HONG KONG

TRADE SUMMARY

U.S. goods exports in 2013 were $42.5 billion, up 13.3 percent from the previous year. Corresponding U.S. imports from Hong Kong were $5.6 billion, up 3.3 percent from 2012. The U.S. goods trade surplus with Hong Kong was $36.8 billion in 2013, an increase of $4.8 billion from 2012. Hong Kong is currently the 9th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Hong Kong were $6.4 billion in 2012 (latest data available), and U.S. imports were $7.0 billion. Sales of services in Hong Kong by majority U.S.-owned affiliates were $35.0 billion in 2011 (latest data available), while sales of services in the United States by majority Hong Kong-owned firms were $4.2 billion.

The stock of U.S. foreign direct investment (FDI) in Hong Kong was $47.8 billion in 2012 (latest data available), up from $40.0 billion in 2011. U.S. FDI in Hong Kong is primarily concentrated in nonbank 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 and the Hong Kong Basic Law provides for a high degree of autonomy in all matters but defense and foreign affairs. 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 anticompetitive agreements and abuses of market power 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 3 years, and disqualification from direct or indirect involvement in the management of a company for up to 5 years. The law exempts 575 of Hong Kong's 581 statutory bodies from its coverage.

The government established a Competition Commission (Commission) and a Competition Tribunal (Tribunal) in 2013. The Commission is empowered to investigate anticompetitive conduct and promote public understanding of the value of competition. The Tribunal is in charge of hearing and adjudicating cases brought before it by the Commission after due investigation. The Commission is drafting regulatory guidelines, which the government will make public for consultation in 2014 and introduce to the Legislative Council in 2015. The substantive provisions of the Ordinance will not enter into effect until after the Legislative Council has reviewed the guidelines and made the provisions effective.

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 of Hong Kong. During the period between May and June 2013, HKCED carried out a special operation targeting the sale of counterfeit and infringing goods on Internet auction sites. Customs officers arrested 40 people, and seized 30 computers and 2,282 counterfeit and infringing goods, including handbags, clothing, sunglasses, shoes, and socks. In 2013, there was an increase in the use of courier delivery services in Hong Kong to smuggle infringing goods from China destined for the United States and European countries. Between January and November 2013, HKCED seized 84,000 infringing products (worth $1.2 million) – such as electronic goods, clothing, and pirated optical discs – in the offices of local courier companies.

In June 2012, the Legislative Council shelved a bill to amend the 1997 Copyright Ordinance, after lengthy debate. The government drafted proposed amendments 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 2012. In addition, there was concern that the bill did not adequately protect parody. In November 2013, the Hong Kong government completed a four-month public consultation on a copyright exception for parody. It is unclear when a new bill might be submitted.

In February 2011, the government 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. In February 2013, the government announced three measures to further development of the Hong Kong patent system: (1) introducing an original grant patent system with examination supported by China's State Intellectual Property Office, while maintaining the current re-registration system; (2) retaining the short-term patent system with refinements; and (3) developing, over a longer term, a regulatory regime on patent agency services. The Intellectual Property Department is working on an implementation plan for the new system, which is expected to come into force sometime in 2016 or 2017.