

Hong Kong and Hawaii: Countable Islands, Unlimited Opportunities

By:

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Economic Relationship between Hawaii and Hong Kong

- Exports to Hong Kong and China in 2005 – US\$138 million
- Top three exports to Hong Kong
 - Processed Food
 - Paper Products
 - Waste and Scrap
- Top three exports to China
 - Transportation Equipment
 - Waste and Scrap
 - Paper Products

An Update on Hong Kong

1. Economic Outlook
2. Infrastructure Projects for Better Connectivity with Mainland China

Economic Outlook

- World's freest economy
- 7.3% GDP growth in 2005, 8.6% in 2004
- Record employment of 3.43 million, unemployment down to 5.2%, a 52-month low
- Record breaking 23 million tourist arrivals in 2005, forecast 27 million in 2006
- Preferred location for investment and regional operation
- Preferred capital formation center for Mainland China



Infrastructure Projects for Better Connectivity with Mainland China

- Shenzhen Western Corridor
- Guangdong-Shenzhen-Hong Kong Express Rail Link
- HK-Zhuhai-Macao Bridge



Hong Kong-Zhuhai-Macao Bridge



What does Hong Kong mean for business?

- Strategic two-way platform for trade with and investment in Mainland
- 19% of Mainland imports and 22% of exports handled through Hong Kong
- 900 flights a week between Hong Kong and 40 Mainland cities
- Huge pool of entrepreneurs with decades of experience in Mainland

New Opportunities

- China – Hong Kong Closer Economic Partnership Arrangement (CEPA)
- Pan-Pearl River Delta (PRD) Regional Cooperation and Development Forum

CEPA

- Essentially a bilateral Free Trade Agreement between China and Hong Kong
- Phase I – effective 1 January 2004
- Phase II – effective 1 January 2005
- Phase III – effective 1 January 2006
- A building-block approach which contains a mechanism for further liberalization measures and prescribes a method for consultation with business community

Trade in Goods

- All products of HK origin enjoy tariff free treatment
- Except for prohibited articles that are subject to special commitments of Mainland under international agreements.
- Meeting CEPA rules of origin and upon applications by local manufacturers.



Trade in Goods

Products with following features benefit more from CEPA:

- High Mainland tariff rate
- High value-added content
- High intellectual property right
- Short product cycle
- Brand name products
- Examples – pharmaceutical products, textiles and clothing, plastics, chemical products



Trade in Services

- Service suppliers in Hong Kong can enjoy **earlier** and **wider** market access to the Mainland market in **27** service sectors
- Main service sectors include transport & logistics, distribution, advertising, value-added telecommunications, management consulting & convention, etc.
- Concessions in some sectors go **beyond** China's WTO commitments

Examples of benefits to Hong Kong Service Suppliers

- Lower market entry requirements for Hong Kong service suppliers in certain sectors (e.g. banking)
- Ownership limits in certain Chinese services suppliers increased for Hong Kong companies (e.g. insurance)
- In certain sectors Hong Kong service suppliers can convert joint ventures or representative offices in China into wholly owned foreign enterprises (e.g. management consulting Services)

Overseas Companies and Investors – How to Benefit from CEPA?

- Partnering with, investing in or buying a CEPA-qualified firm in Hong Kong to gain full benefits from CEPA
- Enjoying zero tariffs by manufacturing brand name products, or locating manufacturing processes with high valued-added content or substantial intellectual property input in Hong Kong

