (including visual and sound recordings) for use in business. This criminal liability applies equally to individuals and business organizations. The possession of an infringing copy of other categories of

works for use in one's business will not attract criminal liability but may incur civil liability. In addition, the government introduced a public consultation in December 2006 on making unauthorized downloading of copyrighted materials a criminal offence. The Hong Kong government received about 600 submissions by the end of the consultation period and plans to release the preliminary proposals in early 2008 to facilitate further public consideration.

The Patent Ordinance allows for granting of an independent patent in Hong Kong based on the patents granted by the UK and the Chinese Patent Offices. The patent granted in Hong Kong is independent and capable of being tested for validity, rectified, amended, revoked and enforced in Hong Kong courts.

The Registered Design Ordinance is modeled on the EU design registration system, with certain modifications. To be registered, a design must be new. The system requires no substantive examination. Protection is for an initial period of five years, and may be extended for four periods of five years each, up to a maximum of 25 years.

Hong Kong's trademark law is TRIPS-compatible and allows for registration of trademarks relating to services. All trademark registrations originally filed in Hong Kong are valid for seven years and renewable for 14-year periods. Proprietors of trademarks registered elsewhere must apply anew and satisfy all requirements of Hong Kong law. When evidence of use is required, such use must have been in Hong Kong.

Hong Kong has no specific ordinance to cover trade secrets. Under the Trade Description Ordinance, however, the Government has the duty to protect information being disclosed to other parties. The Trade Description Ordinance prohibits false trade descriptions, forged trademarks and misstatements in respect of goods supplied in the course of trade.

Transparency of Regulatory System

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Hong Kong's body of law and regulation recognizes the value of competition in economic endeavor. Tax, labor, health and safety and other laws and policies avoid distortions or impediments to the efficient mobilization and allocation of investment. Bureaucratic procedures and "red tape" are held to a minimum and are equally transparent to local and foreign investors. Hong Kong does not have an anti-trust law. Hong Kong has, however, set up a Competition Policy Review Committee that issued recommendations in June 2006. These recommendations included a call for legislation to regulate price-fixing, bid-rigging, market allocation, sales and production quotas, joint boycotts, unfair or discriminatory standards and the abuse of dominant market position. The government held a public consultation period, which ended on February 5, 2007. The government will publish a consultation paper outlining the main scope of the legislation to consult the public again in the first quarter of 2008. Currently, only the telecommunications and, to a lesser degree, the broadcasting sectors have competition regulations in place. Certain sectors of the economy are dominated by monopolies or cartels, not all of which are regulated by the Hong Kong Government. These entities do not discriminate against U.S. goods or services, but they can use their market position to block effective competition.

There are no impediments to the free flow of financial resources. Non-interventionist economic policies, complete freedom of capital movement and a well-understood regulatory and legal environment have greatly facilitated Hong Kong's role as a regional and international financial center. Hong Kong has one of the most active foreign exchange markets in Asia.

Hong Kong has a three-tier system of deposit-taking institutions: licensed banks, restricted license banks, and deposit-taking companies. Only licensed banks can offer current (checking) or savings accounts. At the end of January 2008, Hong Kong had 142 licensed banks, 29 restricted licensed banks, 29 deposit-taking institutions, and 79 representative offices. The Hong Kong & Shanghai Banking Corporation (HSBC) is Hong Kong's largest banking group. With its majority-owned subsidiary Hang Seng Bank, and 190 branches, the group controls more than 30.2 percent of Hong Kong dollar deposits. The Bank of China (Hong Kong) is the second-largest banking group (219 branches), and controls 14.6 percent of Hong Kong dollar deposits. Thirty-five American "authorized financial institutions" operate in Hong Kong. U.S. banks licensed in Hong Kong are listed in Chapter 7 – U.S. Banks and Local Correspondent Banks. Most banks in Hong Kong maintain U.S. correspondent relationships.

Hong Kong's five largest banks, in terms of total assets (2006), are as follows:

Rank	Institution	Total Assets (US\$ Billion)
1	Hong Kong & Shanghai Banking Corp (HSBC)	404.0
2	Bank of China (Hong Kong)	117.2
3	Hang Seng Bank Ltd.	85.8
4	Standard Charter Bank, Hong Kong Branch	50.1
5	Bank of East Asia, Ltd.	37.7

Sources: Companies' annual reports

Credit in Hong Kong is allocated strictly on market terms and is available to foreign investors on a non-discriminatory basis. The private sector has access to the full spectrum of credit instruments as provided by Hong Kong's banking and financial system. Legal, regulatory, and accounting systems are transparent and consistent with international norms. The Hong Kong Monetary Authority (HKMA) functions as a de facto central bank. It is responsible for maintaining the stability of the banking system and managing the Exchange Fund backing Hong Kong's currency. The HKMA, with the assistance of the banking sector, has upgraded Hong Kong's financial market infrastructure. Real Time Gross Settlement helps minimize risks in the payment system and brings Hong Kong in line with international standards. The Hong Kong Mortgage Corporation (HKMC) promotes the development of the secondary mortgage market in

Hong Kong. The HKMC is 100 percent owned by the Government through the Exchange Fund. The HKMC purchases residential mortgage loans for its own retained portfolio and also repackages mortgages into mortgage-backed securities for sale. In 2006 (the latest figures available), the HKMC's outstanding amount of debt totaled US\$ 3.0 billion.

On September 26, 2006, a Deposit Protection Scheme (DPS) began operations. Depositors are now protected up to a maximum of HK\$100,000 (US\$ 12,820) per bank. The DPS Fund (funded by contributions paid by member banks) amounted to US\$ 47.9 million by the end of March 2007, and is expected to reach the target amount of US\$ 166.7 million in three years. While Hong Kong requires locally licensed banks to participate, overseas-incorporated banks may apply for an exemption if a comparable scheme in their home jurisdiction covers deposits taken in by its Hong Kong branches. In 2004, the Hong Kong Monetary Authority (HKMA) and Dun & Bradstreet (HK) Ltd. (D&B) jointly launched a Commercial Credit Reference Agency (CCRA) to collate information about the indebtedness and credit history of small and medium-sized enterprises (SMEs) and make such information available to members of the Hong Kong Association of Banks (HKAB) and the Hong Kong Association of Deposit Taking Companies.

Under the Insurance Companies Ordinance, insurance companies are authorized by the Insurance Authority to transact business in Hong Kong. Hong Kong has the highest number of authorized insurance companies in Asia. As of December 2007, there were 178 authorized companies. Of these, 88 were foreign companies from 23 countries. A number of the world's top insurance companies in terms of assets have branch offices or subsidiaries in Hong Kong.

With a total market capitalization of US\$ 2,653.5 billion and 1,241 listed firms at year-end 2007, Hong Kong's stock exchange ranked third in Asia after Tokyo and Shanghai, and seventh in the world in terms of capitalization. Hong Kong Exchanges and Clearing Limited (HKEx), a listed company, operates the stock and futures exchanges. The Securities and Futures Commission, an independent statutory body outside the civil service, has licensing and supervisory powers to ensure the integrity of markets and to protect investors.

In April 2003, the Government implemented a major modernization of the legal framework for Hong Kong's securities market designed to upgrade transparency and corporate governance, boost regulators' enforcement powers, and improve investor protections. To enhance market competitiveness, HKEx in the same month removed the rule on minimum brokerage commission rates for stock and futures transactions.

