



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

HONG KONG, CHINA

This report, prepared for the ninth Trade Policy Review of Hong Kong, China, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Hong Kong, China on its trade policies and practices.

Any technical questions arising from this report may be addressed to Masahiro Hayafuji (tel. 022 739 5873), Denby Probst (tel. 022 739 5847), and Fatima Chaudhri (tel. 022 739 6384).

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SUMMARY

1. The economy of Hong Kong, China continues to be externally oriented and dependent on trade with the rest of the world. In 2023, Hong Kong, China ranks 10th among world traders in terms of value of trade in goods and services (2.5% of total world trade). The services sector is the main contributor to GDP (accounting for more than 90%) and employment (88.4%). The contribution of manufacturing to GDP and to employment is modest (1% and 2.1%, respectively).
2. Impacted by domestic and external shocks such as the COVID-19 pandemic, most GDP components posted negative growth rates in 2019 and 2020; the decrease in exports of goods and services was particularly noticeable. While the economy expanded in 2021 in response to the adoption of various policy responses and thanks to pre-crisis buffers, such as a sufficient level of fiscal reserves, it contracted in 2022, due to the effect of the fifth wave of the COVID-19 pandemic, a deteriorated external environment, and tightened financial conditions. Private consumption, investment, and exports and imports of goods and services were all negatively impacted.
3. During the review period, government accounts retained strong fiscal and financial fundamentals; the fiscal reserve balance recorded surpluses during the whole period despite a shift to an expansionary fiscal stance in 2019-20, when there was an increase in public expenditure in response to the COVID-19 pandemic. The Government continued to adopt an expansionary fiscal policy in 2022.
4. Between 2018 and 2022, the value of the Hong Kong dollar against the US dollar was kept within the Convertible Zone (HKD 7.75 and HKD 7.85 against the USD) established by the Hong Kong Monetary Authority. Interest rates remained low between 2018 and 2021, but subsequently increased gradually as a consequence of the tightening of monetary policy in the United States.
5. Hong Kong, China recorded a current account surplus between 2018 and 2021 supported by an increase in primary income and a surplus in the services balance; the current account surplus narrowed in 2022 as merchandise trade reverted to a deficit and more than offset the increase in the services trade surplus.
6. Hong Kong, China is characterized by having a small production base and a highly specialized services industry; it depends on merchandise imports to meet its domestic consumption demands. Imports (mainly machinery and electrical equipment) for subsequent re-export are the main component of overall merchandise exports, accounting for 97.1% of total exports of goods in 2022. In terms of trade in services, Hong Kong, China maintained a substantial surplus over the review period, although it decreased from 8.7% of GDP in 2018 to 5.5% of GDP in 2022.
7. Hong Kong, China is ranked as the third-largest recipient of foreign direct investment (FDI) inflows. Hong Kong, China also serves as a significant conduit for China's investment flows. The British Virgin Islands continued to be the major source of inward FDI, followed by China, the Cayman Islands, and the United Kingdom.
8. The economy is expected to grow in 2023 amid the backdrop of China's economic recovery, a rebound in tourism stemming from the removal of COVID-19-related quarantine restrictions, and the resumption of normal travel with the rest of the world. Private consumption and private investment growth rates are expected to pick up, and the labour market is expected to improve. Challenges facing the economy include high inflationary pressure and monetary tightening in advanced economies, which may weaken growth momentum and have an impact on export of goods.
9. There have been no significant changes in the general overall government framework, and the same institutions maintain their roles with respect to Hong Kong, China's trade policy. Its trade, investment, and related policies leverage the 14th Five-Year Plan of China, which supports Hong Kong, China by reinforcing its competitive advantages in its four traditional areas (financial services, international transportation, trade, and legal and dispute resolution) and in four emerging sectors (innovation and technology, international aviation, regional intellectual property trading, and international cultural exchange). The authorities consider that the elements under the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area are, *inter alia*, key to greater integration and economic development.

10. Hong Kong, China continues to pursue a free and open trade policy and looks to the WTO for trade liberalization and safeguarding its rights. Participating in all aspects of the WTO's work has been important for Hong Kong, China to demonstrate its support for the multilateral trading system. It has also joined various new plurilateral initiatives and the Multi-Party Interim Appeal Arbitration Arrangement, and, more recently, accepted the Agreement on Fisheries Subsidies in August 2023.

11. Free trade agreements continue to be an important part of Hong Kong, China's trade policy with 8 agreements in place with 20 partners. During the review period, new agreements entered into force with the Association of Southeast Asian Nations (ASEAN), Australia, and Georgia. The existing agreement with Chile was amended to improve services commitments and the China and Hong Kong, China Closer Economic Partnership Arrangement added two new subsidiary agreements on goods and services. There is continued interest by Hong Kong, China to pursue FTAs through forging new agreements, and it has initiated negotiations with Peru and submitted its accession request to the Regional Comprehensive Economic Partnership. Hong Kong, China's FTA partners accounted for 61% of total merchandise imports and 69% of merchandise exports in 2022.

12. There are no specific laws on investment *per se* in Hong Kong, China, but FTAs and Investment Promotion and Protection Agreements (IPPAs) continue to be developed or improved and thereby contributed to the improvement of its investment framework. Three new IPPAs and two new FTAs with investment chapters entered into force during the review period. Hong Kong, China's investment promotion activities have been stepped up in recent years to include new institutional setups and initiatives targeting enterprises, investment, and talent. A number of new organizations or schemes were put in place over the review period for investment promotion purposes, including the Hong Kong Investment Corporation Ltd, the Office for Attracting Strategic Enterprises, and several funding schemes.

13. Regarding customs matters, Hong Kong, China had no significant changes to customs import procedures during the review period, although it continues to move towards electronic trade documents through a gradual implementation of the Trade Single Window (TSW). Currently in phase 2 of the implementation process, the TSW is expected to have 28 types of trade documents incorporated before reaching the final phase 3 implementation starting in 2026. The Agreement on Trade Facilitation was accepted in 2014 and trade-facilitating measures continue to be implemented; there are no procedures in place for advance rulings or expedited shipments. Hong Kong, China's Authorized Economic Operators (AEO) Programme continues to undergo expansion with new accredited AEOs and a growing number of Mutual Recognition Arrangements. A new registration regime for dealers in precious metals and stones came into force in April 2023 through the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

14. No laws, regulations, or administrative procedures exist specifically for valuing goods for customs purposes in Hong Kong, China. However, for goods subject to excise duties, a methodology for *ad valorem* duty assessment is contained in the Dutiable Commodities Ordinance, and for motor vehicles subject to the First Registration Tax System, a published retail price system is used for valuation. Hong Kong, China does not have any specific laws or regulations on non-preferential origin but maintains preferential rules of origin for most of its FTAs. An importer of goods is required to submit origin information in the import declaration. Preferential origin criteria vary according to each FTA but generally involve several determining criteria such as change in tariff classification and regional value content.

15. Hong Kong, China does not apply tariffs on imports, nor does it maintain any tariff rate quotas. Thus, its 7,805 tariff lines all have applied rates of zero; its WTO schedule has about half (47.6%) of these lines bound. All agricultural lines are bound, while 39.4% of non-agricultural goods are bound. Excise duties are charged on four categories of goods, (alcoholic liquor, tobacco, hydrocarbon oil, and methyl alcohol). The rates of these excise duties remained unchanged during the review period except for the excise duties on tobacco products, which increased in 2023 as a policy measure to curb tobacco use.

16. A number of import and export prohibitions and restrictions continue to be applied on certain goods generally due to health, safety, or environmental protection reasons, and to comply with obligations under international treaties and agreements. There were no significant changes to the lists of products subject to these measures during the review period, although new legislation was put in place to protect toothfish and to prohibit alternative smoking products and mercury or mercury mixtures. Licensing requirements are imposed on certain goods, most notably on imports and

exports of strategic commodities. New licensing requirements were enacted for firearms and ammunition.

17. For trade remedies, there have been no developments since the last Review; Hong Kong, China does not have any laws, regulations, or authorities for the application of anti-dumping, countervailing, or safeguard measures. However, Hong Kong, China's FTAs generally contain some provisions on trade remedies, often reaffirming rights and obligations under the WTO Agreements.

18. Customs procedures on exports did not change during the review period. Similar to imports, export processes are increasingly facilitated through electronic means, including the TSW. Customs duties are not charged on exports; however, the Clothing Industry Training Levy on exports is charged for most apparel items manufactured in Hong Kong, China. The rate of duty remains at HKD 0.30 per HKD 1,000 f.o.b. value. Certain goods are subject to export controls, such as export licences/permits, to, *inter alia*, comply with international obligations or protect public health or the environment.

19. Hong Kong, China has a number of export support and promotion activities aimed to help exporters including a government-supported body for export promotion, funds specific to SMEs and branding promotion, and a temporary COVID-19 pandemic-driven subsidy fund for conferences and conventions. The long-standing Hong Kong Export Credit Insurance Corporation continued to provide export insurance during the review period, and also commenced offering export guarantees through the Export Credit Guarantee Programme in 2022. A Commercial Data Interchange mechanism was launched in 2022 to facilitate access to finance for enterprises, in particular for SMEs.

20. Tax and non-tax incentives programmes in the form of financial/funding support, tax reduction for certain business activities, and loans and grants are some of the measures maintained by Hong Kong, China to support industry. Most are long-standing programmes, although in some cases, the scope has been expanded, or additional programmes/measures have been introduced, such as temporary measures during the COVID-19 pandemic. For example, the Anti-epidemic Fund provided HKD 228.5 billion over six rounds of funding to support various sectors of the economy, e.g. the tourism industry, wholesale traders, and the convention and exhibition industry.

21. There has not been any significant change in the organization or structure of Hong Kong, China's standards, testing, and conformity assessment entities since the last Review. The Innovation and Technology Commission continues to promote internationally accepted standards and conformity assessment measures. Professional associations or institutions lead the development of voluntary standards, which are based on the needs or concerns identified by the industry. Regulatory authorities continue to issue standards as necessary and incorporate technical regulations into laws when needed. Further, the laws on technical regulations or products subject to technical regulations have similarly not changed much except for ordinances on vehicle construction and maintenance, construction of buildings and associated works, dangerous goods, and certain telecommunications.

22. Regarding sanitary and phytosanitary requirements, several developments occurred during the review period, including legislative changes, new structures, and the introduction of a new electronic portal. The Environment and Ecology Bureau was established in July 2022 with expanded policy functions on environmental hygiene, food safety, agriculture and fisheries, and veterinary public health, beyond those of the previous Food and Health Bureau. Amendments were made to the Food Adulteration (Metallic Contamination) Regulations, the Harmful Substances in Food Regulations, and the Food and Drugs (Composition and Labelling) Regulations.

23. Hong Kong, China has notified that it does not have any state trading enterprises within the meaning of the Understanding on Article XVII of the GATT 1994. However, a long-standing Fish Marketing Organization remains in place. Hong Kong, China has 15 enterprises owned or controlled by the Government that are referred to as government business enterprises (GBEs), which take different legal forms and operate across a number of sectors. The number of GBEs and their level of government ownership remained stable over the review period.

24. Hong Kong, China remains a party to the Agreement on Government Procurement with market access schedules contained therein and a stated government policy objective of achieving best value

for money and maintaining open and fair competition in procurement. A new pro-innovation government procurement policy was launched and implemented during the review period that has wide-ranging changes including promoting innovation in procurement, amending the "value for money" concept, and assigning dedicated weighting to environmental protection, social responsibility, and governance in assessing tenders, among others. Other developments include flexibility of payment provisions in response to the pandemic, a revamped contractor management system, a Green Procurement policy, and the launch of the pilot electronic tendering system.

25. The overall structure and framework of Hong Kong, China's intellectual property (IP) protection entities have not changed; however, there were amendments to various IP laws or regulations related to, *inter alia*, a new and direct filing route, steps towards implementing the international registration system for trademarks pursuant to the Madrid Protocol, enhanced copyright exceptions, and prohibitions on the registration of certain designs. Other developments include Hong Kong, China's continued efforts to further establish itself as a regional IP trading centre, the adoption of flexibilities and stepping up efforts to promote IP in response to the pandemic, and carrying out various IP promotion activities.

26. The economic significance of the agricultural sector in Hong Kong, China is modest, and it continues to rely mainly on imports for its food supply. In terms of mining and energy, Hong Kong, China produces a limited amount of primary energy, and is a net energy importer. During the review period, it revised its renewable energy policies to encourage private-sector investment in renewable energy. Most enterprises in the manufacturing sector (98.6%) are small or medium-sized, employing less than 100 persons each.

27. The services sector is the backbone of Hong Kong, China's economy. During the review period, its trade balance in financial and insurance services was positive and growing. Over the same period, Hong Kong, China revised its anti-money laundering and counter-financing of terrorism frameworks, continued to implement international supervisory standards, and created a framework for fintech.

28. The telecommunications sector is highly developed and benefits from the latest technologies (e.g. 5G and fibre-based networks). Between 2018 and 2021, the gross output of the telecom industry expanded, and exports and imports in the sector also increased. In the same period, the authorities adopted policies to simplify the licensing framework to facilitate adoption of innovative services by the industry, strengthen the protection of underground telecommunications infrastructure, and introduced subsidy schemes for the early deployment of 5G to improve efficiency of operations.

29. Several pieces of legislation related to maritime transport were enacted during the review period to meet the requirements of international organizations or conventions in which Hong Kong, China participates.

30. In September 2022, the Travel Industry Authority took over the licensing and trade regulatory functions from the Travel Agents Registry and the Travel Industry Council of Hong Kong, respectively. Facing the decline in visitor arrivals between 2020 and 2021 due to the COVID-19 pandemic, the Hong Kong Tourism Board gave substantial resources to promoting local tourism and boosting consumption.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. The economy of Hong Kong, China continues to be externally oriented and dependent on trade with the rest of the world. In 2022, its trade to GDP ratio was 383.8% (compared with 376.9% in 2018). During the review period, Hong Kong, China retained its position as one of the main global trade and financial centres; in 2022, it was ranked 10th among world traders in terms of value of trade, accounting for 2.5% of world total trade.¹ In March 2023, it was ranked 4th place globally in the Global Financial Centres Index.²

1.2. The services sector constitutes the backbone of the economy, contributing more than 90% of GDP, with financial and insurance; import/export; wholesale and retail trades; and real estate, professional, and business services accounting for about 50% of GDP (Table 1.1). The shares in GDP of the manufacturing (1% of GDP) and the agriculture, fishing, and mining and quarrying sectors (0.1% of GDP) remain small.

Table 1.1 GDP and employment by economic activity, 2018-22

	2018	2019	2020	2021	2022
GDP by economic activity in real terms (annual percentage change)					
Agriculture, fishing, mining and quarrying	-1.8	-0.8	3.8	-2.5	-6.0
Manufacturing	1.3	0.4	-5.8	5.5	0.2
Electricity, gas and water supply and waste management	0.1	-0.5	-14.2	3.7	-2.5
Construction	3.3	-9.7	-11.7	-0.6	5.8
Services	3.1	-0.6	-6.7	5.9	-3.1
Import/export, wholesale and retail trades	4.2	-7.5	-15.0	13.3	-12.1
Import and export trade	3.8	-5.6	-8.1	13.6	-12.9
Wholesale and retail trades	6.0	-15.3	-47.3	11.2	-6.8
Accommodation and food services	5.9	-11.7	-44.8	22.6	-10.8
Transportation, storage, postal and courier services	2.5	-1.7	-36.9	7.7	-4.6
Transportation and storage	2.6	-1.5	-39.8	6.4	-4.5
Postal and courier services	1.0	-3.9	10.5	20.6	-6.2
Information and communication	4.1	4.7	1.7	2.6	0.8
Finance and insurance	4.0	3.4	4.0	4.7	-0.1
Real estate, professional and business services	-0.4	-0.2	-4.6	2.1	-2.7
Real estate	-3.1	-1.6	-3.6	2.3	-4.6
Professional and business services	2.0	1.0	-5.4	1.9	-1.3
Public administration, social and personal services	3.6	3.2	-2.3	4.4	0.7
Ownership of premises	1.0	0.6	-0.3	1.2	0.6
Share of GDP at current basic prices (%)					
Agriculture, fishing, mining and quarrying	0.1	0.1	0.1	0.1	..
Manufacturing	1.0	1.1	1.0	1.0	..
Electricity, gas and water supply and waste management	1.3	1.2	1.4	1.3	..
Construction	4.5	4.2	4.1	4.0	..
Services	93.1	93.4	93.4	93.7	..
Import/export, wholesale and retail trades	21.3	19.5	18.4	19.4	..
Import and export trade	17.2	16.1	15.9	16.8	..
Wholesale and retail trades	4.1	3.4	2.5	2.6	..
Accommodation and food services	3.4	2.8	1.4	1.7	..
Transportation, storage, postal and courier services	5.9	5.5	4.5	7.3	..
Transportation and storage	5.5	5.2	4.0	6.9	..
Postal and courier services	0.3	0.3	0.4	0.4	..
Information and communication	3.4	3.5	3.7	3.6	..

¹ WTO (2023), *Global Trade Outlook and Statistics*. Viewed at: https://www.wto.org/english/res_e/booksp_e/trade_outlook23_e.pdf.

² Government of Hong Kong, China (2023). Viewed at: <https://www.info.gov.hk/gia/general/202303/23/P2023032300621.htm>.

	2018	2019	2020	2021	2022
Finance and insurance	19.8	21.2	23.4	21.3	..
Real estate, professional and business services	10.4	10.1	9.5	9.1	..
Real estate	4.6	4.5	4.2	3.9	..
Professional and business services	5.8	5.6	5.3	5.3	..
Public administration, social and personal services	18.5	19.6	20.7	20.5	..
Ownership of premises	10.5	11.3	11.8	10.8	..
Share of sector in total employment (%)					
Manufacturing	2.3	2.3	2.3	2.2	2.1
Construction	8.9	8.6	8.4	8.8	9.0
Services	88.3	88.6	88.8	88.5	88.4
Import/export, wholesale and retail trades	22.5	21.1	19.7	19.0	18.9
Import and export trade	12.5	11.5	10.7	10.2	10.1
Wholesale and retail trades	10.0	9.6	9.0	8.8	8.8
Accommodation and food services	7.2	7.1	6.4	6.5	6.6
Transportation, storage, postal and courier services	7.9	8.0	7.9	7.9	7.7
Information and communications	2.9	2.9	3.0	3.0	3.0
Financing and insurance	6.8	7.1	7.5	7.6	7.4
Real estate	3.6	3.7	4.0	4.1	4.1
Professional and business services	10.4	10.6	11.1	11.1	11.1
Public administration	3.0	3.1	3.3	3.5	3.6
Education	5.6	5.8	6.0	5.9	6.0
Human health and social work services; and arts, entertainment and recreation	6.7	7.0	7.3	7.4	7.7
Other social and personal services	11.8	12.1	12.6	12.5	12.3
Others ^a	0.5	0.5	0.5	0.5	0.5

.. Not available.

a Including the industries of agriculture, forestry, and fishing; mining and quarrying; and electricity, gas and water supply, and waste management.

Source: Census and Statistics Department. Viewed at: <http://www.censtatd.gov.hk>; and data provided by the authorities.

1.3. Since 2018, various measures aiming to maintain Hong Kong, China's competitive advantages and increase growth have been introduced, especially after the outbreak of the COVID-19 pandemic. According to the authorities, measures included those that would consolidate and enhance Hong Kong, China's status as an international financial, innovation and technology, trade and shipping centre, and aviation hub, as well as a regional intellectual property trading centre. Hong Kong, China has also adopted measures to attract enterprises, investment, and talent to enhance its competitiveness so as to create strong impetus for long-term growth. Measures include the establishment of the Office for Attracting Strategic Enterprise and the Talents Service Unit.³ Temporary support measures, such as taxation relief, have also been implemented to support enterprises, especially small and medium-sized enterprises (SMEs) in response to the COVID-19 pandemic.

1.4. The authorities have also continued to implement policies with the aim of further strengthening economic and trade relations with trading partners, including through entering into new trade and investment agreements, and pursuing further liberalization under existing agreements (Section 2.3). During the review period, Hong Kong, China signed three new free trade agreements (FTAs), which have all entered into force. In 2018, Hong Kong, China and China signed the Agreement on Trade in Goods, consolidating and updating the commitments on liberalization and facilitation of trade in goods under the China and Hong Kong Closer Economic Partnership Arrangement (CEPA), which was signed in 2003. In 2019, they signed the Agreement concerning Amendment to the CEPA Agreement on Trade in Services, which updated the commitments on liberalization and facilitation of trade in services under the Agreement on Trade in Services implemented since June 2016.

³ Government of Hong Kong, China (2022), *Policy Address*. Viewed at: <https://www.policyaddress.gov.hk/2022/en/p25.html>.

1.2 Recent economic developments

1.2.1 Growth and employment

1.5. According to the authorities, economic growth during the review period was impacted by various domestic and external shocks including the COVID-19 pandemic; as a consequence, most GDP components, except for government consumption and imports of services, were marked by negative growth rates both in 2019 and 2020 (Table 1.2). The decrease in exports of goods and services was particularly noted with a drop of 6.1% in 2019 and a further decrease in 2020. Imports of goods and services also decreased during the same period. Private consumption featured negative growth in 2020, and the unemployment rate sharply increased in 2020 (5.8%) after declining to its lowest rate since 1997 in 2018 (2.8%).⁴ Unemployment in all major sectors deteriorated, with the construction sector and those consumption- and tourism-related sectors hardest hit.⁵ Analyzed by skill segment, the lower-skilled segment was more adversely affected.

Table 1.2 Selected macroeconomic indicators, 2018-22

	2018	2019	2020	2021	2022
Real GDP (HKD billion, 2021 prices)	2,931.8	2,882.7	2,694.1	2,867.6	2,767.9
Current GDP (HKD billion)	2,835.4	2,845.0	2,675.8	2,867.6	2,818.0
Current GDP (USD billion)	361.7	363.1	345.0	368.9	359.8
GDP per capita at current market price (HKD)	380,462.0	378,937.0	357,679.0	386,832.0	383,611.0
GDP per capita at current market price (USD)	48,535.0	48,358.0	46,110.0	49,760.0	48,980.0
National accounts	(% change, unless otherwise indicated)				
Real GDP	2.8	-1.7	-6.5	6.4	-3.5
Consumption	5.2	-0.1	-8.1	5.6	0.3
Private consumption	5.3	-0.8	-10.6	5.6	-1.2
Government consumption	4.2	5.1	7.9	5.9	8.2
Gross domestic fixed capital formation	1.7	-14.9	-11.1	8.3	-7.7
Exports of goods and non-factor services ^a	3.7	-6.1	-6.7	17.0	-12.6
Goods ^a	3.5	-5.5	-1.4	18.7	-13.9
Services ^a	4.6	-9.6	-34.8	3.4	-1.4
Imports of goods and non-factor services ^a	4.5	-7.2	-6.9	15.8	-12.2
Goods ^a	4.7	-8.2	-3.2	17.2	-13.2
Services ^a	2.8	0.1	-32.2	2.5	-1.7
XGS/GDP (%) (at current market price) ^a	188.3	177.7	176.3	204.0	193.9
MGS/GDP (%) (at current market price) ^a	188.6	176.1	174.4	198.5	189.9
Unemployment rate (%)	2.8	2.9	5.8	5.2	4.3
Labour force participation rate (%)	61.3	60.7	59.7	59.4	58.2
Prices and interest rates					
Inflation (CPI, % change)	2.4	2.9	0.3	1.6	1.9
Lending rate (period average)	5.04	5.10	5.00	5.00	5.10
Deposit rate (period average)	0.04	0.14	0.06	0.02	0.05
Three-month HIBOR ^b	1.8	2.1	1.1	0.2	2.1
Exchange rate					
HKD/USD (period average)	7.839	7.836	7.757	7.774	7.832
Nominal effective exchange rate index (2020=100)	96.2	99.4	100.0	95.5	100.1
Real effective exchange rate (2010=100)	113.2	117.7	117.2	111.8	115.4
	(% of GDP, unless otherwise indicated)				
Fiscal balance^c					
Government opening reserve balance	38.7	41.9	42.6	32.6	..

⁴ Government of Hong Kong, China (2021), *2020 Economic Background and 2021 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_20q4.pdf.

⁵ Government of Hong Kong, China (2021), *2020 Economic Background and 2021 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_20q4.pdf.

	2018	2019	2020	2021	2022
Total revenue	21.0	21.4	21.4	25.4	..
Current revenue	15.9	15.5	16.9	18.5	..
Tax revenue	13.7	12.6	13.8	15.0	..
Total expenditure	18.6	21.8	30.0	24.3	..
Current expenditure	15.2	18.7	26.4	20.7	..
Government consolidated balance	2.4	-0.4	-8.5	1.0	..
Fiscal reserve balance	41.0	41.5	34.1	33.6	..
Government debt ^d (end-fiscal year)	0.87	0.28	1.00	1.99	..
Saving and investment					
Gross national savings	25.7	24.0	26.0	28.6	25.5
Gross domestic investment	22.0	18.2	19.0	16.8	15.0
Savings-investment gap	3.7	5.8	7.0	11.8	10.5
External sector					
Current account balance	3.7	5.9	7.0	11.8	10.5
Goods balance	-8.9	-4.2	-1.5	0.9	-1.6
Exports	157.1	149.6	156.9	182.6	170.8
Imports	166.0	153.8	158.4	181.7	172.4
Services balance	8.7	5.8	3.5	4.7	5.5
Exports	31.3	28.1	19.4	21.4	23.0
Imports	22.6	22.3	15.9	16.7	17.5
Capital account	-0.1	-0.0	-0.0	-0.4	0.0
Financial account	-6.1	-8.3	-9.1	-12.7	-10.3
Direct investment	6.1	5.6	9.9	11.9	3.9
Balance of payments	0.3	-0.3	9.8	-0.3	-13.0
Terms of trade (2021=100)	100.1	100.0	100.0	100.0	99.7
Goods exports (% change) ^e	5.7	-4.5	-1.3	24.7	-8.1
Goods imports (% change) ^e	7.2	-7.0	-3.1	22.9	-6.8
Service exports (% change) ^e	8.7	-9.9	-34.4	18.2	5.6
Service imports (% change) ^e	5.0	-0.9	-32.1	12.4	2.9
Foreign exchange reserves (USD billion, end-period)	424.7	441.4	491.8	496.9	424.0
in months of imports of goods ^f	33.0	41.3	51.5	44.3	..
Total external debt (HKD billion)	13,277.2	13,046.1	13,872.4	14,591.9	14,196.4
% of GDP	468.3	458.6	518.4	508.9	503.8

.. Not available.

a Figures are based on fiscal year beginning 1 April.

b The Hong Kong Interbank Offered Rate (HIBOR) is a Hong Kong dollar-based interest rate benchmark for lending between banks in the Hong Kong market.

c Excluding bonds issued under the Government Bond Programme.

d Growth rates based on trade figures taken from the Balance of Payment in US dollars. Figures are calculated based on past 12-month average of retained imports of goods.

e Figures are calculated based on past 12-month average of retained imports of goods.

f Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the System of National Accounts 2008.

Source: Census and Statistics Department. Viewed at: <http://www.censtatd.gov.hk>; and IMF (2023), *Staff Report for the 2023 Article IV Consultation*, Country Report No. 23/186, May 2023. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2023/05/30/Peoples-Republic-of-China-Hong-Kong-Special-Administrative-Region-2023-Article-IV-533975>.

1.6. The economy recovered strongly in 2021 with the adoption of various policy responses and pre-crisis buffers such as ample fiscal reserves.⁶ Private consumption expenditure increased and the seasonally adjusted unemployment rate fell to 4% in the fourth quarter of 2021.⁷ However,

⁶ IMF (2022), *Staff Report for the Article IV Consultation*, IMF Country Report No. 22/69. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2022/03/07/Peoples-Republic-of-China-Hong-Kong-Special-Administrative-Region-2022-Article-IV-513945>.

⁷ Government of Hong Kong, China (2022), *2021 Economic Background and 2022 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_21q4.pdf.

in 2022, the economy contracted considerably; according to the authorities, economic activities were first dampened by the fifth wave of the local COVID-19 epidemic, and subsequently by the deteriorated external environment and tightened financial conditions.⁸ These domestic and external issues had an impact on private consumption, investment, and exports and imports of goods and services. The labour market was again under pressure in the early months of 2022 amid the fifth wave of the local COVID-19 epidemic; however, it improved subsequently in the rest of the year as domestic economic activities gradually revived alongside the generally stable local epidemic situation.⁹

1.2.2 Fiscal policy

1.7. According to the IMF, Hong Kong, China's economy continued to retain strong fiscal and financial fundamentals supported by significant policy measures and strong institutional frameworks.¹⁰ The fiscal reserves balance recorded surpluses during the review period, despite a decline in 2019-20 (40.8% of GDP from 41.3% of GDP in 2018-19) mainly due to an increase in public expenditure in response to challenges posed by the COVID-19 pandemic.

1.8. Hong Kong, China adopted a forward-looking fiscal policy based on strategic financial management principles. Ample fiscal reserves have allowed the authorities to allocate additional resources for the future (such as infrastructure and improving services), for various countercyclical and anti-epidemic measures, in a prompt manner to support the economy during the review period.¹¹ In the 2022-23 Budget, the authorities continued to adopt an expansionary fiscal policy with initiatives mainly focusing on four areas: containing the COVID-19 pandemic; reinvigorating social and economic activities; rendering support to the struggling economy and fostering post-epidemic economic revival; and investing for the future by planning ahead for the medium- and long-term development of the economy. In the 2022-23 Budget, the total financial commitment of countercyclical measures was around HKD 170 billion.

1.2.3 Monetary policy, prices, and exchange rates

1.9. Currency stability, implemented through the Linked Exchange Rate System (LERS), continues to be the main monetary policy objective. Under the LERS, the external exchange value of the Hong Kong dollar (HKD) is pegged to the US dollar (USD) at around HKD 7.80 to USD 1.00.¹² The Hong Kong Monetary Authority (HKMA) provides Convertibility Undertakings (CUs), under which the HKMA commits to purchase HKD upon request from licensed banks at HKD 7.85 to USD 1.00 and sell HKD to them upon request at HKD 7.75 to USD 1.00. According to the authorities, the stability of the HKD exchange rate is maintained through an automatic interest rate adjustment mechanism and the firm commitment by the HKMA to honour the CUs under the LERS.

1.10. Between 2018 and 2022, under the LERS, the authorities consider that the HKD exchange rate continued to trade in a smooth and orderly manner within the Convertibility Zone of HKD 7.75 and HKD 7.85 against the USD as driven by market supply and demand.¹³ Against other currencies, the HKD real effective exchange rate appreciated between 2018 and 2019 and then started to depreciate from 2020 onwards, following the weakening of the USD *vis-à-vis* other major currencies.

1.11. Under the LERS, the HKMA does not have any target on the level of interest rates. The HKMA's Base Rate closely reflects the changes to the US policy rate made by the US Federal Reserve. The interest rate in Hong Kong, China remained at low levels during the review period until 2022, when it gradually increased as the monetary policy in the United States began to tighten. As the

⁸ Government of Hong Kong, China (2023), *2022 Economic Background and 2023 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_22q4.pdf.

⁹ Government of Hong Kong, China (2023), *2022 Economic Background and 2023 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_22q4.pdf.

¹⁰ IMF Country Report No. 22/69.

¹¹ WTO, *COVID-19: Support Measures*. Viewed at: https://www.wto.org/english/tratop_e/covid19_e/trade_related_support_measures_e.htm.

¹² HKMA, *Linked Exchange Rate System*. Viewed at: <https://www.hkma.gov.hk/eng/key-functions/money/linked-exchange-rate-system/>.

¹³ HKMA (2022), "The HKMA's Response to the US Fed's Rate Hike", 17 March. Viewed at: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2022/03/20220317-4/>.

US Federal Reserve increased its key interest rates, the HKMA subsequently raised its Base Rate¹⁴ seven times to sustain the HKD peg to the USD from 0.50% at end-2021 to 4.75% at end-2022.¹⁵

1.12. Between 2018 and 2022, the increase in the headline composite Consumer Price Index (CPI) was moderate. In particular, inflation receded visibly in 2020 reflecting the easing of price pressures on most goods and services amid global and domestic economic conditions caused by the pandemic and relief measures implemented by the authorities.¹⁶ The increase in CPI accelerated in 2021, but at a slower rate than in 2018.

1.2.4 Balance of payments

1.13. Reflecting its savings and investment balance, Hong Kong, China's balance of payments featured a current account surplus between 2018 and 2021 against the background of a surge in primary income and surplus in the services balances (Table 1.3). The current account surplus narrowed in 2022 as merchandise trade reverted to a deficit and more than offset the increase in services trade surplus from 2021 to 2022.¹⁷ Expressed as the share of GDP, the current account surplus increased from 3.7% in 2018 to 11.8% in 2021 and decreased to 10.5% in 2022. The strong surplus in Hong Kong, China's primary income balance, which increased during the review period, was the main contributor to the current account surplus. In addition, the services trade surplus was also a key contributor to the current account surplus.

1.14. The merchandise trade balance was in deficit, but on a declining trend, in the first three years of the review period. In 2021, the balance recorded a surplus, reflecting the increase of export demand from trading partners, such as China, the United States, and the European Union.¹⁸ In 2022, it recorded a deficit as the value of exports of goods saw a larger decline than that of imports.¹⁹ Similarly, the surplus in the services trade balance was on a declining trend in the first three years of the review period; it rebounded in 2021 as exports of transport services rose as regional trading activities and cargo flows increased.²⁰ In addition, exports of business and other services as well as financial services expanded alongside the global economic recovery. The services trade surplus widened in 2022 amid a surge in exports of travel services.

1.15. Between 2018 and 2022, the capital and financial accounts recorded net outflows, except for the capital account in 2022 when it recorded a net inflow. The change in the capital account in 2022 was due to an inflow of fixed capital donations, consisting mainly of the total value of anti-epidemic facilities provided by the Government of China to Hong Kong, China, such as the Emergency Hospital and Mobile Cabin Facility.

Table 1.3 Balance of payments, 2018-22

(HKD million)

	2018	2019	2020	2021	2022
Current account	105,942	166,482	187,012	339,429	296,871
Goods and services balance	-6,061	44,357	51,623	159,713	110,786
Goods balance	-252,997	-120,521	-41,325	24,671	-44,829
Exports	4,453,350	4,255,098	4,198,338	5,236,005	4,813,750
Imports	4,706,347	4,375,619	4,239,663	5,211,334	4,858,579
Services balance	246,936	164,878	92,948	135,042	155,615
Credit	886,883	799,121	519,205	615,069	649,345
Debit	639,947	634,243	426,257	480,027	493,730

¹⁴ Base rate is the interest rate forming the foundation upon which the discount rates for the HKMA's discount window are computed.

¹⁵ Government of Hong Kong, China (2023), *2022 Economic Background and 2023 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_22q4.pdf.

¹⁶ Government of Hong Kong, China (2021), *2020 Economic Background and 2021 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_20q4.pdf.

¹⁷ IMF Country Report No. 22/69.

¹⁸ Government of Hong Kong, China (2022), *2021 Economic Background and 2022 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_21q4.pdf.

¹⁹ Government of Hong Kong, China (2023), *2022 Economic Background and 2023 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_22q4.pdf.

²⁰ Government of Hong Kong, China (2022), *2021 Economic Background and 2022 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_21q4.pdf.

	2018	2019	2020	2021	2022
Primary income	134,815	143,717	156,083	198,732	199,526
Credit	1,630,576	1,673,829	1,544,587	1,674,890	1,757,345
Investment income	1,627,247	1,670,293	1,541,278	1,671,368	1,754,100
Compensation of employees	3,329	3,536	3,308	3,521	3,245
Debit	1,495,761	1,530,112	1,388,504	1,476,157	1,557,819
Investment income	1,488,439	1,522,299	1,381,455	1,469,122	1,550,763
Compensation of employees	7,322	7,814	7,049	7,035	7,056
Secondary income	-22,813	-21,592	-20,694	-19,017	-13,441
Credit	12,791	13,328	14,889	15,044	18,953
Debit	35,603	34,921	35,583	34,061	32,394
Capital account	-1,574	-682	-90	-10,363	1,287
Financial account	-173,507	-236,756	-243,839	-363,230	-291,113
Financial non-reserve assets	-165,948	-245,612	19,211	-372,371	-658,325
Direct investment	172,795	160,730	263,703	340,141	110,712
Assets	-587,673	-295,944	-647,387	-726,013	-836,201
Liabilities	760,467	456,674	911,090	1,066,154	946,913
Portfolio investment	-616,428	-215,764	-528,049	-620,493	-415,531
Assets	-760,277	-220,626	-397,140	-662,227	-446,367
Equity and investment fund shares	-256,391	-87,692	-340,122	-642,237	-336,509
Debt securities	-503,886	-132,933	-57,018	-19,990	-109,858
Liabilities	143,849	4,861	-130,909	41,734	30,836
Equity and investment fund shares	-18,700	15,102	-32,351	11,076	42,768
Debt securities	162,549	-10,241	-98,558	30,658	-11,932
Financial derivatives	33,202	1,239	18,790	45,126	138,760
Assets	615,605	487,239	572,669	551,235	880,557
Liabilities	-582,403	-486,000	-553,879	-506,109	-741,797
Other investment	244,483	-191,817	264,766	-137,145	-492,266
Assets	-568,893	85,752	-470,177	-699,233	-3,032
Currency and deposits	-442,645	323,931	-403,733	-395,648	-292,916
Loans	-120,594	-253,498	-56,180	-215,243	190,640
Trade credit and advances	1,154	1,042	-13,888	-47,159	55,979
Other assets	-6,808	14,276	3,624	-41,182	43,266
Liabilities	813,376	-277,569	734,943	562,088	-489,234
Currency and deposits	590,647	-309,876	459,687	364,291	-576,188
Loans	216,674	12,880	238,093	149,538	166,568
Trade credit and advances	-1,012	-11,297	21,136	39,813	-39,091
Other liabilities	7,068	30,724	16,028	8,446	-40,523
Reserve assets	-7,559	8,855	-263,050	9,142	367,212
Net errors and omission	69,139	70,957	56,918	34,164	-7,045
Balance of payments	7,559	-8,855	263,050	-9,142	-367,212

Source: Census and Statistics Department.

1.2.5 Outlook

1.16. The IMF projects GDP growth in 2023 at 3.5%²¹ amid the backdrop of China's recovery in economic growth, rebound in tourism from the removal of COVID-19-related quarantine restrictions, and the resumption of normal travel with China and the rest of the world.²² In addition, the authorities also expect improvement of the labour market, private consumption, and private investment. Infrastructure development and increasing housing supply are also intended to support fixed asset investment.²³ However, the authorities consider that in 2023, Hong Kong, China is facing

²¹ IMF. Viewed at: <https://www.imf.org/en/Countries/HKG>.

²² Reuters (2023), "Hong Kong GDP Shrinks for 4th Straight Quarter, but Poised for Recovery", 1 February. Viewed at: <https://www.reuters.com/world/asia-pacific/hong-kongs-economy-shrinks-4th-quarter-recovery-seen-2023-02-01/>.

²³ Government of Hong Kong, China (2023), *2022 Economic Background and 2023 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_22q4.pdf.

risks from high inflationary pressure and monetary tightening in advanced economies; these are likely to weaken growth momentum in advanced economies and have an impact on export of goods.²⁴

1.3 Developments in trade and investment

1.3.1 Trends and patterns in merchandise and services trade

1.3.1.1 Merchandise trade

1.17. Hong Kong, China's exports and imports of goods and services continued to represent a large portion of GDP during the review period. In 2022, Hong Kong, China ranked as the world's 10th largest exporter and the 11th largest importer of goods, and the 24th largest exporter and the 27th largest importer of services.²⁵

1.18. Both merchandise exports and imports fluctuated considerably during the review period, decreasing in 2019 and 2020, increasing robustly in 2021 (exceeding pre-pandemic levels due to recovery policies implemented), and decreasing again in 2022 (Tables A1.1 and A1.3).

1.19. As the economy is characterized by a small production base and highly specialized services industry, it depends on merchandise imports to meet its domestic consumption demands. This dependency on merchandise imports was reflected in a deficit in the goods trade balance in 2018 and 2019; however, the deficit narrowed in 2020, and finally increased in 2021 and 2022. In 2022, Hong Kong, China's total merchandise imports amounted to USD 668.5 billion (USD 627.3 billion in 2018), while total exports were USD 610 billion (USD 569 billion in 2018) (Chart 1.1 and Table A1.1).

1.20. Imports for subsequent re-exports²⁶ also declined along with the worsening of export performance. Re-exports are the driving force of overall merchandise exports, accounting for 97.1% of total exports of goods in 2022. China is the origin of about 45.2% of Hong Kong, China's re-exports. Imports related to re-exports represented 79% of total merchandise imports in 2022, whereas "retained imports" (i.e. for domestic use) made up the rest.²⁷ Domestic exports accounted for 2.9% of total exports of goods in 2022 (2.3% in 2018). The category of precious stones, metals, and pearls was the largest domestic export item, and its share in domestic exports increased to 73.5% in 2022 (from 63.5% in 2018).

1.21. The overall broad structure of Hong Kong, China's merchandise trade remained unchanged during the review period. Machinery and electrical equipment remained the largest import item and its share in total imports increased to 67.4% in 2022 (from 64% in 2018), with electronic integrated systems accounting for 33.2% of the total. Other major import items are precious stones, metals, and pearls, and precision instruments.

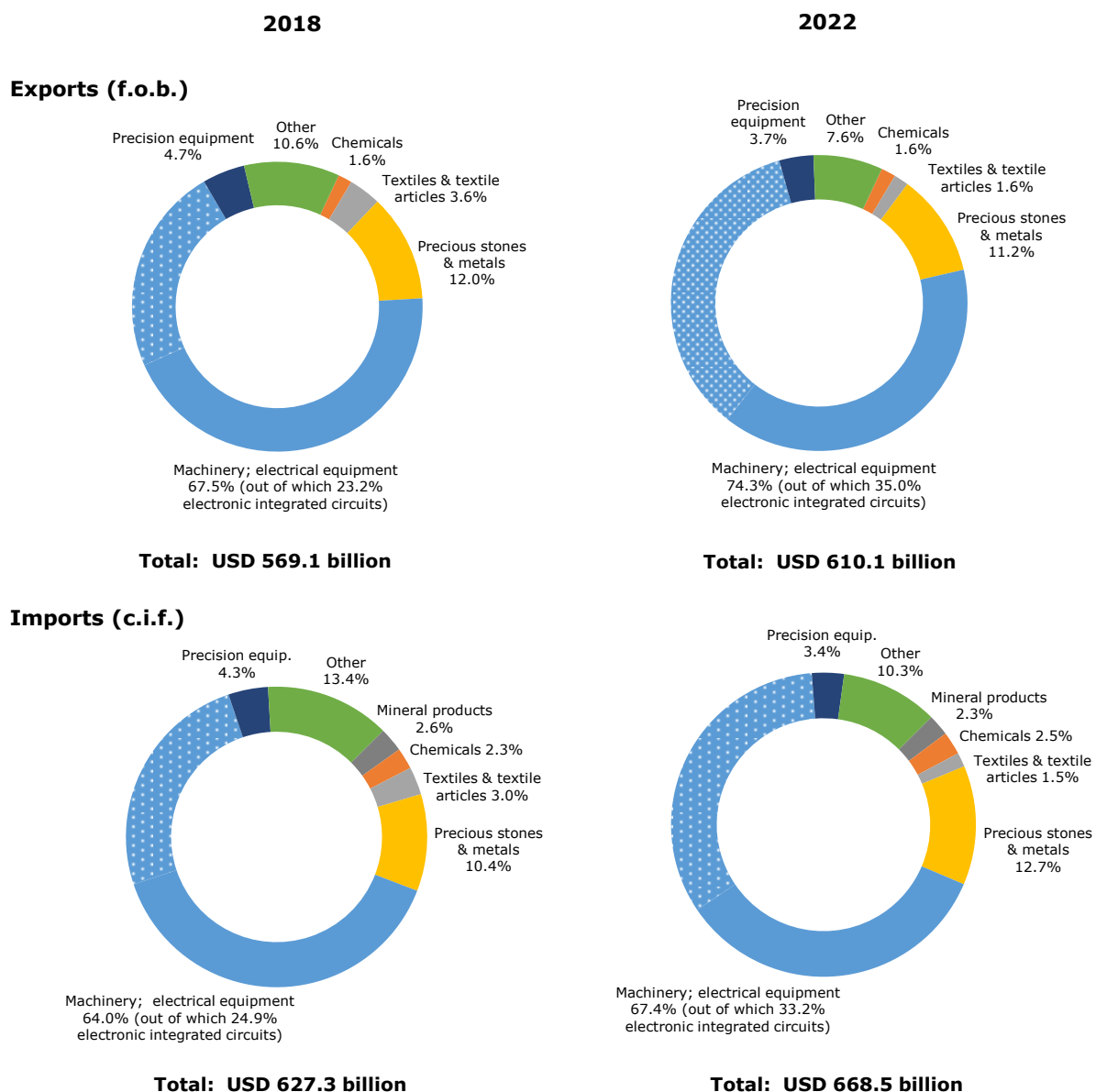
1.22. The product composition of re-exports continues to be dominated by machinery and electrical equipment (in particular, telecommunications equipment, semiconductors, and computer items). According to the authorities, this product category increased its share in total re-exports to 76.4% in 2022 (69% in 2018), with electronic integrated systems accounting for 36.1% of the total. Other re-exported products are precious stones, metals, and pearls; precision instruments; textiles and textile articles; and chemicals and products thereof.

²⁴ Government of Hong Kong, China, *The 2023-24 Budget, Speech by the Financial Secretary, the Hon Paul MP Chan Moving the Second Reading of the Appropriation Bill 2023*. Viewed at: https://www.budget.gov.hk/2023/eng/pdf/e_budget_speech_2023-24.pdf.

²⁵ WTO (2023), *Global Trade Outlook and Statistics*. Viewed at: https://www.wto.org/english/res_e/booksp_e/trade_outlook23_e.pdf.

²⁶ According to the Government, "[r]e-exports are those goods which have previously been imported ... and are subsequently exported without having undergone ... any manufacturing processes which change permanently the shape, nature, form or utility of the goods". Government of Hong Kong, China (2023), *2022 Economic Background and 2023 Prospects*, p. 52. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_22q4.pdf.

²⁷ The value of retained imports is derived by subtracting the estimated import value of re-exports from the value of imports. The estimated import value of re-exports is obtained by removing the re-export margin from the value of re-exports.

Chart 1.1 Product composition of merchandise trade by main HS section, 2018 and 2022

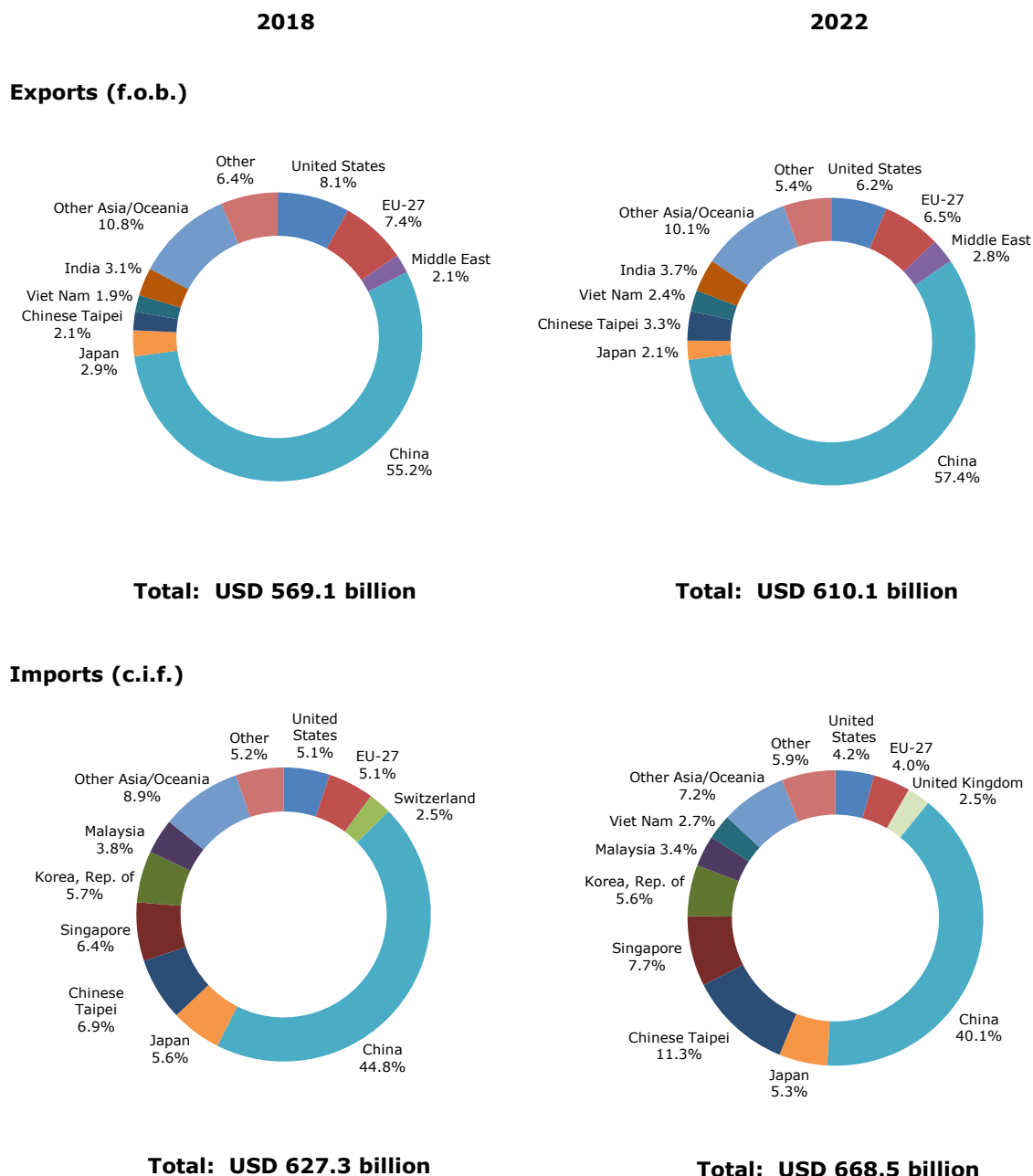
Source: WTO Secretariat calculations, based on UN Comtrade database.

1.23. Given the close ties between the two economies, China is Hong Kong, China's largest merchandise trading partner (Chart 1.2). Over the period 2018-21, merchandise trade with China broadly trended upward amid rising demand in advanced economies and the increasing role of China in global supply chains. Total merchandise trade between the two amounted to USD 618.4 billion in 2022, accounting for 57.4% of Hong Kong, China's merchandise exports and 40% of merchandise imports (Tables A1.2 and A1.4). In addition, according to the authorities, in 2022, an estimated 85% of Hong Kong, China's re-exports involved China either as an origin or a destination.

1.24. Other markets, such as other Asian economies (excluding China), were also important for Hong Kong, China's exports during the review period. According to the authorities, in 2022, 21.3% of re-exports and 34.9% of domestic exports were destined for other Asian/Oceania economies (including Japan), compared to 20.3% and 43.2%, respectively, in 2018. The European Union (EU-27) and the United States are also important export markets for Hong Kong, China, but their respective shares in exports decreased over the review period.

1.25. In terms of imports, besides China, other major suppliers of goods to Hong Kong, China were the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), Singapore, the Republic of Korea, and Japan, which together accounted for 29.9% of imports in 2022 (up from 24.6% in 2018). While the United States and the EU-27 are also significant suppliers, their shares have decreased (Chart 1.2).

Chart 1.2 Direction of merchandise trade, 2018 and 2022



Source: WTO Secretariat calculations, based on UN Comtrade database.

1.3.1.2 Services trade

1.26. Against the backdrop of the COVID-19 pandemic, services exports decreased between 2019 and 2020, and the share of services exports as a percentage of GDP decreased from 31.3% in 2018 to 19.4% in 2020. However, as the external economic environment improved in 2021, exports of services reverted to growth across most major subsectors (Table 1.4): exports of transport services rebounded owing to regional trading activities and cargo flows; business and other services exports

increased alongside the global economic recovery; and the increase in financial services were supported by cross-border financial activities.²⁸ Tourism service exports remained low, as inbound tourism was still frozen throughout 2021 due to COVID-19 restrictions.

1.27. Hong Kong, China continued to maintain a substantial surplus in trade in services over the review period, although the surplus decreased from 8.7% of GDP in 2018 to 5.5% of GDP in 2022. In terms of contribution to exports, in 2021, the main services subsectors were transport, financial services and other business services (such as business and management consulting, and public relations services). On the import side, the main categories were transport, manufacturing services, and other business services (Table 1.4).

Table 1.4 Composition of trade in services, 2018-22

	2018	2019	2020	2021	2022
Total credit (HKD billion)	886.9	799.1	519.2	615.1	649.3
	(% of total credit)				
Manufacturing services	0.0 ^a	0.0 ^a	0.0 ^a	0.0 ^a	..
Maintenance and repair services	0.3	0.3	0.4	0.3	..
Transport	29.2	30.9	35.8	41.6	39.9
Travel	32.6	28.4	4.3	2.3	3.8
Construction	0.1	0.1	0.1	0.0 ^a	..
Insurance and pension services	1.3	1.4	1.7	1.5	1.6
Financial services	19.6	21.2	32.5	30.2	32.0
Charges for the use of intellectual property	0.7	0.7	1.0	0.9	..
Telecommunications, computer and information services	2.6	3.0	5.0	4.8	..
Other business services	13.2	13.6	18.7	18.0	..
Personal, cultural and recreational services	0.3	0.3	0.4	0.3	..
Government goods and services	0.1	0.1	0.1	0.1	..
Total debit (HKD billion)	639.9	634.2	426.3	480.0	493.7
	(% of total debit)				
Manufacturing services	14.6	13.9	18.5	19.7	18.0
Maintenance and repair services	0.2	0.3	0.4	0.3	..
Transport	22.7	22.7	27.0	32.6	31.9
Travel	32.4	33.2	10.0	5.4	8.7
Construction	0.1	0.1	0.1	0.0 ^a	..
Insurance and pension services	1.8	1.9	3.0	3.2	2.5
Financial services	7.6	8.0	13.1	11.8	12.2
Charges for the use of intellectual property	2.4	2.4	3.2	3.3	..
Telecommunications, computer and information services	2.4	2.5	4.2	4.1	..
Other business services	15.3	14.7	19.8	18.9	..
Personal, cultural and recreational services	0.2	0.2	0.4	0.4	..
Government goods and services	0.2	0.2	0.2	0.2	..

.. Not available.

a Less than 0.05%.

Source: Census and Statistics Department.

1.28. China is also one of the largest services trade partners of Hong Kong, China, accounting for 17.1% of services exports and 41.4% of services imports in 2021. According to the authorities, in conjunction with China's continuing economic transformation and trade liberalization, the value of Hong Kong, China's exports of services to China has generally been rising, registering growth of 3.5% in 2021, after falling visibly in 2019 and 2020. Meanwhile, imports of services from China followed a similar trend, growing by 21.6% in 2021, after declining in 2019 and 2020.

1.29. In terms of exports of services, other major destinations, besides China, were the United States (24.4%), the United Kingdom (12.1%), and Germany (6.2%) in terms of the value of total exports of services in 2021. In terms of imports of services, besides China, the United States (16.2%), the United Kingdom (7.0%), and Singapore (6.1%) were the main sources in terms of the value of total imports of services in 2021. Analyzed by region, Asia is the most important destination for the exports and imports of services, reflecting Hong Kong, China's role as a key trading hub.

²⁸ Government of Hong Kong, China (2022), *2021 Economic Background and 2022 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_21q4.pdf.

1.3.2 Trends and patterns in direct investment

1.30. Hong Kong, China is one of the world's top destinations for foreign direct investment (FDI); in 2021 it ranked as the third-largest recipient of FDI inflows.²⁹ It also serves as an important business hub for connecting China with global markets. In addition, it is an attractive investment destination with the absence of foreign exchange controls and restrictions on overseas investment. According to the authorities, between 2018 and 2022, Hong Kong, China strengthened its policies to attract FDI, as well as enterprises and investors from around the globe to establish their businesses (Section 2.4).

1.31. Hong Kong, China remains one of the major global sources of foreign investment. The stock of direct investment liabilities fluctuated during the review period, decreasing in 2019 and 2020 and finally increasing in 2021 (Tables 1.5 and 1.6).³⁰ At the end of 2021, it stood at HKD 16,826.2 billion, equivalent to 586.8% of GDP. The British Virgin Islands continued to be the major source of Hong Kong, China's inward direct investment, accounting for 30.9% of the total stock at end-2021, followed by China, the Cayman Islands, and the United Kingdom.

Table 1.5 Stock of direct investment by major economic activity, 2018-22

	2018	2019	2020	2021	2022
Direct investment liabilities^a (HKD billion)	17,120.7	16,186.9	15,883.5	16,826.2	17,301.7^b
% of GDP	603.8	569.0	593.6	586.8	614.0 ^b
Total of inward direct investment of all economic activities^a (HKD billion)	15,380.6	14,543.8	14,354.4	15,263.5	..
	(% of total)				
Investment and holding, real estate, professional and business services	69.4	65.7	65.2	63.9	..
Banking	11.8	12.9	13.2	13.2	..
Import/export, wholesale and retail trades	9.0	10.7	11.0	11.5	..
Financing (except banking, investment and holding companies)	2.8	3.0	3.3	2.7	..
Insurance	1.1	1.6	2.2	2.6	..
Construction	2.0	2.3	1.7	1.8	..
Transportation, storage, postal and courier services	1.3	1.1	1.1	1.5	..
Information and communications	0.6	0.6	0.5	1.2	..
Manufacturing	0.4	0.5	0.4	0.4	..
Accommodation and food services	0.3	0.3	0.3	0.2	..
Other activities	1.3	1.2	1.1	1.0	..
Direct investment assets^a (HKD billion)	16,071.3	15,694.4	16,420.3	17,154.3	17,020.9^b
% of GDP	566.8	551.6	613.7	598.2	604.0 ^b
Total of outward direct investment of all economic activities^a (HKD billion)	14,331.2	14,051.3	14,891.2	15,591.7	..
	(% of total)				
Investment and holding, real estate, professional and business services	80.4	77.6	77.7	77.3	..
Import/export, wholesale and retail trades	7.4	8.6	8.5	8.8	..
Banking	2.8	3.1	3.1	3.1	..
Insurance	1.8	2.9	3.0	2.9	..
Manufacturing	2.3	2.4	2.6	2.5	..
Financing (except banking, investment and holding companies)	0.5	0.6	0.7	1.1	..
Information and communications	0.7	0.7	0.6	0.7	..
Accommodation and food services	0.6	0.6	0.7	0.7	..
Transportation, storage, postal and courier services	1.1	1.1	0.9	0.7	..

²⁹ UNCTAD (2022), *World Investment Report 2022*. Viewed at: https://unctad.org/system/files/official-document/wir2022_en.pdf.

³⁰ The stock of direct investment liabilities is compiled based on the "asset/liability principle", in accordance with international statistical standards.

	2018	2019	2020	2021	2022
Construction	0.5	0.5	0.4	0.6	..
Other activities	1.8	1.8	1.7	1.6	..

.. Not available.

a The total of inward (outward) direct investment of all economic activities is different from the aggregate direct investment liabilities (assets) due to the adoption of different presentation principles, with the former compiled based on the "directional principle" and the latter based on the "asset/liability principle" in accordance with the international statistical standards. The total of inward (outward) direct investment of all economic activities should be referred to in calculating the shares of individual economic activities, while the direct investment liabilities (assets) should be referred to in the analyses on aggregate statistics.

b Figures are subject to revision.

Source: Census and Statistics Department. Viewed at: <https://www.censtatd.gov.hk/en/>.

1.32. The stock of Hong Kong, China's direct investment assets³¹ also fluctuated over the review period, decreasing in 2019 and then increasing in 2020 and 2021. At the end of 2021, the stock reached HKD 17,154.3 billion, or 598.2% of GDP. China is the largest recipient, with a share of 49.3% of the total stock of outward direct investment in 2021, followed by the British Virgin Islands, with 30.3%. The Cayman Islands, Bermuda, and Singapore are other major recipients (Table 1.6).

1.33. In 2021, total direct investment inflow amounted to HKD 1,066.2 billion, while total direct investment outflow amounted to HKD 726.0 billion, resulting in a net direct investment inflow of HKD 340.1 billion, compared with a net inflow of HKD 263.7 billion in 2020.³²

1.34. Analyzed by major economic activity of Hong Kong enterprise groups (HKEGs)³³, the composition of Hong Kong, China's direct investment liabilities and assets are mostly directed to the services sector. The categories of investment and holding, real estate and professional and business services accounted for 63.9% and 77.3% of the total stocks of inward and outward direct investment, respectively, at end-2021. Other major economic sectors receiving both direct investment liabilities and assets include import/export, wholesale and retail trades, and banking.

Table 1.6 Stock of direct investment by selected major economy, 2018-22

	2018	2019	2020	2021	2022
Direct investment liabilities^a (HKD billion)	17,120.7	16,186.9	15,883.5	16,826.2	17,301.7^b
% of GDP	603.8	569.0	593.6	586.8	614.0 ^b
Total of inward direct investment of all investment partners^a (HKD billion)	15,380.6	14,543.8	14,354.4	15,263.5	..
	(% of total)				
British Virgin Islands	31.9	33.9	31.6	30.9	..
China	26.8	28.1	27.1	27.7	..
Cayman Islands	8.1	9.5	10.0	10.7	..
United Kingdom	7.8	8.2	9.5	9.8	..
Bermuda	5.3	5.9	5.7	5.8	..
United States	1.9	2.4	2.5	2.3	..
Singapore	2.1	2.2	3.2	2.3	..
Canada	1.1	1.3	1.8	1.9	..
Japan	1.6	1.5	1.3	1.4	..
Cook Islands	0.8	1.0	1.3	1.3	..
Other	12.6	6.0	5.9	5.8	..
Direct investment assets^a (HKD billion)	16,071.3	15,694.4	16,420.3	17,154.3	17,020.9^b
% of GDP	566.8	551.6	613.7	598.2	604.0 ^b
Total of outward direct investment of all investment partners^a (HKD billion)	14,331.2	14,051.3	14,891.2	15,591.7	..

³¹ The stock of direct investment assets is compiled based on the "asset/liability principle", in accordance with international statistical standards.

³² Census and Statistics Department (2022), *Balance of Payments: International Investment Position and External Debt Statistics of Hong Kong*. Viewed at: https://www.censtatd.gov.hk/en/data/stat_report/product/B1040001/att/B10400012022QQ04B0100.pdf.

³³ An HKEG mainly consists of a Hong Kong, China parent company and its Hong Kong, China subsidiaries, associates, and branches.

	2018	2019	2020	2021	2022
	(% of total)				
China	40.6	44.7	47.3	49.3	..
British Virgin Islands	33.8	34.8	31.6	30.3	..
Cayman Islands	3.6	4.1	3.8	3.7	..
Bermuda	2.4	3.1	3.5	3.4	..
Singapore	1.8	2.1	2.1	2.2	..
United Kingdom	1.3	2.0	1.8	1.8	..
Australia	0.8	0.9	1.0	1.0	..
Netherlands	1.1	1.1	1.0	1.0	..
United States	0.8	0.8	1.0	0.9	..
Japan	0.5	0.6	1.0	0.7	..
Other	13.2	5.8	5.8	5.8	..

.. Not available.

a The total of inward (outward) direct investment of all investment partners is different from the aggregate direct investment liabilities (assets) due to the adoption of different presentation principles, with the former compiled based on the "directional principle" and the latter based on the "asset/liability principle" in accordance with the international statistical standards. The total of inward (outward) direct investment of all investment partners should be referred to in calculating the shares of individual investor (recipient) countries/territories, while the direct investment liabilities (assets) should be referred to in the analyses on aggregate statistics.

b Figures are subject to revision.

Source: Census and Statistics Department. Viewed at: <https://www.censtatd.gov.hk/en/>.

2 TRADE AND INVESTMENT REGIMES

2.1 General framework

2.1. The main structure of the Government and the legal framework of Hong Kong, China remain largely unchanged since the previous Review.¹ The two main instruments are the Constitution of China and the Basic Law, which together form the constitutional framework. Under the Basic Law, Hong Kong, China is guaranteed a high degree of autonomy, with executive, legislative, and independent judicial power, including that of final adjudication; it maintains an independent taxation system and retains its status as a free port and a separate customs territory.

2.2. Hong Kong, China has an executive-led Government headed by the Chief Executive. The Chief Executive implements the Basic Law, signs bills and budgets, promulgates laws, makes government policy decisions, and issues executive orders. The Chief Executive is assisted by the Executive Council, which comprises 21 Principal Officials and 16 non-official members appointed by the Chief Executive. The Legislative Council of 90 members is the law-making entity. Hong Kong, China's judiciary is independent of the legislative and executive branches and based on common law. The highest level of the judiciary is the Court of Final Appeal.²

2.2 Trade policy formulation and objectives

2.3. Hong Kong, China continues to pursue a free trade policy with the aim of promoting open market access and removing barriers to trade. Through multilateral, regional, plurilateral, and bilateral trade agreements, the main objective is to improve access for exports of its goods and services. According to the authorities, there were no major changes to trade and investment policy formulations during the review period and they remain as reported in the previous Review.³

2.4. Trade, investment, and related policies leverage the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (the 14th Five-Year Plan). Hong Kong, China's Chief Executive's vision and policy initiatives as set out in annual Policy Addresses also reflect some directions of its trade and related policies.

2.5. The 14th Five-Year Plan supports Hong Kong, China by reinforcing its competitive advantages for the continuous development of its four traditional centres⁴ and four emerging sectors⁵, capitalizing on its well-established international business environment. It also encourages Hong Kong, China to foster outreach, exchanges, and cooperation with partners around the world.⁶ The Policy Addresses have highlighted how Hong Kong, China can leverage the support and take forward initiatives for its development. In the most recent 2022 Policy Address, the Chief Executive set out, *inter alia*, a number of trade and investment related initiatives, an overview of which is outlined in Box 2.1.⁷

¹ The general framework is detailed in WTO document WT/TPR/S/380/Rev.1, 30 January 2019.

² An Ordinance was passed in late 2022 with respect to judgements in civil and commercial matters but it has not yet entered into force as of August 2023.

³ WTO document WT/TPR/S/380/Rev.1, 30 January 2019.

⁴ Namely as an international financial centre, international transportation centre, international trade centre, and a centre for international legal and dispute resolution services in the Asia-Pacific region.

⁵ International innovation and technology hub, international aviation hub, regional intellectual property trading hub, and East-meets-West centre for international cultural exchange.

⁶ Government of Hong Kong, China, Factsheets on "Outline of the 14th Five-Year Plan". Viewed at: <https://www.policyaddress.gov.hk/2021/eng/pdf/publications/14-5/14-5-full.pdf>.

⁷ This report focuses on the latest policy address, and previous ones may be consulted at: <https://www.policyaddress.gov.hk/2019/eng/>; <https://www.policyaddress.gov.hk/2020/eng/>; and <https://www.policyaddress.gov.hk/2021/eng/>.

Box 2.1 Chief Executive's 2022 Policy Address initiatives related to trade and investment

Proactively promote high-quality development and cooperation between Hong Kong, China and the Belt and Road Initiative economies in trade and commerce, professional services, and cultural exchanges
Capitalize on shipping and aviation developments to enhance connectivity in regional supply chains
Set up the Office for Attracting Strategic Enterprises (OASES) and dedicated teams in Economic and Trade Offices (ETOs) to attract target enterprises and talent to pursue investment in Hong Kong, China
Encourage the Hong Kong Trade Development Council (HKTDC) to enhance its Asia IP Exchange portal to create favourable conditions for arts and cultural industries
Pursue early accession to the Regional Comprehensive Economic Partnership (RCEP)
Support the convention and exhibition (C&E) industry, in particular for SMEs. Extension of the Convention and Exhibition Industry Subsidy Scheme to 30 June 2023; launch of a new HKD 1.4 billion scheme thereafter on 1 July 2023 to incentivize more than 200 exhibitions to be staged over three years.
Promote the C&E industry, and pursue infrastructure development to substantially increase large-scale C&E spaces
Raise the level of funding support for SMEs
Extend the pre-approved Principal Payment Holiday Scheme until 31 July 2023
Formulate an action plan to promote high value-added modern logistics development
Establish the Hong Kong Investment Corporation Ltd
Promote commercialization of R&D outcomes by earmarking HKD 10 billion to launch the "Research, Academic and Industry Sectors One-plus Scheme"
Increase the cumulative number of smart production lines funded under the Re-industrialization Funding Scheme
Establish the Co-Investment Fund with HKD 30 billion to attract enterprises to set up operations in Hong Kong, China
Further develop Hong Kong, China into a regional IP trading centre through strengthening protection of IP rights, building human resources capacity, and organizing promotion and public education events
Promote and capitalize on opportunities in China, including the Greater Bay Area, through setting up a dedicated promotion centre in Guangdong ETO and more HKTDC "GoGBA Business Support Centres"

Source: Government of Hong Kong, China. *The Chief Executive's 2022 Policy Address*. Viewed at: https://www.policyaddress.gov.hk/2022/public/pdf/policy/policy-full_en.pdf.

2.6. In addition, China's Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area), which was based on cooperative agreements signed in 2017⁸, were identified by the authorities as, *inter alia*, key elements towards greater integration and economic development. The Greater Bay Area – comprising Hong Kong, China; Macao, China; and nine municipalities in Guangdong Province, China – is established with the main objectives of deepening cooperation and promoting coordinated regional economic development in accordance with the principle of "One Country, Two Systems". The Outline Development Plan (ODP) of the Greater Bay Area, published in 2019, included Hong Kong, China as one of the four core cities to serve as core engines for regional development in the Greater Bay Area. The ODP lists seven key areas, including, developing an international innovation and technology hub and building a globally competitive modern industrial system.⁹ More specifically, the parties will seek to improve the efficiency of customs clearance, promote mutual recognition of professional qualifications, deepen mutual access between the financial markets, and facilitate cross-boundary exchange of innovative elements.

2.7. The Commerce and Economic Development Bureau (CEDB) is in charge of, *inter alia*, Hong Kong, China's external commercial relations with different parts of the world and formulates trade and investment policies, as well as oversees participation in international and regional organizations, including the WTO. The 14 overseas Economic and Trade Offices (ETOs), which have

⁸ Government of Hong Kong, China. Viewed at: https://gia.info.gov.hk/general/201712/14/P2017121400551_274123_1_1513241987560.pdf; and https://www.bayarea.gov.hk/filemanager/en/share/pdf/Framework_Agreement.pdf.

⁹ The other five key areas are (i) expediting infrastructural connectivity; (ii) taking forward ecological conservation; (iii) developing a quality living circle for living, working, and travelling; (iv) strengthening cooperation and jointly participating in the Belt and Road Initiative; and (v) jointly developing Guangdong-Hong Kong-Macao cooperation platforms. Greater Bay Area, "Outline Development Plan". Viewed at: <https://www.bayarea.gov.hk/en/outline/plan.html>.

a role in promoting and strengthening Hong Kong, China's trade and economic connections overseas, are also under the purview of the CEDB. Policy areas such as trade facilitation, investment promotion, business support, intellectual property, competition, consumer protection broadcasting, and telecommunications are coordinated by the CEDB.

2.8. Hong Kong, China's Trade and Industry Department (TID), under the CEDB, facilitates the development of trade and industry. On a more functional level, it coordinates Hong Kong, China's participation in the WTO and Asia Pacific Economic Cooperation (APEC); implements trade policies and agreements; and is responsible for (i) negotiating FTAs and Investment Promotion and Protection Agreements (IPPAs); (ii) administering the system of certificates of origin, and certain import/ export licences; and (iii) supporting small and medium-sized enterprises (SMEs). In addition to the ETOs, Invest Hong Kong (Invest HK) and other government bodies such as the Hong Kong Trade Development Council (HKTDC) and the Hong Kong Export Credit Insurance Corporation (HKECIC) are involved in promoting Hong Kong, China's trade and investment.

2.9. Hong Kong, China recognizes women's contribution to the community and attaches importance to the work of supporting women. Gender and family implications are to be assessed in policy formulation. Moreover, a gender benchmark target of 35% has been set to enhance the participation of women in the government's advisory and statutory bodies, including those related to trade.¹⁰ The Chief Executive's 2022 Policy Address includes annual funding for the Women's Commission to organize activities promoting women's development and this was increased from HKD 4 million to HKD 10 million over the period 2023-25.¹¹ Furthermore, a Women Empowerment Fund (WEF) would be set up.¹² The WEF aims to empower women, regardless of their age, occupation, or background, to realize their full potential in their respective areas, ultimately achieving the goal of promoting women's development in Hong Kong, China. Subsequently, in the 2023-24 Budget, HKD 100 million was set aside to strengthen support for women's development and related projects.¹³

2.2.1 COVID-19-related trade policy measures

2.10. Hong Kong, China continued to maintain an open and free trade regime amid the COVID-19 pandemic. No significant restrictive measures were imposed on the import or export of goods, including essential medical supplies. Nevertheless, two temporary measures were implemented for the protection of human or animal life and health:

- A Local Mask Production Subsidy Scheme was launched in March 2020 to subsidize and encourage local production of face masks. The face masks produced using government subsidies during the 12-month subsidized period of the Scheme starting from second quarter 2020 were not allowed to be exported. The measure was notified to the WTO as a temporary measure¹⁴ and has lapsed as of mid-2021.¹⁵
- A temporary suspension of commercial imports of live rodents and lagomorphs from all sources was implemented in early 2022 for precautionary reasons. It was later adjusted to cover only commercial imports of live hamsters in April 2022, and subsequently lifted in January 2023. The imposition and removal of the temporary measure were notified to the SPS Committee.¹⁶

2.11. The various travel restrictions on the movement of persons during the pandemic has had a negative impact on Hong Kong, China's tourism sector, which has traditionally been one of the main

¹⁰ Home and Youth Affairs Bureau, *Advisory and Statutory Bodies*. Viewed at: https://www.hyab.gov.hk/en/policy_responsibilities/District_Community_and_Public_Relations/advisory.htm.

¹¹ *The Chief Executive's 2022 Policy Address*. Viewed at: https://www.policyaddress.gov.hk/2022/public/pdf/policy/policy-full_en.pdf.

¹² *The Chief Executive's 2022 Policy Address: Policy Measures 2022.10.19*. Viewed at: <https://www.policyaddress.gov.hk/2022/public/pdf/measure/Policy-Measures-full-en.pdf>.

¹³ Government of Hong Kong, China, *The 2023-24 Budget, Speech by the Financial Secretary, the Hon Paul MP Chan Moving the Second Reading of the Appropriation Bill 2023 Wednesday*. Viewed at: https://www.budget.gov.hk/2023/eng/pdf/e_budget_speech_2023-24.pdf.

¹⁴ WTO document G/MA/QR/N/HKG/5, 28 October 2020, Section 1, item 28, and justified under Article XI:2(a) of the GATT 1994.

¹⁵ Information provided by the authorities.

¹⁶ WTO documents G/SPS/N/HKG/47, 11 April 2022; and G/SPS/N/HKG/47/Add.1, 16 January 2023.

pillars of its economy. On 1 April 2023, all pre-departure and post-arrival quarantine and testing requirements were removed and normal travel has resumed.

2.2.2 Consultation and dialogue with stakeholders on trade policy

2.12. Hong Kong, China maintains close liaisons with local industries and trade and industrial bodies for the formulation of its trade policy. There are two formal advisory bodies – the Trade and Industry Advisory Board (TIAB) and the Small and Medium Enterprises Committee (SMEC) – that advise the Government on matters impacting trade and industry, and on issues affecting the development of SMEs, respectively. The membership of these bodies comprises a broad mix of business professionals, bankers, academics, representatives from trade organizations, and government officials so that different views from relevant sectors are taken into account when formulating policies.

2.13. On top of the advisory bodies, there is also direct outreach to stakeholders to seek views on trade policy matters. For example, members of the public, including business chambers and professional bodies, would normally be consulted when annual policy addresses and budgets are prepared. A public consultation exercise would also be launched when formulating major trade policy measures.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.14. Hong Kong, China remains a strong supporter of the multilateral trading system as demonstrated by its active participation in all areas of the WTO's work. According to the authorities, the WTO has been, and continues to be, important to safeguard rights and improve access for its exports. Hong Kong, China looks to the WTO for trade liberalization, especially in areas of interest, such as tariffs and services. Strengthening and updating the rules-based multilateral trading system as a framework to promote trade expansion and liberalization, as well as to protect against any arbitrary or discriminatory practices, are other important objectives.

2.15. In terms of the regular work of the WTO, Hong Kong, China's participation includes monitoring implementation of WTO agreements and responding to trade-restrictive measures. Hong Kong, China also actively participates in the discussion of various proposals concerning reform of the WTO and the dispute settlement system. Ongoing support to the WTO has been demonstrated through actively participating in Ministerial Conferences, collaborating on advancing negotiations, providing a representative to serve as committee chairperson, and joining various plurilateral Joint Statement Initiatives (JSIs), namely on Services Domestic Regulation, E-commerce, Investment Facilitation for Development, and Micro, Small, and Medium-Sized Enterprises. Hong Kong, China has also joined the plurilateral initiatives focusing on trade and environment, i.e. the Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade and the Trade and Environmental Sustainability Structured Discussions. In addition, Hong Kong, China joined the Multi-Party Interim Appeal Arbitration Arrangement. Demonstrating some of the key areas of interest, there have been submissions or joint proposals to the Work Programme on Electronic Commerce and the Structured Discussions on Investment Facilitation for Development. Hong Kong, China has initiated certification procedures to give legal effect to the negotiated outcome of the JSI on Services Domestic Regulation. Regarding the Agreement on Fisheries Subsidies, Hong Kong, China accepted the Agreement on 21 August 2023.

2.16. Hong Kong, China's notification record demonstrates its commitment to the WTO with regular notifications in many areas including agriculture, services, and import licensing, (Table A2.1). No outstanding regular notifications were identified; however, some *ad hoc* notifications of amended legislation, may be outstanding. In terms of dispute settlement, Hong Kong, China was involved in one dispute during the review period and has been a third party to the disputes involving the United States on steel and aluminium in 2018. Hong Kong, China was the complainant against the

United States on an origin marking requirement.¹⁷ The panel report was issued in December 2022¹⁸, and in January 2023, it was appealed by the United States.¹⁹

2.3.2 Regional and preferential agreements

2.17. Hong Kong, China has pursued new free trade agreements (FTAs) and expanded existing agreements as part of its trade policy in order to further open markets and secure more favourable market access conditions for its goods and services' exports. There has been a growing interest in pursuing and completing FTAs during the review period.

2.3.2.1 Reciprocal trade agreements

2.18. As of June 2023, Hong Kong, China had 8 FTAs with 20 partners (Table 2.1). Three of these agreements and two subsidiary agreements under the framework of the Hong Kong, China Closer Economic Partnership Arrangement (CEPA) entered into force during the review period. Hong Kong, China has significant trade surpluses with its main neighbouring FTA partners, China and Macao, China, but large deficits with Association of Southeast Asian Nations (ASEAN) and European Free Trade Association (EFTA) partners. Taken together, the 20 FTA partners accounted for 61% of Hong Kong, China's total merchandise imports in 2022, and 69% of its exports, demonstrating that those FTA partners are important and account for a majority of Hong Kong, China's trade.²⁰ In addition to these new agreements and subsidiary agreements, there were also amendments to the existing FTA with Chile, whereby the parties improved their respective services commitments (Table 2.2).

2.19. Looking ahead, Hong Kong, China continues to pursue FTAs through forging new agreements and requesting to join other FTA networks with its trading partners. In this regard, Hong Kong, China has initiated FTA negotiations with Peru in January 2023 with a view to achieving a high-quality and comprehensive FTA.²¹ The negotiations are expected to cover a wide range of trade and related matters including trade in goods, services, investment, electronic commerce, government procurement, intellectual property, and competition. Hong Kong, China is actively seeking early accession to the Regional Comprehensive Economic Partnership (RCEP) with the goal of opening further markets and pursuing the potential for greater integration and trade with the 15 RCEP economies that account for a large portion of Hong Kong, China's trade.²² Upon RCEP's entry into force, Hong Kong, China submitted its accession request in January 2022.

Table 2.1 Overview of Hong Kong, China's FTAs and merchandise trade, 2022

(USD million)

Agreement	Partner(s)	Entry into force	Imports	Exports	Trade balance
Agreements 2018-23					
Subsidiary agreements under CEPA	China	14 December 2018	268,033.7	350,384.9	82,351.2
- Agreement on Trade in Goods		21 November 2019			
- Agreement concerning Amendment to the Agreement on Trade in Services of CEPA					

¹⁷ DS597: *United States – Origin Marking Requirement*.

¹⁸ WTO document WT/DS597/R, 21 December 2022.

¹⁹ WTO document WT/DS597/9, 30 January 2023.

²⁰ Only total trade was taken into account as it was not possible to examine trade benefiting from preferential rates under the FTA.

²¹ Trade and Industry Department (2022), "Joint Statement by Mr Algernon Yau, Secretary for Commerce and Economic Development of the Hong Kong Special Administrative Region and Mr Miguel Palomino, Vice Minister of Foreign Trade of the Republic of Peru", 16 November. Viewed at: https://www.tid.gov.hk/english/ita/fta/hkpefta/files/joint_statement.pdf.

²² *The Chief Executive's 2022 Policy Address, 2022.10.19*. Viewed at: https://www.policyaddress.gov.hk/2022/public/pdf/policy/policy-full_en.pdf.

Agreement	Partner(s)	Entry into force	Imports	Exports	Trade balance
Hong Kong, China – Georgia Free Trade Agreement	Georgia	13 February 2019	6.0	46.5	40.5
Free Trade Agreement between Hong Kong, China and Australia	Australia	17 January 2020	5,717.5	4,304.3	-1,413.2
Free Trade Agreement between Hong Kong, China and the Association of Southeast Asian Nations	Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam	11 June 2019 (Laos, Myanmar, Singapore, Thailand, and Viet Nam), 13 October 2019 (Malaysia), 12 May 2020 (Philippines), 4 July 2020 (Indonesia), 20 October 2020 (Brunei Darussalam) 12 February 2021 (Cambodia)	122,306.6	51,390.8	-70,915.8
Agreements prior to 2018					
New Zealand Closer Economic Partnership Agreement	New Zealand	1 January 2011	563.9	422.8	-141.1
Free Trade Agreement between the EFTA States and Hong Kong, China	Iceland, Liechtenstein, Norway, Switzerland	1 October 2012 (Iceland, Liechtenstein, Switzerland), 1 November 2012 (Norway)	9,852.5	4,672.7	-5,179.8
Free Trade Agreement between Hong Kong, China and Chile	Chile	9 October 2014	1,610.0	634.6	-975.4
Hong Kong Special Administrative Region and Macao Special Administrative Region Closer Economic Partnership Arrangement	Macao, China	27 October 2017	1,168.3	7,741.0	6,572.7

Source: TID, *Trade and Investment Agreements*. Viewed at: <https://www.tid.gov.hk/english/ita/fta/index.html>; UN Comtrade database; and information provided by the authorities.

2.20. During the review period, new agreements entered into force with Georgia, Australia, and ASEAN. Two subsidiary agreements under the framework of CEPA were implemented with China, and amendments were made to the FTA with Chile.²³ The main elements and features are summarized in Table 2.2.

²³ The amendments to the FTA with Chile were agreed through an exchange of notes on 18 January 2022 and entered into force on 6 April 2023.

Table 2.2 New or amended FTAs, 2018-23

Agreement	Main features	WTO notification
CEPA	<p>CEPA is designed with a building-block approach for progressive trade and investment liberalization between the parties. The following two subsidiary agreements were signed under the framework of CEPA:</p> <p>The Agreement on Trade in Goods was signed and entered into force on 14 December 2018 and implemented since 1 January 2019. It consolidates and updates the previous commitments on liberalization and facilitation of trade in goods in CEPA and its relevant Supplements. On top of the existing CEPA commitments on trade in goods, it enhances the provisions on rules of origin, and adds new chapters on customs procedures and trade facilitation, SPS measures, and technical barriers to trade (TBT). It also introduces trade facilitation measures in the Greater Bay Area.</p> <p>The Agreement concerning Amendment to the Agreement in Trade in Services of CEPA (the Amendment Agreement) was signed and entered into force on 21 November 2019 and implemented since 1 June 2020. The Amendment Agreement updates the commitments on liberalization and facilitation of trade in services under the Agreement on Trade in Services implemented since 1 June 2016 so as to enhance the level of liberalization on trade in services under the framework of CEPA and introduces new liberalization measures in various services sectors.</p> <p>The two sides will continue to enrich the content of CEPA to achieve further liberalization and facilitation of trade and investment between them.</p>	WT/REG162/N/1/Add.11, 5 March 2019; S/C/N/264/Add.11, 20 March 2020; and S/C/N/264/Add.11/Corr.1, 27 March 2020
Georgia	The Agreement liberalizes trade in goods and services and has provisions to facilitate investment. It also covers other trade-related issues including rules of origin, TBT, SPS, safeguards, protection of intellectual property and the environment, as well as promotion of competition.	WT/REG397/N/1, 12 February 2019; S/C/N/923, 12 February 2019
Australia	The Agreement covers trade in goods, trade in services, investment, government procurement, intellectual property, competition, dispute settlement mechanism and other related areas, e.g. rules of origin, e-commerce, TBT, and SPS.	WT/REG400/N/1, 17 January 2020; S/C/N/986, 17 January 2020
ASEAN	The Agreement covers trade in goods, trade in services, investment, economic and technical cooperation, dispute settlement and other related areas such as rules of origin, safeguard measures, standards, customs, and trade facilitation measures.	WT/REG448/N/1, 11 February 2021; S/C/N/1043, 11 February 2021
Chile	Commitments on trade in services under the Agreement have been updated. Both parties have undertaken more favourable commitments on market access and national treatment in over 50 services sectors.	S/C/N/773/Add.1, 6 April 2023

Source: Compiled by the WTO Secretariat based on notification documents and information provided by the authorities.

2.3.2.2 Unilateral preferences

2.21. Hong Kong, China does not offer unilateral preferences to other Members; this is essentially not relevant as Hong Kong, China does not have applied customs tariffs on imports.

2.3.3 Other agreements and arrangements

2.22. Since 1991, Hong Kong, China has been a member of APEC and continues to participate actively in APEC's work. During the review period, Hong Kong, China contributed by promoting structural reforms including through strengthening economic and legal infrastructure in the Asia-Pacific region under the APEC Economic Committee. In addition, with the aim of improving the business environment, Hong Kong, China participates in the APEC Committee on Trade and Investment that addresses trade and investment matters. Hong Kong, China has been engaged in

advancing regional undertakings, reducing barriers to trade, enhancing resilient supply chains, and promoting sustainable trade.

2.4 Investment regime

2.23. According to UNCTAD's World Investment Report 2022, Hong Kong, China remains one of the world's largest destinations for foreign direct investment (FDI) (Section 1.3.2). For 2021, Hong Kong, China ranked 3rd in terms of inflows and demonstrated an increase over 2020, with most of it accounted for by reinvested earnings. At the same time, FDI outflows remained strong, but less than inflows, with Hong Kong, China ranking 7th in 2021.²⁴ Hong Kong, China remains an attractive destination for FDI due to its central location in Asia, its rule of law, and developed infrastructure; its position on investment mirrors its trade situation as it serves as a significant conduit for China's investment flows.²⁵ In 2021, a reported 55.6% of China's outward FDI²⁶ was channelled through Hong Kong, China.²⁷ To enhance its investment competitiveness, Hong Kong, China has put in place new institutional setups and implemented a number of new initiatives for attracting enterprises and investments.

2.4.1 Framework

2.24. Although Hong Kong, China has no specific laws regulating foreign investment, it maintains a framework of IPPAs and FTAs with investment provisions to give protections or assurances to investors as well as promote two-way investment flows. As of June 2023, Hong Kong, China had 4 FTAs with investment chapters and 22 IPPAs (Table 2.3). During the review period, IPPA negotiations were concluded, and entered into force, with Australia, Mexico, and the United Arab Emirates, and negotiations were ongoing with the Kingdom of Bahrain, Maldives, Myanmar, the Russian Federation, the Kingdom of Saudi Arabia, and Türkiye.

2.25. The IPPAs vary in their coverage and content but generally contain provisions on non-discrimination, fair and equitable treatment, full protection and security, free transfer, expropriation, and settlement of disputes. Some agreements go further to incorporate investment facilitation, taxation measures, and corporate responsibility provisions. Hong Kong, China negotiates IPPAs based on a model text, which is for internal purposes and not publicly available.

Table 2.3 FTAs and IPPAs, 2023

	Agreements currently in force	Date of signing
FTAs with investment chapters (see note)	European Free Trade Association (EFTA)	June 2011
	Chile	September 2012
	Georgia	June 2018
	Australia	March 2019
IPPAs	Netherlands	November 1992
	Denmark	February 1994
	Sweden	May 1994
	Switzerland	September 1994
	New Zealand	July 1995
	Italy	November 1995
	France	November 1995
	Germany	January 1996
	Belgo-Luxembourg Economic Union	October 1996
	Austria	October 1996
	Japan	May 1997
	Republic of Korea	June 1997
	United Kingdom	July 1998
	Thailand	November 2005
	Finland	July 2009
	Kuwait, State of	May 2010
	Canada	February 2016

²⁴ UNCTAD, *World Investment Report 2022*. Viewed at: <https://unctad.org/publication/world-investment-report-2022>.

²⁵ InvestHK (2022), "Hong Kong: Where Opportunities Connect". Viewed at: <https://www.investhk.gov.hk/sites/default/files/2022.11-corporate-brochure-en.pdf>.

²⁶ In terms of cumulative outward FDI stock.

²⁷ Ministry of Commerce of the People's Republic of China, National Bureau of Statistics, and State Administration of Foreign Exchange, *2021 Statistical Bulletin of China's Outward Foreign Direct Investment*. Viewed at: <http://images.mofcom.gov.cn/fec/202211/20221118091910924.pdf>.

	Agreements currently in force	Date of signing
	Chile ASEAN Australia United Arab Emirates Mexico	November 2016 November 2017 March 2019 June 2019 January 2020

Note: Under the framework of the CEPA, China and Hong Kong, China signed the Investment Agreement on 28 June 2017. It brings enhancement to the overall CEPA framework through expansion of commitments of admission of investment to non-services sectors and introduction of obligations on investment protection. It also contains provisions on investment promotion and facilitation. It has been fully implemented since 1 January 2018.

Source: TID, *Hong Kong's Investment Promotion and Protection Agreements*. Viewed at: <https://www.tid.gov.hk/english/ita/ippa/index.html>; and information provided by the authorities.

2.4.2 Investment promotion activities

2.26. In order to enhance its competitiveness in attracting investment and promoting itself as an investment destination, Hong Kong, China has in recent years put in place new institutional setups and introduced new initiatives targeted at attracting enterprises, investment, and talent. In addition to the long-standing investment promotion agency InvestHK, Hong Kong, China recently established more organizations and investment funding schemes for this purpose: the Hong Kong Investment Corporation Ltd (HKIC), the Office for Attracting Strategic Enterprises (OASES), and several funding schemes. These developments demonstrate the new policy directions in this area.

2.27. InvestHK is the long-standing government agency responsible for attracting and retaining FDI in Hong Kong, China. It offers client-centric and one-stop customized services to support companies from the planning stage through to the launch and expansion of their businesses and it adopts a sector-focused and market-oriented approach to identify and reach out to overseas and Chinese companies to set up or expand their businesses in Hong Kong, China. For example, InvestHK is attracting potential companies in carbon neutrality to Hong Kong, China to complement the policy of achieving carbon neutrality before 2050 and is planning more initiatives related to the Belt and Road Initiative and the development of the Greater Bay Area. Dedicated teams for attracting businesses and talent have been set up in certain global trade offices under this initiative, as has a Pan-Greater Bay Area Inward Investment Liaison Group with a view to strengthening collaboration and synergies among the Greater Bay Area cities by developing joint inward investment propositions.

2.28. The HKIC was established and incorporated in 2022 as a government-owned corporation to consolidate the management of the investment activities of the Hong Kong Growth Portfolio, the Greater Bay Area Investment Fund, the Strategic Tech Fund, and the newly established Co-Investment Fund. It aims to use these government financial reserves to identify investment opportunities and promote and attract industries globally to Hong Kong, China.²⁸ The Co-Investment Fund was established in 2022 (by setting aside HKD 30 billion from the Future Fund) to attract enterprises from all over the world to set up operations and invest in Hong Kong, China so as to enhance the long-term competitiveness, economic vitality, and liveability, while generating an investment return.

2.29. More recently, as part of its policy initiatives, Hong Kong, China established the Office for Attracting Strategic Enterprises (OASES) in December 2022 with the overall goal of attracting high potential and representative strategic enterprises. OASES offers facilitative measures such as one-stop services, connections, and identification of schemes and support to enterprises in industries of strategic importance, e.g. life and health technology, artificial intelligence and data science, financial technology (Fintech), and advanced manufacturing and new energy technology. While focused on these sectors, OASES offers facilitation services to all qualified strategic enterprises across all sectors, which are assessed on a case-by-case basis.

2.30. In addition, Hong Kong, China has set up an Advisory Committee on Attracting Strategic Enterprises in 2022, comprising representatives from relevant business sectors and social leaders,

²⁸ Hong Kong Investment Corporation Ltd. Viewed at: <https://www.hkic.org.hk/>.

to advise on how to attract strategic enterprises. The Advisory Committee has held two meetings since its establishment.

2.4.3 Investment restrictions

2.31. Hong Kong, China's investment regime has typically been and remains open with few formal barriers to foreign investors. The business registration, tax regime, and absence of controls on foreign exchange are also favourable to attracting investment. Thus, there are few formal barriers to foreign investment. The exceptions are with respect to broadcasting in which, according to the Broadcasting Ordinance (Cap. 562) and the Telecommunications Ordinance (Cap. 106), the voting control for domestic free TV and sound broadcasting licensees as held by unqualified persons, i.e. non-residents, must not exceed 49%. Regarding legal services, persons desiring to practice law in Hong Kong, China are required to meet certain qualifications and a residency requirement; the same provisions are applied to those from Hong Kong, China and to lawyers qualified in other jurisdictions.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures, valuation, and requirements

3.1. Hong Kong, China remains a free port, implementing its own customs procedures that did not change significantly during the review period. The Customs and Excise Department (C&ED) is responsible for the implementation of border/boundary measures, including protection and facilitation of legitimate trade, revenue collection on dutiable goods, countering smuggling, interdiction of narcotics, and protection of intellectual property rights and consumer interests.¹ C&ED oversees 16 border posts. In addition to facilitating imports and exports of goods into and out of Hong Kong, China, C&ED also oversees the cargo clearance of transit trade.

