



Doing Business in Hong Kong and Macau: 2011

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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- **The Hong Kong economy resumed strong growth in 2010, outperformed most market expectations, and enjoys bright prospects for continued, balanced GDP growth in 2011.** Hong Kong, a Special Administrative Region of the PRC since its reversion in 1997, has proven itself in past economic crises to be exceptionally resilient. In addition to the support provided by perennial economic wellsprings — business services, retail, tourism, and real estate development (bolstered by ongoing public infrastructure works) — economic stimuli related to mainland China's growth and accelerated economic integration of Hong Kong and Macau with southern China, in particular, have spurred growth. Expanded business prospects are seen, especially, from Beijing's policy of gradually expanding the scope of Chinese currency (RMB) business in Hong Kong and the sustained high numbers of mainland Chinese visitors.
- **Hong Kong is an ideal market platform for doing business in Asia, especially for 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 a strategic platform for U.S. companies, especially small- and medium-sized firms, seeking to do business in Asia. Hong Kong businesses typically know and have close links to markets in mainland China and the rest of Asia. According to Hong Kong Government statistics, 3,638 regional operations of overseas companies were registered in Hong Kong in 2010. The United States is home to the largest number of foreign companies basing regional headquarters and offices in Hong Kong (817 companies).
- **Hong Kong's Key Characteristics are its openness, tourism, trade and investment.**
Population: 7.06 million (mid-year 2010).
Visitors: 36.03 million (2010).
GDP Per Capita: US\$29,880 (2009).
GDP Growth: 6.8 percent (3Q/2010).
Trade to GDP Ratio: 316 percent (2009).
U.S. Exports: US\$20.9 billion, 5.3 percent of Hong Kong's imports (Jan – Nov 2010).
Major Trading Partners: Mainland China, U.S., EU, Japan, and Taiwan.

Key characteristics: 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.

- **Hong Kong is a Special Administrative Region of China:** Hong Kong enjoys a high degree of autonomy, except in foreign affairs and defense. It has its own common law legal system (as distinct from the PRC), currency and customs jurisdiction. Hong Kong's financial, marketing and technical expertise and sophisticated infrastructure, combined with the mainland's 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.
- **Hong Kong enjoys gradually growing preferential access to the arrangements to the mainland:** This free trade agreement offers Hong Kong's products and firms preferential access to the mainland's market. The Closer Economic Partnership Arrangement (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, or acquire outright, a CEPA-qualified firm in Hong Kong, as well as themselves benefitting from CEPA treatment after meeting certain residence and other eligibility requirements.

Market Challenges

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- **Increasing competition from the mainland:** Even as integration has meant that Hong Kong's mainland China market access and opportunities have grown, higher costs in Hong Kong 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 operations, logistics and related trade services.
- **Firms are bypassing Hong Kong:** The trend of foreign firms heading directly to the mainland was accelerated by China's 2000 accession to the WTO. Companies that go directly to 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:** Leading export sectors for U.S. firms include electronic components, medical equipment and pharmaceuticals, environmental technologies, green building products and services, aviation and airport equipment, transportation infrastructure, safety and security equipment, financial services, education and training services, travel- and tourism-related

services, retail, and consumer goods such as packaged food, wine, cosmetics, and toiletries.

- **Hong Kong public infrastructure works valued at over US\$16 billion are in various stages of planning or execution, including:** Hong Kong International Airport Expansion Plan, Kai Tak Airport Redevelopment, Tourism Infrastructure and City Improvement, West Kowloon Cultural District, Hong Kong University Campus Expansion, enhancement of Ocean Park, Harbor Area Treatment Scheme, the Hong Kong-Macau-Zhuhai Bridge, multiple subway and light rail lines, and the Guangzhou-Shenzhen-Hong Kong Express Rail Link. The Hong Kong Government will likely continue its acceleration of spending on major infrastructure projects as part of its plan to counteract the economic downturn. Notably, over 16 percent of all Hong Kong Government procurement contracts were awarded to U.S. firms in 2010.
- **Hong Kong-based Private 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 economies are made in Hong Kong.
- **Pacific Bridge Initiative – another strong reason to look at Hong Kong as a destination and platform:** The Pacific Bridge Initiative (PBI) is a collaboration between the U.S. Commercial Service, the Hong Kong Trade Development Council, and other multiplier organizations to support President Obama's National Export Initiative (NEI), which has the goal of doubling U.S. exports within five years and supporting two million U.S.-based jobs. The PBI, which is the first-ever collaboration with a foreign statutory trade body to support NEI objectives will bring additional resources to U.S. exporters interested in selling to, or through, Hong Kong to reach the China or Asian regional markets. More information is available on the PBI Web portal at:
<http://www.hktdc.com/mis/pbi/en/Pacific-Bridge-Initiative---US-Hong-Kong-Business-Partnership.html>.

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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 usually advantageous to work with different agents for different regions of mainland China. Hong Kong-based agents and distributors usually include Macau and Southern China in their coverage territory, and often have networks to other major regions in 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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Market Overview

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- Macau, while also a Special Administrative Region of China that shares many structural similarities with its close neighbor, Hong Kong, offers U.S. suppliers a market with distinct characteristics and opportunities. In this Guide, Macau is treated under each chapter following Hong Kong, with emphasis placed on those areas where the business climate diverges.
- **Macau enjoys significant autonomy:** Formerly a Chinese territory under Portuguese administration, Macau became a Special Administrative Region (SAR) of the People's Republic of China (PRC) upon reversion to China on December 20, 1999. The SAR maintains a high degree of autonomy except in foreign affairs and defense, and retains its own currency, laws, and border controls. Macau does not use common law, but uses code law patterned on the Portuguese system.
- **Macau's GDP grew by 27.1 percent in the third quarter of 2010 (q-to-q).** Macau is a free port with low taxation. Since liberalizing the gaming industry in 2002, Macau has received US\$8.4 billion in foreign direct investment in the gaming industry (through year end 2009), spurring more visitors and consumption demand. Other recent growth areas include finance, insurance, construction, real estate, and retail. 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.
- **Macau's huge gaming sector dominates economy:** Gaming revenues held up well during the recent economic downturn and, mainly due to gaming capacity increases, are expected to increase significantly over at least the next several years. Taxes on gaming revenues accounted for over 82 percent of the Macau government's revenues in 2010, and the government's significant annual budget surpluses are expected to continue.
- **Macau's Key Characteristics: Rapid growth in tourism and inbound investment.**
Population: 549,500 (3Q-2010).

Visitors: 24.9 million (2010).

GDP Per Capita: US\$38,891 (2009).

U.S. Exports: US\$293.7 million, 5.9 percent of Macau's imports (Jan – Nov 2010).

Trading Partners: Mainland China, Hong Kong, Japan, EU, Taiwan and U.S.

- **Macau enjoys a Closer Economic Partnership Arrangement (CEPA) with mainland China:** Macau's 2003 agreement with mainland China -- largely parallel to the arrangement Hong Kong enjoys with the mainland -- has enhanced its economic integration with the PRC.

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- **Gaming and tourism eclipse other sectors:** In 2010, Macau's gross gaming revenue topped US\$23.5 billion, exceeding by a significant margin that of the State of Nevada and Atlantic City combined. However, many U.S. firms are overlooking opportunities in other sectors. Though small, Macau offers companies a good foothold to get into the region.
- **Periodic visa restrictions cloud growth trajectory:** PRC citizens accounted for 53.0 percent of all international visitors to Macau during the first eleven months of 2010. Overall visitors to Macau increased by 15.1 percent compared to the same period in 2009 and, in the final months of 2008 the PRC restricted the availability of visas for its citizens to visit Macau. These restrictions led to a significant slowing in the growth of tourist arrivals and reduced the pace of economic growth in Macau. A gradual easing of those restrictions began in the latter half of 2009.
- **Finding local talent can be challenging:** Macau's explosive growth has led to stiff competition among firms in identifying and retaining high-caliber local managers and staff. Although PRC visa restrictions and resultant slower economic growth eased local staffing constraints near the end of 2009, this challenge will endure due to Macau's relatively small local population.

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- **U.S. exports to Macau:** In the past year (January-October 2010 compared to the same period in 2009), U.S. capital goods and fuel and lubricants exports decreased 11.6 percent and 23.8 percent, respectively. However, U.S. exports of consumer goods rose 20.2 percent, and raw materials and semi-finished products increased 58.1 percent.
- **Specific U.S. export opportunities:** The recent expansion of Macau's hospitality sector has created demand for food and beverage products and services and related hospitality consumables. Other opportunities include: gaming equipment; architectural services; energy-efficient lighting, HVAC systems and "smart building" systems; recreational and sports equipment; security equipment; hotel, restaurant and resort management training services;

computer and financial software and meetings, incentives, conventions, and exhibitions (MICE)-related services such as exhibition and event planning.

- **Major projects:** Among the leading private and public projects are the Cotai Strip development with multiple hotels, resorts and gaming facilities, the Wynn Resort expansion, Galaxy Resort and Casino, Macao Studio City, Sociedade de Jogos de Macau (SJM), Macau Science Centre, Pac On Terminal, Light Rail Transit System, and the Hong Kong-Macau-Zhuhai Bridge. The global economic downturn delayed completion of several multi-billion dollar hotel/casino projects in Macau. Gaming companies raised several billion dollars during the latter half of 2009, and construction on major unfinished gaming projects restarted in 2010.
- **Hengqin Island and Regional Development in Zhuhai, PRC.** Hengqin Island in Zhuhai, adjacent to Macau's Taipa and Coloane islands, 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 Hengqin and elsewhere in Zhuhai. The government has announced plans to relocate the University of Macau to Hengqin Island. With focused planning and support from the Beijing-directed integration schemes for the PRD, development of this island could help diversify Macau's own development beyond gaming.

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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 provides customized market research and business facilitation services in Macau.
- The recently established American Chamber of Commerce in Macau can provide U.S. newcomers with orientation and various types of member support.

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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: www.state.gov/r/pa/ei/bgn/2747.htm

Macau: 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 and Macau 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.

Hong Kong and Macau have no special legislation regarding agents and distributors. Virtually anything to which both sides can agree to and put into a written contract is acceptable and enforceable; this includes restrictions on territory and a grace period for termination of the agreement. U.S. firms should consult local legal counsel when drafting contract terms. Items that are often in contracts include:

- 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 or Macau;
- Proprietary information – local laws prohibit 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;
- Legal jurisdiction – generally, Hong Kong is chosen, but another location sometimes (U.S. or Macau) may be specified; and
- Covenants restricting business activity following cancellation of the contract.

There are many types of agents and distributors in Hong Kong and Macau, 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.

Although it is possible to identify distributors in Macau, many Hong Kong distributors are capable of covering Macau as well.

Establishing an Office

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Hong Kong

Foreign companies are allowed to incorporate their operations, register branches, or set up representative offices freely in Hong Kong with no restriction on ownership. Company directors need not be citizens of, nor 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.

To incorporate or register in Hong Kong, a 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: www.cr.gov.hk

Additional information including detailed step-by-step guidance for setting up in Hong Kong can also be found at www.investhk.gov.hk.

Macau

There are no restrictions or constraints for establishing a company in Macau. There are however, regulations that govern various economic activities and specific licenses or authorizations are required for certain types of businesses, such as banking, insurance, manufacturing, tourism, civil construction, education and telecommunications. All business entities carrying out business activities in Macau must be registered with the Macau Commercial Registration Bureau, and with the Macau Finance Bureau. All legal and administrative procedures apply to all local and foreign individuals or organizations interested in setting up a company in Macau.

A limited liability company by quota in Macau and a branch of a company incorporated outside of Macau are the most common types of business entities operating in Macau. Foreign entities with only one-off or occasional contractual projects in Macau may choose to apply for a tax registration status on a project basis.

Investors may obtain details of the necessary procedures for setting up a business from the Macau Trade and Investment Promotion Institute's private notary, the "One-Stop Service," a public notary, the Macau Commercial Registration Bureau, or a lawyer. Information on the One-Stop Service is available at www.ipim.gov.mo/business_macao_detail.php?tid=496.

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 foreign exchange controls, and no foreign equity participation or local management participation regulations. Disputes arising from a franchise agreement are subject to common law (and specifically to contract law) and to legislation relating to licensing, protection of intellectual property rights, and registration of trademarks/service marks. In recent years, several U.S. franchises have established relationships with Hong Kong-based firms to develop the mainland China market. 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 in the region has changed significantly over the past ten years. 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 the direct marketing mail business in Hong Kong is roughly a tenth of that in the United States.

Regulations regarding direct marketing are primarily centered on privacy rights, data security and postal regulations. The Hong Kong Direct Marketing Association (HKDMA) works with regulatory bodies to ensure that regulations do not have an adverse affect on direct marketing users and suppliers.

Hong Kong is the marketing services capital of Asia. The sophistication of the market has attracted a strong presence of multinational agencies and a pool of marketing services talent. A number of multinational PR, marketing and advertising agencies have regional headquarters in Hong Kong.

Hong Kong's marketing services companies are first-movers in the mainland market. Mainland business has also become an increasing source of income for Hong Kong marketing services companies. The CEPA agreement has further facilitated Hong Kong marketing firms' expansion in the mainland market.

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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Hong Kong SAR Government Procurement

The Government Logistics Department (GLD) is the central purchasing, storage and supply organization for the Hong Kong Special Administrative Region, serving over 80 government departments and certain non-government public bodies. The GLD normally purchases by open tender, with decisions based on compliance with tender specifications, price competitiveness, back-up service and delivery. The GLD does not give 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 (www.ets.com.hk). Bidders usually have at least three weeks to prepare their offers. Contract awards with the names of successful bidders 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: 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 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 online. To access ETS, firms need to subscribe. Details are available at 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: www.gld.gov.hk

Macau SAR Government Procurement

The Macau SAR Government is gradually moving many of its 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://portal.gov.mo/web/guest/citizen>, click on "Proclamation" on the menu, and click on "Gov. Tender."

Distribution and Sales Channels

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One of the best ways to sell products in Hong Kong and Macau is through the use of agents or distributors. There are many companies across most sectors that can serve as agents or distributors for U.S. firms, and a number of third party logistics providers, specialized warehouses and order fulfillment firms that offer related trade facilitation services. Companies that are looking to sell equipment that requires long-term maintenance, technical support or installation, or that are seeking to become involved in infrastructure projects, frequently partner with local companies.

Furthermore, as discussed in other sections, many Hong Kong (and Macau) firms have established sales networks that expand throughout mainland China.

Selling Factors/Techniques

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The major selling factors in Hong Kong and Macau 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 in particular are keen 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, etc. There is no substitute for visiting Hong Kong and Macau frequently for a first-hand understanding of these very different markets, and to build the necessary personal relationships for success.

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.

Electronic Commerce

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Hong Kong

Hong Kong is one of the world's leading digital cities with impressive levels of PC penetration and Internet usage. As of October 2010, there were 2.85 million registered Internet access accounts in Hong Kong¹.

Internet access accounts in Hong Kong

Type of Account	Number of Accounts
Dial up access	736,826
Pre-paid cards	0
Broadband Access	2,113,200
Households: 1,917,704 (90.7%)	
Offices: 185,521 (8.7%)	
Others: 9,975 (0.6%)	
Total	2,850,026

With an average of 2.9 people per household², there are an estimated 5.7 million Internet users (78.8% of total population) in Hong Kong.

Utilization of electronic business services is also high among people in Hong Kong. According to "The Annual Survey on IT Usage and Penetration in the Business Sector"

¹ Statistics on Customers of Licensed Internet Services Providers in Hong Kong, Office of the Telecommunication Authority (OFTA), Hong Kong SAR Government, http://www.ofta.gov.hk/en/datastat/eng_cus_isp.pdf

² Population and Vital Events, Census and Statistics Department, Hong Kong SAR Government http://www.censtatd.gov.hk/hong_kong_statistics/statistics_by_subject/index.jsp

in 2009³, about 98.3 percent of all Hong Kong residents aged 15 and above had used electronic business services for personal matters in the twelve months before the survey. The electronic business services covered in the Household Survey included the use of the Octopus card (a transit and e-cash card), Automatic Teller Machines (ATM), purchasing goods or acquiring services via Interactive Voice Response System (IVRS), Easy Pay System (EPS), Payment by Phone Service (PPS), and online searching for information about goods and services, job vacancies, etc.

The 2009 survey also estimated that around 923,900 people aged 15 and over, or 15.9 percent of all people in that age group, had used one or more types of online services to make personal purchases in the twelve months before the survey. In the twelve months before the survey, 60.5 percent of companies had conducted business activities through electronic means; with 60 percent having received goods, services, or information; and about 20 percent having delivered their goods, services, or information electronically. The total amount of business receipts from selling goods, services, or information through electronic means in Hong Kong in 2008 was estimated at US\$17.9 billion, representing an increase of 42 percent over 2007.

Macau

Macau is also building a strong telecommunications infrastructure. PC and Internet use is high. As of November 2010, there were approximately 168,511 Internet subscribers spending a total of 383,396 hours during the first 11 months in 2010⁴.

Internet Subscribers in Macau

Type of Internet Subscriber	Estimated number of registered accounts	Hours on Internet Jan – Nov 2010
Lease lines	151	79,000
Group subscribers	30	0
Broadband access	168,330	383,317,000
Total	168,511	383,386,000

Trade Promotion and Advertising

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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 and Macau markets. These include:

- Special trade fairs and exhibitions
- Advertising in the media, Internet and other public relations activities
- Seminars
- In-store promotions

³ Findings of the "Household Survey on IT Usage and Penetration" and the "Annual Survey on IT Usage and Penetration in the Business Sector" for 2009 released, Census and Statistics Department, Hong Kong SAR Government http://www.censtatd.gov.hk/press_release/press_releases_on_statistics/index.jsp?sID=2463&sSUBID=15188&subjectID=&charsetID=&displayMode=D

⁴ Transport and Communication Statistics, Census and Statistics Services, Macau SAR Government, http://www.dsec.gov.mo/getAttachment/e4bf7cd9-9bfb-4dd9-822c-f594a17fba51/E_ETC_FR_2010_M11.aspx

- Joint promotions with wholesale and retail outlets

Hong Kong Exhibitions

Hong Kong is a major conference and exhibition center, with hundreds of international exhibitions held annually. Located in the business district on Hong Kong Island, the Hong Kong Convention and Exhibition Center (HKCEC, www.hkcec.com) is owned by the Hong Kong Trade Development Council (HKTDC) and operated by Hong Kong Convention and Exhibition Center Management Ltd. With the growing demand for exhibition space from HKCEC's current and potential new clients, the HKCEC completed its second expansion project in April 2009. Upon completion of the second expansion, the HKCEC provides total rentable space of 91,500 sqm (984,540 sq ft), and total purpose-built exhibition hall space of 66,000 sqm (710,160 sq ft).

AsiaWorld-Expo (www.asiaworld-expo.com) is located next to Hong Kong International Airport. AsiaWorld-Expo offers over 70,000 square meters of exhibition and function space. Both of these modern facilities make Hong Kong "The Events Capital of Asia."

Macau Exhibitions

In August 2007, the Venetian Expo Center (www.venetianmacao.com) opened in Macau, adding nearly one million square feet of exhibition space. Macau also boasts the well-established Macau Tower (www.macautower.com.mo) with a regular schedule of events. The Macau Government is keen to develop Macau as a regional MICE (Meetings, Incentives, Conferences, and Exhibitions) hub.

Other Media

Television is a widely viewed medium with an estimated daily audience of 2.25 million households out of a population of 7 million people. Hong Kong Television also reaches Macau and 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 686 publications, including 46 daily newspapers (21 Chinese, 13 English, seven bilingual, five Japanese), and 640 periodicals. Advertising agencies, including many international firms, 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 clients. Company brochures are particularly useful when visiting Hong Kong and Macau for the first time. English-Chinese business cards are also helpful.