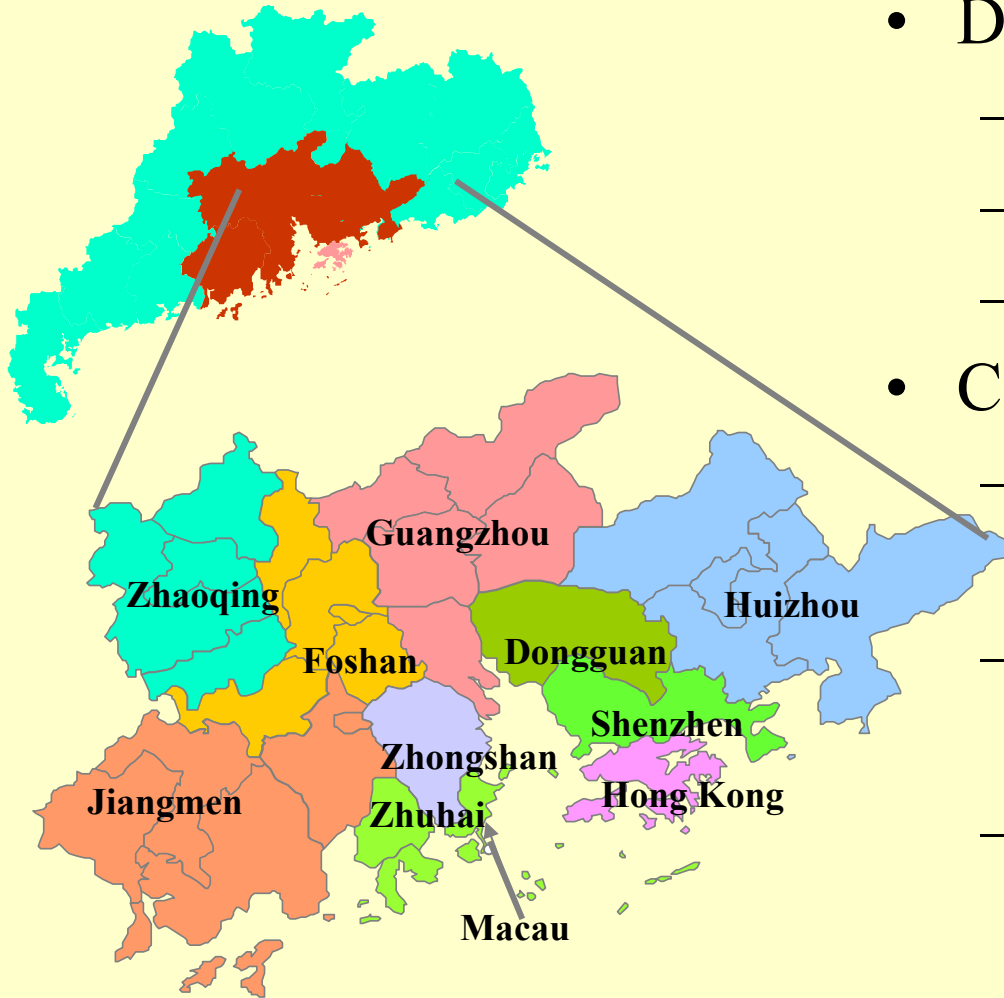
Trade and Investment Facilitation

Enhance cooperation in following areas:

- trade and investment promotion
- customs clearance facilitation
- commodity inspection and quarantine, food safety and quality and standardization
- electronic business
- transparency in laws and regulations
- cooperation of small and medium enterprises
- cooperation in Chinese traditional medicine and medical products sector

New Opportunities in the Pearl River Delta (PRD) Region

The Greater PRD



- Definition
 - Hong Kong
 - Macao
 - PRD Economic Zone
- Combines
 - Manufacturing powerhouse in Guangdong
 - Financial, service excellence in Hong Kong
 - Tourism development in Macao



Role of Hong Kong in Greater PRD

- Hong Kong provides
 - Capital
 - Management
 - Professional services
 - World-class infrastructure
 - Access to and knowledge of international markets
 - Transport and communications
 - Connections to the international business community
 - Technology
 - A base for foreign firms to access the Greater PRD and China



Pan-PRD Cooperation and Development Forum

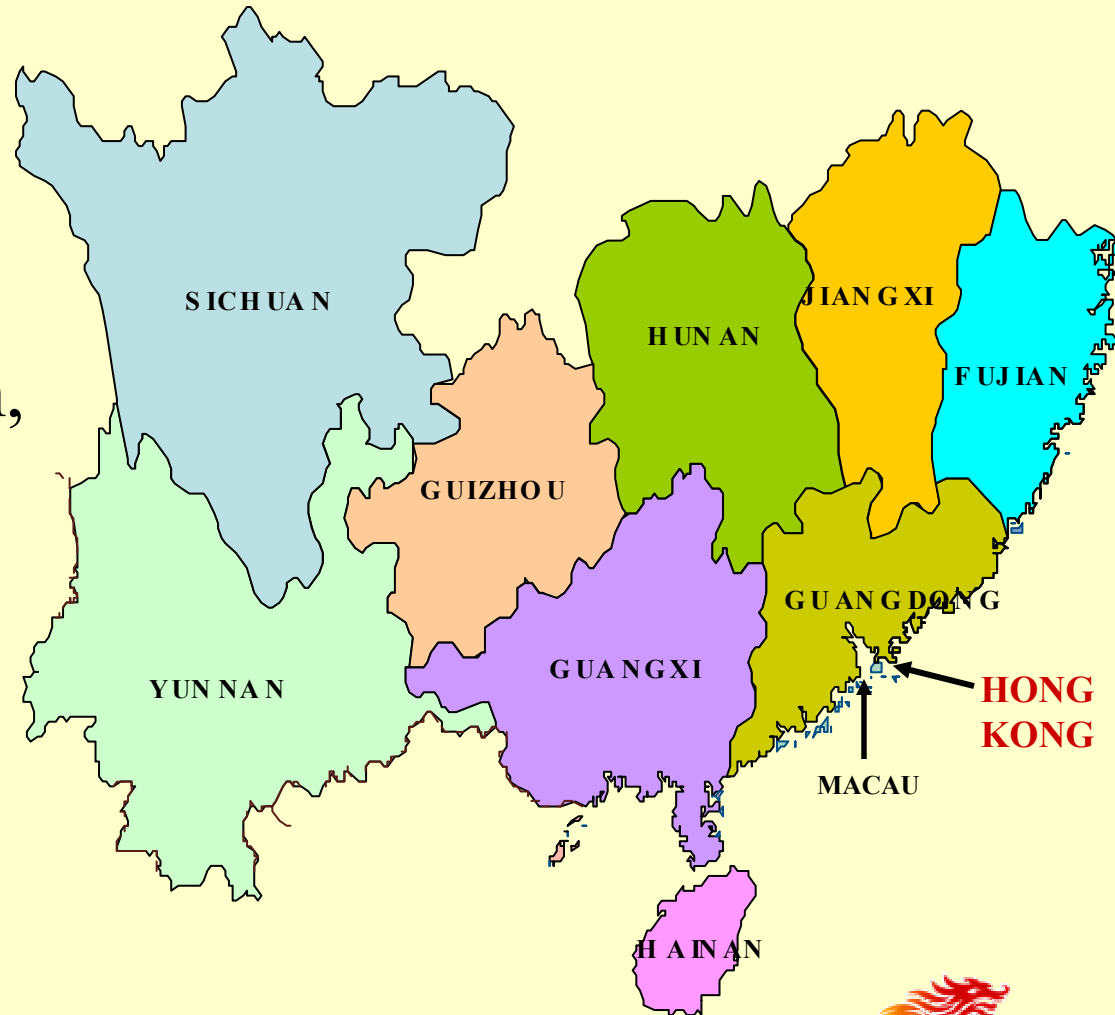
9 Provinces + 2 SARs (“9+2”)

Provinces

Guangdong, Fujian,
Hainan, Guangxi,
Guizhou, Hunan, Yunnan,
Sichuan and Jiangxi

Special Administrative Regions

Hong Kong and Macao



Pan-PRD Region

- China's fastest growing economic region
- Attracts 85% of China's foreign direct investment
- GDP at \$736 billion in 2004, 40% of China
- Geographically close to Hong Kong

Objectives of Pan-PRD Regional Cooperation

- Promote infrastructural development to improve accessibility with the region
- Establish an open market
- Open further to outside

Implications of Pan-PRD Cooperation

- For interior provinces
 - Access to coastal and global markets
 - Local and international investment
- For Greater PRD
 - To be the center for an economy of 450+ million
 - Funneling trade and commercial flows into Greater PRD
 - Broadening hinterland of Greater PRD

Implications of Pan-PRD Cooperation

- For China
 - Enhance development of the interior
 - Move toward a single national economy
- For Hong Kong
 - Extends demand for management & coordination
 - Greater demand for professional services
 - Financial, trade, & commercial flows to intensify
 - Greater markets for Hong Kong goods & services
 - Greater manufacturing base for Hong Kong manufacturers

What US Commercial Service says

“Many companies have found that the best way to learn about the Chinese market and mitigate many of these risks is by using Hong Kong as a gateway. Ease of doing business in Hong Kong is on par with the U.S., and Hong Kong Chinese can provide experience, knowledge and important contacts in China.”

The Hidden Costs of Doing Business in China
Written by : Regina E. Grantz
Edited by Heather Tomasetti

(www.buyusa.gov/hongkong/en/)



Hong Kong is ...

Your Best Trading Partner

The Fast Track to China



For Tourists & Business Travelers

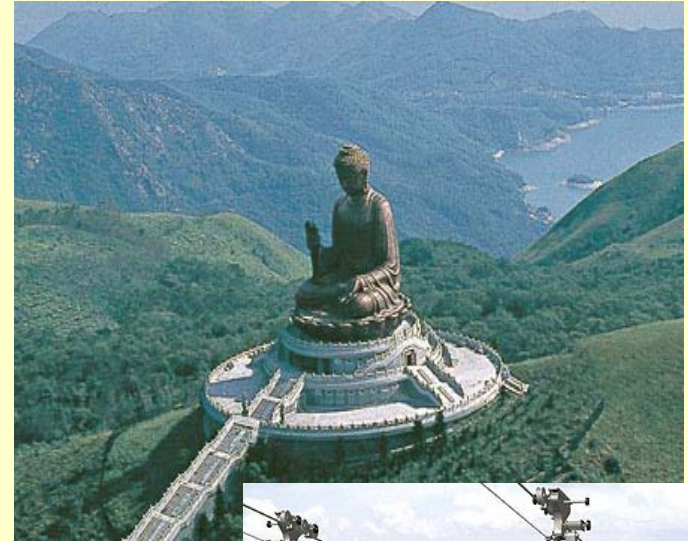
- HK Disneyland –
Open on September 12,
2005; Forecast 5.6 million
visitors in the first year



For Tourists & Business Travelers

- “Ngong Ping 360” –
Skyrail from Tung Chung to
Ngong Ping Village, the
Giant Buddha, Po Lin
Monastery

Forecast 1.5 million visitors
per year



For Tourists & Business Travelers

- “Symphony of Lights” – Guinness Record of World’s Largest Permanent Light and Sound Show
- Asia World Expo – HK’s largest exhibition & events complex





Thank you

**Hong Kong Economic and Trade Offices
(Washington DC, New York, San Francisco)**

www.hongkong.org