3.2. There were no significant changes to the customs import procedures during the review period. Hong Kong, China continues to move towards electronic trade documents, in particular the implementation of its Trade Single Window (TSW) (Section 3.1.1.3). The main legislation governing imports (and exports) remains the Import and Export Ordinance (Cap. 60) and its subsidiary regulations. Importers are required to file an import declaration within 14 days of importation of the goods. Import manifests, licensing/permit applications (if required) (Cap. 60A), and bill of lading or invoices are also to be filed (Cap. 60E). The payment of certain fees or costs (Cap. 60B) or taxes (if applicable), as well as possible inspection or control is part of the import process.

3.3. Customs collects excise duties (Section 3.1.4), associated fees, trade declaration charges, and late charges/penalties (Table 3.1). The majority of revenues are contributed by the dutiable commodities, which generally accounted for over 90% of total customs revenues during the review period. About 20 million import declarations are filed per year, with a slight decline during 2020-21 on account of the COVID-19 pandemic and an increase thereafter to 22.6 million in 2022. The number of cargo manifests gradually declined over the review period.

3.4. In 2023, Hong Kong, China's declaration charges, on imports and exports, were HKD 0.2 in respect of the first HKD 46,000 of the value of the goods and HKD 0.125 for each additional HKD 1,000 thereafter.² A cap of HKD 200 per declaration has been in place since 1 August 2018 for the benefit of the local trading and logistics industry through lowering the operating costs to encourage the sector to move up the value chain.³ For certain food items as enumerated in Appendix I of the Hong Kong Harmonized System⁴, only HKD 0.2 declaration charge is applied to each import declaration irrespective of its value.

Table 3.1 Overview of Customs revenues and operations, FY2017/22

	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Import and export processes (No., million)					
Import and export declarations (No., million)	20.2	20.58	19.62	18.67	22.61
Cargo manifests (No., million)	8.1	8	7.4	6.1	6.2
Excise duties/fees/charges/penalties (HKD million)					
Excise duties collected	10,701	10,636	11,391	11,852	12,467
Fees charged for dutiable commodities	6.0	6.6	6.6	5.9	6.8
Trade declaration charges	970	671	430	430	477
Late/administrative penalties	14.7	14.9	13.7	9.7	13.1

Source: C&ED, *Statistics, Annual Revenue Collection*. Viewed at: https://www.customs.gov.hk/hcms/filemanager/common/pdf/statistics/revenue_en.pdf; C&ED, *Departmental Reviews*, various editions 2018-21. Viewed at: <https://www.customs.gov.hk/en/publications-useful-information/publications/departmental-reviews/index.html>; and information provided by the authorities.

¹ C&ED, *Vision, Mission and Values*. Viewed at: <https://www.customs.gov.hk/en/about-us/vision-mission-values/index.html>.

² C&ED, *Import and Export Declaration*. Viewed at: <https://www.customs.gov.hk/en/service-enforcement-information/cargo-clearance/import-export-declaration/index.html>.

³ Information provided by the authorities.

⁴ Census and Statistics Department, *Commodity Classification Publications, Appendix I*. Viewed at: https://www.censtatd.gov.hk/FileManager/EN/Content_93/Food_2022.pdf.

3.5. Hong Kong, China cooperates with other customs authorities on customs matters through Customs Co-operative Arrangements (CCAs). As of June 2023, there were 29 such agreements in place.⁵ During the review period, C&ED concluded new CCAs with Cambodia, Fiji, Georgia, Singapore, and the Republic of the Congo, and they have all entered into force. The CCAs are instruments for strengthening information and intelligence exchange to combat cross-border crimes and promote trade facilitation between the parties.⁶

3.1.1.1 Recent developments

3.6. The growth of e-commerce in recent years has resulted in a significant increase in the number of shipments transported by express couriers, in particular packets, and C&ED has continued to strike a balance between trade facilitation on the one hand and law enforcement on the other through adopting a multi-pronged approach including (i) flexible deployment of labour resources; (ii) customs-business partnerships; (iii) intelligence analysis; and (iv) the use of specialized equipment.

3.7. C&ED formulated the Smart Customs Blueprint in 2019, aiming to employ innovation and technology to enhance customs clearance efficiency, law enforcement effectiveness, and trade facilitation, as well as to foster economic development. A number of smart initiatives have already been introduced, such as computed tomography (CT) scanners, auto-detection devices for X-ray checkers, and Cargo Big Data System. C&ED has put forward the Smart Customs Blueprint to align it with its Smart Customs, Smart Borders and Smart Connectivity (3S) Initiative. C&ED has continued to promote cross-border collaboration between the customs authorities of China and Hong Kong, China so as to facilitate the efficient flow of goods, and contribute to Hong Kong, China's continued development as a logistics hub in the Greater Bay Area.

3.8. Hong Kong, China has introduced a new registration regime for dealers in precious metals and stones, which came into effect on 1 April 2023 through amending the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615). The regime aims to further Hong Kong, China's efforts in enhancing its anti-money laundering and counter-terrorist financing (AML/CTF) measures in accordance with international practice. Although the regime does not impose any additional import and export controls on precious metals, precious stones, or precious products, any importer or exporter⁷ of these items that engages in a transaction with a total value at or above HKD 120,000 in Hong Kong, China is required to register with C&ED. C&ED enforces the legislation and monitor the AML/CTF conduct of registrants.

3.1.1.2 Customs appeals and enforcement

3.9. For customs control and related matters, if there is a disagreement about customs decisions, traders may lodge an objection through various channels, including the Administrative Appeals Board and the Chief Secretary for Administration, within 14 days from the date the decision was known. They may also appeal to a court. No administrative reviews or appeals were registered during the review period.

3.10. During the period 2018-22, there was a decline in the number of overall customs enforcement cases, yet a significant increase the value of seizures over the period (Table 3.2). These trends can be explained by different approaches taken by smugglers during the pandemic and the changing tactics used by C&ED in response. Thus, there was a drop in land cargo smuggling due to restrictions on movement of persons across the border but a corresponding move to larger scale smuggling via air and sea cargo, resulting in much higher value of goods seized. Most of the customs infringements involved dutiable commodities, in particular illicit cigarettes; dangerous drugs, i.e. cocaine and methamphetamines; and intellectual property (IP) violations (Section 3.3.7).

⁵ Argentina, Australia, Belgium, Cambodia, Canada, China, the Republic of the Congo, the European Union, Fiji, France, Georgia, India, Indonesia, Israel, Italy, Japan, the Republic of Korea, Madagascar, Mexico, Mongolia, the Netherlands, New Zealand, the Russian Federation, Singapore, Thailand, Ukraine, the United Kingdom, the United States, and Viet Nam.

⁶ All CCAs are legally non-binding except there is a legally binding agreement with the European Union.

⁷ Also applies to manufacturing, trading, or acting as an intermediary.

Table 3.2 Customs enforcement, 2018-22

	2018	2019	2020	2021	2022
Overall					
No. of cases	29,828	32,946	8,076	8,327	8,809
Persons arrested	20,025	24,809	4,076	5,153	4,432
Value of seizures (HKD million)	1,221	2,040	3,629	6,384	7,147
Major cases					
Import and export					
No. of cases	5,643	5,205	1,942	1,367	1,043
Persons arrested	4,220	4,233	586	366	246
Value of seizures (HKD million)	513	582	908	2,577	1,496
Dangerous drugs					
No. of cases	919	827	1,111	906	931
Persons arrested	393	383	200	218	178
Value of seizures (HKD million)	450	1,123	2,108	2,588	3,576
Copyright					
No. of cases	119	101	62	52	53
Persons arrested	143	118	70	70	72
Value of seizures (HKD million)	6	4	1	3	3
Trade descriptions					
No. of cases	1,044	1,002	725	807	616
Persons arrested	774	698	343	466	385
Value of seizures (HKD million)	107	119	146	167	188
Illicit cigarettes					
No. of cases	18,849	22,352	3,881	4,312	4,710
Persons arrested	13,040	17,343	2,500	3,560	2,816
Value of seizures (HKD million)	148	163	564	1,178	2,019
Illicit fuel					
No. of cases	31	31	42	67	47
Persons arrested	45	63	160	109	85
Value of seizures (HKD '000)	476	882	1,103	1,177	1,027
Weight and measures					
No. of cases	56	56	32	26	26
Persons arrested	0	2	0	0	0
Value of seizures (HKD '000)	21	31	127	3	0
Toys and children's products safety					
No. of cases	76	65	55	42	25
Persons arrested	0	0	0	0	0
Value of seizures (HKD '000)	85	406	132	131	5
Consumer goods safety					
No. of cases	36	48	56	74	27
Persons arrested	0	0	20	6	0
Value of seizures (HKD '000)	6	86	81	1,265	80

Source: C&ED, *Enforcement Results, Cases, Seizures, Arrests*. Viewed at: https://www.customs.gov.hk/hcms/filemanager/common/pdf/statistics/enforcement_cases_en.pdf; and information provided by the authorities.

3.1.1.3 Trade facilitation

3.11. Hong Kong, China has been a strong supporter of the Agreement on Trade Facilitation (TFA) and was the first Member to accept the TFA on 8 December 2014. When the TFA entered into force in February 2017, Hong Kong, China had designated all of its provisions under Category A, meaning that all provisions were to be fully implemented without delay upon the Agreement's entry into force. A number of trade-facilitating measures continue to be implemented and continual improvements are being made to Hong Kong, China's paperless trading environment.

3.12. Since the late 1990s, different electronic platforms have been established to facilitate the electronic submission of trade-related documents to the Government for customs control, trade declaration, trade control, and statistics compilation purposes. The Government Electronic Trading Services (GETS), introduced in 1997, enables the trading community to submit trade documents electronically including the Import and Export Declarations, Certificate of Origin, Dutiable Commodities Permit, and Cargo Manifest for air and sea modes. Several electronic cargo clearance platforms have also been developed to facilitate cargo clearance and speed up border processes, including the Air Cargo Clearance System (ACCS), the Road Cargo System (ROCARS), and the E-Sea Customs Clearance Scheme (e-SCC Scheme). In 2022, about 21 million, 39 million, and 34 million submissions were made through GETS, ACCS, and ROCARS, respectively.

3.13. A number of measures have been put in place to further improve Hong Kong, China's position as a logistics hub and to promote transshipment trade. The Intermodal Transshipment Facilitation Scheme (ITFS) has been in place for many years to facilitate air-land and sea-land transshipment cargoes through simplified clearance processes. It was expanded in 2016 upon the launch of the Single E-lock Scheme (SELS) to reduce repeated inspections and expedite the flow of transshipment road cargoes to and from China.⁸ With the seamless cargo flow between Hong Kong, China and China, the transshipment scheme reduces time-related costs and accelerates the flow of goods throughout the chain of logistics.

3.14. The Free Trade Agreement Transshipment Facilitation Scheme (FTA Scheme) to facilitate qualified cargo transhipped through Hong Kong, China for preferential tariff treatment under the trade agreements of China with other economies continues to operate without major changes. C&ED provides customs supervision services and issues non-manipulation certificates to aid the transshipment of these goods through Hong Kong, China. The Scheme facilitates incoming shipments to China from 66 economies, as well as outgoing transhipped cargo to Australia, the Republic of Korea, and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). As of 31 March 2023, a total of 34,708 applications under the Scheme have been received with a trade value of USD 2.6 billion and tariff saving of USD 175.9 million. In the first quarter of 2023, the outgoing transhipped merchandise was mainly directed to Chinese Taipei, followed by the Republic of Korea; incoming transhipped merchandise was mainly from Japan, Chinese Taipei, and Thailand.⁹ During the review period, the programme was extended to new partners, e.g. Georgia, Mauritius, and Japan; and the service fees have been continually waived since 1 October 2020 in response to the COVID-19 pandemic and to aid businesses until 30 September 2023.

3.15. A voluntary customs facilitation arrangement for exporting wine from Hong Kong, China to China has been in place since 2010. Instantaneous customs clearance by China for the import of wine is available to wine exporters registered in Hong Kong, China. The requirements include having a business registered in Hong Kong, China and having engaged in substantive wine operations during the previous six months.

3.16. According to the authorities, no time release studies have been undertaken, although Hong Kong, China has certain performance standards or targets that it sets to meet or exceed. These include customs clearance times, delivery of licences, standards, registration; and consignment inspection times. For example, the clearance of detained sea cargo is expected within 5 working days and for detained air cargo it is 80 minutes. For 2022, these targets were achieved at 100%.¹⁰ Furthermore, there are no special customs provisions for expedited shipments or perishable goods.

3.17. In terms of advance rulings of classification, origin, etc., Hong Kong, China does not offer any such advance rulings.

3.18. C&ED applies risk management in identifying high-risk cargoes, passengers, and conveyances for interception and customs actions. Through risk assessment, C&ED promotes sound customs control while minimizing undue disruption to the legitimate flow of trade. To make Hong Kong, China's risk profiling work more efficient, C&ED launched the Customs and Excise

⁸ The scheme applies only to road cargo.

⁹ C&ED, FTA Scheme Statistics. Viewed at:

https://www.customs.gov.hk/hcms/filemanager/en/share/pdf/fta/ftat_en.pdf.

¹⁰ C&ED, *Performance Standards, Targets and Achievement Results*. Viewed at:

https://www.customs.gov.hk/hcms/filemanager/en/content_36/perf_standard_target_e.pdf.

Information and Risk Management System (CEIRMS) in June 2018, which is a centralized repository of investigation findings, intelligence, and trader records with analytical tools to facilitate Customs investigation of crimes and risk profiling of traders.

3.1.1.3.1 Authorized Economic Operators (AEO)

3.19. Hong Kong, China's AEO Programme is its Customs-to-Business partnership to facilitate the movement of legitimate goods.¹¹ Accredited stakeholders¹² receive incentives including reduced customs inspections and prioritized customs clearance. Participation in the AEO programme is voluntary, free of charge, and open to companies established in Hong Kong, China. As of May 2023, 79 companies were accredited as AEOs.¹³

3.20. In recent years, Hong Kong, China has been actively pursuing AEO Mutual Recognition Arrangements (MRAs) with its trading partners to provide greater benefits. New MRAs were agreed with New Zealand (2018), Israel (2019), Canada (2019), Mexico (2020), and Indonesia (2022). As of June 2023, MRA discussions were ongoing with the Kingdom of Bahrain; Macao, China; the Philippines; and Türkiye; and there were 13 MRAs in place with trading partners.¹⁴

3.21. In December 2021, C&ED launched the Authorized Economic Operator Platform for Data Exchange (APEX), to enable automated exchange of AEO information between Hong Kong, China and MRA signatories in a secure and more accurate way. Hong Kong, China has exchanged AEO data automatically with China through APEX since April 2022. C&ED has been promoting the use of APEX with other MRA signatories as well.

3.1.1.3.2 Single window

3.22. Hong Kong, China continues to make progress on its implementation of its TSW to provide a one-stop electronic platform for various types of import and export trade documents for trade declaration and customs clearance purposes. It is being implemented in three phases in which Phase 2 was recently launched. It currently covers 14 types of trade documents; coverage will be extended progressively to cover 28 types at the end of Phase 2, followed by another 5 types in Phase 3 (Table 3.3).

3.23. Since its inception in 2018, usage of the TSW has grown exceptionally. In 2019 there were 889 applications for licences/permits and 745 issued, whereas in 2022, the figures were 9,296 and 11,654, respectively.¹⁵

Table 3.3 Single window overview

Phase 1	Phase 2	Phase 3
First launched in December 2018	First launched in May 2023	Scheduled to launch in 2026
14 types of trade documents	28 types of trade documents	Five types of trade documents
Over 90% usage rate in April 2023	n.a.	n.a.
Seven government agencies	Five government agencies	Three government agencies

¹¹ C&ED, *Hong Kong Authorized Economic Operator (AEO) Programme*. Viewed at: <https://www.customs.gov.hk/en/service-enforcement-information/trade-facilitation/aeo/index.html>.

¹² Accredited stakeholders include, for example, manufacturers, importers, exporters, freight forwarders, warehouse operators, and carriers.

¹³ C&ED, *List of Hong Kong AEOs*. Viewed at: <https://www.customs.gov.hk/en/service-enforcement-information/trade-facilitation/aeo/list/index.html>.

¹⁴ C&ED, *AEO MRA*. Viewed at: <https://www.customs.gov.hk/en/service-enforcement-information/trade-facilitation/aeo/mra/index.html>.

¹⁵ C&ED, *Trade Single Window Statistics*. Viewed at: https://www.customs.gov.hk/hcms/filemanager/common/pdf/tsw/tsw_stat_en.pdf.

Phase 1	Phase 2	Phase 3
Mainly import and export licences/permits required for specific controlled goods	Mainly import and export licences/permits required for specific controlled goods	Import and Export Declaration, Advance Cargo Information, Cargo Manifest and Cargo Report, and Certificate of Origin and Permit for Dutiable Commodities

n.a. Not applicable.

Source: C&ED, *Departmental Reviews*, various editions 2018-21. Viewed at: <https://www.customs.gov.hk/en/publications-useful-information/publications/departmental-reviews/index.html>; and Trade Single Window, *Frequently Asked Questions*. Viewed at: <https://www4.tradesinglewindow.hk/portal/en/faq/index.html>.

3.1.1.4 Customs valuation

3.24. Customs valuation is used essentially for the purpose of calculating internal taxes (e.g. excise duties) collected at the border/boundary, and there were no changes to Hong Kong, China's custom valuation rules during the review period. The notification to the Customs Valuation Committee in 1996 remains relevant, and no laws, regulations, or administrative procedures exist specifically for valuing goods for customs purposes.¹⁶ However, goods subject to excise duties, per the Dutiable Commodities Ordinance (Cap. 109), have a specific valuation basis contained therein for determining the *ad valorem* duty assessment. Also, all vehicles first launched on roads in Hong Kong, China, including those imported, have another specific valuation methodology as prescribed in the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330) (Section 3.1.4).

3.25. Valuation by customs is only relevant for alcoholic liquors per the Dutiable Commodities Ordinance (Cap. 109) as the others (tobacco, hydrocarbon oil, and methyl alcohol) currently have specific duties. Section 26A of the Dutiable Commodities Ordinance stipulates that "the value shall be the normal price which the goods would fetch, at the relevant time, on their sale in the open market between a buyer and seller independent of each other". The normal price does not include the duties but includes patent, design, or trademark fees. Also, per the normal price determination, the buyer is responsible for transport, insurance, and all other costs incidental to the delivery but the seller is responsible for commissions and other costs incidental to the sale.

3.26. For motor vehicles, C&ED is also responsible for tax assessment. All vehicle taxes are *ad valorem* and vary depending on the class and type of vehicle. For new imported vehicles, Section 4E of the Ordinance provides that the taxable value is essentially the published retail price with certain adjustments. The Motor Vehicles First Registration Tax System of C&ED is dedicated to provide an Internet-based web application for tax assessment of motor vehicles. The system publishes an approved published retail price with search tools for public access for the valuation of the vehicles.¹⁷ Vehicles previously owned and registered by the importer in another jurisdiction may be subject to depreciation on the value of the vehicle upon importation.

3.1.2 Rules of origin

3.27. Hong Kong, China does not have any specific laws or regulations for non-preferential origin determination on imports. As required under Regulation 4 of the Import and Export (Registration) Regulations (Cap. 60E), an importer of goods, other than the exempted articles, shall lodge an accurate and complete declaration for the goods imported, including their origin. Hong Kong, China also administers an origin certification system to facilitate exports to foreign markets. Origin rules are established in conformity with internationally accepted practice and standards for the certificates of origin and are further detailed in the Certificate of Origin Circular.¹⁸

3.28. Certificates of origin are not mandatory for the export of goods originating from Hong Kong, China; an origin certification system is administered to help exporters meet the

¹⁶ WTO document G/VAL/N/1/HKG/1, 31 January 1996.

¹⁷ C&ED, *Motor Vehicles First Registration Tax System*. Viewed at: <https://eservices.customs.gov.hk/FRT/common/wcm00104>.

¹⁸ Trade and Industry Department (TID), *Hong Kong Origin Rules: Basic Principles and Specific Requirements*. Viewed at: https://www.tid.gov.hk/english/import_export/cert/cert_rules.html; and TID, *Certificate of Origin Circular No. 1/2022*, 12 January 2022. Viewed at: <https://www.tid.gov.hk/english/aboutus/tradecircular/coc/2022/coc012022.html>.

requirements of the importing economies.¹⁹ However, Hong Kong, China provides guidance and has published origin-determining rules under its "Administrative Origin Criteria for Specified Products for Issue of Certificates of Hong Kong Origin".²⁰ The Administrative Origin Criteria detail the origin criteria as well as the principal processes that confer origin for non-preferential certificates for exports. Hong Kong, China has notified these origin criteria to the WTO Committee on Rules of Origin.²¹

3.29. During the review period, following the entry into force of the FTAs with ASEAN and Georgia, Certificate of Hong Kong Origin – Form AHK (CO(Form AHK)) and Certificate of Hong Kong Origin – Georgia (CO(Georgia)) were introduced to facilitate goods claiming preferential tariff treatment under these FTAs.²²

3.30. In terms of preferential rules of origin, all of Hong Kong, China's FTAs contain provisions on origin determination. Generally speaking, they all involve a number of origin determining rules such as change in tariff classification, regional value content, and other criteria, with the exception of the FTA with Macao, China in which there are no specific preferential rules of origin.²³ Hong Kong, China has notified the preferential rules of origin of its recent FTAs with Macao, China; Georgia; Australia; and ASEAN to the WTO Committee on Rules of Origin during the review period.²⁴

3.1.3 Tariffs

3.31. As a free port, Hong Kong, China does not apply tariffs on imports nor maintain any tariff rate quotas. Appendix I and II of Hong Kong, China's tariff provides for reduced additional charges on imports and an export levy (Sections 3.1.1 and 3.2.2).

3.32. The tariff nomenclature (Hong Kong Harmonized System (HKHS)) is published annually on the Census and Statistics Department website.²⁵ The HKHS contains 8-digit tariff nomenclature and units of quantity. On 1 January 2022, Hong Kong, China implemented the latest Harmonized System changes (HS22) to its tariff schedule, the HKHS that applies to both imports and exports.²⁶ There are usually annual amendments, but they are relatively minor compared to the WCO HS changes that occurred in 2022 where the changes were numerous.²⁷

3.33. The structure of bound and applied rates is outlined in Table 3.4. Agricultural tariff lines are 100% bound pursuant to the Agreement on Agriculture. A smaller percentage (i.e. 39.4%) of non-agricultural lines are bound. For non-agricultural goods, bindings are mainly in the fish, wood, and paper sectors, which have the highest percentage of bound lines. All items that are bound have a zero rate of duty in the schedule.

¹⁹ Hong Kong, China also issues a Certificate of Origin – Processing that certifies goods have undergone certain manufacturing processes in Hong Kong, China.

²⁰ TID, Appendix I, Administrative Origin Criteria for Specified Products for Issue of Certificates of Hong Kong Origin. Viewed at: <https://www.tid.gov.hk/english/aboutus/tradecircular/coc/2022/files/coc012022a.pdf>; and Certificate of Origin Circular No. 1/2022. Viewed at: <https://www.tid.gov.hk/english/aboutus/tradecircular/coc/2022/coc012022.html#Note1>.

²¹ The last such notification was WTO document G/RO/N/86, 1 October 2012.

²² TID, Certificate of Hong Kong Origin – Georgia. Viewed at: https://www.tid.gov.hk/english/import_export/cert/cert_georgia.html; and Certificate of Hong Kong Origin – Form AHK, viewed at: https://www.tid.gov.hk/english/import_export/cert/co_form_AHK.html.

²³ See the respective RTA Factual Presentations on these FTAs for the details on the rules of origin under each Agreement. WTO documents WT/REG448/1, 24 March 2023; WT/REG400/1/Rev.1, 16 December 2020; WT/REG397/1, 27 January 2020; WT/REG390/1/Rev.1, 2 April 2019; WT/REG356/1, 8 July 2015; WT/REG322/1, 9 July 2013; and WT/REG291/1/Rev.1, 26 March 2012.

²⁴ WTO documents G/RO/N/170, 24 May 2018; G/RO/N/185, 15 April 2019; G/RO/N/193, 18 February 2020; and G/RO/N/221, 29 April 2021.

²⁵ Census and Statistics Department, *Commodity Classification Publications*. Viewed at: https://www.censtatd.gov.hk/en/page_1364.html.

²⁶ Census and Statistics Department (2022), *Monthly Digest of Statistics*, February. Viewed at: https://www.censtatd.gov.hk/en/data/stat_report/product/FA100286/att/B72202FA2022XXXXB0100.pdf.

²⁷ Census and Statistics Department, *Commodity Classification Publications*. Viewed at: https://www.censtatd.gov.hk/en/page_1364.html.

Table 3.4 Bound and applied tariffs, by WTO definition, 2023

	No. of lines	No. of bound lines ^a	% bound, of total ^a	Bound average	MFN applied average
Total lines	7,805	3,717 (152)	47.6	0.0	0.0
WTO agriculture	1,062	1,062	100.0	0.0	0.0
Animals and products thereof	175	175	100.0	0.0	0.0
Dairy products	27	27	100.0	0.0	0.0
Fruit, vegetables and plants	328	328	100.0	0.0	0.0
Coffee and tea	28	28	100.0	0.0	0.0
Cereals and preparations	125	125	100.0	0.0	0.0
Oil seeds, fats and oils and their products	95	95	100.0	0.0	0.0
Sugars and confectionery	26	26	100.0	0.0	0.0
Beverages, spirits and tobacco	80	80	100.0	0.0	0.0
Cotton	5	5	100.0	0.0	0.0
Other agricultural products n.e.s.	173	173	100.0	0.0	0.0
WTO non-agriculture	6,743	2,655 (152)	39.4	0.0	0.0
Fish and fishery products	386	386	100.0	0.0	0.0
Minerals and metals	1,042	679 (6)	65.2	0.0	0.0
Chemicals and photographic supplies	1,536	178 (21)	11.6	0.0	0.0
Wood, pulp, paper and furniture	353	338	95.8	0.0	0.0
Textiles	712	104	14.6	0.0	0.0
Clothing	512	8 (2)	1.6	0.0	0.0
Leather, rubber, footwear and travel goods	214	90	42.1	0.0	0.0
Non-electric machinery	702	243 (41)	34.6	0.0	0.0
Electric machinery	389	220 (40)	56.6	0.0	0.0
Transport equipment	265	36 (13)	13.6	0.0	0.0
Non-agriculture articles n.e.s.	583	373 (29)	64.0	0.0	0.0
Petroleum	49	0	0.0	n.a.	0.0
By HS section					
01 Live animals and products	558	558	100.0	0.0	0.0
02 Vegetable products	417	417	100.0	0.0	0.0
03 Fats and oils	61	61	100.0	0.0	0.0
04 Prepared food, beverages and tobacco	337	337	100.0	0.0	0.0
05 Mineral products	205	120	58.5	0.0	0.0
06 Chemicals and products thereof	1,413	187 (11)	13.2	0.0	0.0
07 Plastics, rubber, and articles thereof	291	64 (10)	22.0	0.0	0.0
08 Raw hides and skins, leather, and its products	131	47	35.9	0.0	0.0
09 Wood and articles of wood	150	141	94.0	0.0	0.0
10 Pulp of wood, paper and paperboard	151	151	100.0	0.0	0.0
11 Textiles and textile articles	1,173	91 (2)	7.8	0.0	0.0
12 Footwear, headgear, etc.	68	56	82.4	0.0	0.0
13 Articles of stone, plaster, cement	170	109 (5)	64.1	0.0	0.0
14 Precious stones and metals, pearls	86	8	9.3	0.0	0.0
15 Base metals and articles thereof	628	462 (1)	73.6	0.0	0.0
16 Machinery, electrical equipment, etc.	1,134	511 (81)	45.1	0.0	0.0
17 Transport equipment	279	41 (13)	14.7	0.0	0.0
18 Precision equipment	281	186 (19)	66.2	0.0	0.0
19 Arms and ammunition	18	0	0.0	n.a.	0.0
20 Miscellaneous manufactured articles	234	166 (10)	70.9	0.0	0.0

	No. of lines	No. of bound lines ^a	% bound, of total ^a	Bound average	MFN applied average
21 Works of art, etc.	20	4	20.0	0.0	0.0

n.a. Not applicable.

a Including 152 tariff lines that are only partially bound. Number of partially bound lines are shown in parentheses.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.4 Other charges affecting imports

3.34. Hong Kong, China charges excise duties on four categories of goods (alcoholic liquor, tobacco, hydrocarbon oil, and methyl alcohol), pursuant to the Dutiable Commodities Ordinance (Cap. 109), regardless of whether they are locally manufactured or imported. During the review period, the dutiable rates increased for tobacco products on 22 February 2023 as a means to reduce tobacco use but remained unchanged for the remaining products (Table 3.5). The products must be stored in a bonded warehouse until the duty is paid²⁸, at which time C&ED issues a removal permit.

Table 3.5 Dutiable commodity rates, 2018 and 2023

Commodity	2018	2023
	(%)	
Liquor^a		
Liquor with an alcohol strength of more than 30% by volume, measured at a temperature of 20°C	100	100
Liquor, other than wine, with an alcohol strength of not more than 30% by volume, measured at a temperature of 20°C	0	0
Wine	0	0
	(HKD)	
Tobacco		
Cigarettes (per 1,000 cigarettes)	1,906	2,506
Cigars (per kg)	2,455	3,228
Chinese-prepared tobacco (per kg)	468	615
All other manufactured tobacco except tobacco intended for the manufacture of cigarettes (per kg)	2,309	3,036
Hydrocarbon oil (per litre)		
Aircraft spirit	6.51	6.51
Light diesel oil	2.89	2.89
Motor spirit (unleaded petrol)	6.06	6.06
Motor spirit (leaded petrol)	6.82	6.82
Ultra-low sulphur diesel	2.89	2.89
Euro V diesel	0.00	0.00
Methyl alcohol		
Methyl alcohol and any mixture thereof with an alcohol strength of up to 30% by volume, measured at a temperature of 20°C (per hectolitre)	840.00	840.00
For every 1% of alcohol strength exceeding 30% by volume	28.10	28.10

a Where there is no or insufficient information available to determine the value of imported liquor of less than 12 litres, the Commissioner of Customs and Excise (or an authorized officer) may assess the duty payable at a rate of HKD 160 per litre.

Source: C&ED, *Types and Duty Rates*. Viewed at: <https://www.customs.gov.hk/en/service-enforcement-information/trade-facilitation/dutiable-commodities/types-and-duty-rates/index.html>.

3.35. There was a steady increase in the duties collected over the period, a 16.5% rise from FY2017/18 to FY2021/22 (Table 3.6). Over half of the revenues collected were with respect to tobacco products. Duties are collected on both imported and locally manufactured products. Imported goods accounted for the vast majority of duties (98% of the total collected in FY2021/22), as most goods are imported rather than locally produced.

²⁸ An import licence is also required for dutiable products in order to protect the collection of the duty (Section 3.1.5).

3.36. Other taxes include a First Registration Tax (FRT) applied on motor vehicles pursuant to the Motor Vehicles (First Registration Tax)(FRT) Ordinance (Cap. 330).²⁹ An import return must be lodged within 30 days of importation through the Motor Vehicles First Registration Tax System website and thereafter C&ED will proceed with a notification of provisional value for the tax assessment. The registration, control compliance, and calculation and collection of the tax follow thereafter by the Transport Department. As there are no locally manufactured vehicles, the FRT is currently applied *de facto* exclusively on imported vehicles only.

3.37. The FRT will be derived from the taxable value assessed by C&ED times the appropriate tax rate, which depends on class of motor vehicle and is generally progressive (Table 3.7). FRT rates on private cars have been increased by 15% since February 2021 and now range from 46% to 132%. This is the first rate increase since 2011 and is a policy measure to reduce the number of private vehicles. To promote green transport, electric vehicles, and environmentally friendly commercial vehicles (goods vehicles, buses, light buses, taxis, and special purpose vehicles) have been granted concessions on the FRT. FRT for a private electric car will be waived up to a value of HKD 97,500 from 1 April 2017 to 31 March 2024. A "One-for-One Replacement" Scheme is also effective from 28 February 2018 to 31 March 2024 to allow a higher FRT concession. The latest concession cap is HKD 287,500. Collections under the FRT have fluctuated over the period FY2017/18 to FY2021/22 but have generally declined in the last two years, reflecting lower number of vehicles subject to the payment and lower average taxes collected per vehicle (Table 3.6).

Table 3.6 Internal tax collection, FY2017/18 FY2021/22

(HKD million)

Fiscal year		FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Excise duties		10,701	10,636	11,391	11,852	12,467
Liquor	Local	0.1	0.1	0.1	0.4	0.4
	Imported	523	567	564	553	714
Tobacco	Local	201	184	207	241	218
	Imported	6,225	6,127	6,842	7,383	7,684
Hydrocarbon oil	Local	n.a.	n.a.	n.a.	n.a.	n.a.
	Imported	3,747	3,753	3,769	3,669	3,843
Methyl alcohol	Local	n.a.	n.a.	n.a.	n.a.	n.a.
	Imported	5	5	9	6	8
First registration tax		8,594	9,432	7,219	6,594	6,167

n.a. Not applicable.

Source: C&ED, *Statistics, Annual Revenue Collection*. Viewed at: https://www.customs.gov.hk/hcms/filemanager/common/pdf/statistics/revenue_en.pdf. Information provided by the authorities.

Table 3.7 FRT rates for motor vehicles, FY2017/18 and 2023

(Rate of tax, %)

Class of motor vehicle	FY2017/18	2023
I. Private cars		
- on the first HKD 150,000	40	46
- on the next HKD 150,000	75	86
- on the next HKD 200,000	100	115
- on the remainder	115	132
II. Motor cycles and motor tricycles	35	35
III.a. Goods vehicles, other than van-type light goods vehicles	15	15
b. Van-type light goods vehicles not exceeding 1.9 tonnes permitted gross vehicle weight:		
- on the first HKD 150,000	35	35
- on the next HKD 150,000	65	65
- on the remainder	85	85
c. Van-type LGV exceeding 1.9 tonnes permitted gross weight	17	17

²⁹ The tax is technically also applicable to locally manufactured vehicles, which are not currently produced in Hong Kong, China.

Class of motor vehicle	FY2017/18	2023
IV. Taxis, light buses, buses, and special purpose vehicles	3.7	3.7

Source: Transport Department, *Guidelines for Importation and Registration of Motor Vehicle*. Viewed at: https://www.td.gov.hk/en/public_services/licences_and_permits/vehicle_first_registration/guidelines_for_importation_and_registration_of_mot/index.html.

3.1.5 Import prohibitions, restrictions, and licensing

3.38. Hong Kong, China continues to prohibit or restrict the importation of certain products for reasons of public health, animal health, safety, security, and environmental protection, or to comply with obligations under international treaties and agreements, e.g. CITES, the Montreal Protocol, the Rotterdam Convention, and the Kimberley Process Certification Scheme. As of June 2023, there were prohibitions/restrictions on 9 categories of products (Table 3.8) and import licensing requirements on 22 categories of products (Table 3.9). Most of these have not changed significantly since the last Review, except in a few instances, as outlined below.

3.39. The Import and Export Ordinance (Cap. 60) regulates the import of certain controlled articles into Hong Kong, China and contains some of the restrictions, otherwise the import measures are contained in specific ordinances as noted in the respective tables. Depending on the product or sector, various departments or offices are responsible for the controls or the issuance of licences. There continue to be various application or authorization forms to obtain licences or complete import processes. These are gradually being incorporated into the TSW environment, through which the traders can submit their applications through one portal electronically (Section 3.1.1.3.2). The relevant details on forms, contact points, and hotlines are available from the Trade and Industry Department (TID) Database of Articles subject to Import or Export Control.³⁰

3.40. During the review period, there were a number of new items subject to licensing or amendments to existing measures. In July 2020, the Conservation of Antarctic Marine Living Resources Ordinance (Cap. 635) was enacted to give effect to the Convention on the Conservation of Antarctic Marine Living Resources in Hong Kong, China. The Conservation of Antarctic Marine Living Resources (Toothfish Catch Documentation Scheme) Regulation (Cap. 635A) was made to implement the Toothfish Catch Documentation Scheme. As a result, Hong Kong, China requires licences for the import, export, and re-export of toothfish items.

3.41. In 2021, the Smoking (Public Health) Ordinance (Cap. 371) was amended to prohibit the import, manufacture or sale, or use in certain places of alternative smoking products, including electronic smoking products, heated tobacco products, and combustible herbal cigarettes. The amendment became effective on 30 April 2022 and covers not only cargo imports but parcel imports and through incoming travellers.

3.42. Hong Kong, China imposes licensing requirements on imports and exports of strategic commodities. These are contained in the Import and Export Ordinance (Cap. 60) and its subsidiary legislation, the Import and Export (Strategic Commodities) Regulations (Cap. 60G). Together the scope of the control is listed in four schedules that mirror the underlying international convention and regimes of non-proliferation of weapons of mass destruction, i.e. the Chemical Weapons Convention, Australia Group, Missile Technology Control Regime, Nuclear Suppliers Group, Nuclear Non-proliferation Treaty, the Wassenaar Arrangement, and Arms Trade Treaty. As a result of amendments to the control lists adopted by these conventions and regimes, Hong Kong, China has made amendments to the schedule lists; the last one took effect in September 2021.³¹ Another amendment exercise was conducted and the legislative process was recently completed in June 2023, with the amended schedule lists to take effect from 1 November 2023.³² Amendments were also made in a similar way to incorporate changes in the product coverage of the Rotterdam

³⁰ TID, *Database of Articles Subject to Import or Export Control*. Viewed at: <https://www.tid.gov.hk/service/utf/EngIE.do?lang=en&cl=Y>.

³¹ TID (2021), *Strategic Trade Controls Circular No. 8/2021*. Viewed at: https://www.stc.tid.gov.hk/english/circular_pub/2021_stc08.html.

³² TID (2023), *Strategic Trade Controls Circular No. 3/2023*. Viewed at: https://www.stc.tid.gov.hk/english/circular_pub/2023_stc03.html; and Import and Export (Strategic Commodities) Regulations (Amendment of Schedules 1 and 2) Order 2023 (Commencement) Notice. Viewed at: <https://www.legco.gov.hk/yr2023/english/subleg/negative/2023in111-e.pdf>.

Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade to the Pesticides Ordinance (Cap. 133) and Hazardous Chemicals Control Ordinance (Cap. 595) to incorporate new pesticides and hazardous chemicals.

3.43. New or amended import (and export) measures were also enacted during the review period on firearms and ammunition, and mercury or mercury mixtures, both in 2021. Based on the international Minamata Convention, the Mercury Control Ordinance (MCO) (Cap. 640) was effective from 1 December 2021 to prohibit the importation and exportation of certain mercury-added products and to require licensing for imports and exports of mercury or mercury mixtures.³³ The Firearms and Ammunition (Declaration of Arms) (Amendment) Regulation 2021 was implemented on 1 November 2021 to require licensing for possession of or dealing in (including import and export), by way of trade or business, specified firearm component parts³⁴ pursuant to the Firearms and Ammunition Ordinance (Cap. 238).

3.44. Since 2008, China has implemented export administration measures for wheat flour, rice flour, and rice to Hong Kong, China. To complement the measures, Hong Kong, China has implemented a registration scheme for local importers of China's wheat flour, rice flour, and rice. Thus, local companies that would like to import these products³⁵ are required to be registered importers and report import quantities monthly; be subject to disclosure of information, inspection, and verification; and ensure that the products are for consumption in Hong Kong, China and not for re-export. As at end-May 2023, there were 80 registered importers of wheat flour, rice flour, and rice.³⁶

Table 3.8 Prohibitions or restrictions on imports, 2023

Product	Measure	Rationale	Legislation
Elephant ivory and elephant hunting trophy	Prohibition/restriction	Article XX(a), (b), and (g) of the GATT 1994 CITES	Protection of Endangered Species of Animals and Plants (Amendment) Ordinance 2018
Mercury-added products	Prohibition	Article XX(b) of the GATT 1994 Part I of Annex A of the Minamata Convention on Mercury	Mercury Control Ordinance (Cap. 640)
Asbestos and asbestos-containing materials	Prohibition/restriction	Article XX(b) of the GATT 1994	Air Pollution Control Ordinance (Cap. 311)
Controlled products containing ozone-depleting substances	Prohibition/restriction	Article XX(b) of the GATT 1994 Montreal Protocol	Ozone Layer Protection Ordinance (Cap. 403) and its subsidiary regulations
Smokeless tobacco products	Prohibition	Article XX(b) of the GATT 1994	Smokeless Tobacco Products (Prohibition) Regulations (Cap. 132BW)
Alternative smoking products, including electronic smoking products, heated tobacco products and herbal cigarettes	Prohibition	Article XX(b) of the GATT 1994	Smoking (Public Health) (Amendment) Ordinance 2021 (Cap. 371)

³³ Environmental Protection Department (EPD), *Mercury Control*. Viewed at: https://www.epd.gov.hk/epd/english/resources_pub/resources_subject/mco.html.

³⁴ These include barrel, chamber, cylinder, frame, body, receiver, breech block, bolt, or other mechanism for containing the pressure of discharge at the rear of a chamber. See Section 2(1) of the Firearms and Ammunition Ordinance (Cap. 238). Viewed at: <https://www.elegislation.gov.hk/hk/cap238>.

³⁵ It applies to the following HS codes: 11010000, 11031100, 11032010, 11029021, 11029029, 11031931, 11031939, 10061021, 10061029, 10061081, 10061089, 10062020, 10062080, 10063020, 10063080, 10064020, and 10064080. TID, *Mainland Cereals and Grain Flour Registration Circular No. 3/2022*, Annex I. Viewed at: https://www.tid.gov.hk/english/import_export/nontextiles/nt_flour/flour032022.html.

³⁶ TID, *Register of Registered Importers*. Viewed at: https://www.tid.gov.hk/english/import_export/nontextiles/nt_flour/files/importer_list.pdf.

Product	Measure	Rationale	Legislation
Volatile Organic Compounds (VOC) containing products	Prohibition/restriction	Article XX(b) of the GATT 1994	Air Pollution Control (Volatile Organic Compounds) Regulation (Cap. 311W)
Rough diamonds	Prohibition/restriction	Kimberley Process Certification Scheme	Import and Export Ordinance, Cap. 60 and its subsidiary regulations
Certain prohibited weapons (e.g. Chinese-style throwing darts, knuckle-duster, gravity knife and gravity-operated steel baton)	Prohibition	Article XX(d) of the GATT 1994	Weapon Ordinance, Cap. 217

Source: WTO document G/MA/QR/N/HKG/6, 28 October 2022; TID, *Database of Articles Subject to Import or Export Control*. Viewed at: <https://www.tid.gov.hk/service/utf/EngIE.do>; and information provided by the authorities.

3.45. In terms of licensing procedures, in August 2022, Hong Kong, China notified changes in the process for obtaining an import licence for sand whereby there was a cessation of the in-person application service.³⁷ Also, there was a notification on the full implementation of e-services for import licences for rice with effect from 30 June 2022.³⁸

Table 3.9 Products subject to import licensing, 2023

Product	Regime/rationale	Automatic/non-automatic	Legislation
Strategic commodities that are munitions and 10 categories of dual-use items (i.e. items capable of being used for both industrial and military purposes), e.g. firearms, ammunitions, nuclear materials, high precision machine tools, and chemical weapon precursors)	To monitor and control the flow of strategic commodities so as to prevent Hong Kong, China from being used as a conduit for the proliferation of weapons of mass destruction	Non-automatic	Import and Export Ordinance, Cap. 60 and the Import and Export (Strategic Commodities) Regulations, Cap. 60G
Radio transmitting equipment	To control imports unless the importer is a holder of a Radio Dealers Licence (Unrestricted)	Non-automatic	Telecommunications Ordinance, Cap. 106
Arms, ammunition, and explosives	To monitor and control the flow of these commodities	Non-automatic	Arms and ammunition are controlled under Firearms and Ammunition Ordinance (Cap. 238) and explosives are controlled under Dangerous Goods Ordinance (Cap. 295)
Rice	To maintain a stable supply and a reserve stock for emergencies	Non-automatic	Reserved Commodities Ordinance, Cap. 296 Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations, Cap. 296A
Rough diamonds	To fulfil international obligations	Non-automatic	Import and Export Ordinance, Cap. 60 and its subsidiary regulations

³⁷ WTO document G/LIC/N/2/HKG/21, 17 August 2022.

³⁸ WTO document G/LIC/N/2/HKG/20, 1 August 2022.

Product	Regime/rationale	Automatic/non-automatic	Legislation
Pesticides	To protect public health	Non-automatic	Import and Export Ordinance, Cap. 60 and its subsidiary regulations Pesticides Ordinance, Cap. 133
Ozone-depleting substances	To fulfil international obligations under the Montreal Protocol	Non-automatic	Ozone Layer Protection Ordinance, Cap. 403
Pharmaceutical products and medicines	To protect public health	Non-automatic	Import and Export Ordinance, Cap. 60 and its subsidiary regulations
Proprietary Chinese medicines and 36 Chinese herbal medicines	To protect public health	Non-automatic	Chinese Medicine Ordinance, Cap. 549 Import and Export (General) Regulations, Cap. 60
Radioactive substances and irradiating apparatus	To fulfil international obligations and to ensure public safety, security, and health	Non-automatic	Import (Radiation) (Prohibition) Regulations, Cap. 60
Dutiable commodities	To protect and collect the excise duty imposed on the dutiable commodities	Non-automatic	Dutiable Commodities Ordinance, Cap. 109
Controlled chemicals	To prevent diversion of controlled chemicals into illicit manufacture of narcotic drugs and psychotropic substances	Non-automatic	Control of Chemicals Ordinance, Cap. 145
Optical disc mastering and replication equipment	To enforce a robust intellectual property rights regime and to prevent the use of optical disc mastering and replication equipment for copyright infringing activities	Non-automatic	Import and Export Ordinance, Cap. 60 and its subsidiary regulations
Sand (in excess of 100 kg)	To provide a mechanism to enable the protection of beaches and seabed	Non-automatic	Sand Ordinance (Cap. 147)
Plants, plant pests, and soil	To establish an effective means for plant quarantine to prevent the spread of plant pests in compliance with the recommendations of the Plant Protection Agreement for the Asia and Pacific Region and the International Plant Protection Convention (IPPC)	Non-automatic	Plant (Importation and Pest Control) Ordinance, Cap. 207
Endangered species of animals and plants	To protect endangered species and to prevent them from over exploitation in accordance with CITES	Non-automatic	Protection of Endangered Species of Animals and Plants Ordinance, Cap. 586

Product	Regime/rationale	Automatic/non-automatic	Legislation
Live animals	To protect public and animal health, provide for public safety and animal welfare, and prevent cruelty to animals	Non-automatic	Public Health (Animals and Birds) Ordinance, Cap. 139 Rabies Ordinance (Cap. 421) Prevention of Cruelty to Animals Ordinance (Cap. 169)
Toothfish	To implement the requirements of relevant conservation measures under the Convention on the Conservation of Antarctic Marine Living Resources	Non-automatic	Conservation of Antarctic Marine Living Resources (Toothfish Catch Documentation Scheme) Regulation, Cap. 635A
Waste	Per the requirements of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	Non-automatic	Waste Disposal Ordinance, Cap. 354 and its subsidiary regulations
Non-pesticide hazardous chemicals	To implement effective controls on non-pesticide hazardous chemicals to protect human health and the environment in accordance with the Stockholm Convention and the Rotterdam Convention	Non-automatic	Hazardous Chemicals Control Ordinance, Cap. 595 Import/Export Ordinance (Cap. 60) and its subsidiary regulations
Mercury and mercury mixtures	To implement effective control to protect human health and the environment from anthropogenic emissions and releases of mercury and mercury compounds in accordance with the Minamata Convention	Non-automatic	Mercury Control Ordinance, Cap. 640
Frozen or chilled meat and poultry	To protect public health and for food safety reasons	Non-automatic	Import and Export Ordinance, Cap. 60 and its subsidiary regulations Imported Game, Meat, Poultry and Eggs Regulations, Cap. 132AK

Source: WTO documents G/LIC/N/3/HKG/26, 4 October 2022; and G/MA/QR/N/HKG/6, 28 October 2022; TID, *Database of Articles Subject to Import or Export Control*. Viewed at: <https://www.tid.gov.hk/service/utf/EnqIE.do>; and information provided by the authorities.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.46. At the multilateral level, there have been no developments since the last Review and Hong Kong, China does not have any laws, regulations, or authorities for the application of any anti-dumping, countervailing, or safeguard measures.³⁹

³⁹ WTO documents G/SG/N/1/HKG/1, 20 March 1995; G/ADP/N/1/HKG/1, 24 March 1995; G/ADP/N/193/HKG, 14 July 2010; G/SCM/N/1/HKG/1, 10 March 1995; and G/SCM/N/202/HKG, 14 July 2010.

3.47. Hong Kong, China's FTAs generally contain a section on trade remedies that generally reaffirms the rights and obligations under the relevant WTO agreements for anti-dumping, subsidies, and safeguards. According to the provisions of the Hong Kong, China Closer Economic Partnership Arrangement (CEPA), the parties undertake not to apply anti-dumping measures or countervailing measures to goods imported or originated from each other. On safeguards, CEPA provides that temporary safeguards may be applied under certain conditions. For the Agreements with ASEAN, Australia, and Georgia, the FTAs essentially reaffirm the rights and obligations under Article XIX of GATT 1994 and the WTO Agreement on Safeguards.⁴⁰

3.1.7 Other measures affecting imports

3.48. In line with international norms, Hong Kong, China implements sanctions decided by the Security Council of the United Nations (UNSC). The United Nations Sanctions Ordinance (Cap. 537) provides for Hong Kong, China's imposition of economic and trade embargoes, arms embargoes, and other mandatory measures decided by the UNSC. In addition, there are separate pieces of subsidiary legislation under Cap. 537 that are dedicated to trading partners subject to UN sanctions.⁴¹ According to information provided by the authorities, 13 countries and 2 organizations are subject to UNSC sanctions related to trade.⁴² Hong Kong, China does not impose any unilateral or other sanctions on trade other than UN sanctions.

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.49. The customs procedures for exports did not change during the review period and remain as reported in the previous Review. The Import and Export Ordinance (Cap. 60) and its subsidiary regulations, in particular Cap. 60E, govern the export process. The export process is nearly identical to the import process in that the exporter must file an export declaration for exports or re-exports within 14 days of exportation. Other procedures such as filing an export manifest, applying for an export licence (if applicable), and payment of applicable fees are also part of the export procedures. Like the import process, the export process is increasingly facilitated through electronic means. The TSW has provided a one-stop electronic platform for the trading community to lodge export and import trade documents with the Government.

3.2.2 Taxes, charges, and levies

3.50. Similar to the situation on imports, as a free port, Hong Kong, China does not apply customs duties on exports.

3.51. Nevertheless, pursuant to the Industrial Training (Clothing Industry) Ordinance (Cap. 318), a Clothing Industry Training Levy on exports is charged for most apparel items manufactured in Hong Kong, China.⁴³ The levy of HKD 0.30 per HKD 1,000 f.o.b. value funds the Clothing Industry Training Authority for the purpose of providing facilities and training for clothing industry employees. Certain exceptions to the levy apply, e.g. for clothing items exported by the Government for postal packets of a value not exceeding HKD 4,000, and samples.⁴⁴

3.52. In 2021, the training levy gross collection was HKD 232,595, of which HKD 54,330 was retained by C&ED as a collection fee.⁴⁵ Compared to earlier years during the review period, there

⁴⁰ The FTA with Georgia goes slightly further in requiring notification in the case of the initiation of a global safeguard case.

⁴¹ See separate pieces of subsidiary legislation under Cap. 537 at Hong Kong e-Legislation. Viewed at: <https://www.elegislation.gov.hk/hk/cap537?tab=s>.

⁴² Commerce and Economic Development Bureau (CEDB), *United Nations Security Council Sanctions*. Viewed at: <https://www.cedb.gov.hk/en/policies/united-nations-security-council-sanctions.html>.

⁴³ Includes HS 392620, 401590, 4203, 4303, 4304, 61, 62, 64 (certain exceptions), 6504, 6505, 6506 (certain exceptions), 6507, and 91139020. HKHS, Appendix Iif. Viewed at: https://www.censtatd.gov.hk/FileManager/EN/Content_93/clothing_2022.pdf.

⁴⁴ Laws of the Industrial Training (Clothing Industry) Ordinance (Cap. 318), Part I, para. 3.

⁴⁵ Clothing Industry Training Authority, *Annual Report 2021*. Viewed at: https://www.cita.org.hk/wp-content/uploads/2022/06/Annual_Report_2021.pdf.

has been a more than doubling of the amount of levy collected, as in 2018 the gross collection was HKD 99,551.⁴⁶

3.2.3 Export prohibitions, restrictions, and licensing

3.53. Hong Kong, China has certain goods that are subject to export controls, such as export licences/permits, in order to, *inter alia*, comply with international obligations or protect public health or the environment. As of June 2023, there were 18 categories of products that required export permits or licences, and 7 categories where certain prohibitions or restrictions were applied on exports (Table 3.10). Similar to the situation with imports, Hong Kong, China is moving to the TSW environment to facilitate the filing and approval of export licences and related forms.

3.54. Most of the categories of export restraints have been in place for many years and have not changed significantly. However, there were new or amended requirements for mercury or mercury mixtures, firearms and ammunition, strategic control items, toothfish items, and pesticides. These changes are discussed in depth in Section 3.1.5 on the import side and will not be repeated here, although they are equally applicable to exports.

Table 3.10 Prohibitions, restrictions, or licensing on exports, 2023

Product	Measure	Rationale	Legislation	Administration
Chinese herbal medicines and proprietary Chinese medicines	Non-automatic licensing	Article XX(b) of GATT 1994	Import/Export Ordinance (Cap. 60) and its subsidiary regulations	Chinese Medicine Regulatory Office, Department of Health
Certain prohibited weapons (e.g. Chinese-style throwing darts, knuckle-duster, gravity knife and gravity-operated steel baton)	Prohibition	Article XX(d) of GATT 1994	Weapons Ordinance, Cap. 217	Customs and Excise Department (C&ED)
Dangerous drugs	Non-automatic licensing	Article XX(b) of the GATT 1994 UN Single Convention on Narcotic Drugs 1961 UN Single Convention on Psychotropic Substances 1971	Dangerous Drugs Ordinance (Cap. 134)	Department of Health
Dutiable commodities (alcoholic liquors, tobacco, hydro-carbon oil and methyl alcohol)	Non-automatic licensing	Article XX(d) of the GATT 1994	Dutiable Commodities Ordinance (Cap. 109)	Office of Dutiable Commodities Administration, C&ED
Local protected wild animals	Special permit	Article XX(b) of the GATT 1994	Wild Animals Protection Ordinance, Cap. 170	Wetland and Fauna Conservation Division, Agriculture, Fisheries and Conservation Department (AFCD)
Optical disc mastering and replication equipment	Non-automatic licensing	Article XX(d) of the GATT 1994	Import and Export Ordinance, Cap. 60 and its subsidiary regulations	Intellectual Property Investigation Bureau, C&ED
Controlled chemicals	Non-automatic licensing	Article XX(b) of the GATT 1994 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988	Control of Chemicals Ordinance, Cap. 145	Controlled Chemicals and Support Division, C&ED
Elephant ivory and elephant hunting trophy	Prohibition of re-export	Article XX(a), (b), and (g) of the GATT 1994 CITES	Protection of Endangered Species of Animals and Plants (Amendment) Ordinance 2018	AFCD

⁴⁶ Clothing Industry Training Authority, *Annual Report 2018*. Viewed at: https://www.cita.org.hk/wp-content/uploads/2022/06/Annual_Report_2018.pdf.

Product	Measure	Rationale	Legislation	Administration
Toothfish items	Non-automatic licensing	Article XX(b) of the GATT 1994 Convention on the Conservation of Antarctic Marine Living Resources	Conservation of Antarctic Marine Living Resources Ordinance (Cap. 635) and Conservation of Antarctic Marine Living Resources (Toothfish Catch Documentation Scheme) Regulation (Cap. 635A)	AFCD
Controlled products containing ozone-depleting substances	Prohibition/Restriction/non-automatic licensing	Montreal Protocol	Ozone Layer Protection Ordinance, Cap. 403 and its subsidiary regulations	Air Science and Modelling Group, Environmental Protection Department (EPD) Rough Diamonds and Ozone Depleting Substances Licensing Unit, Trade and Industry Department (TID)
Non-pesticide hazardous chemicals	Prohibition/Restriction/non-automatic licensing	Article XX(b) of the GATT 1994 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade Stockholm Convention on Persistent Organic Pollutants	Hazardous Chemicals Control Ordinance, Cap. 595 and its subsidiary regulations Import/Export Ordinance (Cap. 60) and its subsidiary regulations	Territorial Control Office, EPD
Endangered animal and plant species	Prohibition/restriction/non-automatic licensing	Article XX(b) of the GATT 1994 CITES	Protection of Endangered Species of Animals and Plants Ordinance (Cap. 586)	Endangered Species Protection Division, AFCD
Mercury, mercury mixtures and mercury-added products	Non-automatic licensing	Article XX(b) of the GATT 1994 Minamata Convention on Mercury	Mercury Control Ordinance (Cap. 640)	Territorial Control Office, EPD
Wastes	Prohibition/restriction	Article XX(b) of the GATT 1994 Basel Convention for the Control of Transboundary Movements of Hazardous Waste and their Disposal	Waste Disposal Ordinance, Cap. 354 and its subsidiary regulations	Territorial Control Office, EPD
Rough diamonds	Prohibition/non-automatic licensing	Kimberley Process certification scheme for rough diamonds	Import and Export Ordinance, Cap. 60 and its subsidiary regulations	Rough Diamonds and Ozone Depleting Substances Licensing Unit, TID
Strategic commodities	Non-automatic licensing	Article XXI(b)(ii) of the GATT 1994	Import and Export Ordinance, Cap. 60 Import and Export (Strategic Commodities) Regulations (Cap. 60G)	Strategic Trade Controls Branch, TID
Pesticides	Non-automatic licensing	Article XX(b) of the GATT 1994 The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade The Stockholm Convention on Persistent Organic Pollutants	Import and Export Ordinance, Cap. 60 and its subsidiary regulations Pesticides Ordinance, Cap. 133	Plant and Pesticides Regulatory Division, AFCD Rough Diamonds and Ozone Depleting Substances Licensing Unit, TID

Product	Measure	Rationale	Legislation	Administration
Pharmaceutical Products, Medicines and Dangerous Drugs	Non-automatic licensing	Article XX(b) of the GATT 1994	Dangerous Drugs Ordinance, Cap. 134 Import and Export Ordinance, Cap. 60 and its subsidiary regulations	Drug Import/Export Control Unit, Drug Office, Department of Health
Powdered Formula	Non-automatic licensing	Article XX(j) of the GATT 1994	Import and Export Ordinance, Cap. 60 and its subsidiary regulations	Powdered Formula Licensing Unit, TID
Radio Transmitting Equipment	Non-automatic licensing	Article XX(d) of the GATT 1994	Telecommunications Ordinance, Cap. 106	Licensing Unit, Office of the Communications Authority
Rice	Non-automatic licensing	Article XX(j) of the GATT 1994	Reserved Commodities Ordinance, Cap. 296 Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations, Cap. 296A	Rice Control Unit, TID

Source: WTO document G/MA/QR/N/HKG/6, 28 October 2022; TID, *Database of Articles Subject to Import or Export Control*. Viewed at: <https://www.tid.gov.hk/service/utf/EnqIE.do?lang=en&cl=Y>; and information provided by the authorities.

3.2.4 Export support and promotion

3.55. Hong Kong, China has a number of organizational supports or funds that are aimed to help exporters. These include the government-supported body for export promotion, funds specific to SMEs and branding promotion, and a temporary COVID-19 pandemic-driven subsidy fund for conferences and conventions.

3.56. The Hong Kong Trade Development Council (HKTDC), created by the Hong Kong Trade Development Council Ordinance (Cap. 1114), is a statutory body to promote, assist, and develop trade with a particular emphasis on exports. It may also make recommendations with respect to measures that may increase Hong Kong, China's trade. It maintains a network of 50 offices around the world to promote business and investment. The HKTDC has three main areas of operation: (i) creating platforms for international business; (ii) facilitating business partnerships and opportunities worldwide; and (iii) empowering SMEs and entrepreneurs for global business. Some of the specific work undertaken includes promotion activities, networking events, exhibitions, research, business matching, and brand promotion. In recent years, the HKTDC has particularly focused on healthcare, sustainability, technology and innovation, and digital transformation.⁴⁷ In 2021, in response to the COVID-19 pandemic and to continue to support SMEs, the HKTDC launched the GoGBA one-stop platform for business updates, advice, and practical tools geared to SMEs.

3.57. Hong Kong, China has a Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) established in June 2012. It originally comprised the Enterprise Support Programme and the Organisation Support Programme (OSP). In 2018, the OSP was merged with the former SME Development Fund (SDF) to form the Trade and Industrial Organisation Support Fund (TSF). The TSF provides financial support to non-profit-distributing organizations to implement projects for enhancing the competitiveness of non-listed enterprises in general or in specific sectors. Activities covered under the funding include seminars, workshops, conferences, exhibitions, research studies, and award schemes. As of end-May 2023, 1,642 applications had been received, of which 473 were approved with total funding of HKD 823 million under the TSF as well as the former OSP and SDF.⁴⁸

3.58. The BUD Fund currently provides funding support, in the form of cash grants, to non-listed enterprises for developing brands, upgrading and restructuring operations, and promoting sales.

⁴⁷ Hong Kong Trade and Development Council, *Annual Report 2021/22*. Viewed at: https://info.hktcdc.com/annualreport2022/lib/uploads/165700213462c3d8965ad3e/TDCAR2022%20AW_Spread_Pg_Final%202.pdf.

⁴⁸ TID, *Statistics, Trade and Industrial Organisation Support Fund*. Viewed at: https://www.smefund.tid.gov.hk/english/tsf/tsf_statistics.html; *Statistics, SME Development Fund*. Viewed at: https://www.smefund.tid.gov.hk/english/tsf/sdf_statistics.html; and *Statistics, BUD Fund (Organisation Support Programme)*. Viewed at: https://www.smefund.tid.gov.hk/english/tsf/bud_statistics.html.

Initially established for Hong Kong, China enterprises interested in developing markets in China, it has since been expanded geographically to cover ASEAN in August 2018, FTA partners in January 2020, and Investment Promotion and Protection Agreement (IPPA) partners in phases since July 2021, thus 37 economies in total as of May 2023. Funding support is provided on a matching basis, with a maximum of 50% of the total approved project costs covered. The funding ceiling for each approved project is HKD 1 million, and a cumulative funding ceiling of HKD 7 million per enterprise.⁴⁹ As at end May 2023, about 6,085 projects have been approved, involving a total funding of about HKD 3.7 billion.⁵⁰

3.59. The SME Export Marketing Fund (EMF) was established in 2001 to encourage SMEs to expand their markets outside Hong Kong, China through participation in export marketing activities such as trade exhibitions, trade missions, advertising on trade publications, and online promotion activities. SMEs may receive funding support, in the form of cash grants, up to 50% of the total approved expenditure, subject to a ceiling of HKD 100,000 per application.⁵¹ The cumulative funding ceiling per enterprise is HKD 1 million.⁵² As of end-May 2023, 345,680 applications were received, of which 284,045 were approved for a total amount of HKD 4.8 billion.⁵³

3.60. To help enterprises explore local business opportunities and maintain Hong Kong, China's leading position in large-scale merchandise exhibitions after the COVID-19 pandemic, enhanced measures were put in place from 30 April 2021 to 30 June 2026 for the EMF. The funding scope has been expanded to cover large-scale exhibitions targeting the local market as well as online exhibitions, and the eligibility criteria have been relaxed to cover non-SMEs, i.e. all non-listed enterprises registered in, and with substantive business operations in, Hong Kong, China. During May 2021 to May 2023, around 97% of the enterprise beneficiaries were SMEs.

3.61. In 2020, the Convention & Exhibition Industry Subsidy Scheme under the Anti-epidemic Fund was launched with a total commitment of HKD 1.07 billion to support this sector. Funding is provided at 50% of the fees to participants at HKTDC exhibitions and conventions and 100% of the venue rental for exhibitions held at the Hong Kong Convention and Exhibition Centre and AsiaWorld-Expo.⁵⁴ As of 31 December 2022, the Scheme had subsidized 215 exhibitions, for a total of about HKD 611 million.⁵⁵ The rental subsidy under the Scheme ended on 30 June 2023, and the whole scheme will expire by 31 March 2024. However, a new Incentive Scheme for Recurrent Exhibitions was launched on 1 July 2023, providing incentives to attract exhibitions to be staged recurrently in Hong Kong, China. This new scheme has provisions for three years, i.e. until 30 June 2026.

3.2.5 Export finance, insurance, and guarantees

3.62. The Hong Kong Export Credit Insurance Corporation (HKECIC) was established in 1966 pursuant to the Hong Kong Export Credit Insurance Corporation Ordinance (Cap. 1115) in order to support export trade. The HKECIC continues to be the corporation for export insurance and more recently for export guarantees. It provides protection to Hong Kong, China's exporters of both goods and services against non-payment risks arising from commercial and political events. The contingent liability of the HKECIC for insurance contracts is currently limited to HKD 55 billion and has not been changed since 2017. A number of insurance products are available covering Hong Kong, China exporters as well as exporters' business, re-exports, and goods shipped from overseas that do not pass through Hong Kong, China.

3.63. The number of policies of the HKECIC has remained relatively steady at about 2,600 during the period 2018-22 (Table 3.11). Due to trade conflicts and the COVID-19 pandemic, the amount

⁴⁹ The HKD 7 million cap was effective from 7 November 2022, whereas prior to that it was HKD 6 million. The maximum number of approved projects per enterprise was also increased on the same date, from 60 to 70.

⁵⁰ Information provided by the authorities.

⁵¹ Each enterprise is subject to a cumulative funding ceiling of HKD 1,000,000.

⁵² The HKD 1 million ceiling was effective from 7 November 2022, whereas prior to that it was HKD 0.8 million.

⁵³ TID, *Statistics, SME Export Market Fund*. Viewed at: https://www.smefund.tid.gov.hk/english/emf/emf_statistics.html.

⁵⁴ There is a cap of HKD 10,000 for each booth and HKD 100,000 for each fair. CEDB, *Convention & Exhibition*. Viewed at: <https://www.cedb.gov.hk/en/sectors/convention-and-exhibition.html>; and HKTDC. Viewed at: https://info.hktdc.com/dm/hkils/2021/itr167105/index_en.html.

⁵⁵ Information provided by the authorities.

insured declined over the period from a high of HKD 160.2 billion in 2018 to HKD 120.2 billion in 2020, which later increased slightly to HKD 134.1 billion in 2022. The majority of the business is highly concentrated in five key markets – the United States, China, the United Kingdom, Germany, and Canada – which together accounted for approximately 70% of the total each year. While China was traditionally the major market during 2018-21, the United States took this top position in 2022 as the value of the insured business with China declined over the period. Among the major product sectors, the electronics and textiles & clothing sectors accounted for the largest shares over the period. There were some shifts with the furniture sector overtaking the toy sector in terms of rank, although they both accounted for much smaller shares.

Table 3.11 Overview of HKECIC activities, 2018-22

(HKD million, except as noted otherwise)

	2018	2019	2020	2021	2022
Policies (number)	2,599	2,547	2,602	2,764	2,631
Max. liability of policies	42,296	39,671	38,991	40,083	42,988
Insured business	160,253	150,914	120,244	130,688	134,102
By major market (top 5)					
United States	36,331	28,845	24,203	34,931	41,195
China	67,574	58,893	50,247	56,182	39,146
United Kingdom	8,421	7,585	6,444	5,138	5,271
Germany	4,829	3,781	3,299	2,952	3,728
Canada	2,369	..	1,738	2,375	2,829
By major product sector (top 5)					
Electronics	60,502	53,643	38,554	47,959	49,619
Textiles and clothing	22,370	18,429	14,852	18,049	23,337
Electrical appliances	22,153	10,680	7,951	10,658	8,151
Furniture	..	4,459	3,658	6,386	6,939
Toys	6,917	5,860	6,088	5,680	5,959
Gross claims	198.14	630.48	584.46	98.44	13.14
Profit/(loss)	124.37	(14.12)	(104.58)	212.63	233.77
Net assets	2,414.76	2,382.14	2,265.69	2,614.88	2,672.30

.. Not available.

Source: HKECIC, *Annual Report, 2021-22*. Viewed at: https://www.hkecic.com/cms/sites/default/files/annual-reports/2022-08/annualreport_en2022.pdf; and various editions 2017-21. Viewed at: <https://www.hkecic.com/en/annual-reports>.

3.64. Since 2018, the HKECIC has launched 10 new supportive measures to help exporters mitigate the impact of trade conflicts and the COVID-19 pandemic; they include, *inter alia*, free pre-shipment cover, waiver of annual policy fee, expedited claims settlement process.⁵⁶ Further to this effort, in June 2020 the 100% Credit Limit Top-Up Scheme was initiated to provide greater support to exporters and increase their resilience by uplifting existing policyholders' credit limits.⁵⁷ These measures have been extended until end-June 2023. After the Scheme lapses, the HKECIC will absorb the uplifted credit limits where the degree of risk allows. In 2021, the HKECIC introduced the EC-Reach 2.0, an improved electronic platform for simplifying and expediting application approvals, and the Flexible Indemnity Ratio arrangement, which automatically increases credit limits up to HKD 5 million for applications not previously fully approved.

3.65. In March 2022, the HKECIC launched the Export Credit Guarantee Programme on a pilot basis for a period of 12 months. The Programme provides guarantees up to 70% of the export financing of the policyholder up to a maximum guarantee limit of HKD 50 million. The Programme has been extended for another 12 months until March 2024. Most recently, in April 2023, the HKECIC

⁵⁶ For a full list of the measures, see Press Release LCQ9: "Export Credit Insurance Support for Small and Medium Enterprises". Viewed at: <https://www.info.gov.hk/gia/general/202206/22/P2022062200367.htm>.

⁵⁷ As of end-October 2022, the Scheme had provided around HKD 23.4 billion of additional coverage to over 1,900 policyholders, involving a cumulative total of HKD 28.9 billion of shipments made. Information provided by the authorities.

launched the First Innovative Green Export Credit Insurance to promote the green export trade.⁵⁸ Through cooperation with a leading bank, a premium discount is offered when companies contribute to achieving carbon reduction by having a relevant green certification.

3.66. The HKECIC also has a number of measures specific to SMEs, i.e. with an annual turnover of less than HKD 50 million. The SME programmes include the Small Business Policy, Self-Underwritten Policy, and Online Micro-Business Policy (with lower threshold of HKD 30 million). Some of the added benefits for small exporters include annual policy fee waivers, premium discounts, free credit checks, simplified declaration procedures, and favourable indemnity ratios.

3.67. To enhance data sharing, the Hong Kong Monetary Authority announced the official launch of Commercial Data Interchange (CDI) in October 2022, with the participation of 23 banks with material SME business and 10 data providers. As of May 2023, seven key data providers with substantial SME data have started to provide access for banks in the CDI production environment. In this phase, the commercial data involved include e-trade declaration, e-commerce, supply chain, payment, and credit reference data. As an innovative, consent-based data infrastructure, CDI effectively facilitates enterprises, in particular SMEs, to share their commercial data at different data sources with banks, thereby enhancing their access to financial services. Since its production launch, CDI has facilitated more than 3,100 loan applications and reviews, with an estimated credit approval amount exceeding HKD 2.8 billion as of 30 April 2023.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.68. Hong Kong, China maintains a number of tax and non-tax incentives programmes to meet different policy objectives. The incentives can be in the form of financial/funding support, tax reduction for certain business activities, and loans and grants. Most of these programmes were already in place at the time of the last Review, although, in some cases, their scope has been expanded, and a few additional programmes or support measures have been introduced. These measures were put in place to support and complement policy objectives for fostering growth, or temporary measures to relieve hardship faced by residents and businesses during the COVID-19 pandemic. Where applicable, subsidy notifications have been submitted to the Committee on Subsidies and Countervailing Measures.

3.3.1.1 Measures notified under the SCM Agreement

3.69. Hong Kong, China submitted two notifications to the Committee on Subsidies and Countervailing Measures pursuant to Article XVI:1 of GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) during the review period.⁵⁹ The majority of subsidies notified relate to the fisheries sector (Table 3.12). There was an increase in the number of subsidies notified during the period, which can be attributed to the COVID-19 pandemic, whereby three additional subsidies notified in 2021 were for local mask production, certain local primary production, and fishing vessels with deckhands from China provided for under the Anti-epidemic Fund (AEF). A new subsidy scheme on Chinese medicines was also added in the 2021 notification. These continued to be relevant and were again notified in the 2023 notification. The Recycling Fund, notified in 2019, was not included in the 2021 notification because the authorities considered it no longer a specific subsidy covered by the SCM Agreement. The largest subsidy scheme notified, HKD 137 million, was to support owners of fishing vessels with deckhands from China, as noted above.

⁵⁸ HKECIC (2022), "HKECIC Extends Supportive Measures to End-June 2023", 29 December. Viewed at: https://www.hkecic.com/cms/sites/default/files/announcements/2022-12/Press%20release_HKECIC%20Extends%20Supportive%20Measures%20to%20end%20June%202023.pdf.

⁵⁹ WTO documents G/SCM/N/401/HKG, 30 June 2023; G/SCM/N/372/HKG, 29 June 2021; and G/SCM/N/343/HKG, 1 July 2019.

Table 3.12 WTO notifications on subsidies, 2023

Programme	Policy objective	Who receives assistance	Amount
Fisheries Development Loan Fund	To promote more sustainable fisheries, develop aquaculture, and support those impacted by trawl ban	Hong Kong, China residents and owners of local fishing vessels or fish collectors with valid licences for operations, or registered cooperative societies/companies	HKD 10,370,000
Fish Marketing Organization Loan Fund	To meet the operational and sustainable development needs of fishers	Members of a registered cooperative society, a registered fishing company, or local fishers with valid fishing vessel licences	HKD 85,504,000 (one-year loans)
Kadoorie Agricultural Aid Loan Fund	To meet development and working capital needs of fish farmers and farmers	Fish farmers and farmers	HKD 3,250,000
Sustainable Fisheries Development Fund	To foster sustainable development of the fisheries industry	Companies or bodies corporate incorporated in Hong Kong, China with a close connection to the fisheries industry; local academic and research institutions	HKD 12,971,000
Subsidies for Fishing Vessels with Mainland Deckhands (under the AEF)	To provide immediate relief to the owners of fishing vessels and fish collectors with deckhands from China, whose operations were seriously affected by the COVID-19 pandemic	Owners of the fishing vessels and fish collectors meeting certain criteria	HKD 137,260,000
Subsidies for Local Primary Producers (under the AEF)	To provide immediate financial relief to local primary producers impacted by the COVID-19 pandemic	Local primary producers	HKD 51,930,000
Local Mask Production Subsidy Scheme (under the AEF)	To facilitate the establishment of mask production facilities in Hong Kong, China to address the severe shortage situation during the COVID-19 pandemic	Companies registered in Hong Kong, China with a Certificate of Incorporation and a Business Registration Certificate	HKD 11,396,000
Chinese Medicine Development Fund	To improve the standards of the Chinese medicine industry	Those engaged in the Chinese medicine drug industry or non-profit organizations and related associations involved in Chinese medicine	HKD 132,330,000

Source: WTO document G/SCM/N/401/HKG, 30 June 2023.

3.3.1.2 Budget and COVID-19 pandemic support measures

3.70. Support measures provided by Hong Kong, China to combat the impact of the COVID-19 pandemic were substantial. The total amount provided under the COVID AEF over six rounds of approved funding measures amounted to HKD 228.5 billion.⁶⁰ The AEF provided a wide range of support measures to various sectors of the economy, particularly to those hard hit by the pandemic, e.g. tourism industry, wholesale traders, and the convention and exhibition industry. Some of those measures are trade-related (Table 3.13); many were extended due to the prolonged epidemic. Hong Kong, China has regularly provided the WTO with information on trade-related measures taken in response to the COVID-19 crisis.⁶¹ As of June 2023, many of these measures still remained in place.

3.71. In addition to the main funding mechanism for the pandemic, the AEF, Hong Kong, China has also set aside resources through its regular budgetary process on COVID-19-related support measures. A number of measures specific to trade or supporting businesses were identified during 2020-23 through the budget (Table 3.14). The specific budgetary items vary but some are direct funding of certain sectors while others concern waiving of fees or reducing taxes.

⁶⁰ In relation to 2022 real GDP figure (2020 prices).

⁶¹ WTO, *COVID-19 and Trade*. Viewed at: https://www.wto.org/english/tratop_e/covid19_e/covid_details_by_country_e.htm?country=HKG.

Table 3.13 Anti-epidemic Fund

Round	Selected trade-related measures	Date	Amount
1	Local mask production support; convention and exhibition industry subsidy scheme; support to the property management sector; support to the construction sector; retail sector subsidy scheme; subsidy for the transport sector; subsidies for live marine fish wholesale traders, fishing vessels with deckhands from China and fresh marine fish/vegetable/freshwater fish/hen egg/fresh fruit wholesalers; travel agents subsidy scheme; licensed guesthouse subsidy scheme; licensed hawkers subsidy scheme; and arts and culture sector subsidy scheme.	21 February 2020	HKD 30 billion
2	Employment support scheme; LAWTECH Fund; support for IT solutions adoption; subsidy for encouraging early deployment of 5G; tourism industry support schemes; catering business subsidy scheme; subsidies for local primary producers; special subsidy to exchange participants; cash subsidies for licensees in the estate agency sector; passenger transport subsidy; subsidy for the aviation sector; and sports and recreational sites subsidy scheme.	8 April 2020	HKD 137.5 billion
3	Subsidy scheme for the promotion of contactless payment in public markets; catering business subsidy scheme; tourism industry support scheme; subsidy scheme for the transport and aviation sector; cinemas subsidy scheme; and arts and culture sector subsidy scheme.	15 September 2020	HKD 24 billion
4	Catering business subsidy scheme; arts and culture sector subsidy scheme; cinemas subsidy scheme; and sports and recreational sites subsidy scheme.	21 December 2020	HKD 6.4 billion
5	Catering business subsidy scheme; arts and culture sector subsidy scheme; subsidy to companies in the performing industry; support for the cross-boundary passenger transport trade; and Green Lifestyle Local Tour Incentive Scheme; payment for pet shops selling hamsters; cinemas subsidy scheme; sports and recreational sites subsidy scheme; arts and culture sector subsidy scheme; subsidy for aviation support services; and tourism industry additional support scheme.	14 January 2022	HKD 3.57 billion
6	Catering business subsidy scheme; subsidy to companies in the performing industry; tourism industry additional support scheme; support for the creative industries; cross-boundary passenger transport trade support; fuel subsidy to local passenger transport sector; subsidies for fresh food wholesalers; subsidies for local primary producers; arts and culture sector subsidy scheme; support for cross-boundary goods vehicle drivers; cinemas subsidy scheme; sports and recreational sites subsidy scheme; arts and culture sector subsidy scheme; support to shipyards providing repair services to cross-boundary ferries; support for airport staff in targeted groups; dishware washing trade subsidy scheme; and support for creative industries.	15 February 2022	HKD 27 billion

Source: Government of Hong Kong, China, *Anti-epidemic Fund*. Viewed at: <https://www.coronavirus.gov.hk/enq/anti-epidemic-fund.html>.

Table 3.14 Selected COVID-19 support measures related to businesses and trade in the Budgets, 2020-23

2020-21 Budget	2021-22 Budget	2022-23 Budget
<ul style="list-style-type: none"> add HKD 1 billion to the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) add funding of HKD 150 million to the Hong Kong Trade Development Council (HKTDC) add a concessionary low-interest loan under the SME Financing Guarantee Scheme (SFGS) of up to commitment of HKD 20 billion introduce 90% loan guarantee under the SFGS reduce profits tax by 100% up to ceiling of HKD 20,000 waive the business registration fees for 2020-21 waive the registration fees for all annual returns (except for late delivery) charged by the Companies Registry for two years provide rate concession for non-domestic properties for four quarters of 2020-21, subject to a ceiling of HKD 5,000 per quarter in the first two quarters and a ceiling of HKD 1,500 per quarter in the remaining two quarters for each rateable non-domestic property (ceiling for remaining two quarters subsequently enhanced to HKD 5,000 per quarter as well) extend 50% rental concession for eligible tenants of government premises, short-term tenancies, and waivers for 6 months (subsequently enhanced to 75% rental concession or 100% rental waiver for 12 months) 	<ul style="list-style-type: none"> add HKD 1.5 billion to the BUD Fund, and extend its provisions implement three-year Green and Sustainable Finance Grant Scheme add three-year grant scheme to subsidize the setting up of Real Estate Investment Trusts (REITs) implement Subsidy Scheme for Encouraging Early Deployment of 5G reducing profits tax by 100% up to ceiling of HKD 10,000 waive the business registration fees for 2021-22 provide rate concession for non-domestic properties for four quarters of 2021-22, subject to a ceiling of HKD 5,000 per quarter in the first two quarters and a ceiling of HKD 2,000 per quarter in the remaining two quarters for each rateable property extend 75% rental concession or 100% rental waiver for eligible tenants of government premises, short-term tenancies, and waivers for 6 months (subsequently extended to 12 months) extend the reduction of 75% water and sewage charges payable by non-domestic household subject to a monthly cap of HKD 20,000 (water charges) and HKD 12,500 (sewage charges) per household for 8 months (subsequently extended to 12 months) 	<ul style="list-style-type: none"> inject funds to the Sustainable Agricultural Development Fund (SADF) and the Sustainable Fisheries Development Fund (SFDF) of HKD 500 million each add HKD 135 million for the Support Scheme for Pursuing Development in China reduce profits tax by 100% up to ceiling of HKD 10,000 waive the business registration fees for 2022-23 provide rate concession for non-domestic properties for four quarters of 2022-23, subject to a ceiling of HKD 5,000 per quarter in the first two quarters and a ceiling of HKD 2,000 per quarter in the remaining two quarters for each rateable property extend the waivers/concessions of government fees and charges to certain business sectors for 12 months extend the Special 100% Loan Guarantee under the SFGS extend the Pre-approved Principal Payment Holiday Scheme for corporate customers launch the Export Credit Guarantee Programme on a pilot basis extend 75% rental concession or 100% rental waiver for eligible tenants of government premises, short-term tenancies and waivers for 6 months (subsequently extended to 15 months until end-June 2023)
<ul style="list-style-type: none"> extending the reduction of 75% water and sewage charges payable by non-domestic household subject to a monthly cap of HKD 20,000 (water charges) and HKD 12,500 (sewage charges) per household for 4 months (subsequently extended to 12 months) 		<ul style="list-style-type: none"> extend the reduction of 75% water and sewage charges payable by non-domestic household subject to a monthly cap of HKD 20,000 (water charges) and HKD 12,500 (sewage charges) per household for 8 months (subsequently extended to 16 months until end-July 2023)
<ul style="list-style-type: none"> allocate HKD 800 million to the New Energy Transport Fund 		

Source: Budget Speeches, 2020-21 to 2022-23. Viewed at: <https://www.budget.gov.hk/2020/eng/speech.html>, <https://www.budget.gov.hk/2021/eng/speech.html>, and <https://www.budget.gov.hk/2022/eng/speech.html>.

3.3.1.3 Taxation, tax rebates, and other non-tax schemes

3.72. Hong Kong, China is known for its ease of setting up businesses and its attractive tax regime. The taxation regime is generally territorial based, with low corporate taxes, no VAT or sales tax, and no tax on capital gains or dividends. Income derived abroad has also traditionally not been taxed

(subject to provisions outlined below). The majority of internal tax revenues collected by Inland Revenue Department in 2021-22 are from the profits tax (44.2%)⁶² on corporations and unincorporated businesses, salaries tax (20%), and the stamp duty⁶³ (26.3%). Other internal taxes comprise the property tax, tax under personal assessment, betting duty, and business registration fees, which together accounted for less than 10% of revenues collected by the Inland Revenue Department in 2021-22. Other indirect taxes collected by Hong Kong, China include general rates, excise duties, motor vehicle FRT, tax-loaded fees, air passenger departure tax and royalties. Hong Kong, China maintains double taxation treaties with 46 jurisdictions.⁶⁴

3.73. Internal tax collections by the Inland Revenue Department were HKD 378.5 billion in 2021-22, the highest on record, after some declines during 2019-21 on account of the pandemic and global economic downturn.⁶⁵ The majority of the profits tax of corporations was derived from the banking (21.4%), wholesale distribution (import & export) (19.9%), and property (18.3%) sectors in 2021-22.⁶⁶

3.74. One of the recent changes implemented by Hong Kong, China is with respect to amending its Foreign-sourced Income Exemption (FSIE) regime to align itself with international efforts to combat cross-border tax evasion and prevent double non-taxation.⁶⁷ The Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 was implemented on 1 January 2023 to include certain foreign-sourced income as taxable under the profits tax. In general, this covers four types of offshore income: foreign-sourced interest, dividends, disposal gains in relation to equity interests, and intellectual property income, which are deemed to be sourced from Hong Kong, China if received by a multinational enterprise entity conducting business in Hong Kong, China with no economic presence.⁶⁸

3.75. Hong Kong, China also instituted a number of tax incentives or concessions from taxation for businesses and industries during the review period (Table 3.15).⁶⁹

Table 3.15 Tax incentives and tax holidays introduced, 2018-23

Type	Information	Eligibility
For businesses		
Two-tiered profits tax rates regime	Profits tax rate for the first HKD 2 million of assessable profits of corporations is lowered from 16.5% to 8.25%, while the assessable profits above that amount continue to be taxed at 16.5%. The corresponding two-tiered profits tax rates for unincorporated businesses are 7.5% and 15%.	All businesses

⁶² Percentage of revenues collected by the Inland Revenue Department, 2021-22. Inland Revenue Department, *Annual Report 2021-22*, pp. 5-6. Viewed at: <https://www.ird.gov.hk/dar/2021-22/table/en/revenue.pdf>.

⁶³ The stamp duty is assessed on property transactions, stock transactions, and the leasing of property.

⁶⁴ See link for the list of 46 jurisdictions. Inland Revenue Department, *Comprehensive Double Taxation Agreements Concluded*. Viewed at: https://www.ird.gov.hk/eng/tax/dta_inc.htm.

⁶⁵ Internal taxes collected by the Inland Revenue Department account for the majority of Hong Kong, China's government revenues. During 2018-22, this ranged from 62%-72% of total government general revenues. The increase in revenues in 2021-22 was on account of larger collections of the profits tax and the stamp duty collections.

⁶⁶ Percentage of profits tax contributions by sector, 2021-22. Inland Revenue Department, *Annual Report 2021-22*. Viewed at: <https://www.ird.gov.hk/dar/2021-22/table/en/schedules.pdf>.

⁶⁷ Inland Revenue Department, *Foreign-sourced Income Exemption*. Viewed at: https://www.ird.gov.hk/eng/tax/bus_fsie.htm#a01.

⁶⁸ Certain exemptions may apply, such as meeting the economic substance requirement, participation requirement, or nexus requirement. Furthermore, certain foreign-sourced income received by regulated financial entities or taxpayers benefiting from the preferential tax regimes fall outside the scope of specified foreign-sourced income of the FSIE regime, as example.

⁶⁹ Deloitte (2021), *Hong Kong Tax and Investment Guide 2021*. Viewed at: <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/tax/deloitte-cn-tax-hk-tax-guide-en-210928.pdf>.

Type	Information	Eligibility
Ship leasing activities	Profits tax concessionary rate on the qualifying profits of ship lessors carrying out operating lease and finance lease activities is 0%, while profits tax concessionary rate on the qualifying profits of ship leasing managers is 0% or 8.25%.	Qualifying ship lessors and ship leasing managers
Shipping-related activities (i.e. ship agency, ship management, or ship brokering activities)	Profits tax concessionary rate at 8.25% (Profits derived by a qualifying shipping commercial principal from carrying out a qualifying activity for an associated shipping enterprise, which is entitled to a concessionary tax rate or income exemption under the Inland Revenue Ordinance, will also be subject to the same concessionary tax rate or income exemption as those applicable to the associated shipping enterprise).	Qualifying shipping commercial principals (i.e. ship agents, ship managers, and ship brokers)
Research and development (R&D) activities	<ul style="list-style-type: none"> • Deduction on R&D expenditures is the sum of "Type A expenditure", which qualifies for 100% deduction, and "Type B expenditure", which qualifies for 300% for the first HKD 2 million of the aggregate amount of payments and 200% for the remaining amount. • For the enhanced tax deduction (i.e. Type B expenditure), there is no cap on the amount of enhanced tax deduction. 	<p>Type B expenditure is an R&D expenditure falling within any of the following descriptions:</p> <ul style="list-style-type: none"> (a) a payment to a designated local research institution (DLRI) for a qualifying R&D activity related to the enterprise's trade, profession, or business; (b) a payment to a DLRI that has, as an object, the undertaking of a qualifying R&D activity related to the class of trade, profession, or business to which the enterprise's trade, profession, or business belongs, where the payment is used for pursuing that object; and (c) a qualifying expenditure related to the enterprise's trade, profession, or business. <p>Type A expenditure is an R&D expenditure other than a Type B expenditure.</p>
Funds	Profits tax exemption of qualifying transactions was extended to all funds, irrespective of their structure and location of central management and control.	All funds including onshore and offshore open-ended fund companies and private funds
Intellectual property rights	Expanded scope of profits tax deduction for capital expenditure incurred for specified intellectual property rights from five types to eight types. Deduction of the capital expenditure being allowed by five equal amounts over five consecutive years starting from the year of purchase.	All businesses
Environmental protection installations	100% profits tax deduction for capital expenditure incurred in relation to environmental protection installations.	All businesses

Type	Information	Eligibility
Qualifying debt instrument (QDI)	Profits tax exemption for interests income and trading profits derived from a QDI issued on or after 1 April 2018, regardless of its tenor.	All businesses
Carried interest issued by private equity funds	Tax exemption for eligible carried interest derived by qualifying persons from the provision of investment management services for specified investment funds or entities.	Qualifying carried interest recipients
Insurance-related businesses	Profits tax concessionary rate at 8.25%.	All general reinsurance businesses and selected general insurance businesses of direct insurers and selected insurance brokerage businesses of licensed insurance broker companies
Family-owned investment holding vehicles (FIHVs)	Profits tax exemption for FIHVs' assessable profits earned from qualifying transactions and incidental transactions.	Eligible FIHVs managed by single family offices in Hong Kong, China that fulfil the minimum asset threshold of HKD 240 million and substantial activities requirement
Stamp duty exemption	Waiver of the stamp duty payable on certain transactions relating to dual-counter stock made by dual-counter market makers (DCMM)	Transactions made by DCMMs under the dual-counter market maker regime for conducting market making activities and liquidity providing activities mainly for arbitrage purpose
Others		
Stamp duty amendment for non-residential properties	<i>Ad valorem</i> stamp duty rates chargeable on non-residential property transactions reverted to lower rates (i.e. Scale 2 rates)	Non-residential property purchasers

Source: Inland Revenue Department. Viewed at: [https://www.ird.gov.hk/eng/tax/budget.htm#:~:text=The%20Financial%20Secretary%20proposed%20a,gazetted%20on%2028%20April%202023](https://www.ird.gov.hk/eng/tax/budget.htm#:~:text=The%20Financial%20Secretary%20proposed%20a,gazetted%20on%2028%20April%202023;); and information provided by the authorities.

3.76. There were 28 trade-related incentives or subsidy programmes for the period 2018-22 (Table A3.1) provided by the authorities. This list is considered non-exhaustive, as it covers only the main schemes. They cover a range of areas, and broadly can be categorized as pertaining to all enterprises (including SMEs), innovation and technology, and services. Additional schemes or funds are compiled by the TID⁷⁰, although consulting the various government bureaux and departments is the only way to have a comprehensive overview of such programmes.

3.3.1.4 Focus on Hong Kong, China enterprises and SMEs

3.77. According to the TID, there are over 360,000 small and medium enterprises (SMEs)⁷¹ in Hong Kong, China and they account for about 98% of total business establishments.⁷² The majority of SMEs are in the services' sector and predominantly involved in the import/export trade and wholesale business. During the review period, additional efforts to support SMEs included enhancing the cooperation of the existing four SMEs centres, namely Support and Consultation Centre for Small and Medium Enterprises (SUCCESS) under the TID, the SME Centre under the Hong Kong Trade Development Council, the SME One under the Hong Kong Productivity Council (HKPC), and the TecONE under the Hong Kong Science and Technology Parks Corporation, since October 2019. The SME Link, a one-stop web portal, commenced operation in June 2022 to help SMEs search for information and support services, including on government funding schemes, from a single online platform. In addition, a service team called SME ReachOut, operated by the HKPC under the support of the Government, began operations in January 2020 to help SMEs identify suitable funding schemes and provide guidance to those that wish to apply for funding schemes through face-to-face or online meetings. During the review period, Hong Kong, China established an increasing number

⁷⁰ TID, *Government Funding Schemes at a Glance*. Viewed at: https://www.success.tid.gov.hk/success_enews/govfundscheme/eng.pdf.

⁷¹ SMEs in Hong Kong, China are defined as manufacturing enterprises employing less than 100 persons and non-manufacturing enterprises employing less than 50 persons.

⁷² TID, *Support to Small and Medium Enterprises*. Viewed at: https://www.tid.gov.hk/english/smes_industry/smes/smes_content.html.

of funds or support measures for enterprises (including SMEs), or enhanced existing ones. As of June 2023, there were over 40 funds or support measures with different objectives available to enterprises, including SMEs; the main ones are outlined below (Table 3.16).⁷³

Table 3.16 Main funds or schemes available to enterprises, including SMEs

Fund/Scheme	Description
Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)	Develop brands, restructure business operations, and promote sales for business development in China and other economies with which Hong Kong, China has signed FTAs and/or IPPAs
SME Export Marketing Fund (EMF)	Encourage expansion of markets outside Hong Kong, China
Technology Voucher Programme (TVP)	Support technological services and solutions to improve productivity
Enterprise Support Scheme (ESS)	Support in-house R&D
SME Financing Guarantee Scheme (SFGS)	Help SMEs obtain financing
100% Credit Limit Top-Up Scheme	Extend credit parameters for exporters

Source: HKPC, *Funding Schemes and Support*. Viewed at: <https://www.hkpc.org/en/support-resource/sme-one/funding-scheme/smeone-start-up>; and TID, *SUCCESS*. Viewed at: https://www.success.tid.gov.hk/en_landing.html.

3.3.2 Standards and other technical requirements

3.78. There has not been any significant change in the organization or structure of Hong Kong, China's standards, testing, and conformity assessment entities since the last Review. Hong Kong, China has no central body for the development of standards or comprehensive legal framework regulating this area. Regulatory authorities issue standards as necessary and incorporate technical regulations into laws, or prescribe technical regulations pursuant to laws, when certain protections are needed. Hong Kong, China uses international or overseas standards as a reference, or also aligns standards with international standards where appropriate. The Innovation and Technology Commission (ITC) is responsible for promoting internationally accepted standards and conformity assessment and, under it, the Hong Kong Accreditation Service (HKAS) accredits conformity assessment bodies, i.e. laboratories, inspection bodies, and certification bodies based on international standards.⁷⁴ The Hong Kong Council for Testing and Certification (HKCTC) is the advisory body that advises the Government on the overall development strategies for the testing and certification sector.

3.79. Since 2018, there has been no significant change to the list of laws on technical regulations in place or products subject to technical regulations except for four sets of changes (Table 3.17). Technical regulations continue to be applied to 38 different sets of legislation; these mainly concern animals and plants, boilers and pressure vessels, building materials, chemicals, consumer goods, dangerous goods, electrical goods, energy efficiency, environment, food, gas safety, ICT, lifts and escalators, pesticides, pharmaceutical products, radioactive substances, road transport, toys and children's products, and water pipes.⁷⁵ A comprehensive list is provided on the ITC website.⁷⁶ Certain Hong Kong, China professional associations or institutions lead the development of voluntary standards, which are based on the needs or concerns identified by the industry and consumers. One example is the "Standard Methods for Testing Fei Cui (Jadeite Jade/Omphacite Jade/Kosmochlor Jade) for Hong Kong" formulated by the Gemmological Association of Hong Kong Ltd.

3.80. The Fire Services Department (FSD) is the regulatory authority of dangerous goods on land. Under the previous local dangerous goods regulatory system, there was no single, globally harmonized system to govern the classification, packing, marking, and labelling of dangerous goods; changes were introduced on 31 March 2022 to harmonize these with the International Maritime Dangerous Goods (IMDG) Code. Further, the Code of Practice for Control of Dangerous Goods on Land (CoP) was published to facilitate compliance with the new technical standards and technical regulations by traders and the general public. The CoP has adopted standards and technical

⁷³ HKPC, *Funding Schemes and Support*. Viewed at: <https://www.hkpc.org/en/support-resource/sme-one/funding-scheme/smeone-start-up>.

⁷⁴ ITC, *Standard-related Services*. Viewed at: www.itc.gov.hk/en/quality/qsdiv/index.html.

⁷⁵ ITC, *Standards, Technical Regulations and Conformity Assessment*. Viewed at: https://www.itc.gov.hk/en/quality/qsdiv/conformity_assess.html.

⁷⁶ ITC, *Standards, Technical Regulations and Conformity Assessment*. Viewed at: https://www.itc.gov.hk/en/quality/qsdiv/conformity_assess.html.

regulations following the United Nations Economic Commission for Europe (UNECE), the UN Manual of Tests and Criteria, and the IMDG Code publications.

3.81. In the telecommunications sector, 10 new technical regulations have been adopted since 2018 by the Communications Authority.⁷⁷ All of them are identical or aligned with international standards. These concern ultra wideband devices, 6 GHz wireless LAN devices, and various types of 5G new radio base station/repeater equipment and user equipment.

3.82. In addition, the Code of Practice on the Design and Construction of Builders' Lifts (2021 Edition), the Code of Practice on the Design and Construction of Tower Working Platforms (2021 Edition), the Code of Practice on the Design and Construction of Lifts and Escalators (June 2020), and the Code of Practice for Escalators (October 2022) have been revised since 2018.

3.83. Hong Kong, China's labelling requirements concern mainly food products, certain household electrical appliances, Chinese herbal medicines, proprietary Chinese medicines, and pharmaceutical products. Pharmaceutical products are, for example, required to have indications of the name of the pharmaceutical product, the name and quantity of each active ingredient, the name and address of the manufacturer, the product registration number, the batch number, the expiry date, the dosage, and the route and frequency of administration on the label. Since the previous Review, Hong Kong, China has made two notifications on labelling requirements under the TBT Agreement concerning the mandatory energy efficiency labelling scheme.⁷⁸

Table 3.17 Changes to the laws on technical regulations

Ordinance/regulation	Summary of the legislation	Changes since 2018
Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374A)	Set out the control of vehicle construction and maintenance.	<p>First Schedule and Second Schedule were amended, and came into effect on 5 July 2020 to increase the maximum overall length of a light bus to 7.5 meters and the maximum gross vehicle weight of a light bus to 8.5 tonnes, with a view to introducing light bus models with more environmental benefits and/or barrier-free facilities into Hong Kong, China.</p> <p>New regulations 67A, 67B, and 67C were introduced and came into effect on 15 October 2021 to allow flexibility in the design of emergency exits of light buses. Specifically, light buses can use the driver's doors, emergency windows, and escape hatches as alternative means of emergency exit in addition to the emergency door.</p>
Buildings Ordinance (Cap. 123) and its subsidiary legislation	Provide for the planning, design, and construction of buildings and associated works; provide for the rendering safe of dangerous buildings and land; and provide for regular inspections of buildings and the associated repairs to prevent the buildings from becoming unsafe.	<p>The Buildings Ordinance (Cap. 123) was amended in September 2021 and the Building (Minor Works) Regulation (Cap. 123N) was amended in September 2020 and September 2021 to extend the coverage of the Minor Works Control System so as to facilitate the carrying out of minor works and bring greater convenience to the public.</p> <p>The Building (Construction) Regulation (Cap. 123Q) was amended in February 2021 for implementation of a performance-based building control system to ensure meeting modern-day requirements and international standards on construction quality and safety.</p>

⁷⁷ These have been adopted the Communications Authority but not necessarily written into the laws. HKCA 2001 concerns amendments made to Section 32D of the Telecommunications Ordinance.

⁷⁸ WTO documents G/TBT/N/HKG/51, 23 August 2019; and G/TBT/N/HKG/52, 5 July 2022.

Ordinance/regulation	Summary of the legislation	Changes since 2018
Dangerous Goods Ordinance (Cap. 295) and its subsidiary legislation	Prescribe rules on classification, packing, marking, and labelling of dangerous goods and to regulate the manufacture, storage, conveyance, and use of dangerous goods.	To update the dangerous goods regulatory system, including dangerous goods classification, as well as packing, marking, and labelling requirements for dangerous goods, with a view to aligning it with international standards. The Dangerous Goods Ordinance (Cap. 295) and its subsidiary legislation were amended and came into effect on 31 March 2022.
Telecommunications Ordinance (Cap. 106) (TO)	Provide for the licensing and control of telecommunications, telecommunications services, and telecommunications apparatus and equipment. Section 32D of the TO sets out the authority of the Communications Authority (CA) to prescribe technical regulations (i.e. in the form of performance specifications) and the objectives of these regulations.	With effect from 24 June 2022, Section 32D of the TO was amended to clearly stipulate that the powers and duties of the CA would focus on regulating the telecommunications functions of telecommunications apparatus. Non-telecommunications functions of such equipment and devices (e.g. electrical safety specifications and standards) are regulated by other dedicated legislation as appropriate. Technical regulation HKCA 2001 and its scope of safety requirements have been updated accordingly.

Source: Information provided by the authorities.

3.3.2.1 Accreditation and conformity assessment

3.84. The regulatory regime on accreditation and conformity assessment procedures has not changed since the previous Review. The HKAS continues to provide accreditation services to laboratories, certification bodies, and inspection bodies. The HKAS oversees three voluntary accreditation schemes, i.e. the Hong Kong Laboratory Accreditation Scheme (HOKLAS), the Hong Kong Certification Body Accreditation Scheme (HKCAS), and the Hong Kong Inspection Body Accreditation Scheme (HKIAS). As of November 2022, there were 289 organizations accredited under these schemes: 240 laboratories, 26 certification bodies, and 23 inspection bodies. Mandatory conformity assessment is required on fire service installation and equipment, dangerous goods, builders' lifts, tower working platforms, lifts, escalators, and telecommunications equipment.

3.3.2.2 International and other cooperation

3.85. HKAS is a member of the International Accreditation Forum (IAF), the International Laboratory Accreditation Cooperation (ILAC), and the Asia Pacific Accreditation Cooperation (APAC). It is also a signatory to the multilateral/mutual recognition arrangements (MLAs/MRAs) administered by these organizations. Since January 2018, the HKAS has expanded the scope of its IAF MLAs to cover energy management system certification, occupational health and safety management system certification, and greenhouse gas validation and verification. Its scope under the ILAC MRAs was also extended to cover proficiency testing providers. As of June 2023, the HKAS had concluded MRAs with over 110 economies worldwide. The ITC represents Hong Kong, China in the Asia Pacific Economic Cooperation (APEC) Sub-Committee on Standards and Conformance (SCSC), International Organization for Standardization (ISO), and the Pacific Area Standards Congress (PASC). It also serves as Hong Kong, China's enquiry and notification point for the purposes of the TBT Agreement.

3.86. In terms of the work of the TBT Committee, Hong Kong, China raised a specific trade concern with the United States on Origin Marking Requirements in October 2020. This subsequently was adjudicated in the DSB (Section 2.3.1). Also in 2020, in coordination with a group of Members⁷⁹, Hong Kong, China raised the issue of amended regulations on toy imports against India. In terms of notifications, five new notifications were made during the review period, including two technical regulations concerning portable air compressors and air compressors and handheld percussive

⁷⁹ Canada, China, the European Union, Mexico, and the United States.

breakers, and three conformity assessment procedures on labelling schemes on water closets, air conditioners, lamps, dehumidifiers, cookers, and heaters.⁸⁰

3.87. Pursuant to the CEPA, there was greater integration achieved in the testing and certification sector with China during the review period. A Hong Kong, China certification body became one of seven National Certification Bodies (NCB) of China under the International Electrotechnical Commission System of Conformity Assessment Schemes for Electrotechnical Equipment and Components in March 2020, which has a total of 93 NCBs listed.⁸¹ China's Compulsory Certification (CCC) market has been gradually opened up to Hong Kong, China's testing and certification organizations during 2018-20. The geographical coverage of CCC factory inspection that can be undertaken by qualified Hong Kong, China testing and certification organizations in collaboration with designated Chinese organizations has been expanded. Additional tasks, such as CCC product testing and selection of post-certification test samples, can now be carried out by Hong Kong, China's testing and certification industry, which could contribute to the further development of Hong Kong, China as a regional testing and certification centre.

3.3.3 Sanitary and phytosanitary requirements

3.88. The Food and Environmental Hygiene Department (FEHD) is one of the responsible departments for the enforcement of sanitary and phytosanitary (SPS) measures in Hong Kong, China. Together with its policy bureau – the Environment and Ecology Bureau (EEB), the FEHD, through its Centre for Food Safety (CFS), is responsible for food safety and related issues.⁸² The EEB was established on 1 July 2022, following the reorganization of government structure. It has expanded the policy functions of the former Environment Bureau by taking over the policies on environmental hygiene, food safety, agriculture and fisheries, and veterinary public health, from the previous Food and Health Bureau (FHB).⁸³ The Agriculture, Fisheries and Conservation Department (AFCD) remains the main body responsible for animal health and plant protections. The TID remains the overall coordinator and serves as the WTO enquiry point for SPS matters.

3.89. There were several SPS-related developments during the review period. In terms of legislative changes, amendments were made to the Food Adulteration (Metallic Contamination) Regulations (Cap. 132V), the Harmful Substances in Food Regulations (Cap. 132AF), and the Food and Drugs (Composition and Labelling) Regulations (Cap. 132W). Other initiatives include a new electronic portal and arrangements on meat imports from the United Kingdom following its withdrawal from the European Union (Brexit). In 2020, the Government made amendments to the Public Health (Animals and Birds) (Licensing of Livestock Keeping) Regulation (Cap. 139L) to remove restrictions under the Regulation, allowing chicken farms to be moved to more suitable locations and implement more comprehensive biosecurity measures, thereby reducing the risk of disease outbreaks, human infection by avian influenza, and environmental contamination, as well as minimizing antimicrobial usage.

3.90. The main legislation governing food safety remains the Public Health and Municipal Services Ordinance (Cap. 132) and its subsidiary legislation, and the Food Safety Ordinance (Cap. 612). The Public Health and Municipal Services Ordinance provides the overall framework for food protection, labelling, and hygiene, while many related SPS rules are contained in its subsidiary legislation (Table 3.18). The Food Safety Ordinance requires food importers/distributors to be registered; this involves identifying the food categories and classification of food to be imported to enhance food traceability.⁸⁴

⁸⁰ WTO documents G/TBT/N/HKG/54, 17 October 2022; G/TBT/N/HKG/53, 17 October 2022; G/TBT/N/HKG/52, 5 July 2022; G/TBT/N/HKG/51, 23 August 2019; and G/TBT/N/HKG/50, 8 February 2018.

⁸¹ HKCTC, *Legislative Council Panel on Commerce and Industry: Latest Development of the Testing and Certification Industry*, 19 February 2021. Viewed at: https://www.hkctc.gov.hk/en/doc/CIPanel_20210219_Paper_Eng.pdf.

⁸² The FEHD is responsible for, *inter alia*, issuing Food Safety Orders to control, prohibit, or recall imports or the supply of any food on public health grounds.

⁸³ Also including food markets, animal management welfare, burial, and reduction of salt and sugar.

⁸⁴ CFS, *A Guide to the Registration Scheme for Food Importers and Food Distributors*. Viewed at: https://www.cfs.gov.hk/english/whatsnew/whatsnew_fstr/files/Guide_to_Application_e.pdf.

Table 3.18 Main legislation on SPS measures

Instrument	Date	Latest amendment	Overview
Food Safety Ordinance (Chapter 612)	1 February 2012	n.a.	Registration of food importers/distributors, record-keeping requirements and making of food safety order to protect public health
Public Health and Municipal Services Ordinance (Cap. 132, Part V) and its subsidiary legislation	11 November 1960	8 May 2023	Main overarching public health and municipal service ordinance
Imported Game, Meat, Poultry and Eggs Regulations (Cap. 132AK)	1 July 1976	5 December 2015	Requiring a health certificate for importation
Food and Drugs (Composition and Labelling) Regulations (Cap. 132W)	11 November 1960	14 July 2021	Labelling of prepackaged food
Pesticide Residues in Food Regulation (Cap. 132CM)	1 August 2014	n.a.	Regulation on pesticide residues in food to international standards
Plant (Importation and Pest Control) Ordinance (Cap. 207)	1 May 1976	9 July 2020	Governing importation of plants and soil
Harmful Substances in Food Regulations (Cap.132AF)	11 November 1960	14 July 2021	Prohibits import and sale of food containing certain substances in excessive concentration
Food Adulteration (Metallic Contamination) Regulations (Cap. 132V)	27 May 1983	10 October 2018	Regulates the concentration of metals in food
Frozen Confections Regulation (Cap. 132AC)	11 November 1960	10 April 2014	Restriction on sale, etc. of imported frozen confections
Preservatives in Food Regulation (Cap. 132BD)	2 February 1973	1 July 2008	Regulates preservatives and antioxidants in food
Milk Regulation (Cap. 132AQ)	11 November 1960	1 July 2022	Restriction on sale, etc. of imported milk or milk beverages
Sweeteners in Food Regulations (Cap. 132U)	1 January 1970	1 August 2010	Regulates sweeteners in food
Public Health (Animals and Birds) Ordinance (Cap. 139)	1 January 1936	4 November 2021	To control the import/transit of live animals and birds
Rabies Ordinance (Cap. 421)	1 July 1994	1 July 2022	Various powers to control rabies including control of import/transit of mammals
Genetically Modified Organisms (Control of Release) Ordinance (Cap. 607)	1 March 2011	1 July 2022	Controls the import and export of GMOs

n.a. Not applicable.

Source: Compiled by the Secretariat and information provided by the authorities.

3.91. The Food Adulteration (Metallic Contamination) Regulation (Cap. 132V) was amended in 2018 to update the maximum levels for metallic contamination in food; this entered into force on 1 November 2019, and took full effect from 1 November 2020 on all kinds of foods. The amended Regulation increased the total number of metallic contaminants to be regulated from 7 to 14, while the number of maximum levels (MLs) for metallic contaminants in respect of different foods and food groups increased from 19 to 144.

3.92. In 2021, the Harmful Substances in Food (Amendment) Regulation (the Amendment Regulation) was passed to update and strengthen the regulatory control of three types of mycotoxins, as well as setting or updating the MLs for five other harmful substances in edible fats and oils, condiments, or formula products intended for infants. Partially hydrogenated oils (PHO), the main source of industrially produced trans fatty acids (IP-TFAs), were specified as a prohibited substance in food in line with recommendations of the World Health Organization (WHO). To align with the Codex standards, the Food and Drugs (Composition and Labelling) (Amendment) Regulation 2021 was passed at the same time. It stipulates that any prepackaged food containing hydrogenated oils, e.g. fully hydrogenated oil, must be indicated accordingly in the list of ingredients. These measures came into force on 1 June 2023 (for provisions stipulating the MLs of

harmful substances in food other than PHO) or are expected in December 2023 (for provisions on banning PHO).

3.93. The Food Trader Portal (FTP), a website serving as a one-stop electronic communication platform between food traders and the CFS, has been launched in stages since 2019. It facilitates registration of food importers (also distributors) and serves as the interface to apply for import licences and import permissions. Starting with the launch of the trader registration module in 2019, the functions of the FTP were subsequently expanded to cover online applications for all import licences and import permissions issued by the CFS, as well as handling of the arrival reporting and release of consignments. All import-related functions were fully implemented in May 2021.

3.94. Regarding the import of meat products from the United Kingdom following Brexit and the end of the transition period, Hong Kong, China has made provisions for the continued trade of these products. At the request of the United Kingdom, the CFS has accepted a dual purpose export document arrangement between the United Kingdom and the Republic of Ireland regarding meat derived from animals born, raised, or slaughtered in either area. However, the products must be exported through the United Kingdom to benefit from the arrangement.⁸⁵

3.95. Food importers are responsible for ensuring that food products comply with all applicable laws and requirements. A prior import licence and/or a written permission from the FEHD is required for the importation of food products that are designated by Hong Kong, China as high-risk, such as game, meat, poultry, eggs, milk, and frozen confections. As part of the import process, these items are subject to certain controls, which include a pre-entry assurance system, verification of health documents, and surveillance at import control points, and CFS adopts a risk-based approach to conduct physical inspection on the consignments to ensure their compliance with various safety and quality indicators. Under the Imported Game, Meat, Poultry and Eggs Regulations (Cap. 132AK), imports of these products require an export health certificate issued by a competent body in the exporting country/region. During the period 2018-21, there was a reduction in the number of approved applications for import permissions in 2020 and onwards as some importers were no longer required to apply for permissions for chilled meat/poultry, transhipped meat/poultry, and some permissions were issued with a longer validity period, i.e. from 6 to 12 months, following a business process review in March 2020 for streamlining import permission requirements. (Table 3.16).⁸⁶ The number of registered food importers and number of export health certificates for animal products issued remained relatively constant.

3.96. The import of live animals is by special permit from the AFCD and all plant imports are required to have a Plant Import Licence from the AFCD, as well as a Phytosanitary Certificate from the exporting country/region. Certain plants may also be subject to fumigation or disinfection, quarantine, or post-entry quarantine observation. The number of plant import licences issued more than doubled from FY2017/18 to FY2020/21 (Table 3.19).

Table 3.19 SPS statistics, 2018-22

(Number)

	2018	2019	2020	2021	2022
Food safety					
Registered food importers	10,311	10,696	10,462	10,775	11,142
Registered food distributors	9,033	9,286	8,660	8,853	9,183
Export health certificates for food products of animal origin issued	1,199	1,397	1,310	1,521	1,419
Trade alert incidents issued	103	91	100	93	72
Imported food					
Applications approved for import licence for frozen/ chilled meat and poultry	111,838	103,521	92,864	76,993	50,909
Applications approved for import permission for game, meat, poultry and eggs	3,285	3,351	2,057	1,394	1,178

⁸⁵ CFS, *Imported Food Control*. Viewed at: https://www.cfs.gov.hk/english/import/Guide_to_import_of_beef_pork&mutton_derived_from_animals_born&raised_in_RoI_or_UK.html.

⁸⁶ CFS, *Rollout of Online Application for Import Licence and Import Permission and New Measures on Food Import Control*. Viewed at: <https://www.ftp.cfs.gov.hk/web/files/pdf/Rollout%20of%20Online%20Application%20for%20Import%20Licence%20and%20Import%20Permission%20and%20New%20Measures%20on%20Food%20Import%20Control.pdf>.

	2018	2019	2020	2021	2022
Applications approved for import permission for milk and milk products	494	459	464	420	398
Applications approved for import permission for frozen confections	423	463	547	496	510
Plant and animal health^a					
Plant import licences	861	1,016	1,080	1,988	2,573
Plant import authorizations	1,764	1,656	1,494	1,254	1,095
Phytosanitary certificates	5,943	5,096	3,530	3,038	3,466
Phytosanitary certificates for re-export	1,824	1,530	1,448	1,337	1,142
Plant confiscations	892	473	1,349	2,268	421
Official Animal Health Certificates of livestock	4,584	5,853	7,580	8,358	14,748
Sanitary Certificates for export of animal products	756	592	528	538	421
Import/transit permits for livestock issued	8,014	8,072	7,851	7,289	4,224

a Data refer to FY2017/18, FY2018/19, FY2019/20, FY2020/21, respectively.

Note: Plant import licences for the import of plants are issued under a statutory standard format, while plant import authorizations for the import of growing medium and plant pests are processed and issued on a case-by-case basis under specific terms and conditions determined by the Director of Agriculture, Fisheries and Conservation.

Source: FEHD, *Annual Report*, various editions 2018-21. Viewed at: <https://www.fehd.gov.hk/english/publications/index.html>; AFCD, *Department Annual Report*, various editions 2017-18 to 2020-21. Viewed at: https://www.afcd.gov.hk/english/publications/publications_dep/publications_dep.html; and information provided by the authorities.

3.97. During the review period, Hong Kong, China submitted 11 notifications (including addenda and corrigenda) to the SPS Committee.⁸⁷ These concerned proposed amendments to preservations in Food Regulations, temporary import measures regarding live hamsters (Section 2.2.1), amendments of legislation on harmful substances in food, imports of equine animals, amendments to Food Adulteration (Metallic Contamination) Regulations (Cap. 132V), hairy crab permits, and the lifting of prohibition on imports of edible fats and oils of animal origin produced in Chinese Taipei. There were no specific trade concerns raised in the SPS Committee by or against Hong Kong, China during the review period.

3.98. Hong Kong, China's participation in the Codex Alimentarius Commission, the World Organisation for Animal Health (WOAH), or the Commission on Phytosanitary Measures of the International Plant Protection Convention (IPPC) is through the delegation of China.

3.3.4 Competition policy and price controls

3.99. The competition laws and framework of Hong Kong, China have not undergone significant change since the previous Review. The Competition Ordinance (Cap. 619) of 2015 continues as the main legislation with no amendments during the review period. It is supplemented by certain guidelines (Table 3.20). The Competition Commission continues to be an independent statutory competition authority responsible for enforcing the Ordinance, as well as creating and safeguarding a competitive environment. The Competition Commission has concurrent jurisdiction with the sectoral regulator for the telecommunications and broadcasting industries, i.e. the Communications Authority. A number of policy documents also are available that give guidance on certain matters, including those related to enforcement, leniency, cooperation, recommended pecuniary penalties, and Section 60 commitments.

⁸⁷ WTO documents G/SPS/N/HKG/40/Add.1, 28 March 2019; G/SPS/N/HKG/42/Add.1, 30 October 2018; G/SPS/N/HKG/43, 19 July 2018; G/SPS/N/HKG/44, 25 September 2020; G/SPS/N/HKG/45, 11 December 2020; G/SPS/N/HKG/45/Add.1, 30 July 2021; G/SPS/N/HKG/45/Add.1/Corr.1, 2 August 2021; G/SPS/N/HKG/46, 9 March 2021; G/SPS/N/HKG/47, 11 April 2022; G/SPS/N/HKG/47/Add.1, 16 January 2023; and G/SPS/N/HKG/48, 26 May 2023.

Table 3.20 Key legislation on competition policy, 2023

Instrument	Overview	Date
Legislation		
Competition Ordinance (Cap. 619), including its subsidiary legislation	Main overarching framework	14 December 2015
Guidelines		
Guideline on the First Conduct Rule	Prohibits anti-competitive agreements	27 July 2015
Guideline on the Second Conduct Rule	Prohibits abuse of market power	27 July 2015
Guideline on the Merger Rule	Prohibits anti-competitive mergers and acquisitions	27 July 2015

Source: Competition Commission, *The Competition Ordinance (Cap 619)*. Viewed at: https://www.compcomm.hk/en/legislation_guidance/legislation/legislation/comp_ordinance_cap619.html.

3.100. The Competition Ordinance prohibits anti-competitive agreements and concerted practices (First Conduct Rule), abuse of substantial market power (Second Conduct Rule), and certain mergers (Merger Rule). It provides a "safe harbour" for smaller undertakings, i.e. the First Conduct Rule will not apply if the combined annual turnover of the relevant undertakings does not exceed HKD 200 million, except where serious anti-competitive conduct is involved. Another "safe harbour" is also established under the Second Conduct Rule for smaller undertakings with an annual turnover not exceeding HKD 40 million. Apart from the "safe harbours", the Competition Ordinance allows for a number of exclusions and exemptions from the Conduct Rules. These are agreements, undertakings or conduct relating to enhancing overall economic efficiency; complying with a legal requirement; servicing a general economic interest by the Government; and/or resulting in a merger.⁸⁸ Exemptions may also be granted on public policy grounds, or to avoid conflicts with international obligations. Further, most statutory bodies are exempted from the application of the substantive competition rules.⁸⁹ The Merger Rule of the Ordinance has limited application as it is applicable only to mergers involved in undertakings that hold a telecommunication carrier licence.

3.101. The number of competition investigation cases initiated over the period remained relatively steady with the majority being cases concerning anti-competitive agreements (Table 3.21). There was, nonetheless, a decline in 2020 that coincided with the start of the pandemic. Separately, there was an increase in the number of investigation cases initiated concerning abuse of dominance in 2021.

3.102. The Competition Commission is an active participant in multilateral competition fora including the International Competition Network (ICN), the Competition Committee of the OECD, and the APEC Competition Policy and Law Group. Such participation has included submitting papers, hosting webinars, speaking at events, and co-chairing an ICN working group. In August 2023, the Competition Commission was due to convene a regional conference bringing together academics and enforcers in the Asia-Pacific region to discuss ways of collaborating to address the most significant issues facing the competition community in the region. In addition to multilateral engagement, the Competition Commission also liaises on a bilateral basis with competition authorities in other jurisdictions. This may be in the context of an issue arising in a case, but does not involve the sharing of confidential, case-specific information. The Competition Commission has Memoranda of Understanding in place with the Canadian Competition Bureau and the Philippine Competition Commission. These include an agreement to share competition law knowledge and enforcement experience, and engage in other forms of technical cooperation including staff exchanges.

Table 3.21 Competition enforcement statistics, 2018-22

	2018	2019	2020	2021	2022
1. Initiation of case investigations (number)					
a) Cases concerning anti-competitive agreements	24	20	8	17	5

⁸⁸ Schedule 1 of the Competition Ordinance. Viewed at: <https://www.elegislation.gov.hk/hk/cap619>.

⁸⁹ Six statutory bodies (Ocean Park, Matilda and War Memorial Hospital, the Federation of Hong Kong Industries, the General Committee of the Federation of Hong Kong Industries, Helena May, and Kadoorie Farm) are subject to provisions of the Competition Ordinance by virtue of the Competition (Application of Provisions) Regulation (Cap. 619A). On the other hand, seven entities (the Stock Exchange and other financial entities) are excluded from the application of the First and Second Conduct Rules by virtue of the Competition (Disapplication of Provisions) Regulation (Cap. 619B).

	2018	2019	2020	2021	2022
b) Cases concerning abuse of dominance	2	4	2	7	0
c) Leniency applications ^a					
d) Notifications of mergers and acquisitions ^b	2	1	0	3	1
2. Completed cases (number)					
a) Anti-competitive agreements	22	14	18	14	17
b) Abuse of dominance	2	1	4	1	2
c) Settlements ^c	1	1	5	2	2
d) Mergers and acquisitions (total number of decisions and number of mergers and acquisitions that were not approved) ^d	1	2	0	1	3
3. Infringement penalties (number and HKD)	0	3 Case 1: HKD 4,961,000 ^e Case 2: HKD 37,702.26 Case 3: HKD 7,169,686	0	1 Case 4 HKD 3,861,000 ^f	1 Case 5 HKD 5,777,000
4. Appeals (number of completed judicial review decisions)	0	0	0	0	0

- a Figure not to be published to the public for operational reasons.
- b The figures are for cases handled by the Communications Authority (CA). Notification of mergers to the CA is not mandatory under the Competition Ordinance (Cap. 619).
- c Cases on anti-competitive agreements or abuse of dominance that were resolved through a settlement between the competition authority and the investigated party/parties rather than through findings of violation(s).
- d The figures are for cases handled by the CA. There were no mergers and acquisitions that were not approved from 2018 to 2022.
- e The penalty was first imposed by the Competition Tribunal in April 2020, and the appeal judgement with the cited revised amount was issued in June 2022.
- f The penalty was first imposed by the Competition Tribunal in January 2021, and the appeal judgement with the cited revised amount was issued in June 2022.

Source: Information provided by the authorities.

3.103. As concerns price controls, there have been no changes since the previous Review and Hong Kong, China does not apply price controls in goods or services. Nevertheless, Hong Kong, China maintains fees for pilotage services in ports that are set by the Director of the Marine Department after consultation with relevant stakeholders. An initiative was taken to revise the pilotage fees and after completion of the legislative exercise in November 2022, they have been adjusted upwards to an average of 9.7%. The authorities monitor the prices of certain public transport and energy products (Section 4.2).

3.3.5 State trading, state-owned enterprises, and privatization

3.104. Regarding state trading enterprises, Hong Kong, China has notified the WTO that it does not have any such enterprises within the meaning of Article XVII:4(a) of GATT 1994 and Paragraph 1 of the Understanding on the Interpretation of Article XVII. During the period 2018-June 2023, three notifications were made to the Working Party on State Trading Enterprises to this effect.⁹⁰ However, the Fish Marketing Organization (FMO) per the Marine Fish (Marketing) Ordinance (Cap. 291) has been granted certain exclusive rights with respect to the importation, exportation, distribution, landing, and transport of marine fish. The FMO operates seven wholesale fish markets in Hong Kong, China, which provide fish trading facilities and certain related services such as accounting. According to the authorities, they do not consider the FMO as a state trading

⁹⁰ WTO documents G/STR/N/19/HKG, 1 June 2022; G/STR/N/18/HKG, 3 June 2020; and G/STR/N/17/HKG, 19 January 2018.

entity as it is involved in the fish trade entering by vessel only, and not other transport modes, e.g. air. While acknowledging that Cap. 291 empowers the Chief Executive in Council to control the imports and exports of marine fish, no such measures have reportedly been established.

3.105. Hong Kong, China has 15 enterprises owned or controlled by the Government that are referred to as government business enterprises (GBEs) (Tables 3.22 and 3.23). According to the reporting requirements of the Treasury, GBEs are defined as those enterprises where the Government has an investment holding of not less than 20% and where the Government shares the net earnings.⁹¹ GBEs are normally established to meet certain policy objectives or support delivery of public services.

3.106. However, GBEs take different legal forms: some are public statutory corporations with/without a shareholding structure, others are private companies with shareholding structure formed under the Companies Ordinance (Cap. 622), and the remaining are independent legal entities with their own board of directors and are either statutory corporations or private companies formed under Companies Ordinance (Cap. 622) (Table 3.22). Some have their own ordinances that stipulate their operations and financial reporting requirements, e.g. Airport Authority. Five of the GBEs remain as part of the Government albeit not having a separate legal existence. They are separate accounting entities established under the Trading Funds Ordinance (TFO) (Cap. 430) for the provision of specific government services and are expected to provide a targeted rate of return and are referred to as trading funds (Table 3.23).

3.107. The number of GBEs and their level of Government ownership remained stable over the review period with minimal change. In March 2022, IEC Holdings Ltd was acquired by the Airport Authority Hong Kong from the Government and became its wholly owned subsidiary. The Hong Kong Investment Corporation Ltd (HKIC) is a recently established 100% government-owned entity created to identify investment opportunities and strategically promote development of target industries (Section 2.4). Thus, the overall number of GBEs remained the same although one was added and one removed.

3.108. GBEs operate in a variety of sectors including transport infrastructure, new technologies, real estate, and communications. As of March 2022, the Government held assets of HKD 395 billion in GBEs, an increase from HKD 369 billion in 2018.⁹² Overall, the majority of GBEs have been profitable and contributed positively to the Treasury during the review period.

3.109. According to the authorities, there were no plans to privatize any existing state enterprise, nor acquire any new enterprise.

Table 3.22 Government Business Enterprises, excluding Trading Funds, 2018 and 2022

Enterprise	Government ownership		Area(s) of activity
	2018	2022	
Airport Authority Hong Kong (AAHK)	100%	100%	Airport operation
Hong Kong Cyberport Development Holdings Ltd	100%	100%	Development of digital technology
Hong Kong Science and Technology Parks Corporation	100%	100%	Development of innovation and technology
Kowloon-Canton Railway Corporation (KCRC)	100%	100%	Railway assets holder
MTR Corporation Limited (MTRCL)	75.2%	74.8%	Railway development and operation
Hong Kong International Theme Parks Ltd	52.9%	52.3%	Tourism promotion

⁹¹ The Treasury, *Accrual-based Consolidated Financial Statements of the Government for the Year Ended 31 March 2022*. Viewed at: https://www.try.gov.hk/internet/pde_abac2122_fullset.pdf.

⁹² The Treasury, *Accrual-based Consolidated Financial Statements of the Government for the Year Ended 31 March 2022*. Viewed at: https://www.try.gov.hk/internet/pde_abac2122_fullset.pdf; and *Accrual-based Consolidated Financial Statements of the Government for the Year Ended 31 March 2018*. Viewed at: https://www.try.gov.hk/internet/pde_abac1718_fullset.pdf.

Enterprise	Government ownership		Area(s) of activity
	2018	2022	
West Rail Property Development Ltd (WRPDL)	49.0%	49.0%	Property development
Urban Renewal Authority	100%	100%	Urban redevelopment
IEC Holding Ltd	88.2%	Became a subsidiary of AAHK	n.a.
Hong Kong Investment Corporation (HKIC) Ltd	-	100%	Investment company set up to further optimize the use of fiscal reserves for the strategic development of target industries

n.a. Not applicable.

Source: Information provided by the authorities; and the Treasury, *Accrual-based Consolidated Financial Statements of the Government for the Year Ended 31 March 2022*. Viewed at: https://www.try.gov.hk/internet/pde_abac2122_fullset.pdf; and *Accrual-based Consolidated Financial Statements of the Government for the Year Ended 31 March 2018*. Viewed at: https://www.try.gov.hk/internet/pde_abac1718_fullset.pdf.

Table 3.23 Government Business Enterprises, Trading Funds, 2018 and 2022

Enterprise	Government ownership		Area(s) of activity
	2018	2022	
Companies Registry Trading Fund	100%	100%	Incorporation or registration of companies and company search
Electrical and Mechanical Services Trading Fund	100%	100%	Electrical, mechanical, and electronic services to government departments and public bodies
Land Registry Trading Fund	100%	100%	Land search, registration of deeds, and related services
Office of the Communications Authority Trading Fund	100%	100%	Regulation of telecommunication and broadcasting services
Post Office Trading Fund	100%	100%	Postal services

Source: Information provided by the authorities; and the Treasury, *Accrual-based Consolidated Financial Statements of the Government for the Year Ended 31 March 2022*. Viewed at: https://www.try.gov.hk/internet/pde_abac2122_fullset.pdf; and *Accrual-based Consolidated Financial Statements of the Government for the Year Ended 31 March 2018*. Viewed at: https://www.try.gov.hk/internet/pde_abac1718_fullset.pdf.

3.3.6 Government procurement

3.110. The policies of Hong Kong, China's procurement sector continue to be driven by the objectives of achieving best value for money and maintaining open and fair competition.⁹³ Public accountability, transparency, pro-innovation, and providing equal opportunities for tendering that is non-discriminatory in nature are the stated principles of its procurement regime.⁹⁴ The Financial Services and the Treasury Bureau (FSTB) continues to be the overarching government entity responsible for procurement policy. The Stores and Procurement Regulations (SPRs) apply to all procurement of goods (except land and buildings) and services (including construction and engineering) by most government agencies.⁹⁵ For commonly used goods, Hong Kong, China uses a centralized procurement approach, with the Government Logistics Department (GLD) being the Government's central procurement agent; construction services are procured by individual work

⁹³ WTO document WT/TPR/S/380/Rev.1, 30 January 2019, Section 3.3.6. Value for money does not necessarily mean purchasing at the lowest price; Hong Kong, China defines the term as "economy, effectiveness and efficiency, taking into account the total costs involved, measured on a whole-life costing basis", SPRs. This was recently modified per its pro-innovation policy, see below.

⁹⁴ FSTB, *Guide to Procurement*. Viewed at: https://www.fstb.gov.hk/tb/en/business/gov_procurement/guide-to-procurement.htm.

⁹⁵ A few government agencies (i.e. the Hong Kong Monetary Authority, the Independent Police Complaints Council, and the Ombudsman's Office) in Annex 1 and all five entities in Annex 3 to Appendix I concerning Hong Kong, China under the GPA 2012 have their own procurement rules.

departments that operate under the supervision of the Development Bureau. Other entities having a role in procurement are outlined in Box 3.1. The laws or regulations on procurement continue to be the SPRs, supplemented by Financial Circulars and Financial Services and the Treasury Bureau Circular Memoranda.⁹⁶ In line with the Agreement on Government Procurement (GPA) on tendering, the main procurement methods according to the SPRs are open tendering, selective tendering and prequalified tendering, and single or restricted tendering.⁹⁷

Box 3.1 Overview of procurement, 2023

GPA thresholds	All government bureaux and departments and other central government entities	Non-government public bodies including the Airport Authority, the Hospital Authority, the Housing Authority and Housing Department, the Kowloon-Canton Railway Corporation and the MTR Corporation Ltd		
	SDR 130,000 for procurement of goods and specified services ^a (other than construction services)	SDR 5,000,000 for construction services	SDR 400,000 for procurement of goods and specified services ^a (other than construction services)	SDR 5,000,000 for construction services
Types of tendering	Open	Selective	Single or restricted	
Requirements:	Normally adopted	Selective tendering is normally adopted for works projects. Works Departments may use prequalified tendering for projects requiring high level of skills.		Allowed under a variety of circumstances
Tender boards/ committees	Central Tender Board	GLD Tender Board	Public Works Tender Board	Departmental Tender Committees
Procurement types and key financial limits:	(i) Tenders for goods, general services (non-works) and revenue of a value exceeding HKD 60 million; and (ii) tenders for works and related services of a value exceeding HKD 200 million	Tenders for goods, general services (non-works) and revenue of a value higher than HKD 10 million and not exceeding HKD 60 million	Tenders for works and related services of a value not exceeding HKD 200 million	Tenders for goods, general services (non-works) and revenue of a value not exceeding HKD 10 million

a Specified services mean those services identified in Annex 5 to Appendix I in Hong Kong, China's GPA schedule.

Source: Compiled by the Secretariat from FSTB sources.

3.111. There were a number of developments in Hong Kong, China's procurement regime during the review period. In 2019 the new pro-innovation government procurement policy was launched; it was subsequently enhanced in 2020 and 2023.⁹⁸ This new policy, with effect from 1 April 2019, incorporates innovation as one of the guiding principles in the award of procurement contracts thereby facilitating the participation of start-ups and SMEs in government procurement. It applies to the procurement of stores, services, and revenue contracts, but excludes works and consultancy contracts. The policy clarified the concept of "value for money" and, with a view to facilitating the assessment of innovative solutions in the tender evaluation process, it makes wider use of marking schemes to evaluate tenders for quality and price aspects. Thus, the weighting percentages for the technical aspects versus the price weighting has been modified, placing more emphasis on the former.⁹⁹ As part of these modifications, for the benefit of SMEs and start-ups, the removal of tenderers' experience as an essential requirement, and the weighting of tenderers' experience should

⁹⁶ However, the five entities covered in Annex 3 to Appendix I of the GPA have their own procurement rules.

⁹⁷ FSTB, *Guide to Procurement*.

Viewed at: https://www.fstb.gov.hk/en/treasury/gov_procurement/guide-to-procurement.htm. The SPRs provide also for direct engagement under certain circumstances (SPR 331-333).

⁹⁸ FTSB, Financial Circular No. 2/2019. Viewed at: https://accessinfo.hk/en/request/533/response/1514/attach/6/FC02%202019.pdf?cookie_passthrough=1.

⁹⁹ Thus, as of 1 April 2019 the change was introduced resulting in the technical weighting of 50-70% (from 30-40%) and price weighting of 30-50% (from 60-70%) (SPR 350(i)).

not exceed 15% of the total technical marks.¹⁰⁰ In 2023, to promote and encourage environmental protection, social responsibility and governance (ESG)¹⁰¹ in government procurement, the Government assigned dedicated weighting to ESG in the quality assessment of government tenders. Overall, these changes have been numerous, as outlined in Table A3.2, and have been incorporated in the SPRs and Financial Circulars.

3.112. In response to the COVID-19 pandemic, to relieve the pressure on contractors due to cash flow issues, the Government handled payment terms of goods and services contracts flexibly and settled payments to contractors under a phased approach within a reasonable timeframe where possible. The Government also provided advance payments to contractors and consultants to facilitate their cash flow for ongoing and new public works contracts and expedited processing of payment applications, orders, and claims in public works' contracts. The Government also flexibly handled requests from contractors for extension of time, for up to six months, in public works contracts.

3.113. In 2021, the Government introduced a new policy on the Security of Payment provisions in public works contracts to facilitate timely processing of contract payments to contractors, sub-contractors, and suppliers, and provided an interim mechanism for payment resolutions.

3.114. Also in 2021, the Government revamped the contractor management system including the admission and retention criteria for the approved lists of contractors and increased the tender limits for lower groups contractors (Groups A and B)¹⁰² with a view to enhancing tender opportunities and upward mobility of SME contractors. The new tender limits for Groups A and B contractors have been raised to HKD 150 million and HKD 400 million, respectively.¹⁰³

3.115. Since 2000, Hong Kong, China has promoted a Green Procurement policy to take into account environmental considerations when conducting procurement. This entails, *inter alia*, improved recyclability, greater energy efficiency, and utilizing clean technologies.¹⁰⁴ Hong Kong, China has designated "green specifications" and now has a Green Procurement list of 183 items in 24 categories that aids in the selection of products and services that are better for the environment.¹⁰⁵ An updated Memorandum¹⁰⁶ sets out additional measures to expand environmentally friendly procurement processes; green specifications in the tender process may be "mandatory" or "desirable", depending on market availability.¹⁰⁷

3.116. The pilot electronic tendering system (e-TS) was launched in mid-June 2022 to provide an electronic platform for the tendering process including dissemination of documents, submissions, evaluations, and reports. It is designed to assist bureaux/departments in handling works and non-works tenders under the Central Tender Board and the Public Works Tender Board (see thresholds Box 3.1). As of June 2023, 15 works departments were participating, involving some 30 works tenders, and all relevant non-works departments joined and identified more than

¹⁰⁰ Legislative Council Panel on Financial Affairs, meeting of October 2018. Viewed at: <https://www.legco.gov.hk/yr18-19/english/panels/fa/papers/fa20181030cb1-12-1-e.pdf>.

¹⁰¹ Under the pro-innovation procurement policy, ESG proposals refer to measures that improve environmental protection, sustainability, governance, or social responsibility. These measures may, but do not need to be directly relevant to the services being procured, but can bring about positive values/benefits to the Government, and/or the public at large. Examples of such positive values or benefits may include measures that could contribute to environmental protection such as using green materials/products, reducing energy consumption, or promoting waste reduction in the execution of the contract; or improving social responsibility through employment of people with disabilities, and/or rehabilitated persons for the contract.

¹⁰² Hong Kong, China divides contractors into groups, i.e. A, B, and C, according to the value of contracts that they are normally eligible to tender. See Development Bureau, *Contractor Management Handbook*. Viewed at: [https://www.devb.gov.hk/filemanager/en/content_187/CMH_Rev24%20\(Aug23\).pdf](https://www.devb.gov.hk/filemanager/en/content_187/CMH_Rev24%20(Aug23).pdf).

¹⁰³ Development Bureau, *Contractor Management Handbook*. Viewed at: [https://www.devb.gov.hk/filemanager/en/content_187/CMH_Rev24%20\(Aug23\).pdf](https://www.devb.gov.hk/filemanager/en/content_187/CMH_Rev24%20(Aug23).pdf).

¹⁰⁴ EPD, *Green Procurement*. Viewed at: https://www.epd.gov.hk/epd/english/how_help/green_procure/whatisgreenprocurement.html.

¹⁰⁵ EPD, *183 Green Procurement Items*. Viewed at: https://www.epd.gov.hk/epd/english/how_help/green_procure/pdf/Green%20Specifications%20of%20183%20Items_ENG.pdf.

¹⁰⁶ Environment Bureau Circular Memorandum No. 1/2021, *Green Procurement in the Government*. Viewed at: https://www.epd.gov.hk/epd/english/how_help/green_procure/scr/ENB_CM_1-2021.pdf.

¹⁰⁷ EPD, Environment Bureau Circular Memorandum No. 1/2021. Viewed at: https://www.epd.gov.hk/epd/english/how_help/green_procure/scr/ENB_CM_1-2021.pdf. Environment Bureau Circular Memorandum No. 1/2021 superseded Environment Bureau Circular Memorandum No. 6/2015.

50 non-works tenders for e-TS. The system has been implemented for approximately one year. In view of the benefits brought about by electronic tendering, the service will be expanded to include the procurement of works-related consultancy services, and would be launched in 2024.

3.117. In addition to e-TS, the long-standing e-Procurement Programme continues to operate as an electronic portal for low-value goods.¹⁰⁸ It covers departmental purchases of goods and non-construction services not exceeding HKD 1.4 million and consultancy services not exceeding HKD 3 million.

3.118. In 2020, the GLD launched a new initiative to publish and update monthly government departments' procurement plans in the coming two years on the GLD's website. This is to facilitate prospective tenderers' early planning and enhance effectiveness of government procurement.

3.119. Data provided by the authorities indicate that during 2018-21, 5,166 GPA-covered procurement contracts (above the thresholds specified in the SDRs) were awarded for a total value of HKD 552,046.02 million, of which HKD 505,477.28 million was awarded under competitive (open and selective) tendering procedures, and HKD 46,568.74 million under limited tendering procedures (Table 3.24). For example, in 2021, more than 91% of GPA-covered procurement contracts were awarded under open and selective tendering procedures, and around 9% under limited tendering. GPA-covered procurement generally rose over the period 2018-21, peaking in 2020 to 174.46 billion, and declined in 2021 to HKD 135.46 billion. In 2020 and 2021 there were increases in procurement by other entities, which more than doubled in 2020 compared to 2018 figures. This was attributed to an increase in general and construction services by the Airport Authority in 2020 and the procurement of goods and general and construction services by the Hospital Authority in 2021. This significant increase propelled procurement to 6.5% of GDP in 2020. According to the authorities, the Government does not maintain figures on non-GPA procurement.

Table 3.24 Government procurement in Hong Kong, China, 2018-21

(HKD million)

Year	Level	GPA-covered procurement ^c					
		Total value	Share (%) of GDP ^d	Awarded under open and selective tendering		Awarded under limited tendering	
				Total value	Ratio	Total value	Ratio
2018	Central government entities ^a	55,963.98	1.97	55,572.74	99.30	391.24	0.70
	Other entities ^b	49,142.05	1.73	41,866.13	85.19	7,275.92	14.81
	Total	105,106.03	3.71	97,438.87	92.71	7,667.16	7.29
2019	Central government entities ^a	81,704.70	2.87	81,244.74	99.44	459.96	0.56
	Other entities ^b	55,355.89	1.95	45,850.96	82.83	9,504.93	17.17
	Total	137,060.59	4.82	127,095.70	92.73	9,964.89	7.27
2020	Central government entities ^a	74,660.02	2.79	66,634.96	89.25	8,025.06	10.75
	Other entities ^b	99,755.09	3.73	90,859.93	91.08	8,895.16	8.92
	Total	174,415.11	6.52	157,494.89	90.30	16,920.22	9.70

¹⁰⁸ Government of Hong Kong, China, *The e-Procurement Programme*. Viewed at: <https://www.gov.hk/en/theme/eprocurement/eppp/>.

Year	Level	GPA-covered procurement ^c					
		Total value	Share (%) of GDP ^d	Awarded under open and selective tendering		Awarded under limited tendering	
				Total value	Ratio	Total value	Ratio
2021	Central government entities ^a	51,255.14	1.79	50,364.65	98.26	890.49	1.74
	Other entities ^b	84,209.15	2.94	73,083.17	86.79	11,125.98	13.21
	Total	135,464.29	4.72	123,447.82	91.13	12,016.47	8.87

- a Central government entities refer to the government entities listed in Annex 1 to Appendix I of the GPA 2012.
- b There are five other entities covered by GPA, as listed in Annex 3 to Appendix I of GPA 2012: the Airport Authority, the Hospital Authority, the Housing Authority and Housing Department, the Kowloon-Canton Railway Corporation, and the MTR Corporation Ltd.
- c For central government entities, statistics include only procurement of goods and services of a value exceeding HKD 1.4 million, and construction services of a value exceeding HKD 7 million. For other entities, statistics include only procurement of goods and services of a value exceeding SDR 0.4 million (approximately HKD 4.31 million in 2018-19, and HKD 4.394 million in 2020-21), and construction services of a value exceeding SDR 5 million (approximately HKD 53.872 million in 2018-19, and HKD 54.92 million in 2020-21).
- d Calculated based on GDP at current market prices of the year.

Note: No information was available on non-GPA procurement.

Source: Information provided by the authorities.

3.120. During the period 2018-21, a significant majority of contracts were awarded to suppliers established in Hong Kong, China; the percentage of contracts awarded to suppliers outside Hong Kong, China was smaller but no detailed statistics on such procurement were available. Data on procurement outside Hong Kong, China are further complicated by the fact that these entities can establish physical presence in Hong Kong, China, as well as use subsidiaries or joint ventures when tendering. A small subset of data on procurement from outside Hong Kong, China by the GLD indicates that suppliers outside Hong Kong, China accounted for less than 10% of contracts but accounted for a much higher percentage of tender value, generally above 20%. It should be emphasized that this is not necessarily indicative of all procurement in Hong Kong, China, as no data were available and these were estimates made from available information. While there are no formal barriers to non-local tendering in the procurement rules, Hong Kong, China uses a contractor management system to facilitate selection of reliable and capable contractors, familiar with local regulations and practices for certain types of procurement. The so-called "approved contractor lists" for public works contracts are open to both local and non-local contractors but contractors lacking local experience are on a probationary list until local experience is obtained and therefore may be limited in the number and value of public works contracts.¹⁰⁹

3.121. Hong Kong, China was a party to the GPA 1994 from June 1997 and has participated in the GPA 2012 since its entry into force in April 2014. As set out in its market access schedules (Annexes to Appendix I to the GPA 2012), Hong Kong, China is committed to providing non-discriminatory treatment to suppliers, including those of other GPA Parties, with respect of covered goods, services, and construction services.¹¹⁰ Hong Kong, China's GPA schedule covers all goods; services in certain areas, e.g. computer, rental/leasing, other business, courier, telecommunications, environmental, transport, and some financial services; and all construction services.¹¹¹ Hong Kong, China's Annex I commitments cover 62 central government entities, and Annex 3 covers 5 other entities.¹¹²

¹⁰⁹ Development Bureau, *Contractor Management Handbook*. Viewed at: [https://www.devb.gov.hk/en/content_187/CMH_Rev24%20\(Aug23\).pdf](https://www.devb.gov.hk/en/content_187/CMH_Rev24%20(Aug23).pdf).

¹¹⁰ WTO, e-GPA Gateway. Viewed at: <https://e-gpa.wto.org/en/Agreement/Latest>.

¹¹¹ Services categories are defined by the United Nations Provisional Central Product Classification (CPC) and construction services are per Division 51 of the CPC. WTO, *Coverage Schedules*. Viewed at: https://www.wto.org/english/tratop_e/gproc_e/gp_app_agree_e.htm.

¹¹² WTO, Integrated Government Procurement Market Access Information (e-GPA) Portal. Viewed at: <https://e-gpa.wto.org/en/Annex/Details?Agreement=GPA113&Party=HongKongChina&AnnexNo=1&ContentCulture=en>.

Annex 3 entities include the Airport Authority, Hospital Authority, Housing Authority and Housing Department, Kowloon-Canton Railway Corporation, and MTR Corporation Ltd.

3.122. During the review period, Hong Kong, China submitted a number of notifications under the GPA 2012, which include statistics and thresholds; they are an important means to ensure the transparency and predictability of the government procurement regime (Table A2.1).¹¹³ In particular, Hong Kong, China has regularly submitted statistics on contracts covered by the GPA 2012, and the value in national currency of the thresholds contained in its GPA market access commitments.¹¹⁴ Hong Kong, China's latest notification related to (i) changes to its laws and regulations relevant to the GPA 2012 was made in 2003; and (ii) modifications to the entities listed in its GPA 2012 market access commitments was made in 2016. The authorities have confirmed that during the review period there were changes made to their procurement laws and/or rules but did not consider them substantial and thus did not notify them to the WTO.

3.123. To address disputes in government procurement, Hong Kong, China has put in place a general mechanism in handling procurement complaints as set out in SPRs. Contractors, suppliers, firms, or organizations may lodge complaints about the process or result of a government procurement exercise to the procuring department or the relevant tender board, irrespective of whether the procurement exercise concerned is covered under the GPA or not. Hong Kong, China has also established the Review Body on Bid Challenges under the TID for handling alleged breaches under the GPA. The Rules of Operation of the Review Body on Bid Challenges guide its work.¹¹⁵ A tenderer may lodge a challenge to the Review Body related to procurement covered by the GPA 2012. Between January 2018 and June 2023, the Review Body accepted five applications for processing: one was partially substantiated and the other four were either unsuccessful or subsequently withdrawn.

3.124. In terms of preferential trade agreement commitments, Hong Kong, China's recent FTA with Australia includes a dedicated chapter, as well as a side instrument, on government procurement. In addition, FTAs with Chile and New Zealand contain detailed chapters on government procurement with procedural rules and market access commitments.¹¹⁶ Hong Kong, China has also endorsed APEC's Transparency Standards on Government Procurement

3.3.7 Intellectual property rights

3.125. Pursuant to the Basic Law, Hong Kong, China pursues and develops its own policies for the legal protection of intellectual property rights (IPRs). IPRs registered in Hong Kong, China are independent and not automatically recognized in other jurisdictions. During the review period, there was cooperation and facilitation of IP matters with other jurisdictions. The overall structure of Hong Kong, China's IP protection entities has not changed. The Intellectual Property Department, established in 1990, is the registrar of patents, trademarks, and designs, and also oversees all matters related to copyright legislation. It has advisory, policy, promotion, education, and legal roles with respect to IP. International conventions such as the Paris Convention, Berne Convention, and WIPO Copyright Treaty are applied to Hong Kong, China through China.

3.126. The IP sector remains strong and an important contributor to Hong Kong, China's economy. In terms of trade in services, charges for the use of intellectual property (CUIP) reached HKD 5,555 million for exports and HKD 15,837 million for imports in 2021. Total trade in CUIP accounted for about 2% of total trade in services in 2021, up from 1.4% in 2018. The number of applications and the granting of IP registrations in Hong Kong, China during 2018-22 showed some fluctuations over the period (Table 3.25). There was noticeable growth in the number of patent applications and the granting of patents since 2018. Trademark registrations remained relatively stable with some yearly fluctuations, albeit declined marginally in 2022; industrial design registrations declined slightly as well.

¹¹³ The Note by the WTO Secretariat entitled "Systemic Compilation of Notifications under the Agreement" provides for a comprehensive compilation of documents relating to notifications; the Note is updated periodically to reflect the latest documents (WTO document GPA/S/3 and its revisions).

¹¹⁴ Hong Kong, China's most recent notifications under the GPA 2012 include the thresholds in Appendix I as expressed in national currencies for 2022-23 (WTO document GPA/THR/HKG/3, 6 December 2021); and the Notification of statistics under Article XVI:4 for 2021 (WTO document GPA/STAT(21)/HKG/1, 11 October 2022).

¹¹⁵ TID, *Rules of Operation of the Review Body on Bid Challenges*. Viewed at: https://www.tid.gov.hk/english/aboutus/advcommittee/files/reviewbody_rules.pdf.

¹¹⁶ WTO document series WT/REG400.

Table 3.25 IPR overview, 2018-22

	2018	2019	2020	2021	2022
Applications					
Patents:					
Standard patents I	15,986	16,521	21,302	21,686	20,031
Standard patents (O) ^a	n.a.	11	254	257	133
Short-term patents	791	791	689	552	579
Industrial designs ^b	2,583 (4,435 designs)	2,576 (4,974 designs)	2,015 (3,878 designs)	1,882 (3,858 designs)	1,672 (3,286 designs)
Trademarks	40,331	36,980	33,708	35,240	29,432
Registrations					
Patents:					
Standard patents I	9,651	6,780	7,658	14,655	11,573
Standard patents (O) ^a	n.a.	0	0	7	29
Short-term patents	763	520	729	684	535
Industrial designs	4,547	4,579	5,045	4,206	3,319
Trademarks	34,970	33,371	34,743	32,719	30,630

n.a. Not applicable.

a The Patents Registry started receiving standard patent (O) applications upon launch of the original grant patent (OGP) system on 19 December 2019.

b More than one design can be included in a design application.

Note: Standard patent (O) refers to "original grant patent" (OGP) and standard patent I refers to "re-registration" route for a standard patent. Geographical indications are registrable as collective or certification trademarks. Layout designs of integrated circuits are not registrable.

Source: Intellectual Property Department, *Statistics of Trade Marks, Patents, Designs and Copyright Licensing Bodies*. Viewed at: https://www.ipd.gov.hk/filemanager/ipd/common/tools-resources/ip-statistics/IPD_D1_D28-Statistics_eng.pdf.

3.3.7.1 Framework

3.127. Hong Kong, China's basic framework for IP protection has remained largely unchanged since the previous Review (Table 3.26). While there was no fundamental change to the basic framework for the protection for trademarks, industrial designs, copyrights, geographical indications (GIs), plant varieties, layout designs of integrated circuits, and trade secrets, various IP laws or regulations were amended during the period under review (Table A3.3). In summary, the changes include legislative amendments and introduction of new provisions to (i) set up a new and direct filing route (as an alternative to the pre-existing re-registration route) for seeking 20-year standard patent protection in Hong Kong, China under the "original grant patent" (OGP) system with substantive examination, coupled with the concurrent launch of the refined short-term patent system that introduced a mechanism for post-grant substantive examination of short-term patents; (ii) enable implementation of the international registration system for trademarks, to prohibit registration of trademarks consisting of or containing the national anthem, and enhance the trademark application and registration system; (iii) enhance the copyright exceptions relating to persons with a print disability, and strengthen copyright protection in the digital environment through the introduction of an exclusive technology-neutral communication right for copyright owners; and (iv) prohibit registration of designs that consist of or contain the national flag or the national emblem or their designs. These have been notified to the WTO TRIPS Council.

3.128. There have been no changes to Hong Kong, China's rules or policies governing parallel imports and compulsory licensing. These remain as discussed in the previous report.¹¹⁷

¹¹⁷ WTO document WT/TPR/S/380/Rev.1, 30 January 2019, Section 3.3.7.

Table 3.26 Framework protecting IPRs, 2022

IPRs	Eligibility of protection	Length of protection
Patents		
Standard patent	<p>Inventions that are new, involve an inventive step, and are susceptible to industrial application</p> <p>Grant of a standard patent can be obtained via 2 different routes, namely:</p> <p>(1) the OGP route for a standard patent (O) (launched on 19 December 2019), which enables direct filing of a standard patent application in Hong Kong, China; or</p> <p>(2) the "re-registration" route for a standard patent I: based on the re-registration of a corresponding patent already granted by any of the following three designated patent offices outside Hong Kong, China: the China National Intellectual Property Administration; the European Patent Office (designating the United Kingdom); or the United Kingdom Patent Office</p>	<p>Renewable up to a maximum of 20 years from:</p> <p>(1) Standard patent (O): the date of filing of the patent application in Hong Kong, China</p> <p>(2) Standard patent I: the date of filing of the corresponding patent application filed with the designated patent office</p>
Short-term patent	Inventions that are new, involve an inventive step, and are susceptible to industrial application	Renewable up to a maximum of eight years from the date of filing
Trademarks		
Registered trademarks	Marks that are capable of distinguishing the goods or services of one undertaking from those of other undertakings; there are absolute and relative grounds for the refusal of a registration	10 years from the filing date of the application for registration; may be renewed indefinitely for periods of 10 years
Industrial designs		
Registered industrial designs	Designs that are new and applied to an article by any industrial process and the appearance of the article is material	Renewable for periods of 5 years up to a maximum of 25 years from the filing date
Copyright		
Unregistered industrial designs	Protected under the Copyright Ordinance (Cap. 528), for articles produced from the original design drawing. Protection is automatic	15 years from the end of the year in which the article was first marketed
Copyright in original literary (including computer programs), dramatic, musical, and artistic works; sound recordings, films, broadcasts, cable programmes; typographical arrangements of published editions of literary, dramatic or musical works; performers, and persons that have exclusive recording contracts with performers	No formalities are required for copyright protection for a work in Hong Kong, China. Works of authors from anywhere in the world, or works first published anywhere in the world (including those made available to the public on the Internet), also qualify	<p>Protection usually extends for 50 years from the end of the year after the creator dies or in which the work was made or published. Exceptions:</p> <p>(1) protection for the typographical arrangement of published editions of literary, dramatic or musical works is for 25 years from the end of the year in which the edition was first published; and</p> <p>(2) government copyright is protected for 125 years from the end of the year in which the work was made</p>

IPRs	Eligibility of protection	Length of protection
Other IPRs		
Geographical indications (Gis)	<p>Same as for registered trademarks but only registrable as collective or certification trademarks. The use of a false GI applied to goods in a fashion calculated to mislead consumers may be a criminal offence under the Trade Descriptions Ordinance</p> <p>GIs may also be protected by the common law passing-off action (whether or not they are registered) if the owner can prove:</p> <p>(1) the goodwill or reputation attached to the relevant goods in the mind of the purchasing public by association with the GI;</p> <p>(2) misrepresentation by the defendant that is likely to lead the public into believing that the goods offered by him are those of the GI owner; and</p> <p>(3) the owner suffers damage by reason of the erroneous belief engendered by the defendant's misrepresentation</p>	<p>Same as for registered trademarks</p> <p>Protected by passing-off action as long as the relevant conditions are fulfilled</p>
Plant varieties	Proprietary rights of plant breeders, or the owners of the variety, over cultivated plant varieties they have bred or discovered and developed	25 years for trees and vines, and 20 years in other cases
Layout-designs (topographies) of integrated circuits	Layout-designs (topographies) that are original	Where the layout-design has been commercially exploited with the owner's consent, 10 years after the end of the year in which it was first exploited. Otherwise, 15 years after the end of the year in which it was created
Trade secrets and undisclosed information	Information disclosed to a person that is under a duty to keep it confidential, including confidential information in a commercial setting, such as formulae, methods, technologies, designs, product specifications, business plans, and client lists	Until the information legitimately becomes public knowledge

Source: Information provided by the authorities.

3.3.7.2 Recent developments

3.129. During the period under review, Hong Kong, China continued its efforts to further develop itself as a regional IP trading centre. Hong Kong, China has been adopting a multi-pronged approach to promote IP commercialization and trading. Policy measures under the Chief Executive's 2022 Policy Address included strengthening the IP protection regime for patents, trademarks, copyright, and industrial designs, as well as enhancing capacity-building, promotion, education, and external collaboration.¹¹⁸ Looking forward, Hong Kong, China is striving to complete the preparatory work for implementing the international trademark registration system under the Madrid Protocol as soon as possible, and will initiate a review of the registered designs regime.

3.130. There were an increasing number of cooperative and facilitative initiatives on IP between Hong Kong, China and China during the review period. One such project is the Development of the Qianhai Shenzhen-Hong Kong Intellectual Property and Innovation Hub, which has 16 cooperation

¹¹⁸ "The Chief Executive's 2022 Policy Address", 19 October 2022. Viewed at: https://www.policyaddress.gov.hk/2022/public/pdf/policy/policy-full_en.pdf.

measures, such as promoting cross-boundary cooperation of IP protection, establishing a cooperation mechanism for IP arbitration, and encouraging the establishment of IP operation funds.¹¹⁹ Other facilitation measures include a pilot project, effective January 2023, for prioritizing examination of qualified invention patent applications in China filed by applicants of Hong Kong, China in China; cooperation with Guangdong Intellectual Property Administration on setting up enquiry points in Guangdong Province, China for handling enquiries about IP registrations in Hong Kong, China; and establishment of a dedicated mailbox in Hong Kong, China for handling enquiries on trademark registrations in China. Various initiatives on IP are also being taken up under the Greater Bay Area framework.

3.131. IP promotion activities were prominent during the review period. These include the resumption of the Business of Intellectual Property Asia Forum in physical form in 2022 after two years of virtual format due to the COVID-19 pandemic, which attracted over 14,500 participants; the release of publicity videos and television series in 2021-22 for promoting Hong Kong, China's competitive edge in developing into a regional IP trading centre, the supporting services provided by the IPD, and also IP literacy among the public; and the complete revamp of the thematic official website "Hong Kong – Regional IP Trading Centre", a one-stop shop for all IP trading-related matters, in January 2023. A Patent Application Grant Fund is also available to encourage local companies to patent their inventions with technological elements.¹²⁰ The grant is for 90% of the direct costs, up to a maximum of HKD 250,000.

3.132. In June 2020, the Trade Marks (Amendment) Ordinance 2020 was enacted and brought into effect so as to provide the legal basis for Hong Kong, China to implement the international trademark registration system under the Madrid Protocol. As of June 2023, the Government was completing various internal preparatory tasks with a view to implementing the international trademark registration system in Hong Kong, China as soon as possible. The Copyright (Amendment) Ordinance 2020 was also enacted in June 2020 to enhance the copyright exceptions relating to persons with a print disability, to bring them in line with the standards under the Marrakesh Treaty. In May 2023, the Copyright (Amendment) Ordinance 2022 was brought into operation for strengthening copyright protection in the digital environment. Key amendments include the introduction of a new technology-neutral exclusive communication right for copyright owners to communicate their copyright works to the public through any mode of electronic transmission (including streaming), among other things.

3.133. In response to the COVID-19 pandemic, Hong Kong, China has implemented various measures to facilitate applicants/owners/proprietors to meet the deadlines for filing forms, submissions, and documents under the Patents Ordinance (Cap. 514), Registered Designs Ordinance (Cap. 522), and Trade Marks Ordinance (Cap. 559). From January 2020 to March 2022, a number of Notices of Interruption in the Operations of the Registries were issued to extend the official deadlines for both paper and electronic filings of documents with the Registries to later dates. As an alternative to physical hearings at the Registries, parties to proceedings have the options of requesting paper hearings or remote hearings by telephone or video conferencing, which have become standing options upon resumption of normalcy.

3.134. Furthermore, there has been an IP response from Hong Kong, China during the pandemic with the granting of patents on COVID-19 vaccines, therapeutics, and diagnostic products (Table 3.27). An increasing number of patents applications were filed during 2020-22 relating to these products and 32 relevant patents have been granted.

Table 3.27 Patent applications and grants related to COVID-19 vaccines, and therapeutic and diagnostic products, 2020-22

	2020	2021	2022	Total
Patent applications				
Standard patent I	18	37	123	178
Standard patent (O)	1	1	0	2

¹¹⁹ For the full list of 16 items see CEDB, *16 Co-operation Measures for the Development of the Qianhai Shenzhen-Hong Kong Intellectual Property and Innovation Hub*. Viewed at: <https://www.cedb.gov.hk/en/policies/intellectual-property-protection-main-text-of-document.html>.

¹²⁰ ITC, *Patent Application Grant*. Viewed at: <https://www.itf.gov.hk/en/funding-programmes/fostering-culture/pag/index.html>.

	2020	2021	2022	Total
Short-term patent	1	0	4	5
Total	20	38	127	185
Patent grants:				
Standard patent I	0	9	19	28
Standard patent (O)	0	0	0	0
Short-term patent	0	1	3	4
Total	0	10	22	32

Note: Standard patent (O) refers to "original grant patent" (OGP) and standard patent I refers to "re-registration" route for a standard patent.

Source: Information provided by the authorities.

3.3.7.3 Enforcement

3.135. The C&ED is responsible for taking criminal sanctions against copyright and trademark infringements in Hong Kong, China, including the interception of pirated and counterfeit goods at the border.¹²¹ It has *ex officio* power to seize infringing and counterfeit goods. The Hong Kong Police Force (HKPF) also has the power of arrest and seizure when suspected copies of pirated and counterfeit goods are found while performing their duties. The cases are passed to the C&ED for further investigation and prosecution. The C&ED uses a multi-pronged enforcement strategy against copyright and trademark infringements through intelligence-led investigations and repeated raids conducted through different means, i.e. at the border (import and export), manufacture, distribution, retail, and the Internet. In addition, C&ED in cooperation with industry operates a rewards scheme where cash rewards are paid to informants who report IPR infringements.¹²² Hong Kong, China conducts joint operations on IPR enforcement with enforcement agencies in other jurisdictions.¹²³ The Cargo Big Data System was introduced in 2021 to analyse cargo data and identify high-risk traders/couriers for follow-up investigation.

3.136. The quantities of counterfeit and pirated goods seized by C&ED fluctuated during the period 2018-22, and the highest value was recorded in 2022 (Table 3.28). The majority of seized goods are in the clothing and accessories sector, followed by the electrical and electronic goods sector.¹²⁴ Online piracy continues to be a growing issue, and the C&ED has invested greater resources in recent years. In 2022, online counterfeiting cases amounted to HKD 3.1 million and online pirated goods at HKD 1.99 million seized.¹²⁵ Merchandise seized at the borders has generally been secondary in terms of value and quantity compared to goods seized internally (Table 3.29).

Table 3.28 Overall IP enforcement statistics, 2018-22

	2018	2019	2020	2021	2022
Prosecution and sentencing under the Copyright Ordinance and Prevention of Copyright Piracy Ordinance					
Persons given prison sentence	22	19	12	7	2
Maximum sentence passed (months)	10	8	8	2.8	8
% of cases with fines of:					
<HKD 50,000	100	97.4	100	100	96.2
HKD 50,000-HKD 100,000	0	2.6	0	0	3.8
>HKD 100,000	0	0	0	0	0
Maximum fine (HKD)	50,000	80,000	10,000	15,000	79,000
Total fines (HKD)	348,500	370,534	91,100	135,100	267,000

¹²¹ C&ED enforces the Copyright Ordinance (Cap. 528), the Trade Descriptions Ordinance (Cap. 362), and the Prevention of Copyright Piracy Ordinance (Cap. 544), and the Trade Marks Ordinance (Cap. 559).

¹²² The three reward schemes include the Anti-piracy Reward Scheme, funded by the copyright industry; the Reward Scheme to Combat Illegal Photocopying of Books and Periodicals, funded by the Hong Kong Reprographic Rights Licensing Society; and the Reward Scheme to Combat Illegal Photocopying of Newspapers and Magazines funded by the Hong Kong Copyright Licensing Association.

¹²³ C&ED, *Intellectual Property Rights Protection*. Viewed at: <https://www.customs.gov.hk/en/service-enforcement-information/intellectual-property-rights-protection/index.html>.

¹²⁴ C&ED, *2021 Departmental Review*. Viewed at: https://www.customs.gov.hk/hcms/filemanager/common/pdf/pdf_publications/Departmental_Review_2021_e.pdf.

¹²⁵ C&ED, *2021 Departmental Review*. Viewed at: https://www.customs.gov.hk/hcms/filemanager/common/pdf/pdf_publications/Departmental_Review_2021_e.pdf.

	2018	2019	2020	2021	2022
Prosecution and sentencing under the Trade Descriptions Ordinance					
Persons given prison sentence	35	24	31	24	17
Maximum sentence passed (months)	26	6	18	8	36
% of cases with fines of:					
<HKD 50,000	97.7	98	94.4	94.4	98.9
HKD 50,000-HKD 100,000	2	1	5.2	2.4	1.1
>HKD 100,000	0.3	1	0.4	3.2	0
Maximum fine (HKD)	100,000	150,000	101,000	150,275	70,000
Total fines (HKD)	2,695,200	2,996,819	2,538,300	1,812,635	1,696,329
Seizure of illegal merchandise goods^a					
Pirated goods					
Quantity ('000)	181	77	20	31	6
Value (HKD million)	6	3.6	0.98	2.94	3.1
Counterfeit goods					
Quantity ('000)	1,800	2,200	1,100	3,120	630
Value (HKD million)	98	114	109	163	177

a Includes inland, online, and import/export/transshipment.

Source: Information provided by the authorities.

Table 3.29 Enforcement of IP at the border, 2018-22

	2018	2019	2020	2021	2022
Seizure of illegal merchandise goods					
Pirated goods					
Quantity ('000)	6	0.7	6	0	2
Value (HKD million)	0.18	0.04	0.30	0	1
Counterfeit goods					
Quantity ('000)	1,153	474	580	1,334	244
Value (HKD million)	54	25	47	83	72

Note: Excludes seizures of IPR infringing goods intercepted at downtown devanning compounds and only those intercepted at the borders.

Source: Information provided by the authorities.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry, and fisheries

4.1.1 Overview

4.1. During the review period, Hong Kong, China's agriculture, fishing, and mining and quarrying sectors' contribution to GDP remained modest, accounting for less than 0.1% in 2021 (the latest year for which sectoral GDP figures were available) (Table 1.1). The sectors' participation in employment was also minimal and stood at 0.1% (or around 3,200 persons) in 2022.

4.2. Hong Kong, China continues to rely mainly on imports for its food supply (Table 4.1). There is an estimated 7 km² of farmed land in Hong Kong, China. The most common agricultural products are leafy vegetables, cut flowers, live pigs, and poultry; these are mainly consumed locally.

4.1.2 Policy and regulatory developments

4.3. Between 2018 and 2022, the Agriculture, Fisheries and Conservation Department (AFCD) continued to be responsible for assisting in the production and marketing of agricultural produce, enforcing regulations, and preserving ecological integrity.

4.4. According to the authorities, there has been no change to the trade regulatory regime in the agriculture sector since the previous Review, and the focus of the agricultural policy, which is to promote the modernization and sustainable development of local agriculture, has remained unchanged under the New Agriculture Policy (NAP) issued in 2016.¹ The support measures under the NAP are being implemented by the authorities progressively in stages. One of the main objectives of the NAP includes establishing the Agricultural Park; Phase 1 has been commissioned progressively since the fourth quarter of 2022. Meanwhile, the planning and design works for the remaining phases of the Agricultural Park are underway.

4.1.2.1 Production and trade

4.5. Farms in Hong Kong, China are mainly of small scale; in 2022, there were an estimated 2,500 farms, cultivating 730 ha of agricultural land. In 2022, local production accounted for 100% of live poultry, 14% of live pigs, and 1.9% of fresh vegetables consumed domestically.²

4.6. In 2022, the value of crop production was estimated at HKD 414 million, with vegetable and flower production accounting for most of the total value.³ In terms of animal production, there were 43 local pig farms and 29 local poultry farms in 2022. In the same year, the value of production was HKD 518 million for livestock and HKD 419 million for poultry.⁴

4.7. Agricultural exports were on a decreasing trend during the review period. The top export products included fresh fruits and prepared foods. Some imports, such as plums, peaches, and bovine animals, also decreased until 2020.

Table 4.1 Agricultural exports and imports, 2018-22

	2018	2019	2020	2021	2022
Exports^a (USD million)	11,775	10,604	8,021	8,903	8,090
% of total exports	2.1	2.0	1.5	1.3	1.3
Top 10 exports at HS 4-digit level (% of total):					
0809 Plums and sloes, peaches and nectarines, and apricots, fresh	6.4	8.9	12.4	13.8	17.8
2106 Food preparations n.e.s.	5.0	5.1	9.3	10.3	10.7
0810 Fruit, fresh; n.e.c. in chapter 08	4.2	6.3	9.7	11.5	8.1

¹ Government of Hong Kong, China (2016), "Government Implements New Agriculture Policy", 14 January. Viewed at: <http://www.info.gov.hk/gia/general/201601/14/P201601140558.htm>.

² AFCD, *Agriculture in Hong Kong, China*. Viewed at: https://www.afcd.gov.hk/english/agriculture/agr_hk/agr_hk.html.

³ Government of Hong Kong, China (2022), *Agriculture and Fisheries*. Viewed at: <https://www.gov.hk/en/about/abouthk/factsheets/docs/agriculture.pdf>.

⁴ AFCD (2022), *Agriculture in Hong Kong, China*. Viewed at: https://www.afcd.gov.hk/english/agriculture/agr_hk/agr_hk.html.

	2018	2019	2020	2021	2022
0101 Horses, asses, mules and hinnies; live	1.2	5.4	7.1	8.1	7.1
1905 Bread, pastry, cakes, biscuits, other bakers' wares (..)	2.6	3.2	4.2	4.8	5.6
2208 Ethyl alcohol, undenatured ^b	4.9	4.8	4.5	5.5	5.2
0402 Milk and cream; concentrated or containing added sugar or other sweetening matter	8.6	9.0	6.2	5.0	4.5
2402 Cigars, cheroots, cigarillos and cigarettes; of tobacco or of tobacco substitutes	10.4	11.0	7.2	6.8	4.4
2204 Wine of fresh grapes, including fortified wines	3.7	1.8	1.4	2.3	3.7
0206 Edible offal of bovine animals, swine, sheep, goats (..), fresh, chilled or frozen	10.0	3.9	1.7	1.3	3.2
Imports^a (USD million)	26,038	24,423	22,150	23,545	20,299
% of total imports	4.2	4.2	3.9	3.3	3.0
Top 10 imports at HS 4-digit level (% of total):					
0809 Plums and sloes, peaches and nectarines, and apricots, fresh	3.8	5.0	4.8	7.6	7.6
2106 Food preparations n.e.s.	4.4	4.1	4.6	5.5	6.0
2204 Wine of fresh grapes, including fortified wines	5.9	4.6	4.4	5.8	5.0
0810 Fruit, fresh; n.e.c. in chapter 08	2.7	3.6	4.8	5.6	4.7
0207 Meat and edible offal of poultry, fresh, chilled or frozen	5.3	5.1	4.4	3.4	3.6
0101 Horses, asses, mules and hinnies; live	1.0	2.8	3.2	3.6	3.5
0206 Edible offal of bovine animals, swine, sheep, goats (..), fresh, chilled or frozen	7.6	6.7	7.1	5.8	3.4
0202 Meat of bovine animals; frozen	8.0	6.7	7.5	5.8	3.3
2201 Waters, not containing added sugar	2.5	2.7	2.7	2.8	3.2
0203 Meat of swine; fresh, chilled or frozen	2.6	2.4	3.5	3.4	3.0

a WTO definition.

b Ethyl alcohol, undenatured; of an alcoholic strength by volume of < 80% vol.; spirits, liqueurs and other spirituous beverages.

Note: Top 10 agricultural exports and imports by HS 4-digit are sorted by the year 2022.

Source: WTO Secretariat calculations, based on trade figures from UN Comtrade database.

4.1.2.2 Farm support measures

4.8. The focus of farm support measures has remained unchanged since the previous Review; it includes providing basic infrastructure, extension, and advisory services, as well as credit facilities to farmers. Support measures include the AFCD's crop specialists undertaking research in pest control, crop husbandry, soil management, new product varieties, and production techniques. In addition, the AFCD has developed specific production technologies to enhance the efficiency and economic benefits of the industry. During the review period, the Controlled Environment Hydroponic Research and Development Centre was established to advance hydroponic technology and facilities for the industry and investors. According to the authorities, hydroponic technologies are intended to optimize use of space, reduce labour power, and improve production efficiency. Furthermore, in order to improve productivity, the authorities introduced and promoted smart greenhouse technology and farm mechanization through a variety of modern and labour-saving devices and farm machineries.

4.9. The AFCD and its related marketing organizations, namely the Vegetable Marketing Organization (VMO), also provide infrastructure support, such as the rehabilitation of fallow land and the improvement of irrigation and drainage facilities, and technical services to various primary industries, including crop farming and livestock keeping.⁵

4.10. During the review period, the authorities continued to provide loans on concessional terms and emergency relief in times of natural disasters.⁶ The AFCD's total loan funds were HKD 50.1 million as at December 2022.⁷

⁵ Government of Hong Kong, China (2022), *Agriculture and Fisheries*. Viewed at: <https://www.gov.hk/en/about/abouthk/factsheets/docs/agriculture.pdf>.

⁶ AFCD, *Emergency Relief Fund*. Viewed at: https://www.afcd.gov.hk/english/agriculture/agr_loan/agr_loan_erf/agr_loan_erf.html; and https://www.afcd.gov.hk/english/agriculture/agr_loan/agr_loan_erf/files/ERF_Leaflet_May_2017.pdf.

⁷ Government of Hong Kong, China (2022), *Agriculture and Fisheries*. Viewed at: <https://www.gov.hk/en/about/abouthk/factsheets/docs/agriculture.pdf>.

4.11. The AFCD, in cooperation with the VMO, continued to manage the Accredited Farm Scheme.⁸ Under the Scheme, accredited vegetable farms are monitored for pest control and for the proper use of pesticides; these farms are allowed to sell their produce at accredited retail outlets with the assistance of the VMO.⁹ As at December 2022, a total of 315 farms were accredited under the scheme, supplying an estimated 12 tonnes of produce daily.¹⁰

4.12. The AFCD also continued to provide technical support to local farmers producing organic vegetables and fruits; the support related to, *inter alia*, organic production standards and greenhouse technology. There were 342 organic farms producing an estimated 6 tonnes of vegetables a day as of December 2022.¹¹

4.13. The Sustainable Agricultural Development Fund (SADF), launched in December 2016, continues to provide financial support to encourage farm mechanization and implement agricultural development projects.¹² During the review period, the authorities commenced the consultancy study on agricultural priority areas (APAs) to explore the feasibility of designating large areas of quality agricultural land as APAs and facilitate the use of such areas for active farming through suitable measures.

4.14. Between June 2018 and March 2023, Hong Kong, China notified to the WTO Committee on Agriculture all of its domestic support measures under the Green Box (i.e. exempt from the reduction commitment).¹³ The total value of these measures increased from HKD 123.1 million in 2016-17 to HKD 251.3 million in 2022-23. Pest and disease control measures accounted for over 45% of total annual outlays. Hong Kong, China also notified that no export subsidies were provided to agriculture sector during the review period.¹⁴

4.1.3 Rice

4.15. According to the authorities, the Rice Control Scheme (RCS) has remained unchanged since the previous Review. Rice continued to be classified as a staple food product and is scheduled as a reserved commodity under the Reserved Commodities Ordinance (Cap. 296).¹⁵ There is no rice production in Hong Kong, China and all rice for local consumption is imported. The RCS, as stipulated in the Ordinance, is to guarantee a stable supply of rice by retaining a reserve stock that would be sufficient for domestic consumption for a reasonable period to cater for emergencies or short-term shortage of supply.¹⁶ The stocks have not been released from the reserve since the previous Review.

4.16. As in the previous review period, the Director-General of Trade and Industry issues licences for the import and export of rice. In general, only business registered as stockholders of rice may import rice, and the registered stockholders are required to make an undertaking to import specific quantities on a quarterly basis. According to the authorities, by end-April 2023, there were 245 registered stockholders of rice.

⁸ AFCD, *Introduction to the Accredited Farm Scheme*. Viewed at: https://www.afcd.gov.hk/english/agriculture/agr_accfarm/agr_accfarm_intro/agr_accfarm_intro.html.

⁹ The VMO is a statutory authority that was first established on 3 September 1946 to provide a stable supply of vegetables to the public. VMO, *2020-2021 Annual Report*. Viewed at: https://www.vmo.org/uploads/pdf/20_21-Annual-Report.pdf.

¹⁰ Government of Hong Kong, China (2022), *Agriculture and Fisheries*. Viewed at: <https://www.gov.hk/en/about/abouthk/factsheets/docs/agriculture.pdf>.

¹¹ Government of Hong Kong, China (2022), *Agriculture and Fisheries*. Viewed at: <https://www.gov.hk/en/about/abouthk/factsheets/docs/agriculture.pdf>.

¹² AFCD, *SADF: Aim*. Viewed at: https://www.afcd.gov.hk/english/agriculture/sadf/sadf_aim.html.

¹³ WTO documents G/AG/N/HKG/44, 25 June 2018; G/AG/N/HKG/44 Corr.1, 25 June 2018; G/AG/N/HKG/46, 25 June 2019; G/AG/N/HKG/48, 17 June 2020; G/AG/N/HKG/50, 24 June 2021; G/AG/N/HKG/52, 21 June 2022; and G/AG/N/HKG/54, 30 May 2023.

¹⁴ WTO documents G/AG/N/HKG/43, 12 January 2018; G/AG/N/HKG/45, 22 January 2019; G/AG/N/HKG/47, 14 January 2020; G/AG/N/HKG/49, 21 January 2021; G/AG/N/HKG/51, 10 January 2022; and G/AG/N/HKG/53, 18 January 2023.

¹⁵ Reserved Commodities Ordinance (Cap. 296) of 1979. Viewed at: https://www.elegislation.gov.hk/hk/cap296?en?INDEX_CS=N.

¹⁶ Trade and Industry Department, *Import and Export of Goods: Rice*. Viewed at: https://www.tid.gov.hk/english/import_export/nontextiles/nt_rice/nt_rice.html; and https://www.tid.gov.hk/english/import_export/nontextiles/nt_rice/rice_maintain.html.

4.1.4 Fisheries

4.17. During the review period, the capture and aquaculture fisheries continued to mainly supply local consumers. In 2022, the fishing and aquaculture supplied 17% of Hong Kong, China's seafood consumption and pond fish farmers supplied roughly 5% of the freshwater fish consumed.¹⁷

4.18. Fishponds are located in the north-western part of Hong Kong, China and produce fish species such as carp, tilapia, grey mullet, jade perch, seabream, and spotted scat. In 2022, fishponds produced 2,073 tonnes of freshwater fish with a value of HKD 55 million. In addition, in 2022, marine fish culture production was 587 tonnes, valued at HKD 60 million.¹⁸ The most common cultured fish include green grouper, hybrid grouper, Russell's snapper, mangrove snapper, cobia, and pompano.

4.19. During the review period, the AFCD provided assistance to fishers such as infrastructure, technical advice, liaison services, and training. In addition, the AFCD provided several loans and grants, which were dispersed to fishers and fish farmers for production and sustainable development purposes. The loans and grants included the Fisheries Development Loan Fund (FDLF); Fish Marketing Organization Loan Fund (normal loan and fishing moratorium loan); Kadoorie Agriculture Aid Loan Fund; and the Sustainable Fisheries Development Fund (SFDF) (Table 4.2). Between 2018 and 2022, 2,015 loans and 24 grants with a value of HKD 577.4 million and HKD154.8 million, respectively, were issued by the authorities.

Table 4.2 AFCD loan programmes for fisheries, 2018-22

Loan fund	Loans issued	
	Number	Amount (HKD million)
FDLF	17	184.1
Fish Marketing Organization Loan Fund (normal loan)	2	1.4
Fish Marketing Organization Loan Fund (fishing moratorium loan)	1,976	388.8
Kadoorie Agriculture Aid Loan Fund	20	3.1
Total	2,015	577.4
Grant	Grants issued	
	Number	Amount (HKD million)
Sustainable Fisheries Development Fund (SFDF)	24	154.8

Source: AFCD. The number of loans issued includes only those with one-off disbursement or with first instalment of disbursement between 1 April 2018 and 31 March 2022.

4.20. The AFCD aims to encourage development of sustainable fisheries and designated 4 new Fish Culture Zones (FCZs) with a total domestic sea area of 590 ha (three times the total area of all the current FCZs). The AFCD requires operators to obtain licences if they wish to establish in the FCZs. The AFCD is planning to gazette the new FCZs in late 2023 and issue licences in the new FCZs in early 2024.

4.21. On 21 August 2023, Hong Kong, China deposited its instrument of acceptance of the Agreement on Fisheries Subsidies (Section 2.3.1). The Agreement of Fisheries Subsidies restricts illegal, unreported and unregulated fishing, bans support for fishing overfished stocks, and terminates subsidies for fishing on the unregulated high seas.

4.2 Mining and energy

4.22. In 2021, electricity, gas and water supply, and waste management accounted for around 1.3% of GDP (Table 1.1). Hong Kong, China produces limited amount of primary energy; between 2018 and 2022, it continued to be a net energy importer. The imports and exports for

¹⁷ Government of Hong Kong, China (2016), "Government Implements New Agriculture Policy", 14 January. Viewed at: <http://www.info.gov.hk/gia/general/201601/14/P201601140558.htm>.

¹⁸ Government of Hong Kong, China (2016), "Government Implements New Agriculture Policy", 14 January. Viewed at: <http://www.info.gov.hk/gia/general/201601/14/P201601140558.htm>.

primary energy requirements in Hong Kong, China in 2022 were 861,407 TJ and 3,308 TJ, respectively.¹⁹

4.2.1 Policy and regulatory developments

4.23. The legislation regulating market conditions in the energy sector has remained largely unchanged since the previous Review.²⁰ The Environment Bureau was renamed the Environment and Ecology Bureau after the government reorganization in 2022. According to the authorities, the Bureau monitors prices and the strategic reserves of energy and formulate policies and targets relating to the future fuel mix for electricity generation having regard to the energy policy and climate change objectives.

4.24. The authorities issued the ninth Technical Memorandums I in 2021 under the Air Pollution Control Ordinance (Cap. 311) to set the emission caps on three air pollutants (sulphur dioxide (SO₂), nitrogen oxides (Nox), and respirable suspended particulates (RSP)) for power plants for 2026 and beyond. Compared with the first TM, the emission allowances for power plants on SO₂, Nox, and RSP under the ninth TM have been reduced by about 89%, 74%, and 71%, respectively. According to the authorities, Hong Kong, China has achieved the emission targets for 2020 (reducing emissions of SO₂, Nox, and RSP by 55%, 20%, and 25%, respectively, compared with the 2010 levels).

4.25. The inter-departmental Steering Committee on Climate Change and Carbon Neutrality formulates the overall strategy and oversees the coordination of various actions, while the Council for Carbon Neutrality and Sustainable Development advises the Government on decarbonization strategies and promotes participation in deep decarbonization by different sectors of the community. Hong Kong, China has set a target to achieve carbon neutrality before 2050 and the interim decarbonization target to reduce its carbon emissions by 50% before 2035, as compared with the 2005 level. In October 2021, the Government launched the Climate Action Plan 2050, which lists four decarbonization strategies: net-zero electricity generation, energy saving and green buildings, green transport, and waste reduction.²¹

4.26. In 2015, Hong Kong, China announced an increase in the percentage of local gas-fired generation electricity to around 50% of the total fuel mix in 2020. In addition, the target for nuclear imports is 25% of the fuel mix, while the remaining demand for electricity would be met by coal-fired generation. According to the authorities, Hong Kong, China achieved the fuel mix targets set for 2020; gas-fired generation currently provides about half of Hong Kong, China's electricity as compared with about a quarter in 2015, while nuclear imports account for around a quarter of the fuel mix. The share of coal-fired generation has dropped to about a quarter, substantially lower than its share in 2015 (about 50%).

4.27. According to the authorities, the electricity market (electricity generation, transmission, and distribution) in Hong Kong, China is regulated by the Scheme of Control Agreements (SCAs) signed between the authorities and the two power companies, each composed of two companies: (i) CLP Power Hong Kong Ltd and Castle Peak Power Company Ltd (CLP); and (ii) the Hong Kong Electric Company Ltd and HK Electric Investments Ltd (HEC). All four are privately owned. The SCAs set out the rules and obligations that CLP and HEC must adhere to. The SCAs also set the amount of returns to shareholders and monitor CLP's and HEC's electricity-related financial affairs.

4.28. The price of electricity is also based on mutual agreements between the authorities and CLP and HEC under the SCAs, with the rate of the basic tariffs unchanged since the previous Review. The SCAs set the regulation of tariffs and permitted rates of return. Electricity companies do not have any exclusive rights. The current SCAs with CLP and HEC were signed on 25 April 2017 and took effect on 1 October 2018 for CLP and 1 January 2019 for HEC.

¹⁹ Census and Statistics Department. Hong Kong Energy Statistics Annual Report. Viewed at: <https://www.censtatd.gov.hk/en/wbr.html?ecode=B11000022022AN22&scode=90>.

²⁰ The Electricity Ordinance (Cap. 406) and the Gas Safety Ordinance (Cap. 51) regulate the supply of electricity and gas, the registration of generating facilities, contractors, and workers for electrical and gas installations, wiring and gas installation standards, and the distribution and use of electricity and gas.

²¹ Environment and Ecology Bureau (2021), *Hong Kong's Climate Action Plan 2050*. Viewed at: https://cnsd.gov.hk/wp-content/uploads/pdf/CAP2050_booklet_en.pdf.

4.29. CLP supplies electricity to Kowloon and New Territories, including several outlying islands. HEC supplies electricity to Hong Kong Island, Lamma Island, and Ap Lei Chau.

4.30. In Hong Kong, China, there are no restrictions on the import and distribution of refined oil products (e.g. petroleum, diesel, and liquefied petroleum gas (LPG)). LPG was used for household, commercial and industrial purposes in 2022.²² In addition, the majority of taxis use LPG and the remaining use petrol and electricity, while over 50% of public light buses use LPG as of March 2023.²³

4.31. Hong Kong, China imports and exports a limited amount of electricity through a grid connected with China. A total 558 million kWh (556 million kWh under Shekou Supply Contract and 2 million kWh under economy interchange) were exported to China in 2018, while no electricity was exported to China in 2022. According to the authorities, CLP and HEC import all of their natural gas through pipelines connected to China. CLP imports natural gas from two sources, one from gas fields in the South China Sea via a 780 km submarine pipeline, another from the Second West-East Natural Gas Pipeline through Shenzhen DaChan Island to its power stations for electricity generation. In addition, HEC supplies natural gas from the LNG terminal in Shenzhen (Dapeng Bay) through a 93 km submarine pipeline for electricity generation.

4.32. According to the authorities, since 2017 CLP and HEC have been jointly developing an offshore LNG terminal within Hong Kong, China waters with submarine pipelines connecting to the power plants at Black Point and Lamma. The LNG terminal is scheduled to commence operation at the end of 2023 and will provide an alternative gas supply source to meet the fuel supply needs of the two power companies. The intention is to enhance the diversity and security of Hong Kong, China's gas supply. Furthermore, the authorities envision that it will enable the power companies to have direct access to the international LNG market, thus strengthening their bargaining power in obtaining competitively priced gas. This may reduce the fuel costs of the power companies, ultimately benefiting consumers.

4.33. During the review period, Hong Kong, China implemented renewable energy policies to address the challenges posed by climate change. In 2018, the Feed-in Tariff (FIT) Scheme (implemented by SCAs with CLP and HEC) was developed to encourage private-sector investment in renewable energy.²⁴ In order to recover investment costs in renewable energy technology (such as wind and solar) by individuals, the scheme allows them to sell the renewable power they generated to power companies at a rate higher than the normal electricity tariff rate.²⁵ It is estimated that about 300 million kWh of electricity will be generated each year, which would be sufficient to meet the electricity demands of about 90,000 households.²⁶

4.3 Manufacturing

4.34. The GDP share of the manufacturing sector was stable during the review period, at 1.0% in 2021 (Table 1.1). Similarly, the employment share during the same period remained relatively stable, accounting for 2.1% of total employment in 2022 (Table 1.1). In 2021, 98.6% of enterprises in the manufacturing sector were small- and medium-sized enterprises (SMEs), employing less than 100 persons each. During the review period, Hong Kong, China did not implement any new regulations. In terms of policy, the authorities released the Hong Kong Innovation and Technology

²² Census and Statistics Department, *Hong Kong Energy Statistics Annual Report 2022*. Viewed at: <https://www.censtatd.gov.hk/en/wbr.html?ecode=B11000022022AN22&scode=90>.

²³ Transport Department, *Monthly Traffic and Transport Digest, March 2023*. Viewed at: https://www.td.gov.hk/en/transport_in_hong_kong/transport_figures/monthly_traffic_and_transport_digest/2023/202303/index.html.

²⁴ Government of Hong Kong, China, *Feed-in Tariff*. Viewed at: <https://www.gov.hk/en/residents/environment/sustainable/renewable/feedintariff.htm>.

²⁵ In 2022, the FIT rates were HKD 4 per unit for RE systems of generating capacity up to 10 kW; HKD 3 per unit for renewable energy systems of generating capacity above 10 kW and up to 200 kW; and HKD 2.5 per unit for renewable energy systems of generating capacity above 200 kW and up to 1 MW. The Government of the Hong Kong, China, *Feed-in Tariff*. Viewed at: <https://www.gov.hk/en/residents/environment/sustainable/renewable/feedintariff.htm>.

²⁶ Government of Hong Kong, China (2022), "Government Announces New Feed-in Tariff Rates and Introduces Facilitation Measures on Installation of Solar Photovoltaic Systems in Open Car Parks by Private Sector", 26 April. Viewed at: <https://www.info.gov.hk/gia/general/202204/26/P2022042600448.htm?fontSize=3>.

Development Blueprint in December 2022; the Government plans to focus on developing technology industries in which Hong Kong, China enjoys competitive advantages and are of strategic significance, including advanced manufacturing.

4.4 Services

4.35. The services sector is the main contributor of GDP and employment (Sections 1.1 and 1.2.1). Total trade in services amounted to HKD 1,143 billion (41% of GDP) in 2022. In 2021, the value of exports in commercial services was USD 77 billion (ranked 22nd among the leading exporters of commercial services).²⁷ Analyzed by service subsectors, transport was the largest component in exports of services followed by financial services. In the same year, imports of commercial services were valued at USD 62 billion and transport and manufacturing services were the main contributors to services imports.

4.36. Hong Kong, China's General Agreement on Trade in Services (GATS) commitments have not changed since the previous Review.²⁸ In terms of its FTA commitments regarding services, changes to existing FTAs included those with China and Chile (Table 2.2). During the review period, new agreements with services commitments entered into force, including an FTA with Georgia FTA (13 February 2019). Modifications compared with Hong Kong, China's GATS commitments have been made in sectors such as business services, communications services, distribution services, financial services, tourism and travel-related services, and transport services. In addition, the FTA with Australia, which entered into force on 17 January 2020, specified modifications compared with Hong Kong, China's GATS commitments were made on sectors such as professional services, transport services, financial services, telecommunication services, and various business services.²⁹ The FTA with ASEAN entered into force on 12 February 2021 and also included commitments on trade in services (Section 2.3.2.1).

4.4.1 Financial services

4.4.1.1 Overview

4.37. Hong Kong, China is one of the leading international financial centres³⁰; highlighting the importance of the sector for the economy. The share in GDP of the finance and insurance sector has risen to 21.3% in 2021, from 19.8% in 2018 (Table 1.1), reflecting both the strength of the sector and the fact that financial and insurance services were less impacted by the COVID-19 pandemic than were other sectors in the economy, such as transportation. In line with its growth, the financial and insurance services sector's contribution to total employment rose from 6.8% in 2018 to 7.4% in 2022.

4.38. The trade surplus of financial and insurance services grew during the review period. Net financial services exports (excluding insurance and pension services) at current market prices increased from HKD 125,478 million in 2018 to HKD 147,449 million in 2022. Exports of financial services in real terms also increased in 2020 mainly due to active cross-border financial and fundraising activities.³¹ By contrast, net exports of insurance and pension services at current market prices decreased during the same period. The total stock of outward direct investment by Hong Kong, China's enterprise groups (HKEGs) whose major economic activities are financial services (banking, insurance, and financing) increased from HKD 735.6 billion in 2018 to HKD 1,106.4 billion in 2021.

²⁷ WTO (2022), *World Trade Statistics Review 2022*. Viewed at: https://www.wto.org/english/res_e/booksp_e/wtsr_2022_e.pdf.

²⁸ WTO document WT/TPR/S/380/Rev.1, 30 January 2019.

²⁹ WTO document WT/REG400/N/1, 17 January 2020.

³⁰ Hong Kong Monetary Authority. Hong Kong as an International Financial Centred. Viewed at: <https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/hong-kong-as-an-international-financial-centre/>.

³¹ Government of Hong Kong, China (2021), *2020 Economic Background and 2021 Prospects*. Viewed at: https://www.hkeconomy.gov.hk/en/pdf/er_20q4.pdf.

4.4.1.2 Banking services

4.39. Despite the uncertain domestic macro-environment and instability in international financial markets, the banking services subsector maintained its resilience during the period under review.³² According to the authorities, in 2018, 186 banks were operating in Hong Kong, China, of which 42 were overseas-controlled banks and 135 were branches of overseas-incorporated banks (Box 4.1); in 2022, there were 182 banks, including 43 overseas-controlled banks and 129 branches of overseas-incorporated banks. The top three banks' assets as a share of the total assets of all commercial banks increased between 2018-22.

Box 4.1 Banking subsector

Number of banks and recent consolidations

Number of banks by type (2022): 155 licensed banks; 15 restricted licence banks; 12 deposit-taking companies; and 37 local representative offices of overseas banking institutions

The top three banks' assets as a share of the total assets of all commercial banks 2018-22

2018: 33%; 2019: 33%; 2020: 34%; 2021: 36%; 2022: 37%

Authorized institutions (AIs) total assets at end-2018 and end-2022

2018: HKD 24,043 billion (of which, overseas-controlled: HKD 7,595 billion; branches of foreign-overseas-incorporated: HKD 10,161 billion)

2022: HKD 27,029 billion (of which, overseas-controlled: HKD 9,395 billion; branches of foreign-overseas-incorporated: HKD 9,710 billion)

Lending activities (AI loans outstanding at end-2018 and end-2022)

2018: HKD 9,723 billion (of which domestic lending: 70%; overseas lending: 30%)

2022: HKD 10,571 billion (of which domestic lending: 73%; overseas lending: 27%)

AI investment in listed and unlisted shares at end-2018 and end-2022

2018: HKD 240 billion; 2022: HKD 510 billion

Source: Information provided by the authorities.

4.40. The Hong Kong Monetary Authority (HKMA) remains mainly responsible for the authorization, regulation, and supervision of banks.³³ As a supervisory authority, the HKMA aims to ensure that banks are resilient to shocks and able to recover their positions in response to crises, ultimately helping to prevent failures. The HKMA is also responsible for the authorization of licensed banks, restricted licence banks, and deposit-taking companies (collectively known as authorized institutions (AIs)).

4.41. During the review period, several regulations (including those relating to the identification of Systemically Important Banks and the Countercyclical Capital Buffer) were updated and enhanced. The Interest Rate Risk in the Banking Book (IRRBB) standard, part of the Basel Framework, was implemented in 2019 to ensure local banks are sufficiently resilient to adverse interest rate movements. The HKMA enhanced the supervision of AIs' credit and housing market risk

³² Hong Kong Monetary Authority (HKMA), *Annual Report 2022*. Viewed at: https://www.hkma.gov.hk/media/eng/publication-and-research/annual-report/2022/AR2022_E.pdf.

³³ HKMA, *Banking Regulatory and Supervisory Regime*. Viewed at: <https://www.hkma.gov.hk/eng/key-functions/banking/banking-regulatory-and-supervisory-regime/>.

management.³⁴ The HKMA also assisted AIs to further develop their operational and cyber resilience. A new Supervisory Policy Manual (SPM) module OR-2 on operational resilience and a revised version of the SPM module TM-G-2 on business continuity planning were published on 31 May 2022. Relatedly, the SPM Module OR-1 on operational risk management was revised in July 2022 to implement the corresponding updated Basel principles. The HKMA issued the "All banks go fintech" initiative in 2021 as part of its Fintech 2025 programme to promote the adoption of Fintech by AIs and encourage them to fully digitalize their operations.

4.42. In view of the rapid development of Buy Now, Pay Later (BNPL) products and associated concerns over impulsive borrowing and even over-borrowing by customers, the HKMA issued on 2 September 2022 regulatory guidance on enhancing consumer protection regarding these products. The measures include promoting responsible borrowing, disclosure of fees and charges, key facts statement, chargeback mechanism, and creditworthiness assessment. Banks were required to implement these measures not later than the end of 2022. In the same year, the HKMA also introduced an additional payment arrangement for property refinancing in collaboration with the banking industry. The additional arrangement, known formally as the Payment Arrangements for Property Transactions (PAPT), enables mortgage customers to transfer sizeable payments of funds required for a residential property transaction directly from bank to bank, as an alternative to the prevailing practice of routing such payments via law firms. The additional arrangement aims to facilitate the development of digital finance and better protect mortgage customers against any unforeseeable circumstances leading to their funds being frozen.

4.43. During the review period, the HKMA also worked with the Securities and Futures Commission (SFC) to put in place a regulatory framework for sustainable development of virtual assets and to provide guidance on distribution of insurance-linked securities and related products, streamlined the investment product selling process, and introduced a new regulatory regime on trust business.

4.44. The HKMA launched the Credit Reference Platform (CRP) in 2022. The industry associations then selected three credit reference agencies (CRAs) to provide consumer credit reference services under the Multiple Credit Reference Agencies Model.

4.45. According to the authorities, during the COVID-19 pandemic, some residents in Hong Kong, China faced difficulties in reactivating their dormant or suspended bank accounts in China because of their inability to visit the banks' branches in China in person due to the travel restrictions or expired travel documents. In 2022, the HKMA coordinated with the relevant banks and Chinese authorities and issued guidance to banks to facilitate reactivation of such accounts without the need for customers to go to China in person.

4.46. The anti-money laundering and counter-financing of terrorism (AML/CFT) risk assessment guidelines were revised on 30 September 2021³⁵, with the aim of strengthening the AML/CFT system by the introduction of the Fraud and Money Laundering Intelligence Taskforce, and the improvement of response to scams.

4.47. During the review period, the HKMA implemented the Basel large exposures framework and continued to implement other international supervisory standards, including the revised Basel capital standards on counterparty credit risk and banks' equity investments in funds and disclosure requirements associated with the regulatory capital standards. The HKMA is also taking steps to implement the Basel III final reform package (and associated disclosure requirements) on a date no earlier than 1 January 2024. The HKMA also continued to operationalize the resolution regime established under the Financial Institutions (Resolution) Ordinance. Two rules were made and five Code of Practice chapters were issued during the review period, setting out the resolution standards regarding loss-absorbing capacity (LAC)³⁶, operational continuity, early termination risk,

³⁴ IMF (2022), *Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/69. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2022/03/07/Peoples-Republic-of-China-Hong-Kong-Special-Administrative-Region-2022-Article-IV-513945>.

³⁵ SFC (2021), *Prevention of Money Laundering and Terrorist Financing Guideline Issued by the Securities and Futures Commission for Associated Entities*. Viewed at: https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/prevention-of-money-laundering-and-terrorist-fi/AML-Guideline-for-AEs_Eng_30-Sep-2021.pdf?rev=d29f4f8d2f10433e9ad44366f3cfd116.

³⁶ Loss-absorbing capacity is defined as when sufficient financial resources are required to absorb losses and to recapitalize a failing financial institution. HKMA, *Loss-absorbing Capacity*. Viewed at:

and liquidity and funding. Resolution planning has been advanced for the large locally incorporated banks in coordination with home and host authorities. In particular, the domestic systemically important banks have built up a new layer of LAC resources by further issuing capital and non-capital LAC debt instruments. In addition, the HKMA continued to participate in international and cross-border resolution cooperation, including through the Financial Stability Board, Executives' Meeting of East Asia-Pacific Central Banks, and crisis management groups for global banks.

4.4.1.3 Insurance services

4.48. Hong Kong, China's insurance penetration as a percentage of GDP and insurance density increased during the review period (Table 4.3). In 2022, the insurance penetration increased further as pandemic and travel restrictions eased and Chinese customers resumed business in Hong Kong, China.³⁷ In 2020, the insurance services sector employed 2% of the total employment (72 700 persons).³⁸ The insurance industry comprises the following groups life insurance underwriting; non-life insurance underwriting; and activities auxiliary to insurance and pension funding.

Table 4.3 Insurance penetration and density, 2018 and 21

	2018	2021
Insurance penetration (% of GDP)	18.1	20.2
Insurance density (USD/inhabitants)	8,853	10,060

Source: Information provided by the authorities.

4.49. According to the authorities, the life insurance premium volume to GDP increased from 16.2% to 18.1% in 2021. Similarly, the non-life insurance premium volume to GDP increased in the same period from 1.9% to 2.1%. In 2022 the subsector was composed of 164 insurance companies, slightly up from 161 in 2018 (Table 4.4).

Table 4.4 Insurance companies operating in Hong Kong, China, by type of activity, 2018 and 2022

(Number)

Type of insurance company	2018	2022
Direct life insurers	49	53
Incorporated inside Hong Kong, China	21	26
Incorporated outside Hong Kong, China	28	27
Non-life insurers	93	89
Incorporated inside Hong Kong, China	57	59
Incorporated outside Hong Kong, China	36	30
Composite	19	19
Incorporated inside Hong Kong, China	11	10
Incorporated outside Hong Kong, China	8	9
Special purpose	0	3
Total	161	164

Source: Information provided by the authorities.

4.50. Insurance industry assets increased between 2018 and 2022 due to further increases in business receipts and other income of the insurance industry (Table 4.5).³⁹

<https://www.hkma.gov.hk/eng/key-functions/banking/bank-resolution-regime/bank-resolution-standards/loss-absorbing-capacity/>.

³⁷ Insurance Business. Hong Kong insurance industry expected to rebound in 2023. Viewed at: <https://www.insurancebusinessmag.com/asia/news/breaking-news/hong-kong-insurance-industry-expected-to-rebound-in-2023-432053.aspx>.

³⁸ Census and Statistics Department. Hong Kong Monthly Digest of Statistics April 2022. Viewed at: https://www.censtatd.gov.hk/en/data/stat_report/product/FA100091/att/B72204FB2022XXXXB0100.pdf.

³⁹ Census and Statistics Department. Hong Kong Monthly Digest of Statistics April 2022. Viewed at: https://www.censtatd.gov.hk/en/data/stat_report/product/FA100091/att/B72204FB2022XXXXB0100.pdf.

Table 4.5 Insurance industry assets, 2018 and 2022

(HKD billion)

	2018	2022
Industry total assets	3,210.4	4,606.7
Life industry total assets	3,004.3	4,327.3
Non-life industry total assets	206.1	279.4

Source: Information provided by the authorities.

4.51. The Insurance Authority (IA) is the independent statutory regulator that issues licences to and supervises insurers and insurance intermediaries.⁴⁰ It also has regulatory powers in relation to licensing, inspection, investigation, and disciplinary sanctions. The authorities state that, between 2018 and 2022, there were changes in the regulatory regime of insurance services such as the introduction of regulatory initiatives to strengthen the regime and the adoption of new measures aimed at safeguarding the interest of insuring public.

4.52. The Insurance Ordinance (Cap. 41), which regulates the provision of insurance services, was amended a few times during the period under review.⁴¹ On 23 September 2019, the IA became the sole regulator to licence and supervise all insurance intermediaries in Hong Kong, China.⁴² It took over this task from the three Self-Regulatory Organizations, i.e. the Insurance Agents Registration Board, the Hong Kong Confederation of Insurance Brokers, and the Professional Insurance Brokers' Association.

4.53. Since 2018, there have also been revisions and updates to the prudential regulations. The IA issued a Guideline on Enterprise Risk Management on 5 July 2019 in accordance with Section 133 of the Insurance Ordinance (Cap. 41) to regulate and supervise the insurance industry for the protection of existing and potential policyholders.⁴³ The Guideline requires insurers to establish an enterprise risk management framework for solvency purposes to identify, measure, report, monitor, and manage the insurers' risk exposure. In addition, it requires insurers to provide Own Risk and Solvency Assessment Report to the IA. The IA further issued key observations from the first Own Risk and Solvency Assessment Report on 28 March 2022.

4.54. On 29 March 2021, amendments to the Insurance Ordinance (Cap. 41) on the group-wide supervision (GWS) framework became effective.⁴⁴ The GWS framework also includes the Guideline on Group Supervision⁴⁵, which spells out principles and standards for designated insurance holding companies on various areas including enterprise risk management, corporate governance, capital requirements, and public disclosure. The GWS framework aims at aligning the regulatory regime with the international standards and best practices, with a view to positioning Hong Kong, China as an attractive base for group headquarters and a fitting regional co-ordinator of relevant jurisdictions. On the same date, the bespoke regulatory regime for special purpose insurers became effective; this aims to facilitate insurance-linked securities (ILS) issuance in Hong Kong, China. The Government launched a two-year pilot ILS grant scheme in 2021, which was extended for another two years from 2023.⁴⁶

⁴⁰ IA, *Statutory Functions*. Viewed at: https://www.ia.org.hk/en/aboutus/role/statutory_functions.html.

⁴¹ Insurance Ordinance (Cap 41). Viewed at: <https://www.elegislation.gov.hk/hk/cap41>.

⁴² IA, *History*. Viewed at: <https://www.ia.org.hk/en/aboutus/role/history.html>.

⁴³ IA, *Guideline on Enterprise Risk Management*. Viewed at: https://www.ia.org.hk/en/legislative_framework/files/GL21.pdf.

⁴⁴ IA (2021), "Commencement of the Group-wide Supervision Framework and Regulatory Regime of Insurance-linked Securities Business", 29 March. Viewed at: https://www.ia.org.hk/en/infocenter/press_releases/20210329.html.

⁴⁵ IA, GL32: Guideline on Group Supervision. Viewed at: https://www.ia.org.hk/en/legislative_framework/guidelines.php.

⁴⁶ IA, *Insurance-linked Securities ("ILS")*. Viewed at: https://www.ia.org.hk/en/reinsurance_specialty/ILS_HK.html; IA, Letter dated 3 May 2021 regarding Pilot Insurance-linked Securities Grant Scheme. Viewed at: https://www.ia.org.hk/en/reinsurance_specialty/files/Pilot_ILS_Grant_Scheme.pdf; and IA (2023), "Insurance Authority Welcomes Initiatives Announced in the 2023-24 Budget", 22 February. Viewed at: https://www.ia.org.hk/en/infocenter/press_releases/20230222.html.

4.55. The Guideline on Cybersecurity (GL20)⁴⁷ was issued on 28 June 2019 to set the minimum standard that insurers are expected to implement for cybersecurity in accordance to Section 133(1) of the Insurance Ordinance. In addition, the Guideline also sets out the principles that the IA applies in assessing the effectiveness of an insurer's cybersecurity framework.

4.56. With the aim of ensuring transparency of authorization application process as stipulated in Section 133 of the Insurance Ordinance (Cap. 41), the IA published, on 30 June 2022, the revised Guideline on Application for Authorization to Carry on Insurance Business in or from Hong Kong, China.⁴⁸ The Guideline lists the procedures, requirements, and key documents required by the IA in order to assess an application for authorization.

4.57. The IA formalized the process for the assessment on investment-linked assurance schemes (ILAS) by issuing a note on 28 December 2021 in respect of the Guideline on Underwriting Class C Business (GL15).⁴⁹ Authorized insurers underwriting Class C business are required to comply with the requirements under GL15; authorization by the SFC pursuant to the Securities and Futures Ordinance (CAP. 571) must be obtained when marketed to the public unless an exemption applies.⁵⁰

4.58. During the review period, the IA also developed several guidelines to encourage best industry practices for consumer protection in the insurance subsector.⁵¹

4.4.1.4 Securities

4.59. Hong Kong, China is one of the major regional hubs for securities and stock market services. During the review period, the subsectors grew, as the capitalization of listed companies increased significantly (HKD 35,667 billion at the end of 2022) (Box 4.2).

Box 4.2 Stock exchange and securities subsector, 2018, 2021, and 2022

Capitalization of the companies listed

2018: Total market cap. HKD 29,909 billion (10.5 times the 2018 nominal GDP)

2021: Total market cap. HKD 42,381 billion (14.8 times the 2021 nominal GDP)

2022: Total market cap. HKD 35,667 billion (12.7 times the 2022 nominal GDP)

Average daily stock market total turnover to GDP (%)

2018: 3.8% (HKD 107.4 billion) to 2018 nominal GDP

2021: 5.8% (HKD 166.7 billion) to 2021 nominal GDP

2022: 4.4% (HKD 124.9 billion) to 2022 nominal GDP

⁴⁷ IA, GL20: Guideline on Cybersecurity. Viewed at: https://www.ia.org.hk/en/legislative_framework/files/GL20.pdf; and IA, Letter dated 28 June 2019 regarding GL20: Guideline on Cybersecurity". Viewed at: https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Not_signed_GL20_Circular_to_all_authorized_insurers.pdf.

⁴⁸ IA, Letter of 30 June 2022 regarding GL5: Guideline on Application for Authorization to Carry on Insurance Business in or from Hong Kong and GL1: Authorization Guideline. Viewed at: https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular.GL5.30.6.2022.pdf.

⁴⁹ IA, GL15: Guideline on Underwriting Class C Business. Viewed at: https://www.ia.org.hk/en/legislative_framework/files/GL15.pdf.

⁵⁰ IA (2021), "Insurance Authority Formalises the Green Light Process for Assessment of Investment-Linked Assurance Scheme (ILAS) Products and Ushers in Protection Linked Plans", 28 December. Viewed at: https://www.ia.org.hk/en/infocenter/press_releases/20211228.html.

⁵¹ The following guidelines were adopted for consumer protection during the period under review: Guideline on Underwriting Class C Business (GL15); Guideline on Underwriting Long Term Insurance Business (other than Class C Business) (GL16); Guideline on Offering of Gifts (GL25); Guideline on Sale of Investment-Linked Assurance Scheme Products (GL26); Guideline on Long Term Insurance Policy Replacement (GL27); Guideline on Benefit Illustrations for Long Term Insurance Policies (GL28); Guideline on Cooling-off Period (GL29); Guideline on Financial Needs Analysis (GL30); and Guideline on Medical Insurance Business (GL31). IA, *Regulations and Industry Practices Associated with the Sale of Insurance Policies*. Viewed at: https://www.ia.org.hk/en/consumer/industry_practices_associated_with_the_sale_of_insurance_policies.html.

Securities turnover on the stock exchange (secondary market, December 2022)

80.1% of equities; 3.9% of derivative warrants; 4.8% of Callable Bull / Bear Contracts (CBCBs) and 11.0% of Unit Trusts (include ETFs)

Source: Information provided by the authorities.

4.60. The SFC is the regulatory agency responsible for the securities and futures markets. The Securities and Futures Ordinance (Cap. 571) (SFO) sets out the SFC's responsibilities and provides the legal basis for the SFC's regulatory responsibilities. The main objective of the SFC is to maintain and promote a fair and competitive securities and futures industry.⁵² The regulatory framework of the securities market remained largely unchanged during the review period.

4.61. The enhanced entry requirements for licence applicants and the ongoing competency standards for intermediaries and individual licensees took effect on 1 January 2022, under which the competency framework was brought up to date in view of the changing regulatory landscape, evolving financial markets, and the development of new financial products. The proposed enhancements have been reflected in the revised Guidelines on Competence⁵³ and Guidelines on Continuous Professional Training.⁵⁴

4.62. The SFC introduced the Type 13 regulated activity (RA 13), a new regime to regulate depositaries (i.e. top-level trustees and custodians) of SFC-authorized collective investment schemes, which will come into effect on 2 October 2024. The RA 13 regime is intended to enhance the regulation of public funds and is part of the strategy to reinforce Hong Kong, China as an international, full-service asset management centre.

4.63. The SFC actively engages with representatives of the private equity (PE) industry to understand their views on the regulatory framework for PE firms and provide them with guidelines on how the regulatory requirements are applied. For instance, a circular was issued on 7 January 2020⁵⁵ to provide general guidance for PE firms seeking to be licensed by the SFC to carry on a business of regulated activities in Hong Kong, China under Part V of the SFO. Quick reference guides for family offices⁵⁶ and PE firms⁵⁷ were published by the SFC on 22 March 2023 to facilitate the industry's understanding of the licensing requirements.

4.64. The SFC also issued the Guidelines for Securities Margin Financing (SMF) Activities on 4 October 2019. The guidelines provide guidance on risk management standards expected of SMF brokers conducting securities margin financing activities.⁵⁸ The authorities consider that the control measures listed in the guidelines are the minimum standards expected of SMF brokers. The guidelines set out the qualitative requirements and quantitative benchmarks for margin lending policies and key risk controls.

⁵² SFC, *Regulatory Objectives*. Viewed at: <https://www.sfc.hk/en/About-the-SFC/Our-role/Regulatory-objectives>.

⁵³ SFC (2022), *Guidelines on Competence*. Viewed at: <https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/guidelines-on-competence/Guidelines-on-Competence.pdf?rev=17109ba82b614119a9c463d08e6e344f>.

⁵⁴ SFC (2022), *Guidelines on Continuous Professional Training*. Viewed at: <https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/guidelines-on-continuous-professional-training/Guidelines-on-Continuous-Professional-Training.pdf?rev=50728987dec448b0a2ae9e9e7f658354>.

⁵⁵ SFC, *Circular to Private Equity Firms Seeking to Be Licensed*. Viewed at: <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/intermediaries/licensing/doc?refNo=20EC2>.

⁵⁶ SFC, *Quick Reference Guide to Licensing Requirements – Family Offices*. Viewed at: <https://www.sfc.hk/en/Regulatory-functions/Intermediaries/Licensing/Quick-licensing-guide/Family-Offices>.

⁵⁷ SFC, *Quick Reference Guide to Licensing Requirements – Private Equity Firms*. Viewed at: <https://www.sfc.hk/en/Regulatory-functions/Intermediaries/Licensing/Quick-licensing-guide/Private-Equity-Firms>.

⁵⁸ SFC, *Guidelines for Securities Margin Financing Activities*. Viewed at: <https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/guidelines-for-securities-margin-financing-activities/guidelines-for-securities-margin-financing-activities.pdf?rev=753d9c64cd484a308ee11dedbc046df5>.

4.4.1.5 Mutual funds and asset management

4.65. The number of unit trusts and mutual funds authorized for offer to the public of Hong Kong, China increased from 2,195 as at 31 December 2018 to 2,324 as at 31 December 2022. The total net asset value of these authorized unit trusts and mutual funds increased from USD 1,432,547 as at 31 December 2018 to USD 1,581,542 as at 31 December 2022.

4.66. The SFC's prior authorization is required for unit trusts and mutual funds to be offered to the public of Hong Kong, China. The SFC issued a circular⁵⁹ on managing the liquidity risk of funds on 23 August 2019, which reminds fund managers to implement robust risk management systems and establish well-documented liquidity risk management policies and procedures for the funds they manage. Accordingly, the SFC authorized funds are required to perform ongoing liquidity risk assessment to assess the liquidity profile of their liabilities and assets. In addition, the SFC conducts *ad hoc* enquiries on specific fund managers for more granular data in response to latest market development for supervisory and monitoring purpose. In view of the international regulatory development, starting from 2022, the SFC has expanded the data collection framework to collect more granular data (e.g. detailed breakdown of liquidity profile, credit ratings, currency exposure) from fund managers for supervisory and monitoring purpose.

4.67. According to the authorities, changes in the Mandatory Provident Fund (MPF) sector since the previous Review include enactment of certain provisions of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2021 on 29 October 2021 to provide for the implementation of the eMPF Platform to enhance operational efficiency and reduce administration cost, and enactment of the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 to abolish the use of accrued benefits of employers' mandatory contributions under the MPF System to offset severance payment and long service payment, which is to come into effect on 1 May 2025.

4.4.1.6 Financial technology (Fintech)

4.68. Hong Kong, China aims to foster innovation in Fintech and e-payments, and the SFC has continued to adopt its regulatory approach to support enterprises and innovation while maintaining financial soundness. In 2022, Hong Kong, China had 800 Fintech companies and start-ups, including 8 virtual banks, 4 virtual insurers, and 2 licensed virtual asset trading platforms (VATPs).

4.69. A Fintech Advisory Group was formed by the SFC with the aim of providing information on the latest trends; collecting stakeholders' input on specific themes; identify the opportunities, risks, and regulatory parameters implications; and broaden the understanding of Fintech as an evolution of the financial services industry.

4.70. The SFC introduced the first Fintech Regulatory Sandbox in 2018. The Sandbox is available to both licensed corporations and start-up firms that intend to carry on a regulated activity under the SFO. The qualified firm must be fit and proper, utilize innovative technologies, and be able to demonstrate commitment to carry on regulated activities through the use of Fintech. The establishment of these firms is intended to increase the range and quality of products and services for investors and benefit the financial services industry.

4.71. In October 2022, a Policy Statement on Development of Virtual Assets (VA) was issued, setting out the vision and policy direction of the Government with a view to facilitating the sustainable and responsible development of VA sector.

4.72. The Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill was adopted in December 2022; it introduced a licensing regime for VA service providers. The licensing regime has been operational since June 2023. Under the new regime, all centralized VATPs carrying on business in Hong Kong, China or actively marketing to Hong Kong, China investors must be licensed by the SFC. According to the authorities, the new regulatory framework allows licensed VATPs to serve retail investors on compliance with a range of investor protection measures including ensuring suitability in the onboarding process, good governance, enhanced token due diligence, admission

⁵⁹ SFC, *Circular to Licensed Corporations Managing the Liquidity Risk of Funds*. Viewed at: <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/intermediaries/supervision/doc?refNo=19EC54>.

criteria, and disclosures. The regulatory framework is intended to provide clarity and consistency to the market, with the aim to foster innovation, market development, and investor protection.

4.4.2 Telecommunications services

4.4.2.1 Overview

4.73. Information and communication services contributed 3.6% to GDP in 2021 (Table 1.1). Hong Kong, China continues to have high mobile and broadband penetration rates (Table 4.6). The gross output of the telecom industry increased during the review period and stood at HKD 108 billion in 2021, up from HKD 96 billion in 2018. Exports and imports in the sector also saw an increase during the same period.

Table 4.6 Main economic indicators of the telecommunications sector, 2018-22

	2018	2019	2020	2021	2022
Gross output of the telecom industry (HKD billion)	96	102	104	108	..
Employment	20,000	20,100	20,100	19,500	18,600
Exports (HKD million)	14,827	15,756	17,708	20,364	..
Imports (HKD million)	9,312	9,802	10,288	11,886	..
Penetration rates (as of July 2022)					
Total telephone subscribers (per 100 inhabitants)	..	..	..	..	366.8
Total mobile customers	..	..	..	..	23,439,175
Total telephone lines	..	..	..	..	3,750,968 (reflecting sum of exchange lines and non-exchange lines)
Fixed telephone subscribers (per 100 inhabitants)	..	..	..	..	51.4
Mobile phone subscribers (per 100 inhabitants)	..	..	..	..	315.4
Fixed (wired)-broadband subscriptions (per 100 inhabitants):	..	..	..	..	40.5
Mobile broadband subscriptions (per 100 inhabitants)	..	..	..	..	314.7
Internet users (per 100 inhabitants)	90.5%	91.7%	92.4%	93.1%	..
Broadband Internet subscribers (per 100 inhabitants)	..	..	..	..	355.2, of which 40.5 is fixed (wired)-broadband subscriptions per 100 inhabitants and 314.7 is mobile broadband subscriptions per 100 inhabitants. ^a

.. Not available.

a "Fixed (wired)-broadband subscriptions" refers to the sum of cable modem, digital subscriber line (DSL), and fibre-to-the-home/building broadband Internet subscriptions to the public Internet, and "wireless-broadband subscriptions" refers to the sum of terrestrial fixed wireless-broadband and active mobile-broadband subscriptions to the public Internet.

Source: Information provided by the authorities; and ITU, *Statistics*, Viewed at: <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>.

4.74. As at 31 October 2022, the sector comprises 584 licensees authorized to provide value-added telecom services. In addition, the sector had 27 carrier licensees authorized to provide local-fixed telecommunications services, and 40 carrier licensees authorized to provide external

fixed-telecommunications services. In terms of Internet services, as of 30 September 2022, there were 301 authorized facility-based and service-based telecommunications service providers. Average telecommunications prices in Hong Kong, China continue to be substantially lower than the world averages (Table 4.7).

Table 4.7 Average telecom prices, 2022

Type of telecom service	% of gross national income per capita	Comparable statistics for world average
Data-only mobile broadband prices (2 GB)	0.13	1.25
Mobile data and voice low-consumption prices (70 mins + 20 SMS + 500 MB)	0.18	2.02
Mobile data and voice high-consumption prices (140 mins + 70 SMS + 2 GB)	0.26	2.86
Mobile-cellular low-usage prices (70 mins + 20SMS)	0.05	1.06
Fixed-broadband prices (5 GB)	0.53	2.98

Source: ITU, *ICT Statistics Digital Development Dashboard Price Baskets*. Viewed at: <https://www.itu.int/en/ITU-D/Statistics/Pages/ICTprices/default.aspx>.

4.75. The authorities do not maintain a list or statistics regarding overseas ownership of telecommunications licences and are not in the position to give information on individual firms. There is no direct government ownership in the telecommunications sector and there are no restrictions of overseas ownership (Section 2.4.3).

4.76. During the review period, especially in 2020 fuelled by the COVID-19 pandemic, there was an increase in the growth of e-commerce as consumer behaviour shifted with the use of the Internet for commercial purposes.⁶⁰ In 2020, business receipts from Internet sales amounted to HKD 563.6 billion (increased by 14.6% in 2018).⁶¹

4.4.2.2 Policy and regulatory developments

4.77. The Communications Authority (CA)⁶² and the Office of the Communications Authority (OFCA)⁶³, the CA's executive arm, continue to oversee the telecommunications sector. The trade regulatory regime of telecommunications services has remained largely unchanged since the previous Review.

4.78. On 24 June 2021, the authorities adopted the Telecommunications (Amendment) Ordinance 2021⁶⁴ (the Amendment Ordinance), which came into operation on 24 June 2022. The Ordinance includes the following major measures: stipulating the powers of the CA on regulating the telecommunications functions of smart devices; strengthening the protection of underground telecommunications infrastructure; simplifying the licensing framework to facilitate the introduction of innovative services by the industry; and improving the appeal mechanism by expanding the functions and powers of the previous Telecommunications (Competition Provisions) Appeal Board, which has been renamed as the Telecommunications Appeal Board (TAB).

4.79. According to the authorities, since 2021 the TAB has been delegated to review existing decisions of the CA in relation to exploitative conduct engaged by licensee under Section 7Q of the Telecommunications Ordinance (Cap. 106)⁶⁵; the TAB is mandated to oversee certain regulatory

⁶⁰ Research Office, Legislative Council Secretariat, *Information Technology and Broadcasting. E-commerce in Hong Kong*. Viewed at: <https://www.legco.gov.hk/research-publications/english/1920issh34-e-commerce-in-hong-kong-20200708-e.pdf>.

⁶¹ C&SD, *Report on the Survey on Information Technology Usage and Penetration in the Business Sector*, various editions 2019 and 2021. Viewed at: <https://www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1110005&score=590>.

⁶² CA. Viewed at: <https://www.coms-auth.hk/en/home/index.html>.

⁶³ OFCA, *Roles & Functions*. Viewed at: https://www.ofca.gov.hk/en/about_us/roles_and_functions/index.html.

⁶⁴ Telecommunications (Amendment) Ordinance 2021 (Ord. No. 38). Viewed at: <https://www.elegislation.gov.hk/hk/2021/38!en>.

⁶⁵ Telecommunications (Amendment) Ordinance 2021 (Ord. No. 38). Viewed at: <https://www.elegislation.gov.hk/hk/2021/38!en>.

decisions of the CA under the Telecommunications Ordinance. In addition, if licensees object to certain regulatory decision of the CA, they are entitled to lodge an appeal with the TAB.

4.80. Under the Telecommunications (Registration of SIM Cards) Regulation, users should complete real-name registration for their SIM cards issued and used in Hong Kong, China with their telecommunications service providers from 24 February 2023 onwards. The registration requirement aims to enhance the integrity of the telecommunications regime in Hong Kong, China and minimize illegal activities involving anonymous SIM cards.

4.81. The authorities introduced a subsidy scheme in 2018 to encourage telecommunications companies to extend fibre-based networks to villages in remote areas to meet the demand for high-speed broadband services.⁶⁶ The authorities also implemented the Subsidy Scheme for Encouraging Early Deployment of 5G in May 2020, to encourage timely adoption of 5G technology in certain sectors to encourage innovation and improve efficiency of operations and quality of services.⁶⁷

4.82. Hong Kong, China's GATS commitments have remained unchanged since the previous Review. Three FTAs and one subsidiary agreement under the CEPA with China that entered into force contain provisions regarding telecommunications (Box 4.3).

Box 4.3 Bound trade regimes of the telecommunications sector

FTA commitments

Hong Kong, China – Georgia FTA (entered into force on 13 February 2019)

Local services: In addition to GATS commitments, two more subsectors were liberalized: telex services and telegraph services.

Market access: Modes 1 and 2: same commitments as GATS; Mode 3: none; Mode 4: commitment on business visitors, in addition to GATS commitments.

National treatment: same commitments as GATS.

International services:

Market access: Modes 1, 2, and 3: same commitments as GATS; Mode 4: commitment on business visitors, in addition to GATS commitments.

National treatment: same commitments as GATS.

Value-added services:

Market access: Mode 1: none; Modes 2 and 3: same commitments as GATS; Mode 4: commitment on business visitors, in addition to GATS commitments.

National treatment: Modes 1 and 2: none; Modes 3 and 4: same commitments as GATS.

CEPA with China (entered into force on 29 June 2003; its subsidiary agreement, the Agreement on Trade in Services, entered into force on 27 November 2015; and the Agreement concerning Amendment to the Agreement on Trade in Services of CEPA, entered into force on 21 November 2019).

Paragraph 2 of Article 3 of the Agreement on Trade in Services stipulates that Hong Kong, China will not impose any new discriminatory measures on China's services and service suppliers in the areas where China has undertaken specific commitments on the liberalization of trade in services for Hong Kong, China. The two sides will formulate further liberalization of trade in services of Hong Kong, China for China's services and service suppliers. The Agreement concerning Amendment to the Agreement on Trade in Services of CEPA does

⁶⁶ OFCA, *Subsidy Scheme to Extend Fibre-based Networks to Villages in Remote Areas*. Viewed at: https://www.ofca.gov.hk/en/industry_focus/infrastructures/subsidy_scheme_to_extend_fibre_based_networks/index.html.

⁶⁷ OFCA, *Subsidy Scheme for Encouraging Early Deployment of 5G*. Viewed at: https://www.ofca.gov.hk/en/industry_focus/industry_focus/5g_subsidy/index.html.

not amend the aforementioned provision of the Agreement on Trade in Services and such provision is still valid and shall continue to be implemented.

Hong Kong, China – Australia FTA (entered into force on 17 January 2020)

Full liberalization except for the following reservations:

- no reservation for existing non-conforming measures on telecommunications services; this regime is applied to all.
- Hong Kong, China reserves the right to adopt or maintain any non-conforming measures to the obligations of market access such that commitments made by Hong Kong, China shall not prevent it from adopting or maintaining non-discriminatory measures that restrict or require specific types of legal entity through which a service supplier may supply a service, to achieve a legitimate policy objective (Schedule to Annex II).

The agreement also included a set of regulatory principles that enhance transparency in licensing process, safeguard the access to and use of public telecommunications services/facilities, ensure the independence and impartiality of telecommunications regulatory bodies, and prevent anti-competitive practices.

Hong Kong, China – ASEAN FTA (entered into force in full on 12 February 2021)

This FTA has been covered by the previous Review (WTO document WT/TPR/S/380/Rev.1, Box 4.2). Information therein remains valid.

Source: Compiled by the WTO Secretariat based on information provided by the authorities and WTO RTA database.

4.4.3 Transport

4.4.3.1 Maritime transport

4.83. Hong Kong, China continues to be one of major global maritime hubs. In 2021, the Port of Hong Kong, China handled around 18 million twenty-foot equivalent units (TEUs) of containers. In the same year, the port and maritime sector directly contributed 4.1% to GDP and 2.1% to total employment. Hong Kong, China had 2,661 merchant vessels of over 100 Gross Tonnage (GT), representing 207.8 million Deadweight Tonnage (DWT) or 9.5% of the world fleet as at 1 January 2022.

4.84. The Marine Department is responsible for port administration and long-term strategic planning for port facilities and the provision of necessary supporting infrastructure including ferry terminals. The Department is also responsible for ensuring compliance with safety and environmental standards. Hong Kong, China's port facilities are owned and operated by the private sector. With a view to ensure Hong Kong, China's position as an international shipping centre, the authorities intend to continue their promotional efforts and introduce measures to attract more high value-added maritime enterprises to establish presence. The authorities plan to formulate an action plan to promote high value-added modern logistics development to reinforce intermodal transport, and to encourage a wider application of smart logistics solutions by the logistics trade to enhance competitiveness through technology.

4.85. As an Associate Member of the International Maritime Organization (IMO), Hong Kong, China has from time to time incorporated the latest requirements of the IMO into local legislation. To implement the relevant technical and operational requirements of the International Convention for the Safety of Life at Sea for ships operating in polar waters, Hong Kong, China enacted two new pieces of subsidiary legislation in 2019 under the Merchant Shipping (Safety) Ordinance (Cap. 369) and the Merchant Shipping (Seafarers) Ordinance (Cap. 478). In 2020, new subsidiary legislation was made under the Merchant Shipping (Prevention and Control of Pollution) Ordinance (Cap. 413) to implement the International Convention for the Control and Management of Ships' Ballast Water and Sediments.

4.86. Hong Kong, China does not apply any specific restrictions to market access or national treatment on the exercise of maritime activities onshore from overseas. There are no restrictions on

inbound direct investment in port facilities or maritime services, exceptions to national treatment, market access restrictions for multimodal transport operators, general and bulk shipping lines, shippers, and intermediaries, to rent or lease trucks, railway carriages, or barges and related equipment for inland forwarding of cargo. Hong Kong, China's GATS commitments on maritime transport services have not changed since the previous Review.

4.87. Vessels used solely within domestic waters are required to be licensed by the Marine Department in accordance with the Merchant Shipping (Local Vessels) Ordinance (Cap. 548). This does not entail a flag obligation; labour legislation of Hong Kong, China must be abided by aboard those ships.

4.88. Conditions to fly the Hong Kong, China flag are that a majority interest in the ship is owned by citizens of Hong Kong, China, or a locally incorporated company, or a non-Hong Kong, China company registered in Hong Kong, China, or the ship is on charter to such a company. A representative person, either the owner or a locally incorporated ship management company, needs to be appointed in relation to the ship.

4.89. There are no restrictions on the nationality of seafarers working on board Hong Kong, China-registered ships provided their competency complies with the requirements of the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers. The Hong Kong, China flag does not give access to any specific subsidies nor to any specific cargoes (e.g. government cargo, food aid, or specific import or export cargo).

4.90. The authorities confirm that Hong Kong, China does not provide any support measures (e.g. subsidies, tonnage tax, or second register) to the maritime transport sector. Income derived from the international operation of Hong Kong, China registered ships is exempted from profit tax.

4.91. Hong Kong, China has no bilateral or plurilateral agreements entailing cargo-sharing or preferential establishment onshore.

4.4.4 Tourism

4.92. The Tourism Commission is responsible for formulating and coordinating tourism development policy and strategy. The Tourism Commission works closely with the Hong Kong Tourism Board (HKTB), established under the Hong Kong Tourism Board Ordinance (Cap. 302), and other relevant organizations. The HKTB is responsible for marketing and promoting Hong Kong, China as a global tourist destination. It makes recommendations to the Government concerning tourism-related policies, and it maintains a hotel classification system, which gives a composite score to a hotel.⁶⁸

4.93. On 1 September 2022, in accordance with the Travel Industry Ordinance (Cap. 634) and related regulations, the Travel Industry Authority (TIA), a statutory body established in January 2020, took over the licensing and trade regulatory functions from the Travel Agents Registry and the Travel Industry Council of Hong Kong, respectively. The TIA is responsible for the licensing and regulation of travel agents, tourist guides, and tour escorts. The TIA is also responsible for the administration of the Travel Industry Compensation Fund, which provides payments for outward travellers that suffer from the closure of licensed travel agents or accidents during outward travel activities.

4.94. Visitor arrivals to Hong Kong, China declined from 55,912,600 persons in 2019 to 3,568,900 persons in 2020; visitor arrivals were 91,400 persons in 2021 and 604,600 persons in 2022. Visitor arrivals in April 2023 were provisionally recorded at 2.89 million persons; the daily average figure for April was equivalent to about 58% of that before the pandemic (2017-19 average).⁶⁹

4.95. Facing the decline in visitors, the HKTB gave substantial resources to promoting local tourism and boosting consumption, such as the launch of various campaigns to increase business opportunities for travel agents and practitioners, and the dining, retail, hotel, and other

⁶⁸ WTO document WT/TPR/S/241/Rev.1, 25 January 2011.

⁶⁹ Hong Kong Tourism Board (2023), "HKTB Announces Provisional Visitor Arrivals for April", 15 May. Viewed at: https://partnet.hktb.com/en/industry_news/hktb_updates/index.html?id=5607.

tourism-related sectors. During the pandemic, the Government provided travel agents and practitioners of the tourism industry with various schemes and arrangements to prepare for the anticipated restart of tourism activities when the pandemic is over. Such support measures included the Green Lifestyle Local Tour Incentive Scheme, the Cultural and Heritage Sites Local Tour Incentive Scheme, and the Travel Agents Incentive Scheme. The authorities consider that these measures support trade in tourism to resume in a gradual manner.

4.96. In February 2023, upon resumption of quarantine-free travel, the Government launched a large-scale global promotional campaign ("Hello Hong Kong"). The HKTb adopted a series of promotional activities to aim at a speedy recovery of the tourism industry, which included issuing new video clips featuring travel experiences, offering a series of rewards to visitors in collaboration with local commercial outlets, arranging familiarization visits by trade and media representatives as well as key opinion leaders from overseas, and arranging trade representatives to participate in industry events on tourism trade and Meetings, Incentive Travels, Conventions and Exhibitions trade shows in global markets to explore business opportunities. The HKTb has also resumed staging large-scale events to enhance the tourism appeal of Hong Kong, China.

5 APPENDIX TABLES

Table A1.1 Merchandise imports by HS section and major HS chapter/heading, 2018-22

HS section/chapter/heading	2018	2019	2020	2021	2022
Total imports (USD billion)	627.3	578.6	573.1	713.2	668.5
	(% of total imports)				
01 Live animals and products	2.1	2.1	1.9	1.5	1.3
02 Vegetable products	1.1	1.1	1.1	1.0	0.9
03 Fats and oils	0.0	0.0	0.0	0.0	0.0
04 Prepared food, beverages and tobacco	1.6	1.5	1.4	1.3	1.3
05 Mineral products	2.6	2.6	1.7	1.7	2.3
27 Mineral fuels and oils	2.5	2.5	1.5	1.6	2.2
06 Chemicals and products thereof	2.3	2.3	2.9	2.5	2.5
07 Plastics and rubber	1.7	1.5	1.4	1.3	1.0
08 Raw hides and skins; leather, furskins and articles thereof	1.1	1.1	0.8	0.7	0.6
09 Wood, cork, straw	0.1	0.1	0.1	0.1	0.1
10 Pulp of wood; paper and paperboard	0.5	0.5	0.4	0.4	0.3
11 Textiles and textile articles	3.0	2.8	2.1	1.8	1.5
12 Footwear, headgear, etc.	0.6	0.7	0.4	0.4	0.4
13 Articles of stone, plaster, cement	0.4	0.5	0.6	0.4	0.3
14 Precious stones and metals	10.4	9.4	9.6	10.8	12.7
7102 Diamonds, not mounted or set	3.3	3.1	2.0	2.2	2.3
7108 Gold, unwrought or in semi-manufactured forms, or in powder form	3.8	2.4	3.3	4.1	5.7
7113 Articles of jewellery and parts thereof, of precious metal	2.1	2.4	2.0	2.5	2.8
15 Base metals and articles thereof	1.3	1.3	1.1	1.4	1.3
16 Machinery, electrical equipment	64.0	64.6	67.8	68.1	67.4
84 Machinery and mechanical appliances, parts thereof	11.7	11.5	11.7	11.6	11.2
8471 Automatic data processing machines (..)	3.9	3.5	3.6	3.8	3.6
8473 Parts automatic data processing machines, etc. (..)	3.9	3.6	3.6	3.8	3.8
85 Electrical machineries and parts thereof	52.3	53.2	56.1	56.5	56.2
8517 Telephone sets, including telephones for cellular networks or for other wireless networks (..)	12.3	12.4	12.1	11.5	8.9
8541 Diodes, transistors, similar semiconductor devices (..)	2.5	2.6	2.7	2.8	2.8
8542 Electronic integrated circuits	25.0	26.1	29.5	31.0	33.2
17 Transport equipment	1.1	1.1	0.9	0.8	0.9
18 Precision equipment	4.3	4.5	4.2	4.1	3.4
90 Optical, photo, technical, medical, etc. apparatus	2.8	3.1	3.1	2.9	2.2
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	1.3	1.2	1.0	1.0	0.9
21 Works of art, etc.	0.5	0.8	0.5	0.7	0.9
Other	0.1	0.2	0.2	0.2	0.2

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.2 Merchandise imports by origin, 2018-22

	2018	2019	2020	2021	2022
Total imports (USD billion)	627.3	578.6	573.1	713.2	668.5
	(% of total imports)				
Americas	6.4	6.3	5.2	5.6	5.6
United States	5.1	4.7	4.0	4.2	4.2
Other – America	1.4	1.5	1.2	1.4	1.4
Canada	0.4	0.5	0.2	0.4	0.5
Chile	0.2	0.3	0.2	0.3	0.2
Brazil	0.4	0.4	0.4	0.3	0.2
Europe	9.3	8.9	7.4	7.2	8.2
EU-27	5.1	5.2	4.4	3.9	4.0
Germany	1.1	1.2	1.1	1.0	1.0
France	1.1	1.2	1.0	0.8	0.9
Italy	1.1	1.1	0.8	0.8	0.7
Belgium	0.5	0.5	0.4	0.3	0.3
Netherlands	0.4	0.4	0.4	0.3	0.3
EFTA	2.5	1.8	1.2	1.9	1.5
Switzerland	2.5	1.8	1.2	1.9	1.4
Other Europe	1.7	1.9	1.7	1.4	2.7
United Kingdom	1.6	1.8	1.6	1.2	2.5
CIS ^a	0.1	0.2	0.2	0.2	0.3
Russian Federation	0.1	0.2	0.2	0.2	0.3
Africa	0.6	0.5	0.5	0.5	0.6
South Africa	0.5	0.3	0.3	0.4	0.3
Middle East	1.4	1.4	1.7	1.9	2.0
United Arab Emirates	0.7	0.8	1.3	1.4	1.5
Israel	0.4	0.3	0.2	0.2	0.2
Asia	82.1	82.8	84.9	84.6	83.3
China	44.8	45.7	43.8	44.3	40.1
Japan	5.5	5.8	5.8	5.2	5.3
Other – Asia	31.8	31.2	35.3	35.1	38.0
Chinese Taipei	6.9	7.3	9.4	9.9	11.3
Singapore	6.4	6.5	7.2	7.6	7.7
Korea, Republic of	5.7	4.9	5.7	5.9	5.6
Malaysia	3.8	3.6	3.7	3.0	3.4
Viet Nam	1.3	1.7	2.7	2.1	2.7
Philippines	1.8	1.7	1.8	1.7	2.0
Thailand	1.9	2.0	2.1	1.9	1.9
India	1.9	1.7	1.3	1.5	1.5
Australia	1.1	0.8	0.6	0.7	0.9
Indonesia	0.5	0.5	0.4	0.3	0.5
Macao, China	0.2	0.2	0.2	0.2	0.2
Other	0.003	0.01	0.01	0.01	0.01

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Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.3 Merchandise exports by HS section and major HS chapter/heading, 2018-22

HS section/chapter/subheading	2018	2019	2020	2021	2022
Total exports (USD billion)	569.1	535.7	551.5	670.9	610.1
	(% of total exports)				
01 Live animals and products	0.8	0.6	0.4	0.3	0.3
02 Vegetable products	0.6	0.6	0.5	0.5	0.5
03 Fats and oils	0.0	0.0	0.0	0.0	0.0
04 Prepared food, beverages and tobacco	0.8	0.8	0.6	0.6	0.6
05 Mineral products	0.1	0.1	0.1	0.1	0.1
06 Chemicals and products thereof	1.6	1.7	2.0	1.9	1.6
07 Plastics and rubber	1.9	1.8	1.5	1.5	1.0
08 Raw hides and skins; leather, furskins and articles thereof	1.0	1.0	0.8	0.6	0.6
09 Wood, cork, straw	0.0	0.0	0.0	0.0	0.0
10 Pulp of wood; paper and paperboard	0.5	0.6	0.4	0.4	0.3
11 Textiles and textile articles	3.6	3.4	2.4	2.0	1.6
12 Footwear, headgear, etc.	0.6	0.6	0.4	0.4	0.4
13 Articles of stone, plaster, cement	0.6	0.6	0.6	0.5	0.4
14 Precious stones and metals	12.0	10.1	12.8	10.7	11.3
7102 Diamonds, not mounted or set	2.8	2.6	1.9	2.1	2.3
7108 Gold, unwrought or in semi-manufactured forms, or in powder form	6.5	4.7	7.5	4.6	4.9
15 Base metals and articles thereof	1.2	1.2	1.0	1.2	1.1
16 Machinery, electrical equipment	67.5	69.3	70.0	73.0	74.3
84 Machinery and mechanical appliances, parts thereof	13.1	13.2	13.6	14.1	13.5
8471 Automatic data processing machines (..)	4.1	3.9	4.4	4.7	4.4
8473 Parts automatic data processing machines, etc. (..)	4.7	4.5	4.7	5.1	4.9
85 Electrical machineries and parts thereof	54.4	56.2	56.5	58.9	60.8
8517 Telephone sets, including telephones for cellular networks or for other wireless networks (..)	13.7	13.9	12.3	11.4	9.0
8541 Diodes, transistors, similar semiconductor devices (..)	2.5	2.6	2.6	2.7	2.9
8542 Electronic integrated circuits	23.2	25.1	27.9	31.5	35.0
17 Transport equipment	0.4	0.5	0.4	0.3	0.3
18 Precision equipment	4.7	4.9	4.4	4.2	3.7
90 Optical, photo, technical, medical, etc. apparatus	3.2	3.4	3.3	3.0	2.6
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	1.7	1.4	1.1	1.1	0.9
21 Works of art, etc.	0.3	0.5	0.3	0.5	0.9
Other	0.1	0.1	0.1	0.2	0.2

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.4 Merchandise exports by destination, 2018-22

	2018	2019	2020	2021	2022
Exports (USD billion)	569.1	535.7	551.5	670.9	610.1
	(% of exports)				
Americas	10.2	9.6	9.1	8.1	8.3
United States	8.0	7.3	7.2	6.0	6.2
Other – America	2.2	2.3	1.9	2.1	2.1
Mexico	0.8	0.9	0.6	0.8	0.9
Brazil	0.3	0.3	0.4	0.4	0.4
Canada	0.4	0.4	0.4	0.4	0.3
Europe	9.9	10.3	13.0	9.2	8.6
EU-27	7.4	7.3	6.6	6.5	6.6
Netherlands	1.6	1.6	1.5	1.5	1.7
Germany	1.7	1.7	1.5	1.4	1.4
France	0.8	0.8	0.7	0.7	0.6
Italy	0.6	0.6	0.5	0.5	0.5
Belgium	0.5	0.4	0.3	0.3	0.3
Hungary	0.3	0.3	0.3	0.3	0.3
EFTA	1.1	1.2	2.8	0.9	0.8
Switzerland	1.0	1.1	2.7	0.9	0.7
Other – Europe	1.4	1.9	3.6	1.8	1.3
United Kingdom	1.1	1.6	3.3	1.5	1.0
CIS ^a	0.7	0.7	0.8	0.8	0.6
Russian Federation	0.7	0.7	0.7	0.7	0.4
Africa	1.0	1.0	1.1	0.9	0.6
Middle East	2.1	2.4	2.1	2.1	2.8
United Arab Emirates	1.3	1.5	1.3	1.5	2.1
Israel	0.4	0.3	0.3	0.3	0.3
Asia	76.1	75.9	73.9	78.9	79.1
China	55.3	55.3	55.2	59.9	57.4
Japan	2.9	2.9	2.6	2.3	2.1
Other – Asia	17.9	17.7	16.1	16.7	19.5
India	3.1	2.9	2.4	2.6	3.7
Chinese Taipei	2.1	2.2	2.4	2.8	3.3
Viet Nam	1.9	1.9	2.0	2.0	2.4
Singapore	2.2	2.0	2.0	1.6	2.0
Korea, Republic of	1.4	1.4	1.3	1.5	1.7
Thailand	2.4	2.0	1.5	1.5	1.7
Macao, China	1.1	1.3	1.0	1.2	1.3
Malaysia	0.8	0.8	0.8	0.8	0.9
Philippines	0.7	0.8	0.7	0.7	0.7
Australia	0.8	0.8	0.8	0.7	0.7
Indonesia	0.6	0.7	0.6	0.6	0.6
Other	0.002	0.02	0.04	0.02	0.02

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Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A2.1 Selected notifications to the WTO, January 2018-June 2023

WTO Agreement	Description	Document symbol	Date
Agreement on Agriculture			
Articles 10 and 18.2 (ES:1)	Export subsidies commitments	G/AG/N/HKG/53	18/01/2023
		G/AG/N/HKG/51	10/01/2022
		G/AG/N/HKG/49	21/01/2021
		G/AG/N/HKG/47	14/01/2020
		G/AG/N/HKG/45	22/01/2019
		G/AG/N/HKG/43	12/01/2018
Article 18.2 (DS:1)	Domestic support	G/AG/N/HKG/54	30/05/2023
		G/AG/N/HKG/52	21/06/2022
		G/AG/N/HKG/50	24/06/2021
		G/AG/N/HKG/48	17/06/2020
		G/AG/N/HKG/46	25/06/2019
		G/AG/N/HKG/44	25/06/2018
		G/AG/N/HKG/44/Corr.1	28/06/2018
General Agreement on Trade in Services (GATS)			
Article III:3	Notification pursuant to Article III:3 of the GATS	S/C/N/1115	21/10/2022
		S/C/N/1114	21/10/2022
		S/C/N/1113	21/10/2022
		S/C/N/1064	28/09/2021
		S/C/N/874/Add.1	27/09/2019
		S/C/N/917	25/09/2018
Article V:7(a)	Notification of Regional Trade Agreement: ASEAN, Australia, Chile, China, and Georgia	S/C/N/773/Add.1	06/04/2023
		S/C/N/1043	11/02/2021
		S/C/N/264/Add.11	20/03/2020
		S/C/N/264/Add.11/Corr.1	27/03/2020
		S/C/N/986	17/01/2020
Article VII:4	Notification pursuant to Article VII:4 of the GATS	S/C/N/923	12/02/2019
		S/C/N/1116	21/10/2022
GATT 1994			
Article XVII:4(a) and Paragraph 1 of the Understanding on the Interpretation of Article XVII	State trading activities	G/STR/N/19/HKG	01/06/2022
		G/STR/N/18/HKG	03/06/2020
		G/STR/N/17/HKG	19/01/2018
Article XXIV:7(a)	Notification of Regional Trade Agreement: ASEAN, Australia, China, and Georgia	WT/REG448/N/1	11/02/2021
		WT/REG400/N/1	17/01/2020
		WT/REG162/N/1/Add.11	05/03/2019
		WT/REG397/N/1	12/02/2019
Agreement on Government Procurement 1994			
Appendix I	Thresholds	GPA/THR/HKG/2	03/12/2019
Article XIX:5	Statistical submissions	GPA/STAT(20)/HKG/1	03/08/2021
		GPA/STAT(19)/HKG/1	28/07/2020
		GPA/STAT(18)/HKG/1	19/07/2019
		GPA/STAT(17)/HKG/1	28/05/2018
Agreement on Government Procurement 2012			
Article XVI: 4-5	Statistics	GPA/STAT(21)/HKG/1	11/10/2022
		GPA/STAT(20)/HKG/1	03/08/2021
		GPA/STAT(19)/HKG/1	28/07/2020
		GPA/STAT(18)/HKG/1	19/07/2019
		GPA/STAT(17)/HKG/1	28/05/2018
Appendix I	Thresholds	GPA/THR/HKG/3	06/12/2021
		GPA/THR/HKG/2	03/12/2019

WTO Agreement	Description	Document symbol	Date
Agreement on Import Licensing			
Article 1.4(a)	Publication	G/LIC/N/2/HKG/21 G/LIC/N/2/HKG/20 G/LIC/N/2/HKG/18/Corr.1 G/LIC/N/2/HKG/18	17/08/2022 28/07/2022 27/01/2022 09/11/2021
Article 5.1 to 5.4	Licensing procedures or changes in these procedures	G/LIC/N/2/HKG/23 G/LIC/N/2/HKG/22 G/LIC/N/2/HKG/21 G/LIC/N/2/HKG/20 G/LIC/N/2/HKG/18/Corr.1 G/LIC/N/2/HKG/19 G/LIC/N/2/HKG/18 G/LIC/N/2/HKG/17 G/LIC/N/2/HKG/16 G/LIC/N/2/HKG/15/Corr.1 G/LIC/N/2/HKG/15 G/LIC/N/2/HKG/14 G/LIC/N/2/HKG/13 G/LIC/N/2/HKG/12 G/LIC/N/2/HKG/11 G/LIC/N/2/HKG/10 G/LIC/N/2/HKG/9	01/06/2023 01/06/2023 17/08/2022 28/07/2022 27/01/2022 25/01/2022 09/11/2021 27/04/2021 26/08/2020 02/06/2020 19/05/2020 24/02/2020 10/09/2019 06/03/2019 28/01/2019 28/01/2019 28/01/2019
Article 7.3	Replies to the questionnaire	G/LIC/N/3/HKG/26 G/LIC/N/3/HKG/25 G/LIC/N/3/HKG/24 G/LIC/N/3/HKG/23 G/LIC/N/3/HKG/22	30/09/2022 29/09/2021 30/09/2020 27/09/2019 04/10/2018
Agreement on Trade Facilitation			
Articles 1.4, 10.4.3, 10.6.2, 12.2.2	Notification of category commitments	G/TFA/N/HKG/1/Rev.3 G/TFA/N/HKG/1/Rev.2 G/TFA/N/HKG/1/Rev.1	07/10/2022 18/03/2021 08/03/2019
Decision on Notification Procedures for Quantitative Restrictions			
G/L/59/Rev.1	Notification of QRs	G/MA/QR/N/HKG/6 G/MA/QR/N/HKG/5/Add.1 G/MA/QR/N/HKG/5 G/MA/QR/N/HKG/4	28/10/2022 12/04/2022 30/10/2020 14/05/2020
Agreement on Rules of Origin			
Paragraph 4 of Annex II	Preferential rules of origin	G/RO/N/221 G/RO/N/193 G/RO/N/185 G/RO/N/170	29/04/2021 18/02/2020 15/04/2019 24/05/2018
Agreement on Subsidies and Countervailing Measures			
Article 25.1 and GATT 1994 Article XVI:1	Subsidies	G/SCM/N/401/HKG G/SCM/N/372/HKG G/SCM/N/343/HKG	30/06/2023 29/06/2021 01/07/2019
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7 Annex B	SPS regulations	11 notifications (series G/SPS/N/HKG/ or see http://spsims.wto.org/)	
Agreement on Technical Barriers to Trade			
Article 2.9	Technical regulations	G/TBT/N/HKG/54 G/TBT/N/HKG/53	17/10/2022 17/10/2022
Article 5.6	Conformity assessment procedures	G/TBT/N/HKG/52 G/TBT/N/HKG/51 G/TBT/N/HKG/50	05/07/2022 23/08/2019 08/02/2018
Agreement on Trade-Related Aspects of Intellectual Property Rights			
Article 63.2	Notification of laws and regulations	IP/N/1/HKG/40; IP/N/1/HKG/C/4; IP/N/1/HKG/I/5 IP/N/1/HKG/39; IP/N/1/HKG/D/6 IP/N/1/HKG/38; IP/N/1/HKG/D/5 IP/N/1/HKG/37; IP/N/1/HKG/C/3; IP/N/1/HKG/I/4 IP/N/1/HKG/35; IP/N/1/HKG/I/2; IP/N/1/HKG/T/8 IP/N/1/HKG/36; IP/N/1/HKG/I/3; IP/N/1/HKG/T/9 IP/N/1/HKG/33; IP/N/1/HKG/P/10 IP/N/1/HKG/34; IP/N/1/HKG/P/11	02/06/2023 15/12/2022 14/12/2022 30/09/2020 10/07/2020 10/07/2020 24/01/2020 24/01/2020

Source: Compiled by the WTO Secretariat based on notification documents.

Table A3.1 Incentives

Programme	Objective	Agency in charge	Form of support	Total amount 2018-22 (HKD million)
Small and Medium Enterprises (SMEs)				
Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) https://www.bud.hkpc.org/en	To support enterprises to enhance their competitiveness and further their business development in China and other economies with which Hong Kong, China has signed FTAs and/or Investment Promotion and Protection Agreements through developing brands, upgrading and restructuring their operations, and promoting sales.	Trade and Industry Department (TID)	<p>The Government provides funding for a maximum of 50% of the total approved project cost.</p> <p>The cumulative funding ceiling per enterprise is HKD 7,000,000 (~USD 897,000), while the funding ceiling for each approved project is HKD 1,000,000 (~USD 128,000).</p> <p>Funding support will be granted to each enterprise for a maximum of 70 approved projects.</p>	<p>2018 (Note 1): HKD 217.88 2019: HKD 419.27 2020: HKD 584.63 2021: HKD 634.48 2022: HKD 969.65</p> <p>Note 1: Includes funding approved under the Enterprise Support Programme only</p>
SME Export Marketing Fund (EMF) https://emf.tid.gov.hk/en/	<p>To help SMEs expand their businesses through participation in export promotion activities such as trade exhibitions, trade missions, placing advertisements on trade publications, conducting promotion through electronic platforms/media and setting up/enhancing corporate websites/mobile applications.</p> <p>To help enterprises explore local business opportunities and develop business under the new normal through participation in exhibitions targeting the local market and online exhibitions under a special measure from 30 April 2021 to 30 June 2026.</p>	TID	<p>The Government provides funding for a maximum of 50% of the approved expenditure, subject to a ceiling of HKD 100,000 (~USD 12,800) per application.</p> <p>The cumulative funding ceiling for each enterprise is HKD 1,000,000 (~USD 128,000).</p>	<p>2018: HKD 167.08 2019: HKD 299.02 2020: HKD 239.67 2021: HKD 232.44 2022: HKD 331.57</p>

Programme	Objective	Agency in charge	Form of support	Total amount 2018-22 (HKD million)
<p>SME Financing Guarantee Scheme (SFGS) https://www.hkmc.com.hk/en/our_business/sme_financing_guarantee_scheme.html</p>	<p>The Scheme aims at helping local SMEs and non-listed enterprises (collectively, "Enterprises") to obtain financing from participating lenders ("Lenders") for meeting their business needs so as to enhance their productivity and competitiveness in the rapidly changing business environment.</p>	<p>Hong Kong Mortgage Corporation Ltd (HKMC)</p>	<p>Under the Scheme, the HKMC Insurance Ltd, a wholly owned subsidiary of the HKMC, may provide guarantee coverage of 50%, 60%, 70%, or 80% to the credit facilities of eligible Enterprises approved by the Lenders.</p> <p>As businesses have been hard-hit by the COVID-19 epidemic and the global economic downturn in recent years, the Government has kept on enhancing the SFGS with a view to providing greater support to SMEs, including introducing guarantee products with a higher Government guarantee ratio (viz. the 90% Guarantee Product in December 2019 and the Special 100% Loan Guarantee in April 2020), raising the maximum loan amount per enterprise, extending the repayment period and introducing the principal moratorium to allow borrowers to choose to repay only interest during the moratorium period.</p>	<p>The Government's total commitment under the SFGS amounts to HKD 280 billion. As at end-December 2022, around HKD 211 billion of total guarantees have been approved (equivalent to around HKD 233 billion of total approved loan amounts) under the SFGS</p>
<p>SME Loan Guarantee Scheme (SGS)</p> <p>[Ceased to receive applications from 1 April 2021.]</p>	<p>To help SMEs secure loans from participating lending institutions (PLIs) for acquiring business installations and equipment and for general business use in meeting working capital needs.</p>	<p>TID</p>	<p>The Government provides up to 50% guarantee to loans granted by PLIs to SMEs, subject to a maximum guarantee amount of HKD 6 million (~USD 769,000) per SME.</p> <p>Each SME is also allowed to recycle the guarantee once after it has fully paid up the loan backed up by the guarantee, subject to a maximum guarantee amount of another HKD 6 million (~USD 769,000).</p>	<p>2018: HKD 908.97 2019: HKD 817.95 2020: HKD 172.80 2021: HKD 62.23</p>

Programme	Objective	Agency in charge	Form of support	Total amount 2018-22 (HKD million)
Trade and Industrial Organisation Support Fund (TSF) https://www.smefund.tid.gov.hk/english/tsf/tsf_objective.html	To provide funding support to non-profit-distributing organizations, such as trade and industrial organizations, professional bodies or research institutes, to carry out projects which aim at enhancing the competitiveness of Hong Kong, China enterprises in general or in specific sectors.	TID	The Government provides funding for a maximum of 90% of the total approved project expenditure, subject to a cap of HKD 5 million (~USD 641,000) for each approved project.	2018 (Note 2): HKD 73.54 2019: HKD 71.93 2020: HKD 54.70 2021: HKD 20.03 2022: HKD 32.11 Note 2: Includes funding approved under the previous SME Development Fund and the Organisation Support Programme under the BUD Fund
Innovation and technology (I&T)				
Distance Business Programme https://bee.hkpc.org/en/funding-schemes/dbiz/	A one-off, time-limited funding scheme launched under the Anti-epidemic Fund in May 2020 to support enterprises to adopt Information Technology (IT) solutions to continue their business and services during the epidemic.	Innovation and Technology Commission (ITC)	Funding is provided to eligible enterprises for adopting IT solutions under specified IT solution categories with a ceiling of HKD 300,000 for each enterprise.	HKD 1.53 billion
Enterprise Support Scheme (ESS) https://www.itf.gov.hk/en/funding-programmes/supporting-research/ess/index.html	To support companies undertaking in-house R&D projects with a view to encouraging more private-sector R&D investment in Hong Kong, China.	ITC	Funding is provided on a dollar-for-dollar matching basis, with a ceiling of HKD 10 million (about USD 1.28 million) for each approved project. It may be used for meeting labour costs, the procurement of equipment, and other direct costs specifically required for conducting the project.	2018: HKD 87.60 2019: HKD 137.85 2020: HKD 109.05 2021: HKD 74.09 2022: HKD 61.37
General Support Programme https://www.itf.gov.hk/en/funding-programmes/fostering-culture/gsp/index.html	To support projects that contribute to fostering I&T culture in Hong Kong, China, and those beneficial to the upgrading and development of its industries.	ITC	Support is given as a grant, with at least 10% of the project cost contributed by the applicant's sponsor.	2018: HKD 53.16 2019: HKD 57.44 2020: HKD 54.66 2021: HKD 83.65 2022: HKD 125.91
Guangdong-Hong Kong Technology Cooperation Funding https://www.itf.gov.hk/en/funding-programmes/supporting-research/tcfs/index.html	To enhance the level of collaboration on R&D among universities, research institutes and technology enterprises in Hong Kong, China and Guangdong/Shenzhen, China.	ITC	Funding support is normally given as a grant, which may be used for meeting labour costs, costs for the procurement of equipment, and other direct costs specifically required for the conduct of the project	2018: HKD 3.97 2019: HKD 32.10 2020: HKD 21.84 2021: HKD 16.18 2022: HKD 45.41
Innovation and Technology Fund for Better Living https://www.itf.gov.hk/en/funding-programmes/facilitating-technology/fbl/index.html	To fund innovation and technology projects which will make people's daily living more convenient, comfortable and safer, or address the needs of specific community groups.	ITC	A grant up to 90% of the eligible costs of the approved project or HKD 5 million, whichever is less.	2021: HKD 8.33 2022: HKD 24.15

Programme	Objective	Agency in charge	Form of support	Total amount 2018-22 (HKD million)
Innovation and Technology Support Programme (ITSP) https://www.itf.gov.hk/en/funding-programmes/supporting-research/itsp/index.html	To support midstream/downstream R&D projects undertaken mainly by universities, and R&D centres in collaboration with private companies, industry support organizations, professional bodies, and trade and industry associations.	ITC	Funding support is normally given as a grant, which may be used for meeting labour costs, costs for the procurement of equipment, and other direct costs specifically required for the conduct of the project.	2018: HKD 827.41 2019: HKD 907.35 2020: HKD 561.04 2021: HKD 850.32 2022: HKD 639.35
Innovation and Technology Venture Fund (ITVF) https://www.itf.gov.hk/eng/ITVF.asp	To attract more venture capital (VC) funds to co-invest in local I&T start-ups and creating a more vibrant I&T ecosystem in Hong Kong, China.	ITC	The ITVF co-invests with VC funds selected as co-investment partners (CPs) in eligible local I&T start-ups at a matching ratio of approximately 1 (Government): 2 (CP) in eligible local I&T start-ups. The CPs are responsible for recommending suitable investment targets to the Government.	Up to May 2023, the ITVF has selected 17 VC funds as ITVF's CPs. Besides, the ITVF has co-invested in 27 local I&T start-ups. The Government's investment has amounted to approximately HKD 209 million, attracting over HKD 2.1 billion of private investment. The business areas of these I&T start-ups include supply chain management, e-commerce, financial technology, biotechnology and artificial intelligence
Mainland-Hong Kong Joint Funding Scheme https://www.itf.gov.hk/en/funding-programmes/supporting-research/mhkjfs/index.html	To support joint R&D projects between Hong Kong, China and China to further strengthen R&D cooperation between the two.	ITC	Funding support is normally given as a grant, which may be used for meeting labour costs, costs for the procurement of equipment, and other direct costs specifically required for the conduct of the project.	2020: HKD 1.65 2021: HKD 71.50 2022: HKD 54.61
Partnership Research Programme (consolidated from the previous University-Industry Collaboration Programme) https://www.itf.gov.hk/en/funding-programmes/supporting-research/prp/index.html	To stimulate private-sector interest in R&D through leveraging the knowledge and resources of universities.	ITC	The support is given as a grant, subject to a cash contribution by the company amounting to no less than 50% of the project cost.	2018: HKD 33.10 2019: HKD 89.05 2020: HKD 167.28 2021: HKD 139.78 2022: HKD 118.89
Patent Application Grant https://www.itf.gov.hk/en/funding-programmes/fostering-culture/pag/index.html	To assist local companies and individuals who have never owned any patents in any countries or territories to apply for patents for their own inventions.	Hong Kong Productivity Council (HKPC)	A grant of up to HKD 250,000 or 90% of the total direct cost of the patent application, whichever is lower.	2018: HKD 45.75 2019: HKD 41.00 2020: HKD 19.50 2021: HKD 28.25 2022: HKD 28.25
Public Sector Trial Scheme (including a one-off special call for PSTS-COVID-19) https://www.itf.gov.hk/en/funding-programmes/facilitating-technology/psts/index.html	To support the production of prototypes/ samples and the conducting of trial schemes in the public sector to promote the realization and commercialization of R&D results under Innovation and Technology Fund (ITF) projects; arising from incubatees/ graduate tenants of the Hong Kong Science and Technology Parks Corporation	ITC	A grant not exceeding 50% of the actual cost of the original R&D project (and up to 100% for projects initiated by R&D centres). For incubatees/ graduate tenants of the HKSTPC and Cyberport and technology	2018: HKD 39.99 2019: HKD 110.03 2020: HKD 216.65 2021: HKD 70.75 2022: HKD 103.74

Programme	Objective	Agency in charge	Form of support	Total amount 2018-22 (HKD million)
	(HKSTPC) and Cyberport or technology companies conducting or planning to conduct R&D activities in Hong Kong, China.		companies conducting or planning to conduct R&D activities in Hong Kong, China, a maximum grant of HKD 1 million per application applies.	
R&D Cash Rebate Scheme https://www.itf.gov.hk/en/funding-programmes/supporting-research/crs/index.html	To reinforce the research culture among business enterprises and encourage them to establish stronger partnerships with designated local public research institutions.	ITC	Cash rebate equivalent to 40% of the expenditure in: projects under the ITF, and projects funded entirely by the companies and conducted by the designated local research institutions.	2018: HKD 115.94 2019: HKD 155.09 2020: HKD 141.61 2021: HKD 135.86 2022: HKD 115.16
Reindustrialization and Technology Training Programme https://www.itf.gov.hk/en/funding-programmes/nurturing-talent/rtp/index.html	To subsidize local enterprises to train their staff in advanced technologies, especially those related to "Industry 4.0".	Vocational Training Council (VTC)	Funding support on a 2(Government): 1(enterprise) matching basis. Maximum funding support at HKD 500,000 for each enterprise in each financial year.	2018: HKD 1.79 2019: HKD 11.22 2020: HKD 12.55 2021: HKD 49.28 2022: HKD 163.39
Re-industrialization Funding Scheme https://www.itf.gov.hk/en/funding-programmes/facilitating-technology/rfs/index.html	To subsidize manufacturers to set up new smart production lines in Hong Kong, China.	ITC	Funding support on a 1 (Government): 2 (company) matching basis. Maximum funding support is one third of the total approved project cost or HKD 15 million per project, whichever is lower.	2021: HKD 42.88 2022: HKD 121.87
Research Talent Hub https://www.itf.gov.hk/en/funding-programmes/nurturing-talent/research-talent-hub/index.html	To support the recruitment of research talents to assist in R&D projects funded by the ITF or R&D work undertaken by incubatees or I&T tenants of HKSTPC and Cyberport or technology companies conducting or planning to conduct R&D activities in Hong Kong, China.	ITC	A maximum monthly allowance of HKD 20,000 for graduates with a Bachelor's degree, HKD 23,000 for those with a Master's degree, and HKD 35,000 plus an additional HKD 10,000 living allowance for those with a doctoral degree awarded by either a local university or a well-recognized non-local institution. Each ITF project and eligible company can engage four research talents for 36 months.	2018: HKD 438.36 2019: HKD 766.90 2020: HKD 591.96 2021: HKD 998.74 2022: HKD 961.97

Programme	Objective	Agency in charge	Form of support	Total amount 2018-22 (HKD million)
STEM Internship Scheme https://www.itf.gov.hk/en/funding-programmes/nurturing-talent/stem-internship-scheme/index.html	To provide allowance to university students taking full-time Science, Technology, Engineering and Mathematics (STEM) programmes to enrol in short-term internships, so as to encourage such students to gain I&T-related work experience during their studies and to foster their interest in pursuing a career in I&T after graduation.	ITC	A monthly allowance of HKD 10,500 is provided to each student intern under the Scheme, with a cap of three months in each academic year. The monthly allowance was increased to HKD 11,190 effective from 1 April 2023.	2020: HKD 36.37 2021: HKD 76.09 2022: HKD 89.01
Technology Start-up Support Scheme for Universities https://www.itf.gov.hk/en/funding-programmes/supporting-start-ups/tsssu/index.html	To provide funding to designated universities to support their teams in starting technology businesses and commercializing their R&D results.	ITC	An annual funding of up to HKD 8 million is provided to each of the designated universities. Each funded technology start-up may receive up to HKD 1.5 million each year for no more than three consecutive years.	2018: HKD 24.00 2019: HKD 48.00 2020: HKD 48.00 2021: HKD 48.00 2022: HKD 48.00
Technology Voucher Programme https://www.itf.gov.hk/en/funding-programmes/facilitating-technology/tvp/index.html	To support local non-listed enterprises in using technological services and solutions to improve productivity, or upgrade or transform their business processes.	ITC	Funding of no more than three quarters of the total approved project cost. Subject to a cumulative funding ceiling of HKD 600,000, up to six projects from each eligible enterprise may be approved.	2018: HKD 94.46 2019: HKD 125.29 2020: HKD 239.17 2021: HKD 563.21 2022: HKD 2,129.46
Services				
CreateSmart Initiative (CSI) https://csi.createhk.gov.hk/en/index.html	To support initiatives that contribute towards the development of creative industries (except the film industry).	Create Hong Kong (CreateHK)	The CSI provides funding in the form of grants, which may be used for meeting labour costs, the costs for the procurement of equipment, and other direct costs specifically required for the conduct of the project.	2018: HKD 223.52 2019: HKD 305.20 2020: HKD 355.12 2021: HKD 259.82 2022: HKD 267.69
Film Development Fund (FDF) https://www.fdc.gov.hk/en/applications.php	To support projects and activities which contribute towards the development of Hong Kong, China's film industry.	CreateHK	There are a number of different funding schemes under FDF to support different natures of film projects along four strategic directions, namely nurturing talent, enhancing local production, expanding markets and building audience.	2018: HKD 65.01 2019: HKD 55.74 2020: HKD 108.10 2021: HKD 127.36 2022: HKD 175.33
Green and Sustainable Finance Grant Scheme https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/bond-market-development/tax-concessions-and-incentive-schemes/	To promote green and sustainable financing activities in Hong Kong, China by providing subsidy to eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services.	Hong Kong Monetary Authority (HKMA)	Subsidies are provided for the (i) general bond issuance costs and (ii) external review costs, capped at HKD 2.5 million and HKD 800,000 respectively per eligible bond issuance/ loan.	The total subsidies granted in: 2021 (since the scheme was launched in May): HKD 56 2022: HKD 94

Programme	Objective	Agency in charge	Form of support	Total amount 2018-22 (HKD million)
Pilot Green and Sustainable Finance Capacity-Building Support Scheme https://www.greentalent.org.hk/	To support talent development in green and sustainable finance by providing subsidies to market practitioners, students and graduates in taking up relevant training and acquiring relevant professional qualifications.	Centre for Green and Sustainable Finance (GSF Centre) ^a	Subsidies are provided for the training and acquisition of relevant professional qualifications in sustainable finance. After completing eligible programmes, each applicant may apply for a subsidy of up to HKD 10,000.	The Scheme was officially launched in December 2022, with HKD 200 million earmarked over a three-year pilot period.
Professional Services Advancement Support Scheme (PASS) https://www.pass.gov.hk/	To provide HKD 200 million funding support for non-profit-distributing organizations operating as trade and industrial organizations, professional bodies, research institutes, etc. to carry out projects aimed at increasing exchanges and cooperation between Hong Kong, China's professional services and external counterparts, promoting relevant publicity activities, and enhancing the standards and external competitiveness of Hong Kong, China's professional services. With a view to stepping up the promotion of Hong Kong, China's competitive edges and professional services to cities in China (including the Greater Bay Area) and overseas markets, HKD 50 million has been set aside under PASS to subsidize major professional bodies to participate in relevant exchange, promotion and professional standard enhancement activities organized by the Government and the Hong Kong Trade Development Council after the pandemic situation has stabilized.	Commerce and Economic Development Bureau (CEDB)	The maximum grant for each approved project is HKD 3 million or 90% of the total eligible project cost, whichever is lower.	The total PASS grant committed at end-October of 2018: HKD 20.1 2019: HKD 15.5 2020: HKD 11.3 2021: HKD 2.3 2022: HKD 5.6

- a The GSF Centre was launched in July 2021 by the Green and Sustainable Finance Cross-Agency Steering Group, which was jointly initiated by the HKMA and the Securities and Futures Commission (SFC) and established in May 2020. Other members include the Environment and Ecology Bureau (EEB), the Financial Services and the Treasury Bureau (FSTB), Hong Kong Exchanges and Clearing Ltd (HKEX), the Insurance Authority (IA), and the Mandatory Provident Fund Schemes Authority (MPFA).

Source: Information provided by the authorities.

Table A3.2 Main changes to the Stores and Procurement Regulations resulting from the new pro-innovation government procurement policy in 2019

Chapter	Changes
I	New pro-innovation policy Government procurement principles Value for money re-defined
IA	Annual review of undertakings by officers involved in procurement Avoiding and managing conflict of interests when engaging outside technical experts
II	Departmental limit increased to HKD 10 million Use of marking schemes and setting essential requirements on tenderer's experience for procurements within the quotation limit Email accepted as a form of written quotation Quotation negotiations Cancellation of quotation exercise
III	Direct engagement of contractors/suppliers/service providers Purchase of a prototype or first good or service may justify the use of restricted/single tendering Approving authorities of restricted/single tendering and direct engagement No misplaced tenders accepted during tender invitation Approving authority for the threshold of legal vetting for works contracts delegated to Permanent Secretary for Development (Works) No essential requirement on tenderer's experience in general for non-works procurements Encourage wider use of marking schemes and introduce the Standard Marking Scheme (SMS) Framework Marking schemes of works contracts continue to be approved by relevant tender board
IV	Technical weighting for assessment of consultancy proposal should normally be 60%-70%. Marking schemes require approval from the relevant consultants selection board / committee. The financial limit of the Departmental Consultants Selection Committee increased to HKD 10 million
V	Updated definition of "original contract value" in the context of variation of non-work contracts
Appendix III(F)	Encourage market research and engagement SMEs or start-ups friendly tender specifications
Appendix III(G)	Approving authorities for exceptions to the SMS Framework Approving authorities for the adoption of marking schemes in works tenders Blanket approval for individual marking schemes in works and non-works procurement
Appendix III(G)1	Engagement of outside technical experts in government procurement
Appendix III(I)	Updated requirements for submission to Central Tender Board and subsidiary boards

Source: FSTB, *Financial Circular No. 2/2019*. Viewed at: https://accessinfo.hk/en/request/533/response/1514/attach/6/FC02%202019.pdf?cookie_passthrou gh=1.

Table A3.3 Intellectual property laws and regulations, 2023

Title	Description
Patents	
Patents Ordinance (Cap. 514)	<p>Makes provisions for patents and related matters.</p> <p>Amended on several occasions, most recently by the Patents (Amendment) Ordinance 2016 to provide for the legal framework for setting up an OGP system, refine the pre-existing short-term patent system, and introduce an interim measure to prohibit the use of certain misleading or confusing titles and descriptions relating to provision of patent agency services. The Amendment Ordinance entered into force in December 2019 (WTO document IP/N/1/HKG/33; IP/N/1/HKG/P/10, 24 January 2020).</p>
Patents (Transitional Arrangements) Rules (Cap. 514B)	Provides transitional arrangements for the registration of patents in the Register of Hong Kong, China for patents registered under the old Registration of Patents Ordinance, which was repealed in 1997, and certain patents registered under the United Kingdom Patents Acts 1949 and 1977.
Patents (General) Rules (Cap. 514C)	<p>Prescribes provisions and procedures under the Patents Ordinance (Cap. 514).</p> <p>Amended on several occasions, most recently in 2019 to specify and regulate the necessary practices and procedures for introduction of the OGP system and refinement of the pre-existing short-term patent system, pursuant to the framework enshrined in the Patents (Amendment) Ordinance 2016 (WTO document IP/N/1/HKG/34; IP/N/1/HKG/P/11, 24 January 2020).</p>
Patents (Designation of Patent Offices) Notice (Cap. 514A)	Makes designations under Section 8 of the Patents Ordinance (Cap. 514).
Plant varieties	
Plant Varieties Protection Ordinance (Cap. 490)	<p>Provides, <i>inter alia</i>, a <i>sui generis</i> regime for the granting and protection of proprietary rights to persons who breed or discover and develop plant varieties.</p> <p>Amended in 2009 to extend its application to the three offices set up by China in Hong Kong, China (WTO document IP/N/1/HKG/20, 17 March 2010).</p>
Plant Varieties Protection Regulation (Cap. 490A)	Prescribes provisions and procedures under the Plant Varieties Protection Ordinance (Cap. 490).
Trademarks (including trade descriptions)	
Trade Marks Ordinance (Cap. 559)	<p>Makes provisions for the registration of trademarks and related matters.</p> <p>Amended on several occasions, most recently in 2020 to—</p> <ul style="list-style-type: none"> (i) empower the Registrar of Trade Marks to make essential procedural rules for implementing the international trademark registration system under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol) in Hong Kong, China; confer powers on the Customs and Excise Department (C&ED) to enforce the criminal provisions of the Trade Marks Ordinance; and enhance the trademark application and registration system of Hong Kong, China (WTO document IP/N/1/HKG/35, IP/N/1/HKG/I/2, IP/N/1/HKG/T/8, 10 July 2020); and (ii) prohibit registration of a trademark consisting of or containing the national anthem (WTO document IP/N/1/HKG/36, IP/N/1/HKG/I/3, IP/N/1/HKG/T/9, 10 July 2020).
Trade Marks Rules (Cap. 559A)	<p>Prescribes provisions and procedures under the Trade Marks Ordinance (Cap. 559).</p> <p>Amended on several occasions, most recently in 2020 to enhance the trademark application and registration system of Hong Kong, China (WTO document IP/N/1/HKG/35, 10 July 2020).</p>
Trade Descriptions Ordinance (Cap. 362)	<p>Contains provisions prohibiting the use of false trade descriptions and the forgery of trademarks in relation to goods.</p> <p>Amended in 2020 for amendments to the definition of "trademark" therein (WTO document IP/N/1/HKG/35, IP/N/1/HKG/I/2, IP/N/1/HKG/T/8, 10 July 2020).</p>

Title	Description
Geographical indications (GIs)	
Trade Marks Ordinance (Cap. 559) Trade Descriptions Ordinance (Cap. 362)	Enables GIs to be registered as certification or collective trademarks. The use of a false GI applied to goods in a fashion calculated to mislead consumers may be classed as a criminal offence under the Trade Descriptions Ordinance.
Copyright and related rights	
Copyright Ordinance (Cap. 528)	<p>Makes provisions in respect of copyright and related rights and for related purposes.</p> <p>Amended on several occasions, recently in 2020 to enhance the copyright exceptions relating to persons with a print disability, to bring them in line with the standards under the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (Marrakesh Treaty) (WTO document IP/N/1/HKG/37, IP/N/1/HKG/C/3, IP/N/1/HKG/I/4, 30 September 2020), and also in 2022 to strengthen copyright protection in the digital environment, including the introduction of a new technology-neutral exclusive communication right for copyright owners to communicate their copyright works to the public through any mode of electronic transmission (including streaming) (WTO document IP/N/1/HKG/40, IP/N/1/HKG/C/4, IP/N/1/HKG/I/5, 2 June 2023).</p>
Prevention of Copyright Piracy Ordinance (Cap. 544)	Makes provisions for the prevention of copyright piracy using the medium of optical discs (including stampers). Sets out a statutory licensing scheme for manufacturers of optical discs in Hong Kong, China, and requires optical discs manufactured in Hong Kong, China to be marked with an assigned manufacturer identification code. Counteracts bootlegging of copyrighted work by stipulating that the unauthorized possession of video recording equipment in certain places of public entertainment is an offence.
Industrial designs	
Registered Designs Ordinance (Cap. 522)	<p>Establishes a system for the registration of new designs.</p> <p>Amended on several occasions, most recently in 2021 to prohibit registration of a design that consists of or contains the national flag, the national emblem or their designs (WTO document IP/N/1/HKG/38, IP/N/1/HKG/D/5, 14 December 2022).</p>
Registered Designs Rules (Cap. 522A)	<p>Prescribes provisions and procedures under the Registered Designs Ordinance (Cap. 522).</p> <p>Amended on several occasions, most recently in 2021 to provide that the evidence of entitlement to give consent to the registration of a design (on which any armorial bearings, etc. appears) is subject to the prohibition of registration of a design consisting of or containing the national flag or the national emblem, or their designs (WTO document IP/N/1/HKG/39, IP/N/1/HKG/D/6, 15 December 2022).</p>
Copyright Ordinance (Cap. 528)	Provides protection for commercially exploited artistic works.
Layout-designs (topographies) of integrated circuits	
Layout-design (Topography) of Integrated Circuits Ordinance (Cap. 445)	<p>Provides a <i>sui generis</i> IP regime for the protection of layout-designs (topographies) of integrated circuits and for legal remedies against infringement.</p> <p>Amended on several occasions, most recently in 2017 to reflect the latest membership position of the Paris Convention (WTO document IP/N/1/HKG/32, IP/N/1/HKG/L/5, 18 April 2017).</p>
Layout-design (Topography) of Integrated Circuits (Designation of Qualifying Countries, Territories or Areas) Regulation	Designates countries, territories or areas as qualifying countries, territories or areas under Section 24 of the Layout-design (Topography) of Integrated Circuits Ordinance (Cap. 445).

Title	Description
Protection of undisclosed information	
Non-statutory protection of undisclosed information	Protection under the common law on confidentiality.
Personal Data (Privacy) Ordinance	Sets out the Data Protection Principles and outlines how data users should collect, handle and use personal data, complemented by other provisions imposing further compliance requirements.

Source: Information provided by the authorities.