English Newspapers:

International Herald Tribune: www.ihf.com
South China Morning Post: www.scmp.com
The Standard: www.thestandard.com.hk
Wall Street Journal Asia: www.wsj-asia.com
Macau Post Daily: www.macaupostdaily.com

Chinese Newspapers:

Apple Daily: www.appledaily.atnext.com
Hong Kong Economic Journal: www.hkej.com
Hong Kong Economic Times: www.hket.com
Ming Pao Daily News: www.mingpao.com
Oriental Daily News: <http://orientaldaily.on.cc/>
Sing Tao Daily: www.singtao.com
Macao Daily: www.macaodaily.com

Trade Journals:

Biz.hk (AmCham Monthly): www.amcham.org.hk
Building Journal (Monthly): www.building.com.hk/bjhc.asp
Construction & Contract News (Monthly): www.building.com.hk/ccn.asp
Hong Kong Business: <http://hongkongbusiness.hk/>
Hong Kong Entrepreneur (Monthly): www.cma.org.hk/hke
Hong Kong Industrialist (Monthly): www.industryhk.org/english/fp/fp_hki/fp_hki.php
Machinery & Materials (in Chinese) (Monthly): www.hkmachine.com.hk
Macao Image: www.ipim.gov.mo/publish_list.php?type_id=541
Macao Business: www.macaubusiness.com
Macao TradeInvest Information: www.ipim.gov.mo/publish_list.php?type_id=537

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: www.buyusa.gov/home/fuse.html

Pricing

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If possible, U.S. exporters should quote in metric and use a term of sale specifying delivery to Hong Kong or Macau (i.e. CIF or C&F destination rather than FOB origin). Hong Kong and Macau 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, Macau (and elsewhere in Asia) requires relationships that can only be developed with a 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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IPR Climate in Hong Kong and Macau

The best protection for an American company is to make sure that its products are available in the local market in authentic form. Local agents, dealers and partners also 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. In Hong Kong, the chief law enforcement agency for 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.

Protecting Your Intellectual Property in Hong Kong and Macau:

Several general principles are important for effective management of intellectual property ("IP") rights in Hong Kong and Macau. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Hong Kong and Macau than in the U.S. Third, rights must be registered and enforced in Hong Kong and Macau, under local laws. Your U.S. trademark and patent registrations will not protect you in Hong Kong and Macau. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Hong Kong and Macau market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Hong Kong and Macau. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Hong Kong and Macau law. Lists of legal services providers in Hong Kong and Macau is available at http://hongkong.usconsulate.gov/acs_attorneys.html

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP 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 legal 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 potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins

(and the incentive) of would-be bad actors. Projects and sales in Hong Kong and Macau require constant attention. Work with legal counsel familiar with Hong Kong and Macau laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Hong Kong and Macau or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP 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 U.S., contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia. 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 allows you to record

registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Hong Kong and Macau at: Eric.Crowley@trade.gov.

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 more difficult to gather information, getting information on Hong Kong and Macau entities is relatively easy. There are many service providers that offer investigative due diligence. The U.S. Commercial Service can provide a list of due diligence companies in Hong Kong upon request.

Local Professional Services

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Hong Kong

Association of Accredited Advertising Agents of Hong Kong: www.aaaa.com.hk

The Direct Selling Association of Hong Kong Limited: www.hkdsa.org.hk

Hong Kong Designers Association: www.hongkongda.com

Hong Kong Direct Marketing Association: www.hkdma.com

Hong Kong Institute of Marketing: www.hkim.org.hk

Hong Kong Management Association: www.hkma.org.hk

Law Society of Hong Kong: www.hklawsoc.org.hk

Management Consultancies Association of Hong Kong: www.mca.org.hk

Macau

Industrial Association of Macau: www.madeinmacau.net

Macau Exporters and Importers Association: www.macauexport.com

The Macau Small and Medium Enterprises Association: www.sme.org.mo

Macau Lawyers Association: www.aam.org.mo

Macau Fair & Trade Association: www.macauftrade.com

Macau Gaming Research Association: www.mgra.org.mo/en

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

Hong Kong

Companies Registry: www.cr.gov.hk

Digital 21: www.info.gov.hk/digital21

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

Government Logistics Department: www.gld.gov.hk

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

Hong Kong Productivity Council (HKPC): www.hkpc.org

Hong Kong Trade and Industry Department: www.tid.gov.hk

Hong Kong Trade Development Council: www.hktdc.com

Hong Kong Post: www.hongkongpost.gov.hk

Intellectual Property Department of Hong Kong: www.ipd.gov.hk

Invest Hong Kong: www.investhk.gov.hk

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

Vocational Training Council (VTC): www.vtc.edu.hk

Macau

Government of Macao (SAR) Directorate of Economic Services: www.economia.gov.mo

Macau SAR Government: www.gov.mo

Macau Trade and Investment Promotion Institute: www.ipim.gov.mo

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

Macau Customs Service: www.customs.gov.mo

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

Commercial Sectors

- [Environmental Technologies \(POL, WRE\)](#)
- [Film \(FLM\)](#)
- [Education/Training \(EDS\)](#)
- [Medical Equipment \(MED\)](#)
- [Green Building Materials \(BLD, ACE, CON\)](#)
- [Cosmetics and Toiletries \(COS\)](#)
- [Financial Services \(FIN\)](#)
- [Aviation \(AIR, APG, AVS\)](#)
- [Safety and Security Equipment \(SEC\)](#)
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- [Franchising \(FRA\)](#)
- [Electric Cars \(AUT\)](#)

Agricultural Sectors

Environment Technologies (POL, WRE)

Overview

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Environment Technologies Market in Hong Kong

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	476,000	500,000	500,000	500,000
Total Local Production	1,000,000	1,000,000	1,000,000	1,000,000
Total Exports	3,513,000	3,500,000	3,600,000	3,700,000
Total Imports	2,989,000	3,000,000	3,100,000	3,200,000
Imports from the U.S.	349,000	350,000	360,000	370,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Notes: 1. Unit: USD thousands.

2. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

3. Data Sources:

- Total Local Production: Hong Kong Census & Statistics Department & Industry Sources
- Total Exports: Hong Kong Census & Statistics Department & Industry Sources
- Total Imports: Hong Kong Census & Statistics Department & Industry Sources
- Imports from U.S.: Hong Kong Census & Statistics Department & Industry Sources

Since there is no agreed upon definition of “environmental technologies” and considerable overlap or exclusion with environmental features included in various types of machinery and products, market statistics are, at best, rough approximations.

Environmental technologies for the purpose of this profile refers to the instruments and apparatus found under HS codes: 841583 – air conditioning machines not incorporating a refrigerating unit; 841780 – industrial furnaces including incinerators; 842129 – filtering or purifying machinery and apparatus for liquids; 842139 – industrial use dust collectors and filtering or purifying machinery and apparatus for gases; 8479 – machinery for public works; 8543 – electrical machines and apparatus, having individual functions; 870911 – Electrical vehicles; 871190 – Motorcycles fitted with an auxiliary motor, other than those fitted with reciprocating internal combustion piston engine; 9026 – instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases; 9027 – instruments and apparatus for physical or chemical analysis; 9032 - automatic regulating or controlling instruments and apparatus.

Hong Kong relies heavily on imports to satisfy its environmental needs. Total environmental technology imports in 2009 amounted to US\$2.98 billion. The United States suppliers are active in the high-end market segment, capturing about 12 percent of the total import market in 2009.

Hong Kong is also a sourcing agent for environmental products for mainland China. In 2009, re-export of environmental technologies to China through Hong Kong amounted to US\$1.99 billion; accounting for approximately 57 percent of Hong Kong’s total environmental technologies re-exports.

Another illustration of Hong Kong’s environmental market is the government expenditure on the environment:

Government Expenditure

	2009 (actual)	2010 (estimated)	2011 (estimated)	2012 (estimated)
Hong Kong Government's expenditure on the environment	US\$ 1.1 billion	US\$ 1.2 billion	US\$ 1.3 billion	US\$ 1.5 billion
Percentage of Total Public Expenditure	2.7%	2.8%	2.9%	3.0%
Percentage Increase Over the Previous Year	23%	15%	15%	15%
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Sources: Hong Kong Government; Industry Estimates.

The Hong Kong Government has been allocating significant resources toward tackling waste treatment, air pollution, and water pollution problems. Opportunities exist in the thermal and biological treatment of municipal solid waste, clean energy, energy efficiency, electric vehicle, and marine emissions control.

In 2009-2010, the government's spending on the environment was approximately US\$1.1 billion, or about 2.7 percent of its total public expenditure. The allocation has been increasing at more than 15% per year for the last few years.

Hong Kong has identified six industries, including the environmental industry as top prospects for future growth in its economy. The Hong Kong Government has been promoting the development of various new businesses related to environmental protection, including electric vehicles, new energy technology, and products to enhance building energy efficiency to stimulate the city's economic growth. U.S. firms may look to supply or otherwise partner with this upstart Hong Kong industry.

With vigorous IPR protection, and the proximity to and experience in trading with mainland China, Hong Kong is an ideal entry point for U.S. environmental companies interested in the China market.

Sub-Sector Best Prospects

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Air:

- Analytical instruments
- Vehicle emissions particulate reduction devices
- Desulphurization / De-nitrification technologies for vehicles and ships

Water/wastewater:

- Water filtration equipment
- Disinfection technologies
- Analytical instruments

Waste Management:

- Incineration technologies
- Biological treatment technologies
- Recycling technologies

Opportunities

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To tackle regional sources of pollution, Hong Kong and its closest Chinese Province (Guangdong) have drawn up a Regional Air Quality Management Plan. Both sides also agreed to various programs to promote a “green Pearl River Delta Region”, including the Cleaner Production Partnership Program, a joint study on regional water quality management and co-operation in clean energy and green transportation technology. Hong Kong will likely conduct a pilot study on the control of emissions by government marine vessels during 2011.

Hong Kong disposes of more than 3.2 million tons of municipal solid waste per year. Owing to landfill shortages, the government is developing these large-scale waste management facilities: an Integrated Waste Management Facility (incineration as its core technology) capable of treating 3,000 tons waste per day; two organic waste treatment facilities to treat and separate food waste; and a sludge incineration facility with a daily capacity of 2,000 tons. U.S. companies could consider becoming equipment suppliers to VW-VES (HK) Limited (a subsidiary of Veolia Environment), the winner of the sludge treatment facility that was awarded in mid-2010, or forming consortia to bid for the design and construction for the remaining facilities.

The Hong Kong Government has plans to revamp its electrical power generation fuel mix by 2020 to reach the following shares: natural gas - 40%; coal – 10%; renewable energy about 3-4%; and the remaining made up of imported nuclear power. The breakdown in 2010 was: coal – 54%; natural gas – 23%; and nuclear power – 23%. Since the regulated rate of return of the two power generation companies which serve Hong Kong is linked to their emissions performance, both companies are investing heavily in renewable energy such as offshore wind farms. U.S. suppliers of emissions control technology and renewable energy technology need to make contacts, now, with the government and power generation companies in order to have a chance of participating in this major undertaking.

The Hong Kong Government is actively promoting the use of electric vehicles (EV). The exemption of the First Registration Tax for electric vehicles has been extended to May 2014 and two Memoranda of Understanding with Japanese EV suppliers were signed in 2010. U.S. EVs and electric motorcycles have just started to enter into this market.

Web Resources

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Trade Shows:

Eco Expo Asia

Website: www.hktcdc.com/fair/ecoexpoasia-en/Eco-Expo-Asia-International-Trade-Fair-on-Environmental-Protection.html

Description: Organized by the HKTDC and Messe Frankfurt (HK) Ltd., Eco Expo Asia is Hong Kong's international trading platform and showcase for the latest environmental protection technologies. The 2010 and 2011 shows are supported by GEEP (Green Export Enabler Program, a U.S. Department of Commerce-sponsored program to help expand U.S. green tech exports to China).

Macao International Environmental Cooperation Forum & Exhibition (MIECF)

Website: www.macaomiecf.com/miecf2011/

Description: Macao International Environmental Cooperation Forum & Exhibition (MIECF) is a promising, new international environmental conference and trade fair held in Macao, annually. The theme of the event is low carbon living and sustainable urban development in South China.

China International Environmental Protection Exhibition & Conference (CIEPEC)

Website: www.chinaenvironment.org/article/30.htm

Description: China International Environmental Protection Exhibition & Conference (CIEPEC) is sponsored by the Ministry of Environmental Protection, the People's Republic of China and organized by the China Association of Environmental Protection Industry (CAEPI). It is one of the leading environmental shows in China. The June 2011 show to be held in Beijing is supported by GEEP and certified by the U.S. Department of Commerce.

Green Export Enabler Program (GEEP)

Website: www.greenexport.org

Description: GEEP is a new initiative offered by the El Camino College Center for International Trade Development in collaboration with the U.S. Department of Commerce, the Export-Import Bank of the United States, and California Manufacturing Technology Consulting. GEEP seeks to increase global competitiveness and exports of California and U.S. green technologies to China. The market value of the package of export support services offered by the Green Export Enabler Program is more than US\$7,500. With support from various collaborators, El Camino College Center for International Trade Development is offering the package to new entrants at only US\$1,000.

Trade Associations

Environmental Contractors Management Association

Website: www.ecma.org.hk

Description: The Environmental Contractors Management Association promotes the interests of Hong Kong environmental protection industry. Membership is mostly comprised of waste management and janitorial service companies.

Green Council

Website: www.greencouncil.org

Description: The Green Council is a non-profit environmental organization promoting environmental protection among Hong Kong's industrial and commercial sectors, as well as the general public.

Hong Kong Environmental Industry Association

Website: www.hkenvia.org

Description: The Hong Kong Environmental Industry Association promotes communication and collaboration among Hong Kong companies and organizations engaged in environment-related businesses.

Hong Kong Waste Management Association

Website: www.hongkongwma.org.hk

Description: The Hong Kong Waste Management Association's members consist of organizations or individuals having an interest in waste management. The association gives advice to the Hong Kong Government on the city's waste management policies.

U.S. Commercial Service Hong Kong

For more information, please contact our Commercial Specialist who covers this industry sector:

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Email: olevia.yim@trade.gov

Website: www.buyusa.gov/hongkong

Film (FLM)

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According to the Motion Picture Industry Association, Hong Kong's total box office grew by 31% over the last year, from US\$151 million in 2009 to US\$198 million in 2010. The rise was driven by a surge of record-breaking animated pictures and premium-priced 3D films. In 2010, there were 286 films released in Hong Kong, up by 6% from 2009. In 2010, revenue for foreign films hit US\$153 million (77.4% of total market revenues) and local productions grossed US\$38.9 million (22.6% of total revenues, an increase of 1.6% from the previous year).

The U.S. is the dominant supplier of films to Hong Kong, constituting over 75% of total film imports. With box office receipts of US\$11.5 million in Hong Kong, Toy Story 3 was the highest-grossing film of the year. While 3D was a key driver in the strong results for U.S. films, 2D releases including Inception and Harry Potter And The Deathly Hallows also performed well, grossing US\$7.5 million and US\$5 million, respectively. However, it is worth noting that six of the top ten foreign releases were 3D films. (see table below).

The gross revenue of the film industry is expected to expand in the coming years because of the opening of new multiplexes and 3D cinemas, and also strong government support. The opening of new 3D cinemas has helped grow box office potential in Hong Kong. The number of screens equipped with 3D projection systems reached 80, out of a total of 201 of screens as of March 2010.

The Hong Kong government has also demonstrated support for the film sector with the establishment of the Film Development Council and Create Hong Kong within the Commerce and Economic Bureau. Create Hong Kong is intended to integrate existing policy and funding initiatives across government departments to boost the development of Hong Kong's creative industries. Hong Kong's film sector is also benefiting from the Closer Economic Partnership Arrangement (CEPA) with China where Hong Kong firms in film distribution and production enjoy preferential access to mainland China.

On the film technology front, Hong Kong Cyberport's Digital Media Center implemented the Digital Cinema Exchange (DCX) Pilot Scheme in March 2010 thanks to US\$1.7 million in funding from the Hong Kong Film Development Fund. A total of 10 local cinemas under major circuits have participated in this 18-month pilot scheme, which helps them to directly download overseas film files via the Internet. The pilot is designed to prove DCX's feasibility in the Hong Kong market and to provide an opportunity for analytical evaluation. Eventually, the system will provide a 1G link to all theaters in Hong Kong, decreasing movie delivery time and costs for cinema operators. It is estimated that digital distribution will cost only about 10% of 35mm distribution.

Hong Kong Top 10 Films in 2010

Rank	Title	Country of Origin	Gross Receipts (US\$ million)
1	Toy Story 3 (3D)	U.S.	11.5
2	Inception	U.S.	7.54
3	Alice In Wonderland (3D)	U.S.	5.69
4	Ip Man 2	Hong Kong	5.59
5	Harry Potter & Deathly Hallows	U.S.	5.07

Rank	Title	Country of Origin	Gross Receipts (US\$ million)
6	72 Tenants of Prosperity	Hong Kong	4.44
7	Iron Man 2 (3D)	U.S.	3.78
8	Shrek Forever After (3D)	U.S.	3.51
9	Chronicles of Narnia: Voyage Of Dawn Treader (3D)	U.S.	3.33
10	Gulliver's Travels (3D)	U.S.	3.16

Source: Hong Kong Motion Picture Industry Association

Sub-Sector Best Prospects

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Opportunities for U.S. firms go beyond the box office to include film production technology, multi-media content, and related services. Best 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;
- Co-productions between U.S. and Hong Kong firms for distribution in China and Asia;
- U.S. technology products used in movie theaters in China and elsewhere in Asia;
- Cooperative agreements with U.S. film education and training institutions;
- U.S. film financing and deal-structuring techniques and services.

Opportunities

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Content Distribution. U.S. exporters should consider selling content licenses to TV stations in the region, as well as to Hong Kong agents for both Hong Kong rights and broader Asia regional rights. For example, The Office of the Telecommunications Authority (OFTA), Hong Kong's telecoms regulator has granted a license for China Mobile to provide Mobile TV Service in mid-2010. The license requires that China Mobile must use at least 75% of its transmission capacity to deliver mobile TV content and extend its service coverage to at least 50% of the city's population within 18 months after the issuance of the license. This presents business opportunities for U.S. companies to sell films and TV programs to the Mobile TV Service Providers. U.S. companies interested in this opportunity should consider producing programs that cater to Hong Kong viewer preferences.

Co-production. Co-production and co-funded projects with Hong Kong companies offer another set of opportunities. With the full implementation of the Closer Economic Partnership Arrangement (CEPA), Hong Kong's position as a center for Asian co-production with international companies was reinforced. Under CEPA, Hong Kong-China co-productions are treated as local productions in China. By cooperating with Hong Kong producers, U.S. firms can enjoy local production treatment for enhanced access to the China market.

Non-cinema production. U.S. film companies should consider Asia's growing market for multi-media properties. Local consumers are keen to see new content and related applications for games, comic books, and mobile phone downloads, in addition to traditional films and TV programs. In-flight entertainment is also a growing niche that should not be overlooked.

3D Movies. As mentioned earlier, the opening of new 3D cinemas has helped grow box office potential in Hong Kong. The number of screens equipped with 3D projection systems reached 80, out of a total of 201 of screens as at March 2010. Thus, 3D movies are expected to continue to do well.

Web Resources

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Trade Shows

Filmart 2011

Dates: March 21-24, 2011

Venue: Hong Kong Convention and Exhibition Center, Hong Kong

Website: <http://www.hkfilmart.com/filmart/index.htm>

Hong Kong- Asia Film Financing Forum 2011

Dates: March 21 – 23, 2011

Venue: Hall 1, Hong Kong Conventional and Exhibition Center, Hong Kong

Website: <http://www.haf.org.hk/haf/>

Trade Associations

Hong Kong Film Development Council: <http://www.fdc.gov.hk/en/home/index.htm>

Hong Kong International Film Festival: www.hkiff.org.hk

Motion Picture Industry Association (MPIA): www.mpia.org.hk

U.S. Commercial Service Hong Kong

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Education/Training (EDS)

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Education/Training (EDS) Market in Hong Kong

	2008/09	2009/10	2010/11 (estimated)
Total Hong Kong Students in the US	8,329	8,034	8,000

Source: Open Doors Report, Institute of International Education ⁵

Hong Kong's population of 7 million has a literacy rate of 95 percent, and 16 percent of Hong Kong people over the age of 15 have at least a Bachelor's degree (Source: Hong Kong Education and Manpower Bureau). As of 2008, compulsory, subsidized schooling is offered until the end of high school (12th Grade).

Hong Kong's Education and Manpower Bureau revamped its education system in 2009. Instead of taking two exams (one in Form 5 and one in Form 7), students are now required to take only one -- the Hong Kong Certificate of Secondary Education (which was previously for those continuing on from Form 5 to Form 6). The Hong Kong A-Level Exam (which was previously for Form 7/high school senior students continuing on to university) will be replaced by the Hong Kong Diploma of Secondary Education (HKDSE), which will be administered during the last year of high school. The '3-3-4' proposal means that students will attend three years of compulsory, subsidized junior high school, three years of non-compulsory senior high school, and then four years of university. This is a significant change from the previously used British model under which Hong Kong students had 7 years of secondary school and entered college at the age of 19.

In addition, the HKDSE will focus more on a broad, liberal education similar to that in the United States. Students will only have 4 compulsory 'core' subjects and can take up to 4 additional electives, including new subjects such as visual and performing arts, design and technology, or foreign languages. These changes will make Hong Kong's curriculum much more similar to that of the United States, and therefore Hong Kong students' transition to 4-year American universities will be much easier. As a result, parents will be more likely to send their children to the United States to study in the long run.

⁵ Open Door Reports, <http://www.iie.org/en/Research-and-Publications/Open-Doors/Data>

Although the Hong Kong Government does not vigorously promote studying abroad, the United States still remains a top destination for Hong Kong students, but we are facing strong competition from Australia, the United Kingdom, and mainland China. Some Hong Kong parents feel that studying in the Commonwealth countries is easier because they have more relaxed visa regulations (the U.K. even allows Hong Kong students visa-free study) and immigration laws that allow students to develop their careers in these countries. However, the U.S. student visa approval rate for Hong Kong students is over 90 percent, which is helping keep the U.S. competitive.

As a result of the education system reforms implemented in 2009, there has been a slight (and likely short-term) decline in students going to study in the U.S., especially for higher education. This is mostly a result of the change from a three-year to a four-year secondary school curriculum. Students are leaving the system early and flocking to the UK and Australia to complete their secondary education because those systems all use the previous three-year timeframe. This has helped nullify the shock of the new four-year system. Although this trend is pervasive at the moment, as students starting secondary education adjust to the four-year system, they will become more used to the new system and actually be better prepared, and more inclined, to enter US universities.

U.S. educational institutions are gaining recognition in Hong Kong. Hong Kong parents are beginning to recognize the academic excellence of colleges outside the Ivy League, such as liberal arts colleges, the 'public ivies,' and community colleges. This is a result of many American institutions attending Hong Kong education shows and vigorously promoting themselves to Hong Kong schools and students.

Recruiting Methods

Many Hong Kong parents employ agents to advise on overseas higher education, search for appropriate schools, and provide other services. U.S. education institutions should consider partnering with an agent in Hong Kong that can assist in promoting the school. The U.S. Commercial Service can assist U.S. institutions that need to find partners in Hong Kong. Word of mouth is also a significant factor in college choices. Many Hong Kong students return from the United States and promote their alma maters, bringing their friends and relatives to the same school.

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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 cruises, conventions, and exhibitions; engineering; computer science; and information technology have become extremely popular fields of study. Other popular fields are mathematics, fine arts, social sciences, humanities, health sciences, and MBA / EMBA programs.

A number of U.S. education institutions have found success in developing partnerships with Hong Kong schools to open Hong Kong branch campuses for undergraduate and graduate programs. While the hospitality sector has been affected by the economic downturn, the long-term prospects for hospitality and MICE sector training in the region are also excellent.

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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 and 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, 2011
Dates: February 17-20, 2011 (annual)
Venue: Hong Kong Convention & Exhibition Center
Organizer: Hong Kong Trade Development Council
Contact: Mr. Leung Kwan Ho
Tel: (852) 2240-4352
Email: kh.leung@hktcdc.org
Website: <http://hkeducationexpo.hktcdc.com>

U.S. Higher Education Fair
Dates: October 2011 (Exact date to be confirmed)
Venue: To be confirmed
Organizer: Institute of International Education

Tel: (852) 2603-5771
Fax: (852) 2603-5765
Email: mcng@iiehongkong.org
Website: <http://www.iiehongkong.org/fair.htm>

North American Boarding Schools Fair 2011
Date: November 6, 2011 (annual)
Venue: Grand Ballroom, Conrad Hotel, Admiralty, Hong Kong
Organizer: Institute of International Education
Tel: (852) 2603-5771
Fax: (852) 2603-5765
Email: mcng@iiehongkong.org
Website: <http://www.iiehongkong.org/bfair/2010/bsfhkparticipants10.htm>

Trade Associations:

The Institute of International Education
Tel: (852) 2603-5771
Fax: (852) 2603-5765
Email: iiehk@cuhk.edu.hk
Website: www.iiehongkong.org

Education and Manpower Bureau
Tel: (852) 2639-4774
Fax: (852) 2391-0470
Email: enquiry_ncr@emb.gov.hk
Website: www.emb.gov.hk

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Medical Equipment (MED)

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Medical Equipment Market in Hong Kong

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	143,000	170,000	190,000	210,000
Total Local Production	200,000	210,000	220,000	230,000
Total Exports	1,518,000	1,520,000	1,530,000	1,540,000
Total Imports	1,461,000	1,480,000	1,500,000	1,520,000
Imports from the U.S.	402,000	410,000	420,000	430,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Notes: 1. Unit: USD thousands.

2. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

3. Data Sources:

- Total Local Production: Hong Kong Census & Statistics Department & Industry Sources
- Total Exports: Hong Kong Census & Statistics Department & Industry Sources
- Total Imports: Hong Kong Census & Statistics Department & Industry Sources
- Imports from U.S.: Hong Kong Census & Statistics Department & Industry Sources

Medical equipment for the purposes of this profile refers to the instruments and apparatus found under HS code 9018, 9019, 9021; breathing appliances under HS code 9020; radiotherapy apparatus under HS code 9022; thermometers under HS code 9025; furniture under HS code 9402; all with applications in medical or dental field.

Hong Kong relies heavily on imports to satisfy its medical equipment needs. The city's medical equipment production is insignificant. Total medical equipment imports in 2009 amounted to US\$1.46 billion. The United States was the market leader in the high-end market segment, capturing about 28 percent of the total import market in 2009, registering an increase of 3 percent total market share from 2008. Total medical equipment imports from the United States have been increasing at double-digit rates in the last few years.

Hong Kong is also a sourcing agent for medical products for Mainland China. In 2009, transshipment of medical equipment to China through Hong Kong amounted to US\$0.8 billion; accounting for approximately 55 percent of Hong Kong's total medical equipment re-exports.

Hong Kong's population of 7 million enjoys a comprehensive range of medical and health services delivered by the public and private sectors. On the public side, the Hospital Authority (HA) manages 41 public hospitals and institutions, 48 specialist out-patient clinics, and 74 general out-patient clinics. The rest of the medical service needs are met by Hong Kong's 13 private hospitals and hundreds of private out-patient clinics. The HA is the largest end-user of goods and services in Hong Kong's healthcare sector.

In terms of public healthcare development, the Hong Kong Government is preparing the establishment of a pediatric medical center with more than 400 beds at the Kai Tak Development Area; the construction of a new hospital in Northwestern New Territories (Tin Shui Wai); and the redevelopment of 4 Yan Chai hospital blocks. All of these facilities will come on line by 2016.

As to private hospital development, the Hong Kong Government has set aside four possible sites and invited expressions of interest from local and overseas parties to develop these sites into private hospitals. Feedback is now being considered with a view to formulating development in phases from late 2011 or 2012.

Currently, only about 35 percent of the Hong Kong population is covered by private health insurance. The Government has earmarked US\$6.5 billion for healthcare reform, which encourages the public to purchase private medical insurance, and utilize private healthcare services, thus relieving the pressure on Hong Kong's overburdened public healthcare system.

Macau is a smaller but roughly analogous Special Administrative Region located an hour west of Hong Kong. Its health care system includes specialized and primary healthcare provided by two public hospitals: Hospital Conde de S. Januário and Macau University of Science and Technology Hospital (also known as MUST Hospital), and one private, non-profit hospital, Kiang Wu. One of the best ways for American SME suppliers to sell medical products in the Macau market is through Hong Kong-based agents or distributors, given the relatively smaller size of Macau and the proximity of the two markets. Many of Hong Kong's medical agents/distributors have established networks and excellent relationships with the medical industry in Macau.

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- Apnea Monitors
- Blood Analysis Devices
- Blood Pressure Equipment
- Cardiology Equipment
- Dental Instruments
- Imaging Products
- Joint Replacement Products
- Laser Surgery Equipment
- Physiotherapy equipment

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Hong Kong's public and private healthcare development projects represent outstanding business opportunities for U.S. suppliers of hospital systems, medical devices, laboratory equipment, instruments and hospital supplies.

The Hong Kong Government will increase its recurrent healthcare spending to US\$4.8 billion (representing 17 percent of its total recurrent expenditure) by 2012 with an aim to reduce the waiting time for specialist services, including cataract surgery, joint replacement, mental health assessment and consultation services for children and adolescents, magnetic resonance imaging and computerized tomography scanning.

In 2010, the Hong Kong Government allocated approximately US\$77 million over three years to strengthen the support to chronic patients, setting up community health centers or networks, and enhancing primary dental services and oral health programs.

The Hong Kong Government is working with the public and private healthcare sectors and IT service providers to develop a territory-wide electronic health record (eHR) system. The eHR is a tool to enable private hospitals, private practitioners and other healthcare providers to access their patients' medical records kept at the Hospital Authority (public health care system).

Hong Kong's population aged 65 or above is expected to surge from the current 900,000 to 2.1 million by 2030. Macau has a population of 540,000, of which 7.7 percent is 65 and above. The rapidly aging population from both cities will need elderly facilities, such as nursing homes and rehabilitation centers, as well as products for the elderly.

The people of Hong Kong and Macau are becoming more health conscious and focused on preventive care (routine vaccinations, screening for various cancer, high cholesterol, high blood pressure and diabetes, prenatal care and regular wellness visits).

Owing to various government campaigns, the Hong Kong public is becoming more aware of oral health. Cosmetic dentistry has also become very popular in the last several years.

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Trade Shows:

China International Medical Equipment Fair

Website: <http://en.cmef.com.cn/>

Description: China International Medical Equipment Fair is held twice a year, spring and autumn, in two different cities in China. The exhibition covers a wide array of products, including, medical imaging, diagnosis instruments, electronic devices, medical information technology, first aid and rehabilitation equipment and supplies.

Hong Kong International Medical Devices and Supplies Fair

Website: <http://www.hktdc.com/fair/hkmedicalfair-en/HKTDC-Hong-Kong-International-Medical-Devices-and-Supplies-Fair.html>

Description: Hong Kong International Medical Devices and Supplies Fair is organized by the Hong Kong Trade Development Council & co-organized by the Hong Kong Medical and Healthcare Device Industries Association (HKMHDIA). The fair showcases a wide variety of medical devices, supplies and concepts.

Associations:

The Hong Kong Medical Association

Website: <http://www.hkma.org/eindex.htm>

Description: The Hong Kong Medical Association represents the interests of medical practitioners in Hong Kong. With a membership of approximately 8,500, which comprises the majority of registered medical practitioners in Hong Kong, the Association nominates members to serve various medical and related statutory and non-statutory institutions.

The Private Hospitals Association

Website: www.privatehospitals.org.hk

Description: The Hong Kong Private Hospitals Association represents the interests of the 13 private hospitals in Hong Kong.

Hospital Authority

Website: www.ha.org.hk

Description: Established in December 1991, the Hospital Authority is a Hong Kong Government body responsible for managing Hong Kong's public hospitals and clinics.

Macau Health Bureau

Website: www.ssm.gov.mo

Description: The Macau Health Bureau is a public institution established to coordinate the activities between public and private health care organizations and is responsible for specialized and primary health care services, as well as disease prevention and health promotion.

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Green Building Materials (BLD, ACE, CON)

Overview

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Green Building Materials Market in Hong Kong

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	2,811,000	2,329,000	2,200,000	2,180,000
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	9,268,000	13,278,000	13,500,000	13,800,000
Total Imports	12,439,000	15,067,000	15,200,000	15,800,000
Imports from the U.S.	471,000	698,000	72,000	75,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

- Notes:
1. Unit: USD thousands.
 2. Statistics are unofficial estimates.
 3. Figures include the following HS Codes: HS 06, 3917, 9028, 9405, 8541, 8414, 8415, 44, 68, 69, 8302, 7225, 73, 7226, 7228, 8537.
 4. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
 5. Data Sources:
 - Total Local Production: Hong Kong Census and Statistics Department and other sources
 - Total Exports: Hong Kong Census and Statistics Department and other sources
 - Total Imports: Hong Kong Census and Statistics Department and other sources
 - Imports from U.S.: Hong Kong Census and Statistics Department and other sources

As there is no clear definition in Hong Kong of what green building materials encompasses, the table above shows total trade values for building materials and products that are widely used by green building technologies including switching circuits, energy saving lighting, wood products, ventilation systems, meters, conductors, steel alloys, cement, and other hardware.

A growing public awareness of the benefits of green building in Hong Kong has resulted in the steady growth in the usage of green building products such as energy efficient lighting systems, energy saving air-conditioning, water recycling systems, and other green products. The introduction of new industry standards and technologies has added diversity and growth to the local green building market. In addition, the Hong Kong Government and other statutory bodies such as the Urban Renewal Authority have offered incentives for energy carbon audits and retrofitting existing buildings with green materials. Developers of commercial buildings are becoming increasingly aware of the long-run economic return of green features despite higher initial installation costs.

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Hong Kong is a significant retrofit market due to the large inventory of existing commercial and residential properties. However, market demand will mostly be driven by commercial property owners and developers. The main types of sustainable building in Hong Kong are: energy efficiency, lighting, indoor air quality, water management, and waste management. The popular types of green building products in Hong Kong are T5 lamps, variable speed pumps, heat-recovery systems, service-on-demand features, advanced window glazings, motion sensors, and building-integrated photovoltaic panels.

The best opportunities for American suppliers include technology and appliances that save energy, recover heat, improve indoor air quality (i.e. building materials with low volatile organic compound (VOC) emissions), recycled building products, renewable energy technology, energy and water efficiency, and management technologies. Services in architectural design, environmental engineering and building efficiency are also excellent prospects.

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The new Building Energy Code (BEC) became law in February 2011. As a result, all 41,000 private buildings⁶ in Hong Kong will be legally responsible for instituting energy efficiency measures in the BEC. The code covers the energy efficiency of air conditioning, lifts and escalators, lighting, and electrical installations in communal areas. The government has designed two programs that provide dollar-for-dollar matching subsidies for building owners to carry out energy efficiency carbon audits and energy efficiency projects. The Greening Hong Kong Subsidies Scheme (the Scheme) is the main government subsidy program promoting these programs. Building owners can apply for up to US\$20,000⁷, under these funding schemes, presenting a unique opportunity for American energy efficiency consultants and green build products manufacturers to enter the Hong Kong market.

Hong Kong has several voluntary energy efficiency and related certification programs. Certification programs include the Hong Kong Energy Efficiency Registration Scheme for Buildings (HKEERSB), Comprehensive Environmental Performance Assessment Scheme (CEPAS), Energy Efficiency Labeling Scheme (EELS), Hong Kong Green Labeling Scheme (HKGLS) and Building Environmental Assessment Method (BEAM). The Hong Kong Energy Efficiency Registration Scheme for Buildings (HKEERSB) was launched in October 1998 by the Electrical and Mechanical Services Department to promote the application of Building Energy Codes of Practice (BEC). Buildings meeting BEC standards receive a certificate along with the rights to use the Scheme's 'Energy Efficient Building' logo. By December 2010, 2,795 registration certificates had been issued to 1,216 building venues involving 2,952 installations.

The design-and-build government complex project at the Tamar site in Central Hong Kong, which will house the new US\$630 million government headquarters, 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. The buildings will become operational in September 2011.

Universities in Hong Kong are promoting a "green campus" concept through various measures. For example, the City University of Hong Kong plans to reduce energy consumption by seven percent over a 5-year period using year 2003 as the baseline. Some of the energy saving measures include replacement of illuminated exit signs with LED lamps, increase of room temperatures to 25°C, replacement of lighting fittings with T-5 energy efficient fluorescent tubes, installation of heat pumps for hot water supply for shower

⁶ Hong Kong Quality Assurance Association, <http://www.hkqaa.org/cmsimg/Symposium2010/Jacky%20lp.pdf>

⁷ Electrical and Mechanical Services Department, Hong Kong SAR Government, <http://www.emsd.gov.hk/emsd/eng/pee/eersb.shtml>

use, and installation of capacitor banks to power distribution systems to enhance the power factor.

Hong Kong developers are particularly active in bidding for work in major cities in China. For example, Hang Lung Properties invested US\$5.1 billion in building commercial properties on the mainland in 2009; Swire Pacific invested over US\$2.6 billion in hotels and commercial development; and Wharf Holdings has bid on 17 sites since mid-2005 with a total investment of US\$3.8 billion. The scope of investment by Hong Kong developers in the mainland should open up new opportunities for construction companies with a Hong Kong presence.

The Leadership in Energy and Environmental Design (LEED) certification is becoming increasingly popular in Hong Kong with the number of LEED certified professionals in Hong Kong doubling from 2009 to 2010. A LEED certified professional assesses building projects based on the LEED code to provide independent, third-party verification that a building project is environmentally responsible, profitable, and a healthy place to work. In 2010, the number of LEED certified professionals in Hong Kong was 488, compared to only 557 in all of the mainland, but neither of which is close to the U.S.'s 131,865.⁸ Many LEED certified professionals in Hong Kong do consulting work on environmental building projects in China, and as green building grows in China, more LEED certified professionals in Hong Kong will be able to take advantage of cross-border collaboration.

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Major Trade Shows:

Hong Kong International Building and Decoration Materials & Hardware Fair 2009

Dates: October 27-29, 2011

Website: www.hkbdh.com

Eco Expo Asia

Dates: October 26-29, 2011

Website: www.ecoexpoasia.com

Build 4 Asia - a 4-in-1 Building, Electrical, and Security Tradeshow

Dates: June 6-8, 2012

Website: <http://www.build4asia.com>

Agencies and Associations:

Buildings Department

Website: www.bd.gov.hk

Council for Sustainable Development

Website: www.susdev.gov.hk

Electrical and Mechanical Services Department

Website: www.emsd.gov.hk

⁸ U.S. Green Building Council, www.usgbc.org

HK-BEAM Society

Website: www.hk-beam.org.hk

Hong Kong Professional Green Building Council

Website: www.hkpgbc.org/

Hong Kong Green Building Council

Website: www.hkgbc.org.hk/eng/

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Cosmetics and Toiletries (COS)

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Cosmetics and Toiletries (COS) Market in Hong Kong

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	969,000	1,066,000	1,185,000	1,358,000
Total Local Production	62,000	65,000	68,000	73,000
Total Exports	733,000	770,000	831,000	897,000
Total Imports	1,640,000	1,771,000	1,948,000	2,182,000
Imports from the U.S.	207,000	230,000	260,000	299,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Notes: 1. Unit: USD thousands.

2. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

3. Data Sources:

- Total Local Production: Census of Industrial Production and Industry sources
- Total Exports: Hong Kong Trade Statistics
- Total Imports: Hong Kong Trade Statistics
- Imports from U.S.: Hong Kong Trade Statistics

Imports dominate Hong Kong's supply of cosmetics, toiletries, and skincare products as there is very little domestic production. China was Hong Kong's largest supplier of the US\$1.1 billion market in 2010 with a 15 percent market share. Japan, the U.S. and France were the other major suppliers. Hong Kong imported US\$230 million worth of cosmetics, toiletry and skincare products from the U.S. in 2010. Imports of cosmetics, toiletries, and skincare products will likely grow at between 10 and 12 percent in 2011 and 2012, given continued robust spending on these products from Mainland Chinese visitors to Hong Kong.

Importantly, Hong Kong is also a major launch pad for marketing cosmetics and skincare products in the mainland Chinese market. Hong Kong serves as a showcase for the millions of Chinese tourists (23 million in 2010) who annually visit Hong Kong, often with shopping for personal, family or even re-sale use as a primary or sole travel objective. For local retailers and distributors of cosmetics, toiletry and skincare products, increased sales in the next few years are expected to come largely from mainland Chinese tourists. While China has reduced import duties on cosmetics and skincare products, thereby reducing the retail price differential between Hong Kong and China, mainland Chinese visitors to Hong Kong are still attracted to products in Hong Kong over China. According to industry sources, the perceived authenticity and reliability of the products in Hong Kong often outweighs price considerations. Apart from import tariffs that the Chinese government imposes on cosmetics, there are also VAT and product registration costs which do not exist in Hong Kong, meaning that equivalent products may actually cost less on the Hong Kong side of the border.

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, however, very competitive, with the top ten brands accounting for about 70 percent of the market. Appointing a local distributor and working closely with that distributor to promote the brand, and adapting products to include whitening ingredients, and modifying the 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.

Hong Kong is an important entrepot for regional trading of cosmetic products, especially for re-exports to China and some Southeast Asian countries. Many U.S. companies sell their cosmetics and skincare products to China through their Hong Kong distributors.

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Products with the best sales prospects in Hong Kong are:

- Complete lines of facial whitening and anti-aging creams and lotions
- Fake eyelashes and eyelash growth and conditioning products
- Hair coloring and treatment products including keratin treatments
- Color cosmetics for eyes, lips and face including permanent make-up for eyes and mineral make-up
- Nail colors, nail-care products, artificial nails, nail gels, and nail-art kits
- Body treatments, slimming treatments and massage and bath products for use in spas and skincare products for use with professional aestheticians' supervision or with dermatologists' supervision ("prescription only" skincare or dermo-cosmetics)
- Skincare and cosmetic, toiletry and personal care products made of naturally-derived and organically-grown ingredients, are hypo-allergenic, and of low concentrations of fragrance and preservatives
- Skincare products for men
- Sun protection products for the face and body.

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Several international cosmetics brands choose Hong Kong as their first overseas market or for launching new products in Asia citing its open regulatory environment as the attraction. 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 percent of Hong Kong's total retail sales of cosmetics, skincare and toiletry products. According to the Hong Kong Tourism Board, cosmetic and skincare products were among the top three shopping purchases for about 80 percent of the mainland Chinese tourists who visited Hong Kong. Local 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 to 25 million by 2012. The moderate drop in the value of the U.S. dollar against the Renminbi in the past three years has also made Hong Kong an even more attractive shopping destination for U.S.-made skincare products and cosmetics as the Hong Kong dollar is pegged to the U.S. dollar. U.S. cosmetic products also enjoy an excellent reputation among Chinese consumers.

Many of the mega and luxury casino resorts in Macau that have opened in the past few years feature facilities such as spas and skincare treatment centers for the casino and MICE visitors. Macau received an estimated 25 million visitors in 2010 (compared with 36 million

for Hong Kong,) of which about 52 percent (13 million) were from China. As in Hong Kong, Chinese visitors to Macau also purchase skincare products and cosmetics in the major casino resorts' shopping malls.

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Major trade show: Cosmoprof Asia 2011

Website: www.cosmoprof-asia.com

Description: This is Asia's largest, most comprehensive, and international beauty industry trade show. Cosmoprof features equipment, products (skin care, cosmetics, personal care products, nail products, perfumes and toiletries, cosmetic raw materials) packaging, and training services in the beauty industry (hairdressing, spas, beauty and skincare salons). Under the U.S. Department of Commerce's trade fair certification program, U.S. exhibitors at this show receive free market research and can enjoy buyers' matching and counseling services of 15 U.S. Commercial Service offices in the Asia Pacific region and beyond.

The Cosmetic & Perfumery Association of Hong Kong Ltd.

Website: www.cosmetic.org.hk

Description: 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

Website: www.hkctr.com

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

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Financial Services (FIN)

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Hong Kong is a mature financial market and a global financial center. Hong Kong is also known for its efficient and flexible services. Uniquely positioned in South China, Hong Kong has been one of the important players in risk management and fund raising for investments into China. With the impact of the financial crisis in 2008, Hong Kong has diversified its role as a fund manager for Chinese investors to manage their overseas investments.

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Being the largest equity center in Asia, Hong Kong provides both local and regional start-up companies with a readily available source of overseas equity financing. Hong Kong accounts for 29 percent of all equity raised in Asia.

Since the financial crisis in 2008, China has become a major source of global investment. This is reflected by the Qualified Domestic Institutional Investors (QDII) program, a scheme approved by the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) in April 2006 that allows qualified commercial banks to raise RMB funds from individuals and institutions to invest in overseas financial instruments.

As of June 2010, SAFE had granted the QDII quota of US\$8 billion to 22 banks, US\$39 billion to 31 fund management companies and securities firms, US\$16 billion to 25 insurance companies, and US\$600 million to 3 trustees, totaling US\$64 billion.⁹

The mature and well-regulated Hong Kong stock market has provided a quick and easy exit for venture investments. The Hong Kong stock exchange is the host for a major share of sales from Chinese investors in private-equity-backed IPOs.

Hong Kong maintained its position as the world's largest IPO market in 2010, with 114 IPOs raising US\$57.2 billion. PwC expects there will be 110 new listings in 2011 including 100 on the Main Board and 10 on the GEM Board, with total capital raised project to be HK\$300-350 billion.¹⁰

Hong Kong IPOs in 2010 ¹¹	
Main Board	107
• Newly listed: 87	
• Introductions: 8	
• Transfer from GEM: 12	
GEM	7

⁹ HKTDC industry report, <http://www.hktdc.com/info/mi/a/hkip/en/1X003VE1/1/Hong-Kong-Industry-Profiles/Securities.htm>

¹⁰ Hong Kong Business, Jan 4, 2011, <http://hongkongbusiness.hk/markets-investing/in-focus/2010-hong-kong-ipo-fund-raising-size-achieves-hk445bn-record>

¹¹ Hong Kong Business, Jan 4, 2011, <http://hongkongbusiness.hk/markets-investing/in-focus/2010-hong-kong-ipo-fund-raising-size-achieves-hk445bn-record>

While a significant share of regional funds are based in Hong Kong, the highly export-oriented nature of the Hong Kong economy helps put capital into companies in the Asia Pacific Region including Australia, Korea, Japan, India, Taiwan, China, etc.

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The vibrant and dynamic Chinese market has become the focus of venture capital investment in the region, and American financial service providers with their recognized expertise could benefit from this opportunity. In addition, Hong Kong's Mandatory Provident Fund (MPF) scheme provides an ample supply of funds to the industry. Insurance companies and pension funds play vital roles in directing MPF funds to various investments.

Sectors such as natural resources and raw materials, Internet and telecommunications, and environmental protection (e.g. air quality, water treatment, and energy efficiency) are among the best prospects to attract possible investment.

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Major Trade Shows and Events

Hong Kong Asian Financial Forum

Dates: January 17-18, 2011

Venue: Hong Kong Convention and Exhibition Center

Website: www.asianfinancialforum.com

HKVCA Asia Private Equity Forum

Dates: January 19, 2011

Venue: Hong Kong Convention and Exhibition Center

Website: <http://www.hkvca.com.hk/hkvcpea/events01.html>

Trade Associations

- Hong Kong Institute of Bankers: www.hkib.org
- Hong Kong Venture Capital Association: www.hkvca.com.hk
- Hong Kong Trade Development Council: www.hktdc.org
- Hong Kong Monetary Authority: www.info.gov.hk/hkma/

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Aviation (AIR, APG, AVS)

Overview

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Aviation (AIR, APG, AVS) Market in Hong Kong

	2009	2010 (Jan-Nov)	2011 (estimated)	2012 (estimated)
Total Market Size	643,894	588,862	635,500	647,500
Total Local Production	0	0	0	0
Total Exports	208,704	230,118	248,500	253,000
Total Imports	852,598	818,980	884,000	900,500
Imports from the U.S.	662,582	463,668	510,000	523,900
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

- Notes:
1. Unit: USD thousands.
 2. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
 3. Data Sources:
 - Total Local Production: Hong Kong Census and Statistics Department. Industry Source
 - Total Exports: Hong Kong Census and Statistics Department
 - Total Imports: Hong Kong Census and Statistics Department
 - Imports from U.S.: Hong Kong Census and Statistics Department

Hong Kong's market for aircraft and aircraft parts has grown significantly in the last few years due to the increase in aircraft movement, passenger numbers, and cargo volume. Recovering from the aftermath of the global economic downturn with remarkable resilience, Hong Kong International Airport (HKIA), the world's busiest cargo airport, has enjoyed healthy performance. Between January and November 2010, HKIA handled 50.7 million passengers, 4.1 million tons of air cargo, and 303,030 total air traffic movements, representing an increase of 10.1 percent, 25.6 percent and 8.2 percent respectively in passenger volume, air cargo throughput and total aircraft movements compared to the corresponding figures in 2009.

While the market environment for the global aviation industry will remain challenging in 2011, the long-term industry outlook for Hong Kong is still very promising. Hong Kong is an international air traffic hub with 90 airlines operating extensive flight connections to 150 destinations worldwide. Many travelers to Asia use Hong Kong as a first stop to other points in the region. Similarly, many mainland China tourists and business travelers make flight connections in Hong Kong for overseas itineraries. Hong Kong is also expected to benefit from the significant growth of aviation industry in the Asia Pacific region.

In terms of air cargo, high-value goods manufactured in southern China are shipped out of Hong Kong, taking advantage of its reliable, transparent, and secure trade and logistics systems. It is also predicted by the International Air Transport Association (IATA) that the rebound in air cargo traffic that started in late 2009 will continue during 2011, albeit at a slower pace than in 2010.

Hong Kong relies entirely on imports of aircraft, aircraft engines, and aviation equipment to meet its needs, as there are no aircraft, engine, equipment or components manufacturers in Hong Kong. Maintenance Repair Overhaul (MRO) and business aviation have been the two major growth areas for Hong Kong in the last few years.

The growth of MRO is attributable to the increase in air traffic, the emergence of low cost airlines, and Hong Kong Aircraft Engineering Company's (HAECO – Hong Kong's primary aeronautical engineering and maintenance services company) new maintenance contracts signed with major airlines in recent years. Through joint venture partnerships, HAECO has expanded into different cities in China and overseas. U.S. aircraft parts and engine suppliers should note these partnership arrangements.

Fueled by an increasing number of high net-worth individuals and business magnates in Hong Kong and China in the last decade, the business aviation market also saw a steady annual growth rate of 35-40 percent in executive jet movements since 2003. In October 2010, Honeywell forecasted global delivery of 11,000 new business jets from 2010 through 2020, generating estimated industry sales of over \$225 billion. The Asia Pacific region is a new frontier with exceptional potential for private jet usage. Among major Asia Pacific cities, Hong Kong has the fastest-growing business aviation terminal. A third business jet hangar is under construction at Hong Kong International Airport to cater for the growing demand.

Macau's gaming sector has also stimulated the city's long-term air traffic growth, including a sizable increase in business aviation. From January to October 2010, the Macau International Airport handled 43,941 tons of air cargo, representing 6.7 percent increase compared to the same period of 2009. The airport handled 3.4 million passengers and 30,790 total aircraft movements, which represent a decrease of 1.8 percent and 9.6 percent respectively. These results demonstrate that Macau's aviation industry is gradually recovering from the economic downturn in 2009 and direct cross-strait flights between mainland China and Taiwan. The future remains promising due to the expected growth of business jet traffic, helicopter traffic, air cargo trade, and an increasing number of airlines flying into Macau. Rising wealth in the mainland is creating a customer base for private aviation, and thus the luxury aircraft industry in Macau.

Sub-Sector Best Prospects

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- Air traffic control use simulators
- Business jets and related services
- Consumable aircraft parts and expendable items
- Training for air traffic controllers and maintenance personnel

Opportunities

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There are fewer than ten major aircraft components & parts distributors and trading companies in Hong Kong. Most of these distributors also sell to the MRO market and airlines in China and other Asian countries. U.S. aviation industry manufacturers should consider working with Hong Kong based distributors to access markets in China and Asia.

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Trade Shows / Exhibitions / Conferences:

Asian Aerospace / Air Freight Asia / Asian Business Aviation

Dates: March 8-10, 2011
Location: Hong Kong
Website: www.asianaerospace.com

The Shanghai International Business Aviation Show
Dates: April 13-15, 2011
Location: Shanghai, China
Website: <http://www.shanghaiairshow.com/SIBAS/SIAS.php>

Aviation Outlook China 2011
Dates: July 5-7, 2011
Location: Beijing, China
Website: <http://www.terrapinn.com/2011/aviation-outlook-china/index.stm>

MRO Asia: Conference and Exhibition
Dates: November 8-10, 2011
Location: Beijing, China
<http://www.aviationweek.com/events/current/mas/index.htm>

Asian Business Aviation Conference & Exhibition
Dates: Feb 28 – March 1, 2012
Location: Shanghai, China
Website: <http://www.abace.aero/2012/about/>

Industry Contacts:

Asian Business Aviation Association:
Website: www.asbaa.org/intro_en.php

HK Airport Authority
Website: www.hongkongairport.com/eng/business/airport-authority/introduction.html

HK Business Aviation Center
Website: www.hkbac.com

Macau Airport Authority
Website: www.macau-airport.gov.mo/en/index.php

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Safety and Security Equipment (SEC)

Overview

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Safety and Security Equipment Market in Hong Kong

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	252,955	258,014	258,000	258,000
Total Local Production	71,501	33,607	33,600	33,600
Total Exports	1,154,157	1,438,815	1,605,100	1,688,300
Total Imports	1,335,611	1,663,222	1,829,500	1,912,700
Imports from the U.S.	57,041	57,152	57,300	57,900
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Notes: 1. Unit: USD thousands.

2. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

3. Data Sources:

- Total Local Production: Hong Kong Census & Statistics Department, and Industry Source
- Total Exports: Hong Kong Census & Statistics Department
- Total Imports: Hong Kong Census & Statistics Department
- Imports from U.S.: Hong Kong Census & Statistics Department

Hong Kong is one of the safest regions in the world, with a low crime rate and strong social order. Being a regional transportation and logistics hub, Hong Kong spends heavily on security systems in its airport and freight-cargo facilities. Other major areas of substantial security equipment outlays include the commercial and financial sectors. Home security systems are becoming increasingly popular as well.

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 are strong. Japan, Israel, the United States and the European Union are major suppliers for high-tech products, whereas China and Taiwan are market leaders in the lower-end technology security market.

In neighboring Macau, major security companies are supplying sizeable integrated security systems and products such as advanced biometric identification systems for international hotels with casino facilities. U.S. sophisticated security system suppliers may consider partnering with Hong Kong security companies to explore the market in Macau.

China's safety and security market demand is growing rapidly. The market has expanded from its traditional base in the financial, insurance, customs, and airport sectors to the construction, transportation, and tourism fields.

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

Sub-Sector Best Prospects

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Alarms and access controls
Biometrics

Chemical detection systems
Detention equipment
Identification devices
Radio frequency wireless technologies
Rescue equipment
Wireless surveillance equipment
X-ray scanners

Opportunities

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Hong Kong is home to numerous sourcing agents for China-bound security equipment. Hong Kong re-exported about one-third of its total security equipment to China, which has shown a tremendous growth in this area.

Although a number of new projects have been postponed due to an economic slowdown, Macau is an outstanding long-term niche market. U.S. companies wishing to enter the Macau market may consider partnering with related Hong Kong companies that are actively pursuing opportunities in Macau.

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Trade Shows:

Asian Securitex 2012 - Asian International Security, Safety & Fire Protection Show & Conference
Dates: June 6-8, 2012
Location: Hong Kong
Website: www.asiansecuritex.com

Trade Associations:

Asian Professional Security Association
Website: www.apsahk.org

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

Security Bureau – Security and Guarding Services Industry Association
www.sb.gov.hk/eng/links/sgsia/index.htm

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Computer/Information Technology Equipment (CPT)

Overview

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Computer/Information Technology Equipment Market in Hong Kong

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	2,056,000	2,200,000	2,354,000	2,471,700
Total Local Production	2,513,000	3,317,000	3,549,000	3,726,450
Total Exports	31,538,000	41,823,000	44,750,000	46,987,500
Total Imports	31,081,000	40,706,000	43,555,000	45,732,750
Imports from the U.S.	1,557,000	1,686,000	1,804,000	1,892,200
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

- Notes:
1. Unit: USD thousands.
 2. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
 3. Data Sources:
 - Total Local Production: Hong Kong Census and Statistics Department.
 - Total Exports: Hong Kong Census and Statistics Department.
 - Total Imports: Hong Kong Census and Statistics Department.
 - Imports from U.S.: Hong Kong Census and Statistics Department.

Hong Kong's IT equipment (computer and parts) imports in 2010 grew 30% to US\$41 billion, a significant expansion in the market following a contraction in 2009. The value of U.S. IT equipment exports to Hong Kong in 2010 was US\$1.7 billion, representing 4% of Hong Kong's total IT imports.

Although there are no official statistics on software and IT service, Business Monitor International estimated Hong Kong's software and IT service spending in 2010 at US\$ 1.4 billion and US\$ 1.7 billion, respectively.

Macau's IT equipment imports in 2010 were approximately US\$320 million.

Sub-Sector Best Prospects

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For Corporate Users:

- Infrastructure as a Service: Servers, Storage, Networks, and Clients;
- Platform as a Service: Application Development Software, Application Testing Software, Application Deployment Software;
- Software/Applications as a Service: Collaboration, Enterprise Resource Management, Supply Chain Management, Customer Relationship Management, Business Analytics.
- Consulting, Training, Integration Service for end-users of Cloud Services.

For Consumers:

- Netbooks, Notebooks, tablet computers (such as the iPad), smart phones (such as iPhone),
- 3D computer devices such as 3D monitors, webcams, and digital frames etc.
- USB 3.0 specification devices.

Opportunities

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Following a contraction in 2009, Hong Kong has experienced healthy growth of 7% in IT spending in 2010.

Key sectors of the economy such as financial services are still investing in new technologies as Hong Kong strives to maintain its regional hub status and meet competition from regional rivals such as Shanghai and Singapore.

Cloud Computing will continue to gain acceptance and momentum as service providers become more effective at handling the challenges of providing public cloud computing services and organizations realize the flexibility and cost savings that are being offered. IDC predicts that the combination of '5 nines' reliability guarantees plus robust business continuity and disaster recovery capabilities will be the new "killer application" in cloud services.

In addition to corporate spending, an expected increase government spending will also stimulate demand and employment. The Hong Kong Government has been one of the major driving forces behind IT development and usage in Hong Kong. Estimated Government IT spending for the 2009/2010 fiscal year is US\$740 million, significantly higher than fiscal year 2008/2009, spending of US\$508 million.

Although Hong Kong is a relatively small market for U.S. 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 2010, about 70% of Hong Kong's total exports of IT equipment (totaling US\$ 24 billion) went to China.

Web Resources

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Major Trade Shows:

International ICT Expo
Dates: April 13-16, 2011
Venue: Hong Kong Convention and Exhibition Center
Website: <http://ictexpo.com>

Associations:

Information and Software Industry Association
Contact: 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.
Contact: Francis Fong, President
Tel: (852) 2287-8001
Fax: (852) 2287-8038
Email: francis.fong@hkityf.org.hk

Website: www.hkitf.org

Hong Kong Wireless Technology Industry Association Ltd.

Contact: John Chiu, Chairman

Tel: (852) 2370-3130

Fax: (852) 8208-8782

Email: contact@hkwtia.org

Website: www.hkwtia.org

Hong Kong Internet Service Providers Association

Contact: York Mok, Chairman

Tel: (852) 2803-2669

Fax: (852) 2803-2671

Email: york@hkispa.org.hk

Website: www.hkispa.org.hk

ICT Journals in Hong Kong:

- TelecomAsia (www.telecomasia.net)
- ComputerWorld Hong Kong (www.cw.com.hk)
- Hi-Tech Weekly (best-selling Chinese language magazine) (www.hitechweekly.com)

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Franchising (FRA)

Overview

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Hong Kong's legal framework and high per capita income attract foreign franchisors looking to expand to international markets. There were approximately 130 franchised systems in Hong Kong in 2010, predominately in food, retail stores, fitness, children's services, and IT and educational training services. Almost 50% of franchises are foreign-owned, the majority of which are from the U.S. 35% of franchises in Hong Kong are in the food and quick service restaurants category, one third are in services, and the rest are in retail stores.

Most of the local franchisees of U.S. franchises operate as area developers and do not sub-franchise. Some do, however, include the Pearl River Delta (PRD) region (immediately to the north of Hong Kong) of Southern China and the Special Administrative Region of Macau as their territory of operation, in addition to Hong Kong. The PRD 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 assist franchise owners, both local and foreign, to develop a strategy for expanding operations to this region. It is also common for Hong Kong area developers to partner with the U.S. franchisors to jointly develop franchises in the PRD region and other parts of China, involving equity participation from the U.S. franchisor.

U.S. brands such as 7-eleven, Pizza Hut, Burger King, GNC, and Subway 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 the need to have a regional presence in Hong Kong to develop local business relationships, be in constant touch with the local franchisee to build the business, and fine tune the product offerings and services.

Sub-Sector Best Prospects

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Quick service restaurants with an entertainment theme, and franchise systems that are related to children and education.

Opportunities

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Most franchise growth in the past two years has been in quick service restaurants, nutritional supplements retailing, nail bars and personal care, and learning centers. Macau, with its growth of gaming resorts and MICE (meetings, conventions and exhibitions) business faces a shortage of skilled labor in the hospitality industry. There are therefore opportunities for U.S. franchisors in training services to develop franchisees in Macau.

Hong Kong, with its open import market, 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. Hong Kong also serves as a

regional showcase for U.S. franchisors looking to penetrate the Mainland Chinese market and other markets in the region.

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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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Electric Cars (AUT)

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Electric vehicles (EV) are becoming much more widely used in Hong Kong and there is much potential in the EV market for US companies. An electric vehicle uses one or more electric motors for propulsion and generally can be charged using a normal wall socket. As concern over environmental degradation and pollution grows, the Hong Kong Government is making concerted efforts to encourage the use of alternative-energy vehicles on the roads. At the moment there are around 600,000 automobiles and over 5,500 buses on Hong Kong roads. Almost none of these vehicles are EVs and very few use other alternative-energy components. The Hong Kong Government is looking for ways to solve the road-side air pollution problems in the city, reduce carbon emissions and reduce the expenditure and dependency on oil and diesel. As a result, they are looking to EVs as a potential solution to the long-term environmental problems created by cars. Although EVs have yet to take off and become widely used in Hong Kong, there is reason to believe the EV market will be highly lucrative and achieve fast growth in the coming years.

For automobiles, as of mid-November 2010, there were only 85 EVs available for road use in Hong Kong.¹² However, other forms of alternative energy vehicles are on the market here. Currently, there are about 2,200 Priuses in Hong Kong, about half a percent of the total number of registered private cars in the city. Other hybrid cars sold in Hong Kong include models made by Lexus, Porsche and Volkswagen, though the Prius has been on the market the longest.

The EV market has yet to take off in Hong Kong but the city boasts a reliable supply of electricity with a stable transmission grid and the Government has ambitious plans for the EV market, hoping to make Hong Kong the electric vehicle hub of the Pearl River Delta. In September 2010, officials said they were aiming for 30% of privately owned cars in the city to be hybrid or electric by 2020. As such, the government is encouraging businesses and car-park owners to install at least 2,000 charging stations by 2013, setting up an electric infrastructure before the vehicles hit the roads in significant numbers. Car-park owners can enjoy 100% concessions on gross floor areas for carparks that are "EV charge enabling". At present, the Government and the two power companies (HK Electric and CLP) have installed EV charging facilities at 39 locations with 265 stations across the territory. Another 23 locations will be added to the list by mid-2010. On January 21, 2011 the Government launched a hotline that provides installation information for new EV owners.

Major players in the EV market are Nissan, Mitsubishi, and Tesla, but other companies are ready to join the growing market. Nissan has agreed to advance the supply of its EV, "LEAF," to Hong Kong, and will set aside some vehicles in the first batch of production for supply to corporate users in Hong Kong. "LEAF" is expected to arrive in Hong Kong in April of 2011. Mitsubishi's EV, iMiEV, has been available in Hong Kong since 2009. Tesla's "Roadster" has already been launched in the Hong Kong retail market. Smith, a British commercial EV manufacturer, also plans to launch their commercial EVs in Hong Kong early this year.

¹² Hong Kong Government Release

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Specific US companies who could benefit from the growing EV market in Hong Kong include:

- 1) Manufacturers of electric automobiles and buses.
- 2) EV batteries manufacturers/suppliers.
- 3) Consultancy groups who can advise on charging infrastructures or the maintenance of EVs.

Opportunities

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The Government has set up a US\$39 million pilot 'Green Transportation Fund' to encourage the public transport sector to test out green and low-carbon transport means and technology. To continue to accelerate the phasing out of old diesel commercial vehicles, the government will also provide a 36-month subsidy scheme for the replacement of Euro II diesel commercial vehicles. The scheme will involve approximately US\$70 million. Other incentives include a 100% profits tax deduction for capital expenditure on environment-friendly vehicles, and a first registration tax waiver until March 2014 of about 35-100 percent of the vehicle's price to further promote the use of electric cars.

The Kowloon Motor Bus Company (KMB) has plans to phase out a number of its more polluting buses in the next few years and replace them with energy-efficient alternatives. The fleet has a life span of 17 years of which most are currently in the 12-15 year range. KMB has targeted electric buses as one of their high priority investments in this area.

The Hong Kong International Airport is now operating a fleet of 14 electric vehicles in the restricted area to carry passengers to and from the airport.

In terms of market barriers, financial incentives for EVs in Hong Kong are fairly low compared to the U.S. or mainland China. Even with the government incentives, the price of an EV is still two to three times as much as a comparable gasoline-powered car. Hong Kong's steep hills are also a challenge for EVs. Though many electric cars advertise being able to drive up to 160 kilometers on a full charge, Hong Kong's mountains along with the use of air conditioning makes that range closer to about 100 kilometers.¹³ Status is another important factor for Hong Kong drivers therefore EVs need to be marketed as a type of luxury vehicle.

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Trade Show / Exhibition / Conference:

Eco Expo Asia

Dates: October 26-29, 2011

Website: <http://www.hktdc.com/fair/ecoexpoasia-en/Eco-Expo-Asia-International-Trade-Fair-on-Environmental-Protection.html>

¹³ **Why Electric Cars Aren't Selling** Christopher Shay The Wall Street Journal

Industry Contacts:

Environment Bureau: www.enb.gov.hk

Environmental Protection Department: <http://www.epd.gov.hk/epd/>

Federation of Hong Kong Industries: www.industryhk.org

Financial Secretary's Office: www.fso.gov.hk/

Hong Kong Productivity Council: www.hkpc.org

Hong Kong Auto Parts Industry Association: www.hkapia.com

Hong Kong Automotive Parts and Accessory Systems (APAS) R&D Centre:

<http://www.apas.hk/en/intro.asp>

Transport Department: www.td.gov.hk

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Agricultural Sectors

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Hong Kong is one of the fastest growing export markets for U.S. agricultural products. Total U.S. agricultural exports to Hong Kong are expected to reach over US\$2.7 billion in 2010¹⁴, an increase of 43 percent over 2009. This ranks Hong Kong as the 7th largest market for U.S. agricultural products.

Despite having a population of just 7 million, Hong Kong is an even more important market for U.S. consumer-oriented (i.e. grocery) exports, which are expected to reach US\$2.0 billion in 2010. This represented a growth of 20 percent over 2009 and makes Hong Kong the 4th largest market for these products after Canada, Mexico and Japan.

Hong Kong's rapid growth as a major food import market can be attributed to several factors:

1. Absence of trade barriers to most food and beverage products (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;

¹⁴ Source: US BICO Statistics, FAS Website: <http://www.fas.usda.gov/>

3. A highly-developed marketing system, with tourists (36.03 million in 2010) and affluent consumers who demand high-value imports. Hong Kong's per capita income (estimated at US\$30,000 for 2009) is among the highest in Asia, with a significant portion of income spent on food.

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 beverage is growing rapidly.

Outlook for 2011

- Nearly 75 percent of Hong Kong's imports of U.S. agricultural products consist of consumer-oriented products. As expected, food imports in Hong Kong showed strong growth in 2010 as its economy rebounded from the global economic crisis. Growth in food imports is also expected in 2011 but at a slightly less robust pace. U.S. agricultural products are well known in the market for their good taste and quality. In addition, the peg between U.S. dollar and HK dollar will provide much needed foreign exchange stability which will make buying U.S. products more advantageous, especially if the U.S. dollar remains weak compared with currencies of other food supplying countries.

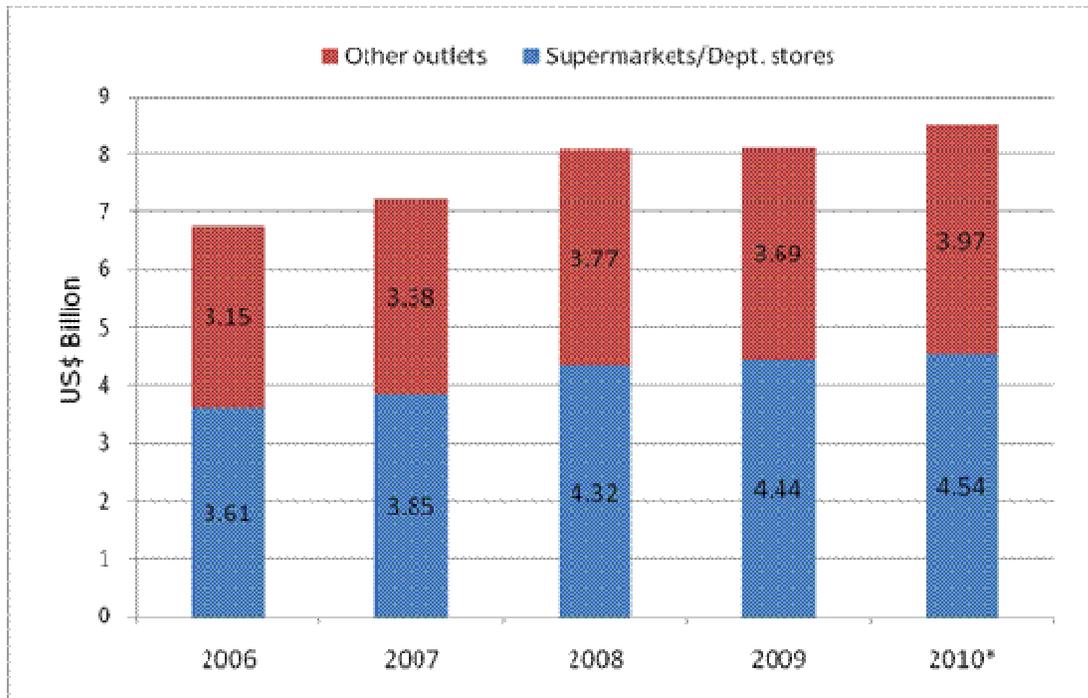
Retail Sales and Outlets

- Total retail sales of food and drinks in Hong Kong for 2010 are expected to reach US\$8.51 billion, representing growth of 4.7 percent compared to 2009. Relatively strong economic growth prospects from 2011 should help maintain growth in the food retail sector and food retail sales, which are expected to reach a level of US\$8.75 billion in 2011.

F&B Retail Sales in Hong Kong

Channel	2006	2007	2008	2009	2010*	2011*
Supermarkets/Dept. stores	3.61	3.85	4.32	4.44	4.54	4.67
Other outlets	3.15	3.38	3.77	3.69	3.97	4.08
Total	6.76	7.23	8.09	8.13	8.51	8.75

- Notes:
1. Unit: US\$ billion
 2. * Estimated figures for 2010 and 2011
 3. Source: Hong Kong Census and Statistics Department



- Despite a highly centralized supermarket retail network, with two supermarket chains accounting for about 80 percent of the supermarket turnover, the total number of retail establishments stands at approximately 14,000. Retail shops in Hong Kong generally are very small in size, about 98 percent of which hire less than 10 employees¹⁵.
- 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 percent of total sales in 1995 to 54 percent in 2010.
- Although there will not be significant growth of the number of supermarkets, the retail sales share of supermarkets is expected to continue to expand in the future at the expense of that of traditional markets. Many supermarkets in Hong Kong now have successfully tapped the fresh food market by offering foods at very competitive prices and providing a comfortable shopping environment, which is different from traditional wet markets.

Sales by Retail Outlet¹⁶

Outlet	2005	2006	2007	2008	2009	2010*
Supermarkets/ Dept. stores	54%	53%	52%	54%	53%	54%
Other outlets	46%	47%	48%	46%	47%	46%
Total	100%	100%	100%	100%	100%	100%

¹⁵ Source: Hong Kong Census and Statistics Department

¹⁶ Source: Hong Kong Census and Statistics Department

* Estimated figures for 2010

- Overall, wet markets are strong in fresh foods, while supermarkets are strong in processed, chilled and frozen, high added value, and canned 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

Restaurants

Despite the global financial crisis, Hong Kong restaurant industry's purchases of over US\$3.5 billion in foods and beverages generated sales of over US\$10.2 billion in 2009. This represented an increase of 0.6% and a drop of only 2.8% respectively over 2008.¹⁷ As Hong Kong's economy experiences continued growth it is expected that restaurant purchases and receipts will have grown by 4.3% and 5.0%, reaching US\$3.7 billion and US\$10.75 billion respectively in 2010.

Hong Kong Restaurants Receipts and Purchases

	2009	2010*	Growth 09 vs 10
Restaurant Receipts	10.2	10.8	5.0%
Restaurant Purchases	3.5	3.7	4.3%

Notes: 1. Value in US\$ billion
2. * Estimated figures based on analysis of the economy, market trends and interviews with HRI traders
3. Source: Quarterly Restaurant Receipts and Purchases, Hong Kong Census & Statistics Department

As Asia's most cosmopolitan city, Hong Kong boasts around 11,540 restaurants serving a wide range of world cuisines. These restaurants are comprised of 53% Chinese, 36% non-Chinese restaurants, and 11% fast food outlets. In addition, there are over 1,000 bars, pubs and other eating and drinking establishments¹⁸.

- **Chinese restaurants:** Chinese restaurants are popular among local citizens and tourists. There are a variety of Chinese restaurants in Hong Kong serving different regional cuisines: Canton, Shanghai, Beijing, Sichuan...etc. A typical lunch at a nice Chinese restaurant costs around HK\$100-300 (US\$12.85-38.46) per person and a typical dinner costs around HK\$150-400 (US\$19.28-51.28) per person.
- **Non-Chinese restaurants:** Many Hong Kong consumers enjoy western food, as do the nearly 30 million tourists (in 2009). 5-Star and other high-end western restaurants are as likely to be patronized by locals as tourists/visitors. Japanese food, fast food chains, coffee houses and casual dining establishments are also increasing their presence. A typical lunch at a western restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$200-500 (US\$25.65-64.10) per person.
- **Fast food outlets:** Fast food outlets are popular among Hong Kong consumers. The most popular fast food chains in Hong Kong are McDonald's, KFC and Pizza Hut. There

¹⁷ Source: Analysis of import statistics, market reports and discussions with food service traders

¹⁸ Source: Hong Kong Census and Statistics Department

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 among fast food chains is intense, as they each try to keep meal prices competitive. The average cost is around HK\$25 (US\$3.20) for breakfast, HK\$30 (US\$3.85) for lunch, HK\$20 (US\$2.56) for afternoon tea and HK\$50 (US\$6.41) for dinner. 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 such as salads, fruits, and fresh juices.

- **Coffee Shops:** The coffee shop market continues to grow in Hong Kong's commercial areas. The two largest coffee house outlets are Starbucks – operating 109 outlets and Pacific Coffee 53 outlets. Most shops also offer basic menus consisting of muffins, pastries, cakes, sandwiches, and bottled beverages (juices and water). McDonald's has also vigorously expanded its McCafe in order to gain share in this growing market. Of its 154 outlets, 64 include a McCafe inside their shops.
- **Growing Trend – Healthy Eating:** Hong Kong's food culture is "fresh". Consumer preference for fresh and live products is due to tradition, as well as concern about food safety. Hong Kong consumers are increasingly health conscious. Hong Kong has over 50 small to medium size health food stores. The two leading supermarket chains (Wellcome and ParknShop) and drug store chains (Manning's and Watson's) also sell natural/organic products at their outlets. The growth of "Mix" – a juice bar that also serves food is a good example of a successful "healthy" restaurant chain. Organic foods are also gaining popularity as evidenced by the growth of specialized retail outlets for organic foods. There is increasing opportunity for U.S. products and ingredients in this sector.

Hotels

Hotels, Hostels and Guesthouses in Hong Kong

	2008	2009*	Growth
Number of hotels/guesthouses	695	758	+9%
Number of rooms	60,273	65,386	+8%
Room occupancy rate	85%	77%	-

Notes: 1. Source: Hong Kong Tourism Board
2. * Estimated figures for 2009

- According to Hong Kong Tourism Board statistics, tourists spent more than US\$1.37 billion on food and beverages in 2009.
- Many five-star hotels serve U.S. beef, chicken, turkey, pork, eggs, fish and seafood products, fruits and vegetables, processed products and beverages.
- The Hong Kong Government (HKG) provides a searchable list of licensed Hotels & Guest Houses at:
http://www.hadla.gov.hk/en/hotels/search_h.html
http://www.hadla.gov.hk/en/hotels/search_g.html
- A list of Hong Kong hotels are available at:

Institutions

- Institutions like schools, hospitals, and airlines 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 lunch boxes or subscribe to school lunch boxes. There are 582 primary schools and 5,273 secondary schools. The total number of primary students and lower secondary students amounted to 344,748 and 238,026 respectively¹⁹. About 70 percent of students buy lunch at schools. A typical lunch box consists of meat, rice and some cooked vegetables. The annual turnover is estimated at US\$250 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 boxes.
- **Hospitals:** The Hospital Authority operates 40 hospitals and medical centers, with a total of 27,117 beds and staff size of 55,91120. The catering services for hospitals are outsourced on a tender basis. 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:
 - Cathay Pacific Catering Services
 - Lufthansa Service Hong Kong Ltd
 - Gate Gourmet Hong Kong Ltd
- The three airline caterers have a combined capacity of 135,000 meals per day, providing a whole range of in-flight catering services, from preparation and assembly of in-flight dishes to logistics of food delivery and storage of catering utensils²¹.

Outlook of the HRI Sector in 2011

- The outlook for spending on food is optimistic as the Hong Kong economy continues to grow after exceeding expectations in 2011. It is expected that more consumers will dine out. In addition, more tourists are expected to visit Hong Kong and spend on food and

¹⁹ Source: Hong Kong Government Education Bureau

²⁰ Source: Annual Report of the Hospital Authority

²¹ Source: Website of the Hong Kong Airport Authority

beverage. In view of the positive business environment, the trade estimates that both the number of restaurants and restaurant receipts will increase by around 5 percent in 2011.

Ten Best Prospects for U.S. Consumer Oriented Food Product Exports in 2010

We believe that U.S. F&B products will continue to enjoy good prospects in Hong Kong:

1. Hong Kong has a highly-developed marketing system, with tourists (circa 30 million each year) and affluent consumers who demand high value imports. Per capita income (circa US\$30,000) in Hong Kong is among the highest in Asia, with a significant portion of income spent on food.
2. With the link between the U.S. and Hong Kong dollars, buying from the U.S. provides much needed foreign exchange stability & safety than buying from other sources.
3. With the strong support from China, Hong Kong will continue to play the important role as the gateway to China and other markets in the region.
4. The following are expected to be the top 10 prospects for U.S. Consumer Oriented Food Product Exports in 2011
 - Fish & Seafood
 - Fresh Fruits
 - Poultry
 - Pork
 - Processed Fruits & Vegetables
 - Beef
 - Wine
 - Beer
 - Fruit and Vegetable Juice
 - Organic Food & Beverages

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 in 2011:

Date	Name of Show	Website
May 11-14, 2011	HOFEX 2011*	www.hofex.com
Aug 25-27, 2011	Natural Products Expo Asia	www.naturalproductsasia.com
Sep 6-8, 2011	Restaurant and Bar	www.restaurantandbarhk.com
Sep 6-8, 2011	Asian Seafood Exposition	www.asianseafoodexpo.com
Sep 7-9, 2011	Asia Fruit Logistica*	www.asiafruitlogistica.com
Nov 3-5, 2011	4 th Hong Kong Int'l Wine & Spirits Fair	http://hkwinefair.hktdc.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
Address: 18/F, St. John's Building
33 Garden Road, Central
Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
Email: atohongkong@fas.usda.gov
Website: www.usfoods-hongkong.net

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Import Tariffs

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Hong Kong

Hong Kong imposes no tariffs on general imports, with the exception of four categories of goods: liquor, tobacco, hydrocarbon oil, and methyl alcohol. The excise tax on distilled spirits is 100 percent, and the rate for unleaded gasoline is US\$0.78 per liter. Duties on wine and beer were reduced to 0 percent effective February 27, 2008. The old duties were 40 percent and 20 percent, respectively. In addition, a steep "First Registration Tax," which ranges from 35-100 percent of price, is levied on new car purchases. The current list of dutiable goods and corresponding rates is available at: www.customs.gov.hk/eng/major_dutiable_freeport_e.html

To inquire about specific products contact:

Customs and Excise Department
Address: Customs Headquarters Building
222 Java Road, North Point
Hong Kong
Tel: (852) 3759-2606
Fax: (852) 2541-3039 (Office of Dutiable Commodities Administration)
Website: www.customs.gov.hk

Macau

Macau is a free port with no tariffs on general imports, although it imposes a consumption tax on alcohol, tobacco and fuels, ranging from 5 – 20 percent based on CIF/Macau, and a motor vehicle tax of 10 – 55 percent on imported motorcycles and motor vehicles, based on the initial sale price.

Macau Customs Service

Rua S. Tiago da Barra
Doca D. Carlos I, SW
Customs Headquarters, Macau
Tel: (853) 2855-9944
Fax: (853) 2837-1136
Email: info@customs.gov.mo
Website: www.customs.gov.mo

Trade Barriers

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Hong Kong and Macau are duty-free ports, with few barriers to trade in goods and services and few, if any, 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

Hong Kong maintains an autonomous and transparent export control regime. The United States continues to provide Hong Kong importers a comparable level of access to controlled dual-use U.S. technologies as before Hong Kong's reversion to Chinese sovereignty. In some cases, items that do not require a license for export to Hong Kong may require a license to mainland China. 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 Arrangement, Missile Technology Control Regime, 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. 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 restricted by U.S. export control laws.

Macau

Macau is treated differently than Hong Kong by the Bureau of Industry and Security for export control purposes. In the case of Macau, exports or re-exports to Macau are treated as exports or re-exports to mainland China.

Bureau of Industry and Security
For more information on U.S. export control regulations, please visit:
www.bis.doc.gov

Most products are not subject to any Hong Kong or Macau 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 www.customs.gov.hk or Macao Customs Services at www.customs.gov.mo.

Labeling and Marking Requirements

The following information on labeling and marking refers to Hong Kong unless indicated.

Hong Kong's non-tariff barriers related to labeling requirements, standards, and other requirements are generally minimal, but will become more restrictive for foods, beverages, and supplements.

Currently, pre-packaged foods in Hong Kong need to be legibly marked or labeled in either the English or Chinese language, or in both languages. The label/marketing needs 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, including additives and allergens, 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.

New Food Labeling Requirements

Hong Kong's Legislative Council passed a nutritional labeling regulation on May 28, 2008 that took effect July 1, 2010. The regulation requires all prepackaged food sold in Hong Kong to label the product's energy content plus seven nutrients: protein, carbohydrates, fat, saturated fat, trans fat, sodium and sugars. Packaged products which make claims such as "low fat" or "high in Vitamin A" must meet additional labeling and definitional requirements as uniquely spelled out in the legislation. Manufacturers and traders may apply for a small volume exemption for individual prepackaged food products with annual sales in Hong Kong of less than 30,000 units, provided that the products do not carry any nutritional claims. Traders applying for the exemption have to pay the equivalent of US\$44 per product variety for the first year and US\$43 for annual renewal. The new labeling regulation does not follow the labeling practices of major suppliers. Given the small size of Hong Kong's market, most packaged food manufacturers and local importers find it economically unviable to provide new labels specifically for Hong Kong. This regulation has already begun to adversely impact U.S. exports of processed foods to Hong Kong.

In 2009, Hong Kong was the 4th-largest market for U.S. grocery products, with sales of almost US\$1.7 billion. Any food supplement or vitamin not assigned a "pharmaceutical number" is considered a food and will be subject to the legislation.

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. The government submitted the Bill to the Legislative Council in June 2010 and it is expected to be passed into law in 2011.

After finding the industrial chemical melamine in dairy products that originated in mainland China, the Hong Kong Government in November 2008 submitted to the Legislative Council various amendments to the Public Health and Municipal Services Ordinance. Under the proposed amendments, 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 Legislative Council passed the amendments in April 2009.

In parallel with reforming the food safety regulatory regime, the Hong Kong Government is also in the process of drafting a regulation on pesticide residue in foods, which is planned to be introduced to the Legislative Council for discussion in 2011.

Consumer Electrical Appliances Labeling

The Hong Kong Government enacted the Energy Efficiency Labeling Ordinance in May 2008 for consumer electrical appliances. The ordinance's Mandatory Energy Efficiency Labeling Scheme (MEELS) is intended to assist consumers in choosing energy efficient products. Under the ordinance, the manufacturer/importer's product must be registered with the Hong Kong Electro-Mechanical Services Department and carry an energy label that complies with specified technical requirements. The ordinance's first phase of implementation mandated standardized energy efficiency labeling for three types of products sold in Hong Kong beginning on November 9, 2009: air conditioners, refrigerators and compact fluorescent lamps. The second phase of MEELS, which commenced on 19 March 2010 with an 18-month grace period for the traders to make necessary preparations, covers two more products: washing machines and dehumidifiers. A Code of Practice on Energy Labeling of Products has been approved and issued to provide practical guidance and technical details about the requirements under the Ordinance. The following website has more details:

[http://www.emsd.gov.hk/emsd/e_download/pee/Integrated_Code_of_Practice_\(201003\)\(Final\).pdf](http://www.emsd.gov.hk/emsd/e_download/pee/Integrated_Code_of_Practice_(201003)(Final).pdf)

Prohibited and Restricted Imports

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

Hong Kong banned imports of U.S. beef in December 2003 following a reported case of Bovine Spongiform Encephalopathy (BSE). After two years of intensive efforts by the U.S. Government and industry, the Hong Kong government in December 2005 announced the partial reopening of its market (with numerous restrictions) to deboned beef derived from animals less than 30 months of age. These restrictions, however, have discouraged most qualified U.S. beef exporters from shipping to Hong Kong. It is estimated that the two year ban (2004-2005) cost U.S. exporters approximately \$180

million. "World Organization for Animal Health (OIE) guidelines provide for scientifically based conditions under which all beef and beef products from animals of any age can be safely traded. In May 2007, the OIE classified the United States as controlled risk for BSE. The United States continues to press Hong Kong to fully open its market for all U.S. beef and beef products on the basis of the OIE guidelines and the OIE's classification of the United States as controlled risk for BSE. Restrictions have limited U.S. exports of beef and beef variety meats to Hong Kong. However, the value of U.S. beef and beef products exports to Hong Kong is expected to reach record high of US\$145 million in 2010, well surpassing the \$91 million export value in 2003. Hong Kong has offered to open its market in three phases to all OIE-consistent beef products. Hong Kong authorities conducted an audit visit in October 2009 to beef processing facilities in the United States. Pending Hong Kong's submission of its findings, the two sides have agreed to attempt to negotiate a protocol governing all aspects of Hong Kong imports of U.S. beef.

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\$1,206 for every 1,000 cigarettes, and HK\$1,553 per kilogram for cigars. The tax on distilled spirits is 100 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 www.customs.gov.hk. For information about Macau customs, please check the Macau Customs Services website at www.customs.gov.mo.

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
Address: 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.

The following sixteen areas have special regulations, standards and conformity assessment mechanisms: animals and plants (sanitary and phytosanitary), boilers and pressure vessels, building materials and construction, chemicals (pesticides), consumer goods, drugs and medical devices, electrical products, energy, environment, food, information and communications technology equipment and systems, lifts and escalators, radioactive substances and irradiating apparatus, shipping safety, toys and children's products, and transport equipment.

Please visit the following website for more specific product regulations and standards: www.itc.gov.hk/en/quality/psis/srca/db.htm

Standards Organizations

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Hong Kong and Macau do not have central standards bodies developing and issuing domestic standards. The Product Standards Information Bureau (PSIB), the Hong Kong Accreditation Service (HKAS) and the Standards and Calibration Laboratory (SCL) of the Innovation and Technology Commission (ITC) actively participate in standards and conformity assessment related international and regional activities.

PSIB represents Hong Kong in the Asia Pacific Economic Cooperation (APEC) Sub-Committee on Standards and Conformance (SCSC), International Organisation for Standardisation (ISO) and the Pacific Area Standards Congress (PASC); HKAS actively participates in the Pacific Accreditation Cooperation (PAC), Asia Pacific Laboratory Accreditation Cooperation (APLAC), International Accreditation Forum (IAF) and International Laboratory Accreditation Cooperation (ILAC); and SCL is a full member of the Asia Pacific Metrology Programme (APMP) and represents Hong Kong, China as an Associate of the General Conference on Weights and Measures (CGPM) of the Metre Convention.

In addition, the Customs and Excise Department is a Correspondent Member of the International Organisation 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: <http://www.nist.gov/notifyus/>

Conformity Assessment

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A comprehensive range of conformity assessment services including testing, calibration, certification and inspection, are available in Hong Kong. The majority of such services are provided by the private sector. Examples of Conformity Assessment Bodies (CABs) include:

- Intertek Testing Services Hong Kong Ltd.
- Calibration & Testing Laboratory / Sun Creation Engineering Ltd.
- The Hong Kong Standards and Testing Centre Ltd.
- CMA Industrial Development Foundation Ltd.
- TUV Rheinland Hong Kong Ltd.
- Bureau Veritas Hong Kong Ltd.

Conformity is demonstrated through third party accreditation. The Hong Kong Accreditation Service (HKAS), a government organization, provides accreditation for laboratories, certification bodies and inspection bodies.

Product Certification

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The certification system in Hong Kong is administered to facilitate Hong Kong's export to foreign markets. The system establishes the origin of goods that Hong Kong exports to meet the requirements of overseas importing authorities.

Hong Kong's origin system is backed up by law. The Export (Certificates of Origin) Regulations of the Import and Export Ordinance (Cap. 60) provides the Director-General of Trade and Industry with power to run the certification system. It also provides penalties for certification offences.

Certificates of Origin issued by the Government Approved Certification Organizations (GACOs) are governed by the Protection of Non-government Certificates of Origin Ordinance (Cap. 324 of the law of Hong Kong). These Certificates of Origin have the same legal status as those issued by the Trade and Industry Department.

Accreditation for construction product certification and consumer product certification services is provided by the Hong Kong Accreditation Service. The accreditation criteria include HKAS 002, ISO/IEC Guide 65: 1996, the relevant HKAS supplementary criteria, HKCAS Supplementary Criteria No. 2 (for construction product certification) and HKCAS Supplementary Criteria No. 3 (for consumer product certification).

Construction Products

For accreditation of construction product certification, the scope of accreditation service is given in HKCAS Supplementary Criteria No. 2. Certification bodies interested in seeking accreditation for construction product certification may contact the Trade and Industry Department for further details.

Consumer Products

Application for accreditation is open to any certification body which is operating a third-party product certification system of type 1b, 2, 3, 4 or 5 as described in ISO/IEC Guide 67: 2004 for specific types of consumer product in one of the following product groups:

- Electrical and electronic products
- Food containers
- Furniture
- Telecommunications equipment
- Textiles, garments, and footwear
- Toys and children's products

Accreditation

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The Hong Kong Accreditation Service (HKAS), a government organization, provides accreditation for laboratories, certification bodies and inspection bodies. HKAS operates three accreditation schemes: Hong Kong Laboratory Accreditation Scheme (HOKLAS), Hong Kong Certification Body Accreditation Scheme (HKCAS) and Hong Kong Inspection Body Accreditation Scheme (HKIAS). HOKLAS was launched in 1985, HKCAS in 1998, and HKIAS in 1999. Participation in these schemes is voluntary. HKAS participates in a number of mutual recognition arrangements.

HKAS is advised by the Accreditation Advisory Board (AAB) on matters relating to accreditation. The Chairman and members of AAB are appointed by the Secretary for Commerce and Economic Development under the delegated authority of the Chief Executive. Working Parties and Task Forces are established under AAB to undertake specific tasks. HKAS has established a cadre of assessors and technical experts for carrying out assessments for each of the accreditation scheme.

HKAS 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
Address: 36/F, Immigration Tower
7 Gloucester Road, Wanchai, Hong Kong
Tel: (852) 2829-4840
Fax: (852) 2824-1302
Email: hkas@itc.gov.hk
Website: www.itc.gov.hk/en/quality/hkas/about.htm

Publication of Technical Regulations

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Technical regulations are proposed and passed by relevant government departments. There may or may not be public consultation before each regulation is passed.

Hong Kong's technical regulations cover the following areas: Electrical Products Safety, Air Pollution Control, Antibiotics, Boilers and Pressure Vessels, Buildings, Consumer Goods Safety, Dangerous Drugs, Electricity, Environmental Impact Assessment, Food and Drug (Composition and Labeling), Gas Safety, Merchant Shipping safety, Noise Control, Ozone Layer Protection, Pesticides, Pharmacy and Poisons, Plant (Importation and Pest Control), Public Health (Animals and Birds), Public Health and Municipal Services, Radiation, Road Traffic, Telecommunications, Toys and Children's Products Safety, Waste Disposal, and Water Pollution Control.

More information on Hong Kong's technical regulations can be obtained from the following website: 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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Hong Kong's regulations for labeling and marking are developed and administered by the Centre for Food Safety. On July 9, 2007, an amendment to Hong Kong's Labeling Regulation went into effect that requires manufacturers to declare allergenic substances and to list the food additive functional class and name or identification number (under the International Numbering System) on food labels. On May 28, 2008, Hong Kong's Legislative Council passed an amendment to Hong Kong's Labeling Regulation that created unique nutritional labeling requirements for packaged food products, which came into effect in July 1, 2010. On October 28, 2008, Hong Kong notified the WTO of its proposal to change its existing voluntary food recall system to make it mandatory. The new regulation was enacted and came into effect on May 8, 2009. Visit The Centre for Food Safety's website (www.cfs.gov.hk) for more information.

In general, according to Schedule 3 to the Food and Drugs (Composition and Labeling) Regulations (Cap. 132W), the following information should be marked in either English or Chinese language or in both languages on the label of prepackaged food:

- (1) Name of the food
- (2) List of ingredients
- (3) Indication of "use by" or "best before" date
- (4) Statement of special conditions for storage or instructions for use
- (5) Name and address of manufacturer or packer
- (6) Count, weight or volume of food

In Hong Kong, labeling regulations apply mainly to food (e.g. pre-packaged chilled beef, mutton or pork; oilfish/cod, pre-packaged food in general), coloring and flavoring compounds, containers of dried milk, and drugs. It covers nutrition labeling, labeling on food allergens, food additives, date format, and labeling on genetically modified food.

It is illegal to advertise, sell, or manufacture any food or drug that is not marked and labeled in the manner prescribed and is liable to a fine at level 5 and to imprisonment for 6 months.

For information on related basic food laws, consult Part V and Part VA of the Public Health and Municipal Services Ordinance (Cap. 132).

Contacts

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The designated central contact for standards issues in Hong Kong is listed below:

Innovation and Technology Commission
Executive Administrator, Hong Kong
Accreditation Service
36/F, Immigration Tower
7 Gloucester Road
Wan Chai, Hong Kong
Tel: (852) 2829-4819
Fax: (852) 2824-1302
Email: psib@itc.gov.hk
Website: <http://www.itc.gov.hk/psib>

For regulatory contacts, please refer to the following website:
www.itc.gov.hk/en/quality/psis/index.htm

U. S. Commercial Service in Hong Kong
Contact: Ms. Kimmy Lee
Tel: (852) 2521-1467
Fax: (852) 2845-9800
Email: kimmy.lee@trade.gov

Trade Agreements

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Hong Kong

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

Even following 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 imported 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, expanded access for service providers. Service providers in 38 sectors (e.g., logistics, distribution) now enjoy preferential treatment on the mainland.

The fifth and sixth phases, respectively announced in July 2008 and May 2009, further facilitated market access for service providers. A total of 29 new liberalization measures were implemented covering 20 CEPA services sectors and two new services sectors (services incidental to mining, and related scientific and technical consulting services). As a result, the total number of services sectors covered by CEPA was expanded from 40 to 42.

The seventh phase, announced in May 2010, introduced 35 liberalization measures covering 19 service sectors. As a result, service providers in 44 sectors are entitled to preferential treatment in mainland China.

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 operations here for more than three years, and employ at least half of 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. For more information on CEPA, please visit: www.tid.gov.hk/english/cepa.

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.

Macau

A separate and roughly equivalent Closer Economic Partnership Arrangement was signed between mainland China and Macau in 2003. While not as expansive as that of Hong Kong, it includes a number of industry areas where Macau-based firms are granted preferential access to the mainland market. More information on this CEPA agreement can be found at: www.cepta.gov.mo/ceptaweb/front/eng/index_en.htm.

Web Resources

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

Hong Kong Customs and Excise Department: www.customs.gov.hk

Hong Kong Trade and Industry Department: www.tid.gov.hk

Macau Government CEPA site: www.cepta.gov.mo/ceptaweb/front/eng/index_en.htm

Macau Customs Service: www.customs.gov.mo

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Hong Kong pursues a free market philosophy, and the government interferes minimally in the economy. The Hong Kong Government welcomes foreign investment, neither offering special incentives nor imposing 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 as 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.

Capital gains are not taxed, 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 of 16.5 percent of profits. No preferential or discriminatory export and import policies affect foreign investors. Domestic industries receive no direct subsidies.

Foreign investments face no disincentives, 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, 3,638 regional operations of overseas companies were registered in Hong Kong in 2010. The U.S. has the largest number of regional headquarters and offices in Hong Kong (817 companies), followed by Japan (629 companies) and the United Kingdom (307 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.

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 six 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 seventh phase, announced in May 2010, introduced 35 liberalization measures covering 19 service sectors. Service providers in 44 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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Conversion and inward or outward transfers of funds for any purpose are not restricted. The Hong Kong dollar is a freely convertible currency that, since late 1983, has been linked via a de facto currency board to the U.S. dollar at an exchange rate that is allowed to fluctuate in a narrow band between HK\$7.75 – HK\$7.85 = US\$1.

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.

In November 2010, the Legislative Council passed a new Arbitration Ordinance. The ordinance represents a major reform of arbitration law in Hong Kong, abolishing the previous distinction between domestic and international arbitration and adopting a unitary regime based on the UNCITRAL Model Law. The new law is expected to come into force in the first half of 2011. The Hong Kong Government intends to use the new arbitration law to help promote Hong Kong as a regional center for dispute resolution.

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 principle of "Big Market, Small Government," and "Market Leads, Government Facilitates," 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 (TRIPs) 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 sole 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 on a small scale at the retail level throughout Hong Kong. The remaining sellers of IP infringed goods tend to keep a small stock of items and are highly mobile.

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, pharmaceutical products 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; established 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 reviewing ways to strengthen copyright protection in the digital environment.

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 establishing effective patent linkage.

The Copyright Ordinance protects any original copyright work created or published by any person anywhere in the world. The government enacted amendments to the Copyright Ordinance 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 became effective in July 2008.

The Copyright Ordinance amendments provide for rental rights for sound recordings, computer programs, films and comic books. The amended ordinance 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 April 2008, the Hong Kong Government proposed several additional amendments to the Copyright Ordinance designed to address the protection of IP in the digital environment. Content providers submitted written comments in 2008 on the government's proposals, and collaborated with Internet Service Providers (ISPs) and content user representatives in a government-led Tripartite Forum that sought to establish a voluntary compliance framework governing IPR protection in the digital realm. Tripartite Forum participants failed to reach agreement on a voluntary framework, and the Hong Kong Government restarted its efforts to draft digital IPR protection amendments to the Copyright Ordinance. Industry observers expect the Legislative Council to consider the amendments during 2011.

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 introduced the Competition Bill to the Legislative Council in July 2010. The bill is under debate at the Legislative Council. The government intends to establish a Competition Commission, along with a Competition Tribunal within the Judiciary to hear cases involving allegations of anti-competitive corporate behavior.

Currently, only the telecommunications and, to a lesser degree, the broadcasting sectors have competition regulations in place. The government stated that those two sectors will also come under the purview of the new Competition Law. 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.

Efficient Capital Markets and Portfolio Investment

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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. In November 2010, Hong Kong had 146 licensed banks, 22 restricted licensed banks, 26 deposit-taking institutions, and 67 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 180 branches, the group controls more than 31.0 percent of Hong Kong dollar deposits. The Bank of China (Hong Kong) is the second-largest banking group (205 branches), and controls 13.2 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 (2009)

Rank	Institution	Total Assets (US\$ Billions)
1	Hong Kong & Shanghai Banking Corp (HSBC)	556.6
2	Bank of China (Hong Kong)	150.5
3	Hang Seng Bank Ltd.	105.9
4	Standard Charter Bank, Hong Kong Branch	86.4
5	Bank of East Asia, Ltd.	55.7

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 October 2010 (the latest figures available), the HKMC's outstanding amount of debt totaled US\$5.2 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. As a result of the global financial crisis in late 2008, the Hong Kong Government announced the use of the Exchange Fund to guarantee the repayment of all customer deposits in Hong Kong-dollars and foreign-currency held with licensed banks, restricted license banks, and deposit-taking companies, including Hong Kong branches of overseas institutions. The original DPS drew to a close at the end of 2010. In June 2010, the Legislative Council passed the Deposit Protection Scheme (Amendment) Ordinance. The amendment took effect on January 1, 2011 and raises the DPS protection limit from HK\$100,000 (US\$12,820) to HK\$500,000 (US\$64,100). The assets of the DPS Fund (funded through contributions by member banks) amounted to US\$164.6 million at the end of March 2010, and is expected to reach the target amount of US\$359.0 million by 2011. 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 September 2010, there were 168 authorized companies. Of these, 78 were foreign companies from 20 countries, and 2 were mainland Chinese enterprises. A number of the world's top insurance companies in terms of assets have branch offices or subsidiaries in Hong Kong.

Hong Kong's total market capitalization rose by 18.0 percent during 2010 to US\$2.7 trillion, with 1,413 listed firms as of year-end 2010. Hong Kong's stock exchange ranked second in Asia after Tokyo, and fifth 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 protection of investors.

No discriminatory legal constraints exist for foreign securities firms establishing operations in Hong Kong via branching, acquisition, or subsidiaries. In practice, foreign firms typically establish operations in Hong Kong in the form of subsidiaries. Rules

governing operations are the same, irrespective of ownership. Portfolio investment decisions are left to the private sector. No laws or regulations 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 2010, a total of 163 Chinese enterprises had "H" share listings on the stock exchange, with market capitalization of US\$670.6 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 billion by the end of 2007, and rose to US\$158.1 billion by September 2010. Since July 2007 when the PRC Government approved the sales of Renminbi-denominated bonds in Hong Kong, a total of 27 batches of offshore RMB bonds amounting to 62.1 billion yuan (US\$ 9.3 billion) were issued in Hong Kong (as of end of 2010). Regional infrastructure financing requirements and increasing investor demand are projected to stimulate further development of the local debt market.

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 September 2010, the net asset values of MPF funds amounted to US\$44.3 billion. Like other investments, the performance of MPF funds has also been affected by recent global economic turmoil.

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.

Competition from State Owned Enterprises

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Although Hong Kong has a basically free-market economy, the government is directly active in several economic sectors. It provides more than half the population with subsidized housing, the vast majority of hospital services and most education services from childhood through the university level. The government also owns major business enterprises such as the stock exchange, the railway company and the airport.

Conflicts occasionally arise between the government's respective roles as both owner and policy-maker. Industry observers have recommended that the Hong Kong

government establish a separate entity to coordinate its ownership of government-held enterprises, and initiate a transparent process of nomination to the boards of government-affiliated entities. Other recommendations from the private sector include establishment of a clear separation between industrial policy and the government's ownership function, and minimization of exemptions of government-owned enterprises from general laws. The Exchange Fund, for example, is exempt from the securities disclosure laws in its purchases of shares (making its disclosures only on a voluntary basis).

The Hong Kong government's new Competition Law was sent to the Legislative Council for its consideration in July 2010. Although it will address anti-competitive corporate behavior such as price fixing and bid rigging, the government-affiliated enterprises will be exempted from the new law's purview.

While the Hong Kong government's private sector ownership interests do not materially impede competition in Hong Kong's most important economic sectors (e.g., banking, external trade, tourism), private sector industry representatives have encouraged the Hong Kong government to adhere more closely to the OECD's Guidelines on Corporate Governance of State-owned Enterprises.

Corporate Social Responsibility

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In April 2010, the Hong Kong Productivity Council (HKPC) announced the launch of the Hong Kong Corporate Citizenship Program (HKCCP) to raise awareness of corporate citizenship among local enterprises and to assist them in adopting it as their business strategies. HKCCP comprises a series of activities including "The Hong Kong Outstanding Corporate Citizenship Award" to recognize the outstanding CSR achievements of organizations from five different sectors including service sector, manufacturing sector, small- and medium-sized enterprises (SMEs), non-profit making organizations and corporate volunteer team; seminars and workshops; the "Hong Kong Corporate Citizenship Slogan Competition" and "Hong Kong Corporate Citizenship Education Exhibition". In addition, HKPC launched in 2009 the CSRCARE Program, which aims to assist enterprises in implementing ISO 26000 international standards for social responsibility.

HKPC and the Hong Kong Polytechnic University jointly announced in April 2010 the results of the inaugural "Hong Kong SME CSR Index", which was derived from the CSR performance of SMEs in the following six categories: employees, customers, investors, suppliers, community and environment. Over 130 SMEs from 20 industries participated in the study which found that the mean score of Hong Kong SMEs' CSR index was 76 (maximum being 100). In particular, CSR performance related to "Employees" received the highest score (84), followed by "Customers" (83), "Investors" (77), "Suppliers" (73), "Community" (70) and "Environment" (68).

Political Violence

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Hong Kong is politically stable. Demonstrations are almost always peaceful. The U.S. Consulate General is not aware of any recent incidents involving politically motivated damage to projects or installations.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Both HK and Macau are party to the United Nations Convention against Corruption.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>).

Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Hong Kong is not a party to the OECD Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. China is a member, under which Hong Kong and Macau are included.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) and does not include China, Hong Kong or Macau.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) Hong Kong is not a party to the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to

any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Hong Kong and Macau do not have free trade agreement in place with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

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.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and

corruption) and a separate segment on corruption and the regulatory environment. See

<http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

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, Finland, France, Germany, Italy, Japan, Korea, Kuwait, 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 an agreement with Singapore. 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 generally 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, Hong Kong's unemployment rate rose to 4.1 percent by the end of November 2010. 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 2009, membership in Hong Kong's 768 registered unions totaled 730,519, a participation rate of about 22.5 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: www.labour.gov.hk/eng/legislat/contentA.htm (click on Chapter 57 "Employment Ordinance").

On January 5, 2011, the Legislative Council passed the Hong Kong's first statutory minimum hourly wage, which is set at HK\$28 (US\$3.6) and comes into force on May 1, 2011.

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, environmental protection projects, and redevelopment of the old Kai Tak Airport. The Hong Kong Government is planning to spend over US\$13 billion in the next decade on redeveloping the old Kai-Tak Airport into a modern green zone that contains government offices, public housing, commercial centers and cruise terminals. Construction at the site began in July 2009.

Airport: During the twelve months ending October 2010, Hong Kong's international airport at Chek Lap Kok handled daily an average of 821 flights, 138,006 passengers, and more than 11,156 tons of cargo. Ninety-five international airlines operated some 5,765 scheduled flights per week between Hong Kong and 155 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 September 2008, Cathay Pacific Airways started to build the airport's third cargo terminal under a 20-year franchise agreement with the AA. Cathay Pacific will invest US\$615 million into the facility, which will occupy 10 hectares in the airport's cargo area. The new terminal was initially expected to be completed by the second half of 2011, but in January 2009, Cathay announced it would delay completion for up to two years in response to falling cargo traffic resulting from the global economic slowdown. The facility is scheduled to open in mid-2013, with a handling capacity of 2.6 million tons.

The organization responsible for safety oversight, the Civil Aviation Department, has commenced study, trials and evaluations of the satellite-based Communications, Navigation, Surveillance/Air Traffic Management (CNS/ATM) System. 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. CNS/ATM services, including Digital-Automatic Terminal Information Service, Digital-Meteorological Information for Aircraft in Flight, delivery of Pre-Departure Clearance over data links, Aeronautical Telecommunication Network operations with Bangkok, and Air Traffic Services Inter-facility Data Communication with Sanya Area Control Center, and Advanced Surface Movement Guidance and Control System for enhanced surveillance of aircraft and vehicle movements on the airfield, have been implemented at the airport to enhance air traffic control operational efficiency and flight safety.

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 2010, Hong Kong's nine privately-operated container terminals and mid-stream operators handled 15.6 million twenty-foot equivalent units (TEUs) of cargo. Some 80 international shipping lines are providing over 400 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 73 percent of the port's total throughput. The river trade terminal, mid-stream operators and other facilities handle the remaining 27 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 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 a container terminal.

In 2008, the Government concluded that an extensive reclamation is required for the site at Northwest Lantau Island, which may affect the ecological environment. The government has identified an alternative site at Southwest Tsing Yi Island and will undertake a feasibility study. Although this site will require the relocation of the existing oil depot, it can achieve synergy with the container terminals in Kwai Chung and Tsing Yi.

Roads and Railroads: Hong Kong's roads have one of the highest vehicle densities in the world. In October 2010, 659,565 licensed vehicles navigated about 2,071 kilometers of roads, or 318 vehicles per kilometer of road. This high 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. In December 2009, Hong Kong started to 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. 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).

Table 1: Stock of Inward Foreign Direct Investment by Major Investor Country/Territory, as of end of 2009.

Country	US\$ Billion	% Share of Total
China	339.0	49.8%
Netherlands	63.6	9.4%
British Virgin Islands	59.2	8.7%
Bermuda	52.8	7.8%
United States	40.5	5.9%
Japan	21.5	3.2%
Cayman Islands	16.3	2.4%
United Kingdom	16.2	2.4%
Singapore	14.6	2.1%
Cook Islands	8.6	1.3%
Others	47.7	7.0%
Total	680.2	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.
3. US\$1 = HK\$7.8

Table 2: Stock of Inward Foreign Direct Investment by Major Economic Activity, as of end of 2009.

Activity	US\$ Billion	% of Total
Investment holdings, real estate and various business services	391.8	57.6%
Wholesale, retail, import/export trades	89.4	13.1%
Banks and deposit-taking companies	85.7	12.6%
Transport, storage, postal and courier services	26.1	3.8%
Financial institutions (non-banks)	25.8	3.8%
Insurance	22.1	3.2%
Construction	11.9	1.8%
Manufacturing	9.7	1.4%
Information and communications	4.7	0.7%
Accommodation and food services	3.0	0.4%
Other activities	10.0	1.5%
Total	680.2	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.
3. Total does not sum due to rounding.

Table 3: Stock of Outward Foreign Direct Investment by Major Resident Country/Territory, as at end of 2009.

Country	US\$ Billion	% Share of Total
China	350.2	60.7%
British Virgin Islands	120.4	20.9%
Bermuda	24.1	4.2%
United Kingdom	11.2	1.9%
Singapore	6.5	1.1%
Thailand	6.0	1.0%
Malaysia	5.6	1.0%
Liberia	5.4	0.9%
Australia	4.4	0.8%
Cayman Islands	4.0	0.7%
United States	3.8	0.7%
Others	35.0	6.1%
Total	576.6	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding outward direct investment of offshore financial centers which were channeled back to Hong Kong.
3. Total does not sum due to rounding.

Table 4: Stock of Outward Foreign Direct Investment by Major Economic Activity, as of end of 2009.

Activity	US\$ Billion	% of Total
Investment holdings, real estate and various business services	368.1	63.8%
Wholesale, retail, import/export trades	66.6	11.6%
Banks and deposit-taking companies	33.9	5.9%
Manufacturing	22.8	4.0%
Transportation, storage, postal and courier services	17.6	3.0%
Insurance	15.8	2.7%
Accommodation and food services	7.2	1.2%
Financial institutions (non-banks)	5.6	1.0%
Information and communications	5.3	0.9%
Construction	4.1	0.75
Other activities	29.7	5.2%
Total	576.6	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding outward direct investment of offshore financial centers that were channeled back to Hong Kong.

Table 5: Amount and Growth of U.S. Investment in Hong Kong

Year	Amount	% Change
2005	36.4	11.3
2006	39.6	8.8
2007	40.7	2.8
2008	40.0	-1.7
2009	50.5	26.3

- Notes:
1. Unit: US\$ billions
 2. Source: U.S. Department of Commerce, Bureau of Economic analysis, U.S. Direct Investment Position Abroad on a Historical Cost Basis.
 2. 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).
 3. U.S. Department of Commerce statistics differ from HKG statistics. Per Table 1 above, the latter indicates total U.S. investments of US\$40.5 billion at year-end 2009.
 4. Preliminary figures for 2009.

Table 6: Hong Kong's Pledged and Actual Direct Investment in mainland China

Year	Amount Pledged	Invested	Percent Share of Total
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	29.85
2006	N.A.	20.2	32.1%
2007	N.A.	27.7	37.15
2008	N.A.	41.0	44.4%
2009	N.A.	54.0	60.0%
1978-Jan-Nov, 2010	N.A.	459.3	44.4%

- Notes:
1. Unit: US\$ billions and percent share of total investment in China.
 2. Source: PRC Ministry of Commerce.
 3. PRC Ministry of Commerce stopped reporting the pledged foreign investment figures in December 2005.

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, Industrial and Commercial Bank of China (Asia).

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, Fubon Bank.

Web Resources

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Hong Kong Census and Statistics Department: www.censtatd.gov.hk

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

Independent Commission Against Corruption: 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 three 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 2010, it provided tariff-free access to mainland China for all Macau-origin products and preferential treatment for 43 service sectors. In December 2005, the Government inaugurated the cross-border industrial zone located between the

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 23.4 percent of its goods exports. Macau's textile and apparel exports decreased by 62.4 percent for the first ten months of 2010, a continued result of the elimination of the 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 to a company 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.

- 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.
- 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.
- 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 an 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 MOP8.02 = 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 on capital flows and foreign exchange operations, exporters are required to convert 40 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). Macau's dramatic economic expansion in the last few years, combined with a shortage of qualified jurists, have put a strain on the operations of the judicial system, leading in some cases to delays in case resolution.

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 at 4 percent per year, with a maximum period of 4 years from the date of the payment of the first installment, on private bank Pataca loans for strengthening environmental protection, developing innovative technology and restructuring to enhance competitiveness and foster the modernization of their business. Export diversification incentives include subsidies given to companies and trade associations attending trade promotion activities organized by Macau Trade and Investment Promotion Institute. Only companies registered with Macau Economic Services may receive subsidies for costs of space rental and decoration, production of audio-visual materials, etc. Macau also 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 retailers of pirated products.

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, however. The Government does not have a clear position on criminal liability for commercial end-use piracy of copyrighted works. The Consulate General has raised these issues with Macau officials and will continue to do so.

Starting January 1, 2010, the Macau SAR Government sped up the registration processes for trademarks and patents by increasing the publication frequency of applications to two times per month (previously once per month).

In November 2010, the Macau SAR Government introduced to the Legislative Assembly a draft bill to revise the existing copyright law and extend the protection to Internet and digital technology. According to the draft bill, the punishment for the infringement of copyright using Internet for commercial purposes ranges from a fine of 120 days to three years of imprisonment. In addition, the Macau SAR Government proposed to prohibit

unlocking gaming machines electrical boxes or decoders for paid television programs. The bill is still under discussion by the lawmakers.

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-seven financial institutions in Macau, including twelve local banks and fifteen branches of banks incorporated outside Macau. In addition, there are eleven moneychangers, two cash remittance companies, two financial intermediaries, six 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 had a combined market share of about 76.5 percent of total deposits in the banking system at the end of October 2010. Total deposits amounted to US\$28.9 billion in September 2010. In September 2010, banks in Macau maintained a capital adequacy ratio of 16.05 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

In December 2009, the Macau Monetary Authority signed a memorandum with the People's Bank of China to develop the Renminbi (RMB) settlement mechanism for cross-border trade. According to the memorandum, the quota on the value of RMB exchange for each individual transaction is increased from RMB 6,000 (US\$878) to RMB 20,000 (US\$2,928). The list of designated merchants who are allowed to exchange RMB for Pataca from Macau banks is expanded to include institutions that provide telecommunications, education and exhibition/convention services. In addition, Macau residents are allowed to use RMB cheques to pay for consumer spending in Guangdong Province up to RMB 50,000 (US\$7,320) per account per day. Starting from December 30, 2010, the People's Bank of China has been providing the cross-border settlement of funds for Macau residents and institutions involved in respect of the transactions for RMB bonds issued in Hong Kong. The new measure is conducive to the development of RMB business in Macau. Macau residents and institutions can purchase or sell, through Macau RMB participating banks, the RMB bonds issued in Hong Kong.

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\$350.6 million in the first nine months of 2010.

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.

Competition from State-owned Enterprises

Macau's gaming sector accounts for over 70 percent of the local economy, and the Macau SAR Government has no ownership in any gaming companies. Several economic sectors – including cable television, telecommunications, electricity, airport and port management are run by private companies under concession contracts from the Macau SAR Government. The government holds a small percentage of shares in these government-affiliated enterprises ranging from one to ten percent. The government set out in its 1999 Commercial Code the basic elements of a competition policy with regard to commercial practices that can distort the proper functioning of markets. Court cases related to anti-competitive behavior remain rare.

Corporate Social Responsibility

The six gaming concessionaires that dominate Macau's economy pay two percent of gross gaming revenues to the government to fund cultural and social programs in the SAR. Several operators also directly fund gaming addiction rehabilitation programs. Some government-affiliated entities maintain active CSR programs. For example, electric utility Companhia de Electricidade de Macau sponsored Macau's regional Special Olympics program in January 2010, and the company's volunteer programs include education programs and repair services provided free-of-charge to underprivileged residents. Junior Chamber International Macau (JCIM) held the Corporate Social Responsibility International Forum in July 2010 to promote CSR programs. JCIM notes that many local enterprises acknowledge the importance of CSR and have set up a division to promote CSR focusing on energy saving and sustainable development.

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 (known by its Portuguese acronym 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 CCAC has increased significantly as a result of these changes, Macau's explosive economic growth and a public outreach campaign.

The highest profile corruption charge was leveled at Macau's Secretary for Transport and Public Works, Ao Man Long, who was arrested in December 2006 for corruption. The CCAC reported that Ao had received bribes from real estate and construction companies in excess of US\$23 million in return for contracts and approvals in 20 public

works projects. Assisted by family members and others, Ao used shell companies in Hong Kong and the British Virgin Islands to launder money. On January 30, 2008, he was convicted on 40 counts of bribe taking, 13 counts of money laundering, one count of holding assets from unknown sources and one count of incorrect declaration of assets. Ao was sentenced to 27 years in prison and US\$31.5 million of his assets were seized, including assets not directly linked to his corruption and money laundering cases. His wife was sentenced in absentia to 23 years in jail. His father, younger brother and sister-in-law were convicted of 6-14 counts of money laundering, and were sentenced to 10-18 years.

Until 2009, the CCAC's overall effectiveness remained constrained by legislation limiting the scope of its authority to government - but not private - sector corruption. In August 2009 the Legislative Assembly passed amendments which empowers the CCAC to also investigate private sector corruption. The bill becomes effective from March 1, 2010.

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 in November 2010 was 2.8 percent, down from a high of 6.1 percent in 2003, primarily due to the increase in gaming facilities and hotels. 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 Legislative Assembly passed a bill in October 2009 that will establish stiff criminal penalties for employers of illegal migrants. The law, which has become effective since April 26, 2010, will also impede foreign workers from changing employers in Macau and require them to leave for six months before applying for a new work permit with a different employer. The law is part of broader government efforts to replace foreign workers with Macau residents. The Government is considering additional measures. The current migrant labor pool is approximately 74,780 out of a total workforce of 319,600. 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.

Foreign Direct Investment Statistics

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According to the Direct Investment Statistics 2009 compiled by the Statistics and Census Service, there were 2,082 foreign direct investment companies in Macau, employing 97,817 workers. Hong Kong was the largest foreign investor in Macau, accounting for 32.8 percent of total foreign direct investment. The United States now exceeds mainland China as the second largest foreign investor in Macau, accounting for 24.2 percent of foreign direct investment.

Table 1: Stock of foreign direct investment by country/territory, 2009

Country/Territory	US\$ Million	% Share of Total
Hong Kong	3,972.6	32.8
United States	2,934.3	24.2
Cayman Islands	2,396.8	19.8
China	1279.9	10.6
British Virgin Islands	709.4	5.9
Others	807.9	6.7
Total	12,100.8	100.0

Source: Statistics and Census Service

Table 2: Stock of foreign direct investment by industry, 2009

Sector	US\$ Million	% of Total
Gaming	8,398.3	69.4
Banks and securities	2,096.3	17.3
Wholesale and retail	487.8	4.0
Construction	364.6	3.0
Industrial production	359.8	3.0
Insurance	293.5	2.4
Transport, storage and communications	66.4	0.5
Hotels and restaurants	30.8	0.3
Cultural, recreational and other services	3.4	0.03
Total	12,100.8	100.0

Sources: Statistics and Census Service

Note: Total does not sum due to rounding.

Web Resources

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Macao Special Administrative Region Government: www.gov.mo

Macao Trade and Investment Promotion Institute – IPIM: www.ipim.gov.mo

Macao Fair & Trade Association: www.macaufa.com

Macao Government Tourist Office: www.macautourism.gov.mo

World Trade Centre Macau: www.wtc-macau.com

Monetary Authority of Macao: www.amcm.gov.mo

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
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How Do I Get Paid (Methods of Payment)

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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 frequently access established U.S.-Hong Kong banking relationships when determining credit risk.

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. Ex-Im Bank has taken measures to increase its capacity to facilitate exports in light of the global economic crisis.

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 www.exim.gov.

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.

How Does the Banking System Operate

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

Macau also has an open financial system, with no controls on currency movement. A description is contained in Chapter 6: Investment Climate (Macau) – Efficient Capital Markets and Portfolio Investment.

Hong Kong

The local currency, the Hong Kong Dollar (HK\$), is freely convertible, and there are no foreign exchange controls.

Macau

Macau's local currency is the Macau Pataca (MOP) which is also freely convertible and free of foreign exchange controls. The Hong Kong Dollar is also usually accepted in Macau as a means of payment for commerce and retail transactions.

Licensed U.S. Commercial Banks in Hong Kong:

American Express Bank: www.americanexpress.com/hk/en/corp/home_corp_lite.shtml

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

Bank of New York Mellon: www.bnymellon.com

Citibank NA: www.citibank.com.hk

JP Morgan Chase Bank, N.A.: www.jpmorganchase.com

State Street Bank and Trust Company: www.statestreet.com

Wells Fargo Bank NA: www.wellsfargo.com

East West Bank: www.eastwestbank.com/English/index.asp

First Commercial Bank: www.firstcommercialbank.com/index.cfm

Cathay Bank: <https://www.cathaybank.com/selectRegion.asp?sname=index.asp>

Restricted U.S. License Banks in Hong Kong:

GE Capital (Hong Kong): www.gecommercialfinance.com.hk

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

Because of its strong financial system and proximity to strategic markets in Asia, Hong Kong is a key player in project finance in the region.

The U.S. Department of Commerce maintains a congressionally mandated Commercial Liaison Office for the Asia Development Bank (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 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.

The U.S. Commercial Liaison Office for the Asia Development Bank (ADB)

American Business Center
Address: 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@trade.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.

In 2010, the IFC provided US\$1.55 billion in financial assistance to 57 projects in the East Asia Pacific Region²² where the 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, Senior Advisor
Ms. Karin Finkelston, Director
East Asia and Pacific Department
International Finance Corporation
Address: 14th Floor, One Pacific Place
88 Queensway, Admiralty
Hong Kong
Tel: (852) 2509-8100
Fax: (852) 2509-9363
Email: rranken@ifc.org, kfinkelston@ifc.org
Website: www.ifc.org and 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. David Fulton, is the Director of the World Bank Business Liaison Office. Contact information for this office is:

Mr. David Fulton
Advisor & Director of U.S. Business Liaison
Office of the U.S. Executive Director
U.S. Trade Advocacy Center

²² IFC Annual Report 2010, http://www.ifc.org/ifcext/annualreport.nsf/content/AR2010_eap

MSN MC-13-1307
The World Bank, 1818 H. St., N.W.
Washington, D.C. 20433
Tel: (202) 458-0120
Fax: (202) 477-2967
World Bank Email: DFulton@worldbank.gov
Commerce Email: david.fulton@trade.gov
Website: www.worldbank.org

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Commerce Email: Bryan.Lopp@trade.gov

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Asian Development Bank: www.adb.org
Export-Import Bank of the United States: www.exim.gov
Country Limitation Schedule: www.exim.gov/tools/country/country_limits.html
International Finance Corporation: www.ifc.org
OPIC: www.opic.gov
U.S. Trade and Development Agency: www.ustda.gov
SBA's Office of International Trade: www.sba.gov/oit/
USDA Commodity Credit Corporation: www.fsa.usda.gov/ccs/default.htm
U.S. Agency for International Development: www.usaid.gov
The World Bank: www.worldbank.org

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Business Customs

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

Macau's business culture retains a strong mix of Chinese tradition with a distinctive Portuguese cultural influence.

Americans encounter few if any cultural problems when conducting business in Hong Kong and Macau. Business meetings tend to be more formal in Hong Kong and Macau, and business acquaintances are usually 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 is helpful, most businesspeople in Hong Kong and Macau are familiar with Western customs and are tolerant of cultural differences. Western business attire (suit and tie for men, business suits for women) is appropriate.

Americans 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 mainland 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 U.S. Department of State issued a worldwide caution on July 29, 2009 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 www.travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html.

In addition to information on the internet, travelers may obtain up-to-date information on security conditions by calling 1-888-407-4747 toll-free in the U.S. or outside the U.S. and Canada on a regular toll line at 1-202-501-4444. These numbers are available from 8:00 am to 8:00 pm Monday through Friday, Eastern Time (except U.S. federal holidays.)

For information on Avian Influenza, please see the section on Health in Chapter 8: Business Travel, below.

Visa Requirements

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Hong Kong

Visas are not 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: www.immd.gov.hk/index.html.

Additional information on Hong Kong entry/exit requirements and general travel information can be found on the U.S. State Department Travel website: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1136.html.

Macau

Visas are not required for American citizens who visit Macau for less than 30 days. For more information on visa requirements for other nationalities, please refer to the Macau Immigration Department website: www.fsm.gov.mo.

Additional information on Macau entry/exit requirements and general travel information can be found on the U.S. State Department Travel website: http://travel.state.gov/travel/cis_pa_tw/cis/cis_955.html.

U.S. Visas

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/>
American Consulate General Hong Kong Consular Section website:
http://hongkong.usconsulate.gov/visa_services.html

Visas to mainland China

Important: Travelers who transit Hong Kong or Macau on their way to mainland China must apply for a visa from the People's Republic of China. For more information, visit: www.china-embassy.org/eng/hzqz/zgqz/default.htm or www.ctshk.com/english/useful/chinesevisa.htm

Telecommunications

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The telecommunications infrastructure is excellent in Hong Kong and Macau. Although Hong Kong has more carriers and service providers, using your mobile phone in both cities is convenient. Most of the wireless systems used around the world (GSM 900, CDMA, WCDMA, 3G) operate in Hong Kong and Macau.

Hong Kong

Mobile operators in Hong Kong have roaming agreements with most overseas operators, enabling visitors to use their own mobile phone when they come to Hong Kong. Before leaving home, U.S. visitors should check with network providers to make sure they have a roaming arrangement with a Hong Kong telecom operator. You can also buy a local SIM card and rent a mobile phone when you arrive in Hong Kong, at the airport or in town. 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's telecom operator for approximately US\$100 per week plus airtime. Another option is to purchase a relatively cheap mobile phone with a prepaid SIM card for approximately US\$10 from Hong Kong telecom operators and retail shops.

Macau

U.S. visitors can purchase phone cards for US\$4 to US\$12 that can be used in public phones located throughout Macau. In the busiest areas there are also credit card phones. To use a mobile phone in Macau, you can contact the following mobile phone service providers by dialing 1000 (CTM), 1118 (Hutchison Telecom) or 1628 (SmarTone). Hutchison Telecom Network also provides a Mobile Tour Guide Service. Visitors can listen to the voice information service by dialing the Spot Code #83.

Internet Accessibility

90 percent of the households and all commercial buildings in Hong Kong have access to broadband. In Hong Kong, consumers enjoy a wide and sophisticated range of services

at competitive prices. As of November 2010, there were 160 ISPs in Hong Kong, and an unlimited broadband connection cost about US\$20 per month. The affordability of Internet services has a direct effect on the penetration of Internet usage; there were approximately 2.1 million broadband subscribers in Hong Kong as of September 2010.

Mobile Internet access is also gaining momentum in Hong Kong. As of December 2010, there were 9,056 public Wi-Fi hot spots in the city and the number is growing. Location information of Wi-Fi access points can be found at: https://apps.ofta.gov.hk/apps/clr/content/public_search.asp

Wireless Macau Internet access is slowly but surely gaining ground in Macau. The main Macau Internet provider, CyberCTM, offers citywide Wireless Broadband Service. Several hotels (Hyatt Hotel, Holiday Inn Hotel, Kingsway Hotel, Pousada Marina Infante Hotel, and New Century Hotel), the Macau Tower, and the World Trade Center also offer wireless Internet access. Wireless access is also available in the airport.

CTM Macau is aggressively expanding the number of Wi-Fi hot spots, with 256 Wi-Fi hot spots as of November 2010. In general, wireless Internet access is available near CTM shops, in participating Cafe and Restaurants, and CityGuide Kiosks. Locations of Wi-Fi access points can be found at: <http://www.olamacauguide.com/wireless-macau-internet.html>

Transportation

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Hong Kong

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.

The Airport Express train is the fastest way to reach Hong Kong Island from the airport. 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. One-way or round-trip 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 from the Airport Express counter located in the center of the public arrivals hall. Trains are at the platform level and there are storage areas for luggage just inside the trains. 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 in-town check-in from Hong Kong Island and Kowloon Station is an extremely convenient service for travelers departing Hong Kong.

Transportation between Hong Kong and Macau

The most convenient way to travel between Hong Kong and Macau is by high-speed ferry. The journey takes approximately one hour, and ferries depart every 15 – 30 minutes from the Shuntak and Kowloon Ferry Terminals in Hong Kong and the Macau Pier and Cotai Strip Pier in Macau. Schedules and rates for the various services are listed at the websites indicated below:

Turbo Jet: www.turbojet.com.hk

First Ferry: www.nwff.com.hk

Cotai Jet: <http://cotaijet.com.mo>

Macao Dragon: www.macaodragon.com

First Ferry and Turbo Jet also operate a number of ferry services between points in Hong Kong (such as the International Airport) and destinations in mainland China. There is also a helicopter service between Hong Kong and Macau. The journey takes 17 minutes. More information is available at: www.skyshuttlehk.com

Transportation in Macau

Major modes of transportation in Macau include buses and taxis. Getting around the relatively small area of Macau (and its bridge-connected islands of Taipa and Coloane) is relatively easy. Free shuttle buses also operate between the two ferry piers and the major hotels and casinos.

Money Exchange

The Hong Kong dollar is pegged to the U.S. dollar, with the rate set at approximately HK\$7.75 per US\$1. Upon arrival in Hong Kong, money exchange (Travelex) is available in the area immediately outside of baggage claim/customs. There are ATM machines (currently connected to the Cirrus and Plus systems in addition to Visa and Master Card for cash advances) and most major hotels offer currency exchange.

The Macau Pataca is similarly pegged to the Hong Kong dollar at approximately HK\$100 to MOP 103. The Hong Kong dollar is widely accepted – and often preferred -- for commerce as well as retail purchases in Macau.

Language

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English and Cantonese are the official languages in Hong Kong. English is widely used in the Hong Kong Government, the legal system and business sectors. Cantonese and Portuguese are the official languages in Macau, and English is widely spoken in tourist establishments. Mandarin Chinese (Putonghua) is also widespread and becoming ever more common in both Hong Kong and Macau.

Health

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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.

For a list of medical providers in Hong Kong and Macau, please visit the U.S. Consulate Hong Kong website at: http://hongkong.usconsulate.gov/acs_medical.html

Mainland China and Southeast Asia have been the world epicenter for several viral illnesses in recent years such as SARS and Avian Influenza (AI). On December 9, 2008, the Hong Kong government elevated the alert for AI to "serious", after discovering the H5 virus in live chickens at a chicken farm in Yeun Long, New Territories, Hong Kong. Travelers are encouraged to review the following websites for more information on AI:

The Hong Kong Government AI site: www.info.gov.hk/info/flu/eng/index.htm

U.S. Centers for Disease Control Website: www.cdc.gov/flu/avian

U.S. State Department AI fact sheet:

http://travel.state.gov/travel/cis_pa_tw/flu/flu_1181.html

Local Time, Business Hours, and Holidays

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Hong Kong and Macau are 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.

2011 Holidays (For both Hong Kong and Macau unless indicated)

January 1 (Saturday)	New Year's Day
February 3 (Thursday)	Lunar New Year's Day
February 4 (Friday)	Second Day of the Lunar New Year
February 5 (Saturday)	Third Day of the Lunar New Year
April 5 (Tuesday)	Ching Ming Festival
April 22 (Friday)	Good Friday
April 23 (Saturday)	The day following Good Friday
April 25 (Monday)	Easter Monday (Hong Kong only)
May 2 (Monday)	The day following Labour Day (Hong Kong only)
May 10 (Tuesday)	Buddha's Birthday
June 6 (Monday)	Tuen Ng (Dragon Boat) Festival
July 1 (Friday)	Hong Kong Special Administrative Region Establishment Day (Hong Kong only)
September 13 (Tuesday)	The day following Chinese Mid-Autumn Festival
October 1 (Saturday)	National Day
October 5 (Wednesday)	Chung Yeung Festival
November 2 (Wednesday)	All Souls Day (Macau only)
December 8 (Thursday)	Feast of Immaculate Conception (Macau only)

December 20 (Tuesday)	Macau Special Administrative Region Establishment Day (Macau only)
December 22 (Thursday)	Winter Solstice (Macau only)
December 24 (Saturday)	Christmas Eve (Macau only)
December 26 (Monday)	The first weekday after Christmas Day (Hong Kong only)
December 27 (Tuesday)	The second weekday after Christmas Day (Hong Kong only)

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.

Web Resources

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American Consulate General Hong Kong American Citizens Services:

<http://hongkong.usconsulate.gov/acs.html>

Centers for Disease Control and Prevention: www.cdc.gov

Customs and Excise Department: www.customs.gov.hk

Hong Kong Center for Health Protection: www.chp.gov.hk

Hong Kong Immigration Department: www.immd.gov.hk

Hong Kong Tourism Board: www.discoverhongkong.com

State Department Visa: http://travel.state.gov/visa/visa_1750.html

Macau Government Tourist Office: www.macautourism.gov.mo

Macao Customs Service: www.customs.gov.mo

Government of Macau Special Administrative Region Department of Health:

www.ssm.gov.mo

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Chapter 9: Contacts, Market Research and Trade Events

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- [Trade Events](#)

Contacts

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U.S. Consulate General Contacts:

U.S. Consulate General: <http://hongkong.usconsulate.gov>
U.S. Commercial Service: www.buyusa.gov/hongkong
U.S. Agricultural Trade Office: www.usfoods-hongkong.net

Hong Kong Government Offices and Related Organizations:

Hong Kong SAR Government: www.gov.hk
Census and Statistics Department: www.censtatd.gov.hk
Companies Registry: www.cr.gov.hk
Customs and Excise Department: www.customs.gov.hk
Hong Kong Productivity Council: www.hkpc.org
Hong Kong Tourism Board: www.discoverhongkong.com/eng/index.jsp
Hong Kong Trade and Industry Department: www.tid.gov.hk
Hong Kong Trade Development Council: www.hktadc.com
Intellectual Property Department: www.ipd.gov.hk
Invest Hong Kong: www.investhk.gov.hk
Office of Telecommunications Authority: www.ofta.gov.hk
Trade and Industry Department: www.tid.gov.hk

Macau Government Offices and Related Organizations:

Macau SAR Government: www.gov.mo
Government of Macao (SAR) Directorate of Economic Services: www.economia.gov.mo
Macau Government Tourism Office: www.macautourism.gov.mo/en
Macau Customs Service: www.customs.gov.mo
Macau Trade and Investment Promotion Institute: www.ipim.gov.mo/
Macau Statistics and Census Service: www.dsec.gov.mo/default.aspx?lang=en-us
Macau Productivity and Technology Transfer Center: www.cpttm.org.mo/home_e.php
World Trade Center Macau: www.wtc-macau.com
SDPIM-Macao Industrial Parks Development Co., Ltd.: www.sdpim.com.mo

Trade Associations:

Hong Kong

American Chamber of Commerce in Hong Kong: www.amcham.org.hk

The Chinese General Chamber of Commerce: www.cgcc.org.hk/en/index.aspx
The Chinese Manufacturers' Association of Hong Kong: www.cma.org.hk/
The Cosmetic & Perfumery Association of Hong Kong Ltd.: www.cosmetic.org.hk
Federation of Hong Kong Industries: www.industryhk.org
Hong Kong Computer Society: www.hkcs.org.hk
Hong Kong Electronic Industries Association: www.hkeia.org
Hong Kong Federation of Insurers: www.hkfi.org.hk/en_home.htm
Hong Kong Franchise Association: www.franchise.org.hk
Hong Kong General Chamber of Commerce: www.chamber.org.hk
The Communications Association of Hong Kong: www.cahk.hk
Travel Industry Council of Hong Kong: www.tichk.org/public/website/en/index.html

Macau

American Chamber of Commerce in Macau: www.amcham.org.mo
Macau Chamber of Commerce: www.acm.org.mo
Industrial Association of Macau: www.madeinmacau.net
Macau Exporters and Importers Association: www.macaueport.com
Macau Small and Medium Enterprises Association: www.sme.org.mo
The Association of Advertising Agents of Macau: www.aaam.org.mo
Macau Convention & Exhibition Association: www.mcea.org.mo
Macau Fair & Trade Association: www.macauftra.com

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/mrktresearch/index.asp> 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, and is free.

Trade Events

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

<http://www.export.gov/tradeevents/index.asp>
<http://www.buyusa.gov/hongkong/en/events.html>

For major trade events that will be held in Hong Kong, information is available on the Hong Kong Trade Development Council website:
<http://www.hktcdc.com/info/trade-events/ci/HK-upcoming/en/All-Hong-Kong-Events.htm>

For major trade events that will be held in Macau, information is available on the Macao Trade and Investment Promotion Institute website:
www.ipim.gov.mo/macao_exhibition_list.php?type_id=649

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:
<http://www.buyusa.gov/hongkong/en/servicesforus.html>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.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.

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