



# Hong Kong

*With a gross domestic product of US\$177 billion in 2005, the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China is one of the world's major economies. In 2005, Hong Kong was the world's eleventh largest trading economy<sup>25</sup> and the world's fifth largest market by total equity funds raised. Hong Kong is Asia Pacific's leading location for regional headquarters of multinational firms. Hong Kong is the leader in the Greater Pearl River Delta region in terms of GDP, GDP in the tertiary sector, per capita GDP, trade, and inward foreign investment, by a wide margin.*

<sup>25</sup> 'Ranking of Selected Economies in the World Merchandise Trade', Hong Kong Census and Statistics Department, 24 May 2005.

Hong Kong's distinct history has influenced its development into a cosmopolitan centre linked both to the Chinese Mainland and the rest of the world. These links have become even more valuable since the return of Hong Kong to Chinese administration in 1997. Hong Kong has retained its separate economic system and autonomy in nearly all areas that influence the economy. Hong Kong has retained its world-class legal system, independent judiciary, transparent regulatory framework, and free port. Its free flows of capital, people, information, and merchandise, and level playing field make it ideal for international business.

### Hong Kong in figures\*

Total area (square kilometres)	1,104
Population 2005 (million persons)	6.97
Total GDP in 2005 (US\$ billion)	177.21
Total GDP in 2004 (US\$ billion)	165.59
– GDP in primary sector in 2004 (US\$ billion)	0.12
– GDP in secondary sector in 2004 (US\$ billion)	16.45
– GDP in tertiary sector in 2004 (US\$ billion)	149.02
Real GDP growth 2005 (percent)	7.3
Official per capita GDP in 2005 (US\$)	25,549
Gross industrial output in 2004 (US\$ billion)	20.21
Total trade in 2005 (US\$ billion)	587.13
Imports in 2005 (US\$ billion)	298.65
Exports in 2005 (US\$ billion)	288.48
Growth in exports 2005 (percent)	11.4
Foreign direct investment in 2005 (US\$ billion)	35.80
Total retail sales of consumer goods in 2005 (US\$ billion)	26.23
Growth in consumer goods retail sales 2005 (percent)	6.8

\* Note: The HKSAR Census and Statistics Department categorises the 2005 figures for GDP, real GDP growth, official per capita GDP, and foreign direct investment as provisional and the 2004 GDP breakdown by sector as subject to future revision.

## Leading industries

Hong Kong's leading industries by gross industrial output are printing, publishing and allied industries, wearing apparel (excluding footwear), textiles, food, and basic metals. Other industries each accounting for more than US\$1 billion per year in gross industrial output include electronic parts and components, and transport equipment.

### Hong Kong – top manufacturing industries by gross industrial output 2004 (US\$ billion)

1.	Printing, publishing, and allied industries	3.69
2.	Wearing apparel except footwear	2.96
3.	Textiles	2.62
4.	Food	1.74
5.	Basic metal industries	1.60
6.	Electronic parts and components	1.18
7.	Transport equipment	1.02
8.	Manufacturing industries, not elsewhere classified	1.00
9.	Machinery, equipment, apparatus, parts and components, not elsewhere classified	0.96
10.	Chemicals and chemical products	0.84

Hong Kong boasts one of the most service-oriented metropolitan economies in the world, with a tertiary sector accounting for 90.0 percent of its GDP. Of particular importance are producer services, including transportation, tourism, trading, and other trade-related services. In December 2005, the import-export trading sector alone employed 510,400 people out of a workforce of 3.61 million.<sup>26</sup> Hong Kong has a high proportion of companies that undertake high-value operations in the HKSAR across a range of knowledge-intensive

<sup>26</sup> 'Quarterly Report of Employment and Vacancies Statistics for December 2005', Hong Kong Census and Statistics Department, 21 March 2006, and 'Statistics on Labour Force, Unemployment and Underemployment for October – December 2005', Hong Kong Census and Statistics Department, 19 January 2006.

professional services industries. As a result, in addition to being one of the world's leading international financial centres, Hong Kong is also a leading regional hub for business services, including law, accountancy, advertising, engineering, and consulting. Hong Kong is a leading platform for world-class international exhibitions and trade fairs. Its newest facility, AsiaWorld-Expo, is a state-of-the-art exhibitions and events venue located at the Hong Kong International Airport with 70,000 square metres of exhibition space.

### **Hong Kong – top service sectors 2004 (US\$ billion)**

1. Import and export trade	34.3
2. Community, social and personal services	33.6
3. Financing and insurance	19.6
4. Ownership of premises	16.4
5. Transport and storage	13.3

### **Economic plans**

One distinguishing feature of Hong Kong's economy is its traditional market orientation. Though the government outlines its agenda in the Chief Executive's policy address and the monetary and fiscal policies are set in the annual budget, the general approach is to allow for market-driven economic decision-making. In recent years, the Hong Kong government has identified financial services, logistics, tourism, and professional services as core industries of Hong Kong's economy. The government is making special efforts to ensure that these industries have the infrastructure, capabilities, and regulatory environment they need to continue to expand and develop. This includes road and rail developments to improve access to Pearl River Delta region destinations north of Hong Kong, as well as the Hong Kong-Zhuhai-Macao Bridge, targeted for completion by 2015. The Hong Kong government also provides support for high technology industries, creative industries, and small and medium-sized firms.

## Development zones and industrial parks

Hong Kong's emphasis on the market means that the authorities are not involved to the same extent in the construction of government sponsored development zones and industrial parks. Hong Kong generally relies on private enterprise to take the lead in such initiatives. The government does, however, provide support in the form of agencies such as Invest Hong Kong, Hong Kong's investment promotion agency, and the Hong Kong Trade Development Council, its trade promotion agency. These agencies provide private enterprise and foreign investors with the information and networks they need to carry out business in Hong Kong and beyond. To attract research and development activities in the technology, biotechnology, and science sectors the government has adopted a number of industrial park initiatives including the Hong Kong Cyberport, the Science Park, and the Hong Kong Institute of Biotechnology.

## Foreign investment

Hong Kong is by far the leading centre in the Asia Pacific for regional headquarters of major multinational firms. In 2005, the number of regional headquarters reached an all-time high. Approximately 3,800 overseas companies had regional headquarters or regional offices in Hong Kong. Major international companies with important operations in Hong Kong include manufacturing companies like 3M, Bayer MaterialScience, Caterpillar, Hitachi, Royal Philips Electronics, and Siemens; shipping and logistics providers like DHL, Emirates Shipping Line FZE, Federal Express, Maersk Sealand, TNT, and UPS; financial service providers like Chicago Mercantile Exchange, Citigroup, Goldman Sachs, HSBC, JP Morgan Chase, Lehman Brothers, and Morgan Stanley; professional service companies like Accenture, Baker & McKenzie, CB Richard Ellis, Deloitte Touche Tohmatsu, Ernst & Young, KPMG, PricewaterhouseCoopers, and Ove Arup; global sourcing companies such as Boots, Kingfisher, Source Direct International,

and Tesco Stores; and retailers like Armani, Calvin Klein, French Connection, H&M, KFC, Louis Vuitton, Marks and Spencer's, Seven-Eleven, The Body Shop, and ZARA. Growing numbers of firms from the Chinese Mainland are selecting Hong Kong as a strategic base for Asia Pacific and global business. Leading firms from the Chinese Mainland that have set up regional headquarters in Hong Kong include Kingdee International Software Group, China's top provider of enterprise software applications, China Shipbuilding Industry Corporation (CSIC), China's largest shipbuilding firm, NUCTECH Company Limited, a high-tech company originally established by Tsinghua University in Beijing, and Sinosteel Corporation, one of China's leading steel traders, which will manage its global assets and operations from Hong Kong.

Hong Kong Disneyland, a venture between The Walt Disney Company and the Hong Kong SAR Government located on Hong Kong's Lantau Island, includes in its first phase a Disneyland-style theme park, 2,100 hotel rooms, and retail, dining, and entertainment facilities. Opened in September 2005, Hong Kong Disneyland attracted more than 5 million visitors in its first year of operation, of which around one third were from the Chinese Mainland. Under China's Individual Visit Scheme, introduced in July 2003, the Chinese government is relaxing restrictions on individual travel, allowing Mainland Chinese from selected urban centres and regions in China to visit Hong



Kong without joining a tour group. As of April 2006, more than 220 million Mainland Chinese were eligible to travel to Hong Kong on their own. This number is expected to increase rapidly as the Chinese government extends the reach of the scheme to more areas of China.

## Transport linkages

Hong Kong is well connected to other locations both globally and locally. Hong Kong International Airport has a comprehensive network of frequent international flights to more than 140 cities worldwide and is the world leader in terms of international cargo throughput, handling nearly 3.4 million tonnes in 2005. Hong Kong's maritime container port, the world's second busiest and most efficient facility, is linked to some 500 ports around the world. The container port handled nearly 22.6 million TEUs (twenty foot equivalent units) in 2005.

Hong Kong is linked by direct trains to Shenzhen, Guangzhou, Dongguan, Foshan, and Zhaoqing, