

# HONG KONG

## TRADE SUMMARY

The U.S. goods trade surplus with Hong Kong was \$32.0 billion in 2012, a decrease of \$8 million from 2011. U.S. goods exports in 2012 were \$37.5 billion, up 2.8 percent from the previous year. Corresponding U.S. imports from Hong Kong were \$5.4 billion, up 23.6 percent from 2011. Hong Kong is currently the 10th largest export market for U.S. goods.

U.S. exports of private commercial services (i.e., excluding military and government) to Hong Kong were \$6.1 billion in 2011 (latest data available), and U.S. imports were \$6.9 billion. Sales of services in Hong Kong by majority U.S.-owned affiliates were \$30.7 billion in 2010 (latest data available), while sales of services in the United States by majority Hong Kong-owned firms were \$3.3 billion.

The stock of U.S. foreign direct investment (FDI) in Hong Kong was \$52.5 billion in 2011 (latest data available), up from \$48.2 billion in 2010. U.S. FDI in Hong Kong is primarily concentrated in non-bank holding companies, wholesale trade, and finance/insurance sectors.

## IMPORT POLICIES

Hong Kong is a special administrative region (SAR) of the People's Republic of China; however, for trade, customs, and immigration purposes, Hong Kong is an independent administrative entity with its own tariffs, trade laws, and regulations, and is a separate Member of the WTO and APEC. The Hong Kong government pursues a market-oriented approach to commerce. Hong Kong is a duty-free port, with few barriers to trade in goods and services and few restrictions on foreign capital flows and investment.

## COMPETITION POLICY

The Legislative Council passed Hong Kong's first comprehensive competition law in June 2012, after six years of public consultation and study. Broadly speaking, the new *Competition Ordinance* (Ordinance) addresses collusion arrangements and market power abuses that prevent, restrict, or distort competition. The Ordinance includes additional prohibitions on certain mergers and acquisitions in the telecommunications field that could substantially lessen competition in Hong Kong. The maximum penalties under the Ordinance are 10 percent of the company's turnover obtained in Hong Kong for each year of violation, up to a maximum of three years, and disqualification from direct or indirect involvement in the management of a company for up to five years. The law exempts 575 of Hong Kong's 581 statutory bodies from its coverage.

## INTELLECTUAL PROPERTY RIGHTS PROTECTION

Hong Kong provides robust intellectual property rights (IPR) protection and enforcement. Hong Kong has strong laws in place, a dedicated and effective enforcement capacity, a judicial system that supports enforcement efforts with deterrent fines and prison sentences, and youth education programs that discourage IPR-infringing activities. Hong Kong remains vulnerable, however, to some forms of IPR infringement, such as online copyright piracy facilitated by the rapid growth of unauthorized file sharing over peer-to-peer networks and end-user business software piracy.

Although the Hong Kong Customs and Excise Department (HKCED) routinely seizes IPR infringing products arriving from Mainland China and elsewhere, stakeholders report that counterfeit pharmaceuticals, luxury goods, and other infringing products continue to enter Hong Kong, destined for

both the local market and places outside Hong Kong. During the period between May and September 2012, HKCED carried out a special operation targeting the sale of counterfeit and infringing goods on Internet auction sites. Customs officers arrested 32 people and seized 27 computers and 3,500 counterfeit and infringing goods, including handbags, clothing, and pirated optical discs.

The United States is concerned that, in June 2012, the HKG unexpectedly shelved a bill to amend the 1997 Copyright Ordinance, after lengthy debate at the Legislative Council. The proposed amendments were drafted in 2010, and introduced to the Legislative Council in June 2011, after industry groups failed to reach agreement on a voluntary framework to address online infringement. At the time, the government said it was shelving the bill to concentrate on passing urgent social and livelihood-related bills before the legislative session ended in July. The United States is continuing to monitor the situation as the government has not indicated whether it will reintroduce the amendments or begin a new round of public consultation.

In February 2011, Hong Kong initiated a dialogue to elicit views from the public on whether to create an original patent grant system in Hong Kong to replace the re-registration system based on patents granted in the United Kingdom, the EU, and Mainland China. Public consultations concluded in December 2011 and the government of Hong Kong is currently considering proposals.