There are no discriminatory legal constraints to foreign securities firms establishing in Hong Kong via branching, acquisition, or subsidiaries. In practice, foreign firms typically establish in Hong Kong as subsidiaries. Rules governing operations are the same, irrespective of ownership. Portfolio investment decisions are left to the private sector. There are no laws or regulations that specifically authorize private firms to adopt articles of incorporation/association that limit or prohibit foreign investment, participation, or control.

The stock exchange plays a significant role in raising capital for Chinese state-owned enterprises. Chinese state enterprises raise equity (through the issuance of so-called

"H" shares) in Hong Kong provided they meet Hong Kong regulatory and accounting requirements. These "H" shares are denominated in Renminbi, but must be purchased in Hong Kong Dollars. In 2007, a total of 145 Chinese enterprises had "H" share listings on the stock exchange, with market capitalization of US\$ 651.2 billion.

Hong Kong has made a concerted effort to develop a local debt market with the Exchange Fund bills and notes program. Maturities now extend to ten years. Hong Kong Dollar debt (public and private) has increased gradually, from US\$ 3.46 billion at the end of 1989 to US\$ 98.0 billion by the end of 2007. Regional infrastructure financing requirements and increasing investor demand are projected to stimulate further development of the local debt market. In May 2004, for the first time, Hong Kong issued bonds securitizing the revenues from Government tunnels and bridges. In June 2004, the governmental Hong Kong Mortgage Corporation established a US\$ 2.6 billion retail bond program. In July 2004, the Hong Kong Government issued its first sovereign bonds totaling US\$ 2.6 billion to raise cash for its public works program.

The Hong Kong Government requires workers and employers to contribute to retirement funds under the Mandatory Provident Fund (MPF) scheme. Contributions are expected to channel US\$ 3-4 billion per year into various investment vehicles. By the end of 2007, the net asset values of MPF funds amounted to US\$ 33.9 billion.

The Exchange Fund Investment Limited (EFIL), established by the Government to dispose of the stock portfolio it purchased during the Asian Financial Crisis, completed its operations in January 2003. EFIL disposed of the stocks in the form of a mutual fund, the Tracker Fund of Hong Kong (TraHK). The Government decided to retain a portion of the stocks (worth about US\$ 410 million) as a long-term investment. The HKMA is responsible for the management of these stocks. TraHK is traded on the stock exchange.

Political Violence

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Hong Kong is politically stable. Demonstrations are almost always peaceful. During the Sixth Ministerial Meeting of the World Trade Organization in December 2005, there were a number of incidents and arrests involving demonstrators. Otherwise, the U.S. Consulate General is not aware of any incidents involving politically motivated damage to projects or installations.

Corruption

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Hong Kong has an excellent track record in combating corruption. U.S. firms have not identified corruption as an obstacle to foreign direct investment. The Independent Commission Against Corruption (ICAC) is responsible for combating corruption. The ICAC is independent of the public service and the ICAC Commissioner is responsible directly to the Chief Executive. A bribe to a foreign official is a criminal act, as is the giving or accepting of bribes, for both private individuals and government employees. Penalties are stiff. For example, a civil servant who solicits or accepts any advantage without special permission of the Government can receive one year's imprisonment and a HK\$100,000 fine if convicted. Individuals in both the private and public sector can

receive up to seven years imprisonment and a HK\$500,000 fine for offering, soliciting or accepting a benefit for performance or non-performance of an official duty.

Bilateral Investment Agreements

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Hong Kong is negotiating a series of bilateral investment agreements -- the Hong Kong Government calls them "Investment Promotion and Protection Agreements" -- with major foreign investors. To date, Hong Kong has signed agreements with Australia, Austria, Belgo-Luxembourg Economic Union, Denmark, France, Germany, Italy, Japan, Korea, the Netherlands, New Zealand, Sweden, Switzerland, Thailand and the United Kingdom. The Hong Kong Government has initialed agreements with Canada and Vietnam. It is negotiating agreements with Singapore and Thailand. All such agreements are based on a model text approved by Mainland China through the Sino-British Joint Liaison Group. The United States and Hong Kong held talks on a bilateral investment agreement in the late 1990s, but certain differences could not be resolved and negotiations were suspended. U.S. firms, however, are not at a competitive or legal disadvantage since Hong Kong's market is open and its legal system impartial.

OPIC and Other Investment Insurance Programs

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Overseas Private Investment Corporation (OPIC) coverage is not available in Hong Kong. Hong Kong is a member of the World Bank Group's Multilateral Investment Guarantee Agency (MIGA).

Labor

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In the 1980s and much of the 1990s, Hong Kong's unemployment rate hovered around two percent. Reflecting structural changes in the local economy and weak global economic conditions, the unemployment rate rose to a record level of 8.3 percent in May 2003. The job market has improved gradually since then, with the unemployment rate standing at 3.4 percent by the end of 2007. The Employees Retraining Board provides skills retraining for local employees to cope with ongoing structural change in the economy.

To address a shortage of highly skilled technical and financial professionals, the Hong Kong Government has made efforts to attract qualified foreign and mainland Chinese workers. As of July 2003, conditions for admitting mainland Chinese for employment were eased and aligned with those applicable to foreign nationals.

In 2006, membership in Hong Kong's 715 registered unions totaled 668,034, a participation rate of about 20.88 percent. Hong Kong has implemented 41 conventions of the International Labor Organization in full and 18 others with modifications.

Local law provides for the right of association and the right of workers to establish and join organizations of their own choosing. The Government does not discourage or impede the formation of unions. Workers who allege discrimination against unions have the right to have their cases heard by the Labor Relations Tribunal. Although legislation

does not prohibit strikes, in practice most workers must sign employment contracts that state that walking off the job is a breach of contract and can lead to summary dismissal. Collective bargaining is legal in Hong Kong, but there is no obligation on employers to engage in it. In practice, collective bargaining is not widely used. For more information on labor regulations in Hong Kong, please check the following website: <http://www.labour.gov.hk/eng/legislat/contentA.htm> (click on Chapter 57 “Employment Ordinance”).

Foreign-Trade Zones/Free Ports

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Hong Kong is a free port without foreign trade zones.

Hong Kong's modern and efficient infrastructure supports Hong Kong's role as a trade entrepot and regional financial and services center. Rapid growth has placed severe demands on that infrastructure, giving rise to plans for major new investments, particularly in transportation and shipping facilities, over the next few years. Significant elements include a planned expansion of container terminal facilities, additional roadway and railway networks, major residential/commercial developments, community facilities, and environmental protection projects. In May 2004, the Legislative Council passed a bill allowing the Hong Kong Government to issue US\$ 2.6 billion bonds to fund infrastructure or other investment projects.

Airport: In 2007 Hong Kong's international airport at Chek Lap Kok handled daily an average of 810 flights, 130,912 passengers, and more than 10,252 tons of cargo. Seventy-nine international airlines operated some 5,500 scheduled flights per week between Hong Kong and 150 cities around the world. Hong Kong is a major gateway to Mainland China. There are direct flights from Hong Kong to nearly forty mainland cities. The demand for services to Mainland China is growing. The Hong Kong airport is in the world's top ranks in terms of passenger and cargo throughput.

With 24-hour operations, two all-weather runways, an ability to cater to all types of commercial aircraft, and high-speed transport links from the terminal to the city, the airport is well positioned to meet Hong Kong's aviation needs in the coming decades. The airport has a multi-modal marine cargo terminal that provides vessel services between various ports in the Pearl River Delta and the airport. To strengthen Hong Kong's position as the economic gateway of Mainland China and Asia and to boost revenues, the Airport Authority (AA) has built “SkyCity”, which includes a world-class exhibition center, Asia World-Expo; SkyPlaza, an office and retail complex; SkyPier, a cross-boundary ferry terminal; and a nine-hole golf course. In December 2006, AA held an open tender to build its third cargo terminal. AA anticipates that the tender process will be completed in 2008 with the new facility beginning operations around 2011. The organization responsible for safety oversight, the Civil Aviation Department, plans to introduce satellite-based Communications, Navigation, Surveillance/Air Traffic Management (CNS/ATM) Systems. The new equipment will enhance flight safety and efficiency as well as maintain Hong Kong's status as a center of international and regional aviation. The project will take 15 years.

Shipping and Port Activities: Hong Kong enjoys one of the best natural deep-water ports on the Chinese coast. With continued high economic growth and industrialization in Mainland China, the development of deep-water ports at Yantian and Gaolan in southern

China should complement Hong Kong's facilities over the medium term. Over the longer term, the Hong Kong port will face increased competition from those ports and from Shanghai, which are improving their service efficiency.

Hong Kong's container port is one of the world's busiest. In the first eight months of 2007, Hong Kong's nine privately-operated container terminals and mid-stream operators handled 15.6 million twenty-foot equivalent units (TEUs) of cargo. Some eighty international shipping lines are providing over 500 container liner services per week connecting to over 500 destinations worldwide.

Hong Kong's container terminals handling capacity is 18 million twenty-foot equivalent units (TEUs) a year, which will be able to cope with the forecast growth in demand to the end of this decade. The container terminals handle about 68 percent of the port's total throughput. The river trade terminal, mid-stream operators and other facilities handle the remaining 32 percent. The Hong Kong Government commissioned a study on "Hong Kong Port - Master Plan 2020" to formulate a competitive, sustainable strategy and master plan for Hong Kong's port development, including the location of a new container terminal and related infrastructure, for the coming twenty years. The study has been presented to industry and the Legislative Council for consultation. Taking into account the comments received, the Government is working out an action plan to implement the recommendations of the study. In particular, the Government has commissioned consultants to work out the optimal timing for the construction of Container Terminal 10 and to conduct an ecology study on Northwest Lantau Island to decide whether it is environmentally suitable for development of container terminal. These two studies are expected to be completed in 2008.

Roads and Railroads: Hong Kong's roads have one of the highest vehicle densities in the world. In September 2007, there were 550,000 licensed vehicles and about 1,994 kilometers of roads, or 276 vehicles per kilometer of road. This high vehicle density, combined with difficult terrain and high density building development, poses a constant challenge to transport planning, road construction and maintenance. To cope with worsening traffic congestion, largely due to the rapid growth in the number of private cars, the Highways Department has launched an extensive road construction program. The Highways Department has budgeted US\$ 5.4 billion for road projects between 2005/2006 and 2010/2011. Hong Kong will also build a bridge from the Western tip of Lantau Island to Macau and Zhuhai, paving the way for accelerated development of the Western Pearl River Delta region.

Historically, two railway corporations managed Hong Kong's metro and rail systems: the Mass Transit Railway Corporation (MTRC) and the Kowloon-Canton Railway Corporation (KCRC). The two railway companies merged on December 2, 2007. The integrated system is operated and managed by MTRC, including nine lines of railway network with a total length of over 200 kilometers.

Hong Kong is working on a massive expansion of its rail system. Investment in Hong Kong's domestic and cross-boundary rail networks in the next decade is expected to exceed in scale the US\$ 20 billion spent on the transportation facilities associated with the airport. Most of the projects involve linking existing lines or creating extensions to new points of interest. In his 2007-08 Policy Address, Chief Executive Donald Tsang announced that Hong Kong will push ahead with ten large-scale infrastructure projects, of which three are rail networks including the South Island Line (an extension of seven-

kilometer rail to the South Island), the Sha Tin to Central Link (connecting Northeast New Territories and Hong Kong Island via East Kowloon), and the Guangzhou-Shenzhen-Hong Kong Express Rail Link (a high-speed national rail network of 12,000 kilometers linking up major cities, with maximum train speeds of 200 to 300 kilometers per hour).

Foreign Direct Investment Statistics

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Table 1: Position of Inward Foreign Direct Investment by Major Investor Country/Territory, as at end of 2005.

Country	US\$ Billion	% Share of Total
China	163.1	43.6
Netherlands	41.9	11.2
Bermuda	30.2	8.1
United States	26.4	7.1
British Virgin Islands	26.2	7.0
Japan	16.9	4.5
United Kingdom	11.3	3.0
Singapore	10.8	2.9
Cayman Islands	6.0	1.6
Thailand	4.3	1.1
Others	36.8	9.8
TOTAL	373.9	100.0

Source: Hong Kong Census and Statistics Department

Note 1: Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.

Note 2: US\$1 = HK\$7.8

Note 3: Total not sum due to rounding.

Table 2: Position of Inward Foreign Direct Investment by Major Economic Activity, as at end of 2005.

Activity	US\$ Billion	% of Total
Investment holdings, real estate and various business services	185.0	49.5
Wholesale, retail and import/export trades	68.4	18.3
Banks and deposit-taking companies	51.9	13.9

Financial institutions other than banks and deposit-taking companies	19.1	5.1
Transport and related services	10.7	2.9
Insurance	9.4	2.5
Manufacturing	7.8	2.1
Communications	5.6	1.5
Construction	4.3	1.2
Restaurants and hotels	2.4	0.7
Other activities	9.2	2.5
TOTAL	373.9	100.0

Source: Hong Kong Census and Statistics Department

Note 1: Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.

Note 2: Total not sum due to rounding.

Table 3: Position of Outward Foreign Direct Investment by Major Resident Country/Territory, as at end of 2005.

Country	US\$ Billion	% Share of Total
China	189.4	58.8
British Virgin Islands	69.7	21.6
Bermuda	11.6	3.6
United Kingdom	7.6	2.4
Singapore	5.1	1.6
Japan	3.8	1.2
United States	3.4	1.0
Thailand	2.9	0.9
Liberia	2.9	0.9
Malaysia	2.8	0.9
Others	23.2	7.2
TOTAL	279.8	100.0

Source: Hong Kong Census and Statistics Department

Note 1: Excluding outward direct investment of offshore financial centers which were channeled back to Hong Kong.

Note 2: Total not sum due to rounding.

Table 4: Position of Outward Foreign Direct Investment by Major Economic Activity, as at end of 2005.

Activity	US\$ Billion	% of Total
Investment holdings, real estate and various business services	185.8	57.6
Wholesale, retail and import/export trades	47.0	14.6
Manufacturing	20.1	6.2
Banks and deposit-taking companies	12.3	3.8
Communications	10.8	3.3
Transport and related services	10.3	3.2
Financial institutions other than banks and deposit-taking companies	9.9	3.1
Restaurants and hotels	6.7	2.1
Insurance	3.8	1.2
Construction	3.3	1.0
Other activities	12.2	3.8
TOTAL	322.3	100.0

Source: Hong Kong Census and Statistics Department

Note 1: Excluding outward direct investment of offshore financial centers that were channeled back to Hong Kong.

Note 2: Total not sum due to rounding.

Table 5: Amount and Growth of U.S. Investment in Hong Kong in 2002-2006, in US\$ Billions.

Year	Amount	Percent Change
2002	40.3	24.0
2003	36.4	-9.7
2004	27.9	-23.4
2005	32.6	16.8
2006	38.1	16.9

Source: U.S. Department of Commerce, Bureau of Economic analysis, U.S. Direct Investment Position Abroad on a Historical Cost Basis.

Note 1: The U.S. Department of Commerce estimates the total U.S. direct investment position in Hong Kong at historical cost (the book value of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates).

Note 2: U.S. Department of Commerce statistics differ from HKG statistics. Per Table 1 above, the latter indicates total U.S. investments of US\$ 31.2 billion at year-end 2005.

Note 3: Preliminary figures for 2006.

Table 6: Hong Kong's Pledged and Actual Direct Investment in Mainland China in US\$ Billions and Percent Share of Total Investment in Mainland China.

Year	Amount Pledged	Invested	% Share of Total
2001	20.7	16.7	35.7
2002	25.2	17.9	33.9
2003	40.7	17.7	33.1
2004	50.1	19.0	31.3
2005	N.A.	18.0	29.8
2006	N.A.	20.2	32.1
1978-2005	N.A.	260.2	41.8

Source: PRC Ministry of Commerce.

Note: PRC Ministry of Commerce stopped reporting the pledged foreign investment figures in December 2005.

Table 7: Major Foreign Investor Firms.

United States: American International Group, AT&T, Bank of America, Caltex, Citigroup, Coca-Cola, Compaq Computer, Dell, Disney, ExxonMobil, Federal Express, Goldman Sachs, IBM, Isagenix Worldwide LLC, JP Morgan Chase, Kodak, Merrill Lynch, Morgan Stanley, Motorola, Pacific Waste Management, Pepsi.

Japan: C. Itoh, Citizen Watches, Daido Concrete, Hitachi, Jusco, Kadokawa Intercontinental Publishing (Asia), Mitsubishi, NEC, Nishimatsu, Nomura, Olympus, Uny.

United Kingdom: HSBC, Inchcape Pacific, Jardine Matheson, Lloyds, P & O Shipping, Standard Chartered Bank, Swire Pacific Group.

Continental Europe: Asea Brown Boveri, Bachy-Soletanches, Banque Indosuez, Banque National de Paris, Bouygues/Dragages, Carlsberg, Cartier, Chanel, Christian Dior, Electrolux, Ericsson, Heraeus, Hong Kong Petrochemicals (Italian/Korean/Chinese joint venture), Lotto Sport Italia, Philips, Refratechnik, Remy, Siemens, Tetrapak.

Mainland China: Bank of China (Hong Kong), Beijing Enterprises, China Construction Bank Corporation, China Everbright, China Investment and Trust Corporation (CITIC), China Life Insurance, China Merchants, China Mobile, China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation, China Ocean Shipping Co (COSCO), China Overseas Construction, China Resources, China Travel Services, China Unicom, Guangdong Enterprises, Lenovo Group, Petro China, Shanghai Industrial, Yue Xiu Enterprises..

Asia: Allahabad Bank, C.P. Pokphand, First Pacific Group, LG, Lippo Group, News Corp., Park View Properties, Pioneer, San Miguel Brewery, Shangri-la/Kerry Trading, Sime Darby, UTI Bank.

Web Resources

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Hong Kong Census and Statistics Department: <http://www.censtatd.gov.hk>

Hong Kong Monetary Authority: <http://www.info.gov.hk/hkma/>

Independent Commission Against Corruption: <http://www.icac.org.hk/>

Macau

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Openness to Foreign Investment

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Macau became a Special Administrative Region (SAR) of the People's Republic of China on December 20, 1999. Macau's status since reverting to Chinese sovereignty is defined in the Sino-Portuguese Joint Declaration (1987) and the Basic Law, Macau's constitution. Under the concept of "One Country, Two Systems" articulated in these

documents, Macau is promised a high degree of autonomy in economic matters and its economic system is to remain unchanged for fifty years. Since reversion, the Macau Government has maintained a transparent, non-discriminatory and free market economy. Macau has separate membership in the World Trade Organization (WTO).

The Government hopes to diversify Macau's economy by attracting foreign investment and is committed to maintaining an investor-friendly environment. Corporate taxes are low. The tax rate is 12 percent for a company's net profits greater than US\$ 37,500 (300,000 Patacas). For net profits less than US\$ 37,500, the tax ranges from 3 percent to 12 percent. The top personal tax rate is 12 percent.

In 2002, the Government ended a long-standing gaming monopoly, awarding two gaming concessions to consortia with U.S. interests. This opening has encouraged very substantial U.S. investment in casinos and hotels, and has spurred exceptionally rapid economic growth over the last few years. Macau is positioning itself to be a regional center for gaming, incentive travel, conventions and tourism.

Macau and the PRC implemented a free trade agreement, the Closer Economic Partnership Arrangement (CEPA), on January 1, 2004. The agreement is similar to the Hong Kong-PRC CEPA. As of 2007, it provided open markets for all Macau-origin products and continues to provide 28 service sectors preferential treatment. In December 2005, the Government inaugurated the cross-border industrial zone located between northern part of Macau and Zhuhai. Manufacturers have begun operating in the industrial zone, including one U.S. manufacturer of gaming tools.

Macau is heavily dependent on the gaming sector and tourism industries. In addition, a single product category, textiles and apparel, accounts for approximately 65.4 percent of its goods exports. Macau's textile and apparel exports decreased by 11.0 percent for the first eleven months of 2007, a continued result of the elimination of textile quota system at the end of 2004.

Foreign firms and individuals are free to establish companies, branches and representative offices without discrimination or undue regulation in Macau. There are no restrictions on the ownership of such establishments. Company directors are not required to be citizens of, or resident in, Macau.

The Government is liberalizing the telecommunications sector under a law passed in August 2001. Macau has liberalized the mobile phone market and Internet services. It has issued three mobile telephone licenses to two foreign companies and one local firm. In March 2005, the Government issued a license operating a Code Division Multiple Access (CDMA) network. In October 2006, the Government issued three 3G licenses, and 3G operators began providing their services in October 2007.

Certain requirements are imposed on three professional services sectors as described below. Under Macau law (Decree Law 14/95/M, 22/96M and 22/97/M), qualified professionals and executives may apply for the right of temporary residency.

i) Education - an individual applying to establish a school must have a Macau Certificate of Identity or have the right to reside in Macau. The principal of a school must be a Macau resident.

ii) Newspapers and magazines - applicants must first apply for business registration and register with the Government Information Bureau as an organization or an individual. The publisher of a newspaper or magazine must be a Macau resident or have the right to reside in Macau.

iii) Legal services - lawyers from foreign jurisdictions who seek to practice Macau law must first obtain residency in Macau. They also must pass an examination before they can register with the Lawyer's Association, a self-regulatory body. The examination is given in Chinese or Portuguese. After passing the examination, foreign lawyers are required to serve 18-month internship before they are able to practice law in Macau.

Conversion and Transfer Policies

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Profits and other funds associated with an investment, including investment capital, earnings, loan repayments, lease payments, and capital gains, can be freely converted and remitted. The domestic currency, Macau Official Pataca (MOP), is pegged to the Hong Kong Dollar at 1.03 and indirectly to the U.S. Dollar at an exchange rate of approximately MOP8 = US\$1. The Monetary Authority of Macau, the de facto central bank, is committed to exchange rate stability through maintenance of the peg to the Hong Kong Dollar.

Although Macau imposes no restrictions either on capital flows or foreign exchange operations, exporters are required to convert forty percent of foreign currency earnings into MOP. This legal requirement is not applied to tourism services.

Expropriation and Compensation

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The U.S. Consulate General is not aware of any expropriation actions. Expropriation of property may occur if it is in the public interest. In such cases, the Macau SAR Government will exchange the private property with an equivalent public property based on the valuation and conditions of the property. The exchange of property is in accordance with established principles of international law. There is no remunerative compensation.

Dispute Settlement

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The U.S. Consulate General is not aware of any investor-state disputes involving U.S. or other foreign investors or contractors and the Macau SAR Government. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

Macau has an arbitration law (Decree 55/98/M), which adopts the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration. The Macau SAR Government accepts international arbitration of investment disputes between itself and investors.

Macau's legal system is based on the rule of law and the independence of the judiciary. Macau has commercial and bankruptcy laws (Decree 40/99/M). Courts in Macau include the Court of Final Appeal, Intermediate Courts and Primary Courts. There is also an Administrative Court, which has jurisdiction over administrative and tax cases. These provide an effective means for enforcing property and contractual rights. Commercial and bankruptcy laws are written under the Macau Commercial Code (Decree 40/99/M).

Performance Requirements and Incentives

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To attract foreign investment, the Macau SAR Government offers investment incentives to investors on a national treatment basis. These incentives are contained in Decrees 23/98/M and 49/85/M and provided if companies can fulfill at least one of the following purposes: promoting economic diversification, contributing to promotion of exports to new unrestricted markets, promoting added value within their activity's value chain, or contributing to technical modernization. There is no requirement that nationals own shares. These incentives are categorized as fiscal incentives, financial incentives and export diversification incentives.

Fiscal incentives include full or partial exemption from profit/corporate tax, industrial tax, property tax, stamp duty for transfer of properties, and consumption tax. The tax incentives are consistent with the WTO Agreement on Subsidies and Countervailing Measures as they are neither export subsidies nor import substitution subsidies as defined in the WTO Agreement. Financial incentives include government-funded interest subsidies (ranging from 4-6 percent) on private bank Pataca loans for buying/leasing new equipment or construction/leasing of industrial buildings. Export diversification incentives include subsidies given to the companies and trade associations, who attend the trade promotion activities organized by Macau Trade and Investment Promotion Institute. The companies have to be registered with Macau Economic Services before they are entitled the subsidies to cover fully or partially their costs on rental of exhibition space, decoration costs of exhibition booths, publication cost, production cost of audio-visual materials, etc. In addition, Macau provides other subsidies for the installation of anti-pollution equipment.

Right to Private Ownership and Establishment

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Macau law and regulations provide for the right of foreign and domestic private entities to establish, acquire and dispose of interests in business enterprises.

Protection of Property Rights

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Macau is a member of the World Intellectual Property Organization. Macau has acceded to the Bern Convention for the Protection of Literary and Artistic Works. Patents and trademarks are registered under Decree 97/99/M. Macau's copyright laws are TRIPS compatible and government offices are required to use only licensed software. The Macau SAR Government devotes considerable attention to intellectual

property rights enforcement and coordinates with copyright holders. Source Identification Codes are stamped on all optical discs produced in Macau. Macau Economic Services uses an expedited prosecution arrangement to speed up punishment of accused pirate retailers.

The Macau SAR Government has devoted considerable resources to combating optical disc piracy in recent years and claims to have closed down all illicit optical disc production lines. Piracy of television signals (and much U.S.-origin program content) is rampant. The Government does not have a clear position on whether there is criminal liability for commercial end-use piracy of copyrighted works. The issue of signal piracy remains problematic in Macau. The Consulate General has raised these issues with Macau officials and continues to do so.

Transparency of Regulatory System

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The Government has transparent policies and laws that establish clear rules and do not unnecessarily impede investment. The basic elements of a competition policy are set out in Macau's 1999 Commercial Code.

Efficient Capital Markets and Portfolio Investment

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Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market. At present, there are twenty-eight financial institutions in Macau, including twelve local banks and sixteen branches of banks incorporated outside Macau. In addition, there are eleven moneychangers, two cash remittance companies, two financial intermediaries, five exchange counters and one representative office of a financial institution. These institutions provide a range of credit instruments. Banks with capital originally from Mainland China and Portugal have a combined market share of about 66.7 percent of total deposits in the banking system. Total deposits amounted to US\$ 22.3 billion in September 2007. In September 2007, banks in Macau maintained a capital adequacy ratio at 14.22 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

Macau has no stock market, but companies can seek a listing in Hong Kong's stock markets. There is cooperation between Macau and Hong Kong financial regulatory authorities.

Under the Macau Insurance Ordinance, the Monetary Authority authorizes and monitors insurance companies. There are eleven life insurance companies and thirteen non-life insurance companies in Macau. Total gross premium income from insurance services amounted to US\$ 309.7 million in 2006.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the Monetary Authority. Profits derived from offshore activities are fully exempted from all form of taxes.

Political Violence

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Macau is politically stable. The U.S. Consulate General is not aware of any incidents in recent years involving politically motivated damage to projects or installations.

Corruption

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Macau's anti-corruption agency is called the Commission Against Corruption (CCAC). The CCAC has powers of arrest and detention. Its budget and manpower have been increased in recent years. The number of complaints of corruption handled by CAC has increased significantly as a result of these changes and a public outreach campaign.

The highest profile corruption charge was leveled at Macau's Secretary for Transport and Public Works, who was arrested in December 2006 for corruption. The court finished the trial on December 12, 2007 and handed down judgments in January 2008. The CCAC's overall effectiveness remains constrained by legislation limiting the scope of its authority to government – but not private – sector corruption. However, the government plans to amend in 2008 the law that would empower CCAC to also investigate private sector corruption.

Bilateral Investment Agreements

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Macau has signed investment protection agreements with Portugal and the Netherlands.

OPIC and Other Investment Insurance Programs

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Overseas Private Investment Corporation (OPIC) coverage is not available in Macau.

Labor

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Macau's unemployment rate is falling rapidly. By the end of 2007, the jobless rate was 2.9 percent, down from a high of 6.1 percent in 2003. While the relocation of manufacturing facilities across the border to Zhuhai in Mainland China adversely affected unemployment rates, the increase in gaming facilities and hotels are positively impacting employment, and some shortages of skilled workers have developed. The government is studying proposals to resolve the human resources problem. Macau has labor importation schemes for unskilled and skilled workers who cannot be recruited locally. The Government is considering additional measures. The current migrant labor pool is approximately 85,207 out of a total workforce of 322,800. The Government is successfully using the proceeds of a 2005-implemented tax on the import of temporary workers for retraining local unemployed people.

Foreign-Trade Zones/Free Ports

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Macau is a free port.

According to the Direct Investment Statistics 2006 conducted by the Statistics and Census Service, there were 1,698 foreign direct investment companies in Macau, employing 69,334 workers. Hong Kong was the largest foreign investor in Macau, accounting for 57.2 percent of total foreign direct investment. The U.S. now exceeds China as the second largest foreign investor in Macau, accounting for 18.5 percent of foreign direct investment.

Table 1: Stock of foreign direct investment by country, 2005

Country	Amount US\$ Million	% Share of Total
Hong Kong	3,710.6	57.2
United States	1,200.5	18.5
China	587.9	9.1
Portugal	380.4	5.9
United Kingdom	81.1	1.2
Others	531.6	8.2
TOTAL	6,492.1	100.0

Source: Statistics and Census Service

Note: Total not sum due to rounding.

Table 2: Stock of foreign direct investment by industry, 2005

Sector	Amount US\$ Million	% of Total
Cultural, recreational, gaming and other services	3,200.3	61.9
Banks and securities	925.5	17.9
Industrial production	358.1	6.9
Hotels and restaurants	280.5	5.4
Transport, storage and communications	159.0	3.1
Insurance	113.3	2.2
Construction	112.8	2.2
Wholesale and retail	21.8	0.4
TOTAL	5,171.1	100.0

Sources: Statistics and Census Service

Note: Total not sum due to rounding.

Web Resources

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Macao Special Administrative Region Government: <http://www.macao.gov.mo>

Macao Trade and Investment Promotion Institute – IPIM:

<http://www.ipim.gov.mo/en/index2.asp>

Macao Fair & Trade Association: <http://www.macaufta.com>

World Trade Centre Macau: <http://www.wtc-macau.com>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The preferred method of quoting is to use the "CIF" or "C and F" destination term of sale in Hong Kong dollars (HK\$). The U.S. dollar and other freely convertible currencies may be accepted for bids and pro forma invoicing. Terms of payment depend on the relative negotiating strength of the buyers and sellers. U.S. suppliers should seek to obtain letters of credit or sight draft terms when dealing with buyers who are not well known to them. Asking for a letter of credit is a standard business practice, and your potential customer will not generally interpret this as a sign of mistrust.

The importance of trade finance to Hong Kong has resulted in a high level of bank efficiency in providing import payment services. Letters of credit, documentary collections and international remittance services are widely available. The risk of financing receivables can be readily evaluated via locally available credit information. Prospective U.S. exporters should make use of established U.S.-Hong Kong banking relationships to determine credit risk.

How Does the Banking System Operate

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Hong Kong has an open financial system, with no controls on currency movement. A more complete description is contained in Chapter 6: Investment Climate – Efficient Capital Markets and Portfolio Investment.

Foreign-Exchange Controls

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The local currency, the Hong Kong dollar, is freely convertible, and there are no foreign exchange controls.

U.S. Banks and Local Correspondent Banks

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Licensed U.S. Commercial Banks in Hong Kong:

American Express Bank Ltd.:

http://www.americanexpress.com/hk/en/corporate_main.shtml

Bank of America, N.A.: <https://www.bankofamerica.com/index.jsp>

Bank of New York (HK Branch): <http://www.bankofny.com>

Citibank NA: <http://www.citibank.com.hk>
JP Morgan Chase Bank, N.A.: <http://www.jpmorganchase.com>
State Street Bank and Trust Company: <http://www.statestreet.com>
United Commercial Bank: <http://www.ibankunited.com>
Wells Fargo Bank NA: <http://www.wellsfargo.com>
East West Bank: <http://www.eastwestbank.com/English/index.asp>

Restricted U.S. License Banks in Hong Kong:
GE Capital (Hong Kong): <http://www.gemoney.com.hk/eng/index.html>

Hong Kong's five largest local banks are indicated in Chapter 6: Investment Climate – Efficient Capital Markets and Portfolio Investment.

Project Financing

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The U.S. Export-Import Bank (Ex-Im Bank) offers both trade financing and insurance for U.S. exports. Ex-Im Bank generally provides trade finance through financial institutions in the U.S. and the importing countries.

Export Credits: The Ex-Im Bank, an independent U.S. Government agency, seeks to increase the competitive position of U.S.-based exporters in overseas markets. By providing export insurance, loan guarantees, direct loans and other types of financing support, Ex-Im Bank supports the sales of U.S. exports and thereby creates U.S. jobs. The terms and conditions of standard financing are governed by the Organization for Economic Co-operation and Development (OECD) Export Credit Arrangement. Direct lending rates are set monthly and are called Commercial Interest Reference Rates (CIRRs).

For more information concerning Ex-Im Bank programs and application procedures, contact Ex-Im Bank in Washington, D.C. at (800) 565-EXIM or (202) 565-3946. Fee calculations and applications can be found on-line at <http://www.exim.gov>.

2007 was a banner year for the Asian Development Bank (ADB) with lending operations reaching a record high of US\$ 10.2 billion. Additionally, the bank provided \$801 million in credit enhancements, \$79.8 million in equity investments, \$673 million in grant-financed projects, \$243 million in technical assistance and \$4 billion in multi-tranche financing to its borrowing member countries.

The largest percentage of bank lending went again to the transport and communications sector with 39%. Multi-sector was second at 16% followed by energy at 14%, law and public policy at 12%, finance at 11%, water supply and sanitation at 4%, and 1% each to the industry/trade, and to the health and education sectors.

ADB is Asia's principal multilateral development finance institution, headquartered in Manila, Philippines and now owned by 67 member countries from within and outside the region. The United States and Japan are the largest co-equal shareholders. The bank's membership includes developing member countries from the Pacific Islands all the way to Central Asia. Hong Kong became a member in 1969 and although classified as a

developing member country, is the bank's 25th largest shareholder and has graduated from active borrower status since 1981.

Pakistan was the largest borrower in 2007 with US\$ 2 billion in approved loans. Vietnam was second with US\$ 1.48 billion; India third with US\$ 1.38 billion; China a close fourth with US\$ 1.30 billion; and Indonesia is fifth with US\$ 1.0 billion.

The ADB has resident offices in Afghanistan, Azerbaijan, Bangladesh, Cambodia, China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Laos, Mongolia, Nepal, Pakistan, Sri Lanka, Thailand, Tajikistan, Uzbekistan and Vietnam. There are three regional missions in the South Pacific, a Country Office in the Philippines, and representative offices in Frankfurt, Tokyo, and Washington, D.C.

The U.S. Department of Commerce maintains a congressionally mandated Commercial Liaison Office for the ADB (AC ADB) in Manila; part of the U.S. Trade Advocacy Center in Washington, D.C. The office provides counseling, advocacy, and project information to help American firms access, enter and expand in Asian markets that benefit from ADB assistance. The office also conducts outreach programs in the region, as well as in the United States to help U.S. firms understand ADB procurement procedures and appreciate the significant commercial opportunities resulting from the bank's operations in its developing member countries. An American Senior Commercial Officer (currently Kenneth Reidbord) heads the office.

To better assist U.S. businesses, the U.S. Commercial Liaison Office for ADB cooperates with the U.S. Executive Director's Office at the bank and works closely with Commercial Service posts in the region. AC ADB works actively with CS Hong Kong to help Hong Kong-based U.S. companies and affiliates better target ADB business opportunities including co-financing and private sector development projects.

AC ADB invites American firms to work with it in pursuing ADB commercial and infrastructure project development opportunities. The office's contact information is:

The U.S. Commercial Liaison Office for ADB
American Business Center
25th Floor, Ayala Life-FGU Building
6811 Ayala Avenue
Makati City, Philippines 1226

U.S. mailing address:
PSC 500 Box 33
FPO AP 96515-1000

Email: manila.adb.office.box@mail.doc.gov
Tel: (632) 887-1345(-6)
Fax: (632) 887-1164

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, is the world's largest source of multilateral equity and loan financing for private enterprises in developing economies. The mission of the IFC is to promote sustainable private sector investments in developing countries, helping to reduce poverty and

improve people's lives. IFC finances private sector investment in the developing world, mobilizes capital in international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses.

The IFC provides US\$ 5 billion in financial assistance annually to private sector projects throughout Asia. As of June 30, 2006, the top four country recipients of IFC's equity and quasi-equity investments, loans and guarantees, technical assistance and advisory services were Mainland China, Indonesia, the Philippines and Thailand. In the East Asia Pacific region, IFC maintains offices in Beijing and Hong Kong SAR, PRC; Bangkok, Thailand; Hanoi, Vietnam; Jakarta, Indonesia; Manila, the Philippines, Ulaanbaatar, Mongolia; Phnom Penh, Cambodia; and Vientiane, Laos. Contact information for the IFC office in Hong Kong is:

Mr. Richard Ranken
Regional Director, East Asia
Financial Institutions Group
International Finance Corporation
Suite 7903, 79th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Tel: (852) 2509-8108
Fax: (852) 2509-9363
Email: rranken@ifc.org
Website: <http://www.ifc.org> and <http://www.worldbank.org/ict>

The U.S. Department of Commerce maintains a Congressionally--mandated Business Liaison Office for the World Bank Group, including the IFC, in the Office of the U.S. Executive Director to the World Bank at World Bank headquarters in Washington, D.C. An American Senior Commercial Officer, Mr. Will Center, is the Director of the World Bank Business Liaison Office. Contact information for this office is:

Mr. Will Center
Director
Office of Business Liaison
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The World Bank
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Asian Development Bank: <http://www.adb.org>

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

International Finance Corporation: <http://www.ifc.org>

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

The World Bank: <http://www.worldbank.org>

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Business Customs

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Over the years, Hong Kong has developed as a unique society based on a blend of Chinese tradition and Western technology. Most people who are familiar with Hong Kong know that Hong Kong means business. Above all, it is a society that emphasizes hard work and success.

Americans encounter few if any cultural problems when conducting business in Hong Kong. Americans should be aware that Hong Kong people tend to be more formal than many Americans. Business acquaintances are addressed as Mr. or Ms. unless they state that their first name should be used. Business cards are exchanged frequently, and the exchange should be fairly formal; the card should be accepted with both hands and a moment taken to read it carefully. "Face" is very important, and problems or areas of disagreement are handled indirectly to avoid loss of "face." While a study of local customs and practices may be helpful, most people in Hong Kong are sufficiently familiar with Western customs that they are tolerant of cultural differences. Business contacts should be treated the same as a formal business relationship in the United States. Western business attire (suit and tie for men, business suits for women) is appropriate.

Americans, however, should be aware that personal names in Chinese culture follow a number of rules different from those of personal names in Western cultures. Most noticeably, married Chinese women in Hong Kong usually retain their maiden names as their family name, rather than the adopted name of their husband. This is also the case in the People's Republic of China. In some exceptional cases in Hong Kong, married women, especially civil servants, do put their husband's name, hyphenated, in front of their maiden name.

Travel Advisory

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The Department of State issued a worldwide caution on January 17, 2008 to remind U.S. citizens of the continuing threat of terrorist actions and violence against Americans, U.S. citizens and interests overseas. The U.S. Government is also concerned about the

potential for demonstrations and violent actions against U.S. citizens and interests overseas. U.S. citizens are reminded to maintain a high level of vigilance and to take appropriate steps to increase their security awareness. The Department of State remains concerned about indications that al-Qa'ida and affiliated organizations continue to plan terrorist attacks against U.S. interests in multiple regions, including Europe, Asia, Africa and the Middle East. Terrorist actions may include, but are not limited to, suicide operations, assassinations, hijackings, bombings or kidnappings. These may involve aviation and other transportation and maritime interests. Terrorists do not distinguish between official and civilian targets, including facilities where U.S. citizens and other foreigners congregate or visit. U.S. Government facilities worldwide remain at a heightened state of alert. As the Department of State continues to develop information on any potential security threats to U.S. citizens overseas, it shares credible threat information through its consular information program documents, available on the Internet at http://travel.state.gov/travel/warnings_consular.html.

Visa Requirements

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No Hong Kong SAR visa is required for American citizens who visit Hong Kong for less than 90 days. For more information regarding visa requirements for other nationalities, refer to the Hong Kong Immigration Department website: <http://www.immd.gov.hk/index.html>.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>
United States Visas.gov: <http://www.unitedstatesvisas.gov/>
American Consulate General Hong Kong Consular Section website: <http://hongkong.usconsulate.gov/consular/visa.htm>.

Travelers to the Chinese Mainland require a visa from the People's Republic of China.

Telecommunications

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Types of Cellular Phone Technology

Communications facilities in Hong Kong are excellent. Most major long distance credit cards are honored, and hotels have long distance and facsimile services readily available. U.S. visitors should check with their current cellular service providers before departing the U.S. to determine whether they have an existing roaming arrangement with a Hong Kong operator. Except for some TDMA phones and models of GSM and CDMA phones, U.S. travelers will have to rent a phone from their cellular provider before leaving the U.S. due to a difference in the frequency bands used for cellular and PCS service. Travelers who do not currently have cellular phone service, or whose provider does not have a roaming agreement with a Hong Kong operator, can rent a cellular phone, using a prepaid SIM card, from companies upon arrival at the Chek Lap Kok Airport. Most hotels in Hong Kong rent cellular phones to guests through their business

centers. Rates vary between US\$20-US\$50 per day. For longer stays visitors can arrange rentals on a weekly basis at Hong Kong telecom care centers for approximately US\$100 per week plus airtime. Another option is to purchase a relatively cheap (old model) phone with a prepaid SIM card for approximately US\$100 from Hong Kong telecom operators and retail shops.

Internet Accessibility

In terms of Internet connections, 90 percent of the households and all commercial buildings in Hong Kong have access to broadband connection. In Hong Kong, the ISP market is very competitive, and consumers enjoy a wide and sophisticated range of services at competitive prices. The affordability of Internet services has a direct effect on the penetration of Internet usage. There are over 173 ISPs in Hong Kong, and unlimited broadband connection costs about US\$20 per month. There are approximately 1.86 million broadband subscribers in Hong Kong as of December 2007, representing a 76 percent household broadband penetration rate.

Transportation

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Hong Kong has a very good public transportation system. Major modes of transportation include buses, the Mass Transit Railway (underground subway system), trams, ferries, and taxis. In addition, almost all major airlines service Hong Kong.

Travelers have a choice of transport from Hong Kong's Chek Lap Kok airport to their hotel. Options include the Airport Express train (US\$13 and US\$6.50 for children 3 to 11), hotel shuttle buses and express public buses (US\$5), or taxis (US\$65). The distance is approximately 25 miles.

For most travelers, we recommend use of the Airport Express train, which is the fastest way to reach Hong Kong Island, and at reasonable cost. Trains depart every ten minutes, and the ride to the terminus at "Hong Kong Station" in Central, Hong Kong Island, takes only 25 minutes. From there it costs less than US\$5 (and another 5-10 minutes) for a taxi ride to most hotels in the Central, Admiralty and Wan Chai districts. A one-way ticket on the Airport Express costs about US\$13. Round trip tickets are available. Tickets for the Airport Express may be purchased from vending machines located immediately beyond baggage claim/customs (these require Hong Kong dollars in cash) or (using cash or credit card) from the Airport Express counter located in the center of the public arrivals hall (area "A"). Once you have your ticket, proceed directly to the train. Your ticket will not be checked until you disembark, at which point you will run it through an automatic gate (similar to the equipment used by the Washington Metro or San Francisco BART) to leave the station (you may also buy your ticket upon arrival at the Airport Express station in Central). Departing trains are conveniently located in the area directly in front of public arrivals and luggage carts are available to take baggage right to the train. Train doors are at the platform level and there are storage areas for luggage just inside the train doors. If you take the Airport Express train to Hong Kong Station (last stop) you will find taxis available directly ahead as you exit the train terminal and proceed through the terminal exit gate. The Airport Express also offers a free shuttle bus service to many hotels in the Central, Admiralty and Wan Chai districts, where the hotels used by most USG travelers are located. Look for the large sign which indicates the hotels served.

The hotel buses available at the airport are also convenient and economical but can take longer. Counters for hotel bus ticketing are also in the public arrivals area (near area "B"). When returning to the airport, you may find it convenient to take a bus directly from your hotel.

Money Exchange

The Hong Kong dollar is pegged in value against the U.S. dollar, with the rate set at approximately HK\$7.8 per US\$1. Upon arrival in Hong Kong, money exchange (Thomas Cook) is available in the area immediately outside of baggage claim/customs. Rates are not favorable, so we advise against changing large quantities of money at the airport exchange. However, there are ATM machines (currently connected to the Cirrus and Plus systems plus Visa and Master Card for cash advances) offering good exchange rates located just inside the public arrivals area. Note: the location of the ATM machines is not well marked.

Language

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English and Cantonese are the official languages. English is widely used in the Hong Kong Government, the legal system and business sectors. Mandarin Chinese (Putonghua) is becoming more common.

Health

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Mainland China and Southeast Asia have been the world epicenter for several viral illnesses in recent years such as SARS and Avian Flu. While there are currently no specific health warnings, travelers to Hong Kong are encouraged to visit the Hong Kong Center for Health Protection website: <http://www.chp.gov.hk/> or the CDC website: <http://www.cdc.gov> for up-to-date advice and information on local health issues.

Hong Kong has high public health standards, and health care in Hong Kong is similar in quality to that found in the U.S., although it can be extremely expensive. Hospitals and clinics expect payment when service is rendered and do not accept health insurance for payment. Pharmacies will accept only prescriptions from local physicians and may not be open after usual business hours. It is recommended that the traveler bring an adequate supply of prescription medications for the duration of their stay.

Local Time, Business Hours, and Holidays

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Hong Kong is 12 hours ahead of Eastern Standard Time, and 13 hours ahead during daylight savings time.

Business hours are 9 a.m. to 5 p.m., Monday through Friday, and 9 a.m. to 1 p.m. on Saturday. Many companies now have a 5-day workweek. Starting from July 1, 2006, most government offices are now closed on Saturdays, but their opening hours on weekdays have been extended.

Holidays – 2008

January 1	The first day of January
February 7	Lunar New Year's Day
February 8	The second day of the Lunar New Year
February 9	The third day of the Lunar New Year
March 21	Good Friday
March 22	The day following Good Friday
March 24	Easter Monday
April 4	Ching Ming Festival
May 1	Labour Day
May 12	The Buddha's Birthday
June 9	The day following Tuen Ng (Dragon Boat) Festival
July 1	Hong Kong Special Administrative Region Establishment Day
September 15	The day following Chinese Mid-Autumn Festival
October 1	National Day
October 7	Chung Yeung Festival
December 25	Christmas Day
December 26	The first weekday after Christmas Day

As the Tuen Ng Festival in 2008 falls on a Sunday, the following day will be designated as an additional general holiday.

Temporary Entry of Materials and Personal Belongings

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Hong Kong Customs does not restrict the temporary import of goods into Hong Kong, such as laptop computers, software and general exhibit materials, for business purposes, provided the goods are not restricted items that normally require an import license. The temporary import of supercomputers, which is a controlled item, or of any exhibit materials that are also controlled items would require a license even if the commodity is being shipped in only for exhibit purposes.

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American Consulate General Hong Kong Consular Section:
<http://hongkong.usconsulate.gov/consular/visa.htm>
Centers for Disease Control and Prevention: <http://www.cdc.gov>
Customs and Excise Department: <http://www.customs.gov.hk>
Hong Kong Center for Health Protection: <http://www.chp.gov.hk/>
Hong Kong Immigration Department: <http://www.immd.gov.hk/index.html>
Hong Kong Tourism Board: <http://www.discoverhongkong.com>
State Department Visa: <http://travel.state.gov/visa/index.html>
United States Visas: <http://www.unitedstatesvisas.gov/>

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Chapter 9: Contacts, Market Research, and Trade Events

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Contacts

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U.S. Consulate General Contacts:

U.S. Consulate General: <http://hongkong.usconsulate.gov>

U.S. Commercial Service: <http://www.buyusa.gov/hongkong>

U.S. Agricultural Trade Office: <http://www.usfoods-hongkong.net>

American Chamber of Commerce in Hong Kong: <http://www.amcham.org.hk>

Hong Kong Government Offices and Related Organizations:

Hong Kong SAR Government: <http://www.gov.hk>

Census and Statistics Department: <http://www.censtatd.gov.hk>

Companies Registry: <http://www.cr.gov.hk/>

Customs and Excise Department: <http://www.customs.gov.hk/>

Hong Kong Productivity Council: <http://www.hkpc.org>

Hong Kong Tourism Board: <http://www.discoverhongkong.com/eng/index.jsp>

Hong Kong Trade Development Council: <http://www.tdctrade.com>

Intellectual Property Department: <http://www.ipd.gov.hk>

Invest Hong Kong: <http://www.investhk.gov.hk>

Office of Telecommunications Authority: <http://www.ofta.gov.hk>

Trade and Industry Department: <http://www.tid.gov.hk>

Trade Associations:

The Chinese General Chamber of Commerce: <http://www.cgcc.org.hk>

The Chinese Manufacturers' Association of Hong Kong:

<http://www.cma.org.hk/eng/firstpage.asp>

The Cosmetic & Perfumery Association of Hong Kong Ltd.: <http://www.cosmetic-perfume.com>

Federation of Hong Kong Industries: <http://www.industryhk.org>

Hong Kong Computer Society: <http://www.hkcs.org.hk>

Hong Kong Electronic Industries Association Ltd.: <http://www.hkeia.org>

Hong Kong Federation of Insurers: http://www.hkfi.org.hk/en_home.htm

Hong Kong Franchise Association: <http://www.franchise.org.hk>

Hong Kong General Chamber of Commerce: <http://www.chamber.org.hk/>

The Communications Association of Hong Kong: <http://www.itahk.org.hk>

Travel Industry Council of Hong Kong: <http://www.tichk.org/public/website/en/index.html>

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

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Please click on the links below for information on upcoming trade events.

<http://www.export.gov/tradeevents>

<http://www.buyusa.gov/hongkong>

For major trade events that will be held in Hong Kong, information can be retrieved from the Hong Kong Trade Development Council website: <http://www.tdctrade.com>.

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/hongkong/en/servicesforus.html>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.