

# HONG KONG, SAR

## TRADE SUMMARY

The U.S. goods trade surplus with Hong Kong was \$17.6 billion in 2009, an increase of \$2.5 billion from 2008. U.S. goods exports in 2009 were \$21.1 billion, down 1.8 percent from the previous year. Corresponding U.S. imports from Hong Kong were \$3.6 billion, down 45.0 percent. Hong Kong is currently the 13th 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 2008 (latest data available), and U.S. imports were \$7.8 billion. Sales of services in Hong Kong by majority U.S.-owned affiliates were \$28.2 billion in 2007 (latest data available), while sales of services in the United States by majority Hong Kong-owned firms were \$3.6 billion.

The stock of U.S. foreign direct investment (FDI) in Hong Kong was \$51.5 billion in 2008 (latest data available), up from \$50.2 billion in 2007. U.S. FDI in Hong Kong is concentrated largely in the nonbank holding companies, finance/insurance, and wholesale trade sectors.

## IMPORT POLICIES

Hong Kong, China is a special administrative region (SAR) of the People's Republic of China. However, for trade and immigration purposes, Hong Kong is a distinct entity with its own tariffs, trade laws, regulations, and is a separate Member of the WTO. 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. Hong Kong had traditionally maintained excise duties on certain goods, particularly alcoholic beverages, which were among the highest in the world. However, on February 27, 2008, the Hong Kong Financial Secretary announced that the 40 percent excise tax on wine and the 20 percent excise tax on beer and liquor containing less than 30 percent alcohol would be eliminated immediately. The U.S. Government was pleased with this development and is actively working with like-minded governments to encourage Hong Kong to eliminate the remaining 100 percent tax on spirits (more than 30 percent alcohol content).

## INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The Hong Kong government continues to maintain a robust IPR protection regime. Hong Kong has strong IPR laws in place, a dedicated and effective capacity for enforcement, 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 particularly with respect to Internet piracy. The U.S. Government continues to monitor the situation to ensure that Hong Kong sustains its IPR protection and enforcement efforts and addresses remaining problem areas.

Hong Kong's IPR enforcement efforts have helped to reduce losses by U.S. companies, but the rapid growth of unauthorized file sharing over peer-to-peer networks on the Internet, end-user software piracy, and the illicit importation and transshipment of pirated and counterfeit goods, including optical media and name-brand apparel from mainland China, raise concerns. To tackle the Internet-related problems, Hong Kong officials have established a joint task force with copyright industry representatives to track down online pirates that are using peer-to-peer networks for unauthorized file sharing.

Hong Kong Customs routinely seizes IPR infringing products arriving from mainland China and elsewhere. Further, Hong Kong Customs enforcement efforts, including raids on underground production facilities, have closed most large-scale pirate manufacturing operations, prompting many producers of pirated optical media to switch to computers or compact disc burners to produce illicit copies and forcing retailers to rely increasingly on smuggled goods.

The lack of a copyright register in Hong Kong continues to make it difficult for law enforcement officials and prosecutors to identify original copyright owners in infringement cases, effectively increasing the burden of proof that rights holders need to present to prove infringement. Although Hong Kong judges, law enforcement officials, and IP industry stakeholders have complained repeatedly about the lack of a copyright register, the government has declined to establish one, citing concerns about cost effectiveness and divergent views among different copyright owners' associations about the scope of registrations.

## **SERVICES BARRIERS**

In November 2005, all banks in Hong Kong were permitted modest increases in the scope of Chinese renminbi (RMB) business they can offer to clients, including providing services related to deposit taking, exchange, remittances, and credit cards. In July 2009, PRC authorities further relaxed restrictions on RMB transactions, for the first time allowing trade settlement in RMB between selected Chinese entities and banks licensed in Hong Kong. Hong Kong banks also are allowed to provide RMB trade finance for approved transactions, though only for periods not exceeding 90 days. U.S. banks, as long as they are licensed to do business in Hong Kong, may also participate.

Foreign law firms may practice foreign law in Hong Kong. Foreign law firms that wish also to offer their clients services involving Hong Kong law may do so by entering into an association relationship with a Hong Kong law firm. Hong Kong imposes certain requirements governing this relationship, such as the requirement that the number of foreign lawyers employed by the association not exceed the number of Hong Kong lawyers. In addition, a foreign law firm may establish itself as a Hong Kong law firm after continuously operating as a foreign law firm in Hong Kong for at least three years. Hong Kong imposes certain requirements that must be met in order for a foreign law firm to transition to a Hong Kong law firm, including a requirement that at least one partner be qualified as a Hong Kong lawyer, and the number of foreign lawyers employed by the firm still may not exceed the number of Hong Kong lawyers. Such firms may be affiliated with, or even branches of, overseas law firms if they meet certain criteria (*e.g.*, at least one partner of the Hong Kong firm must also be a partner in the overseas firm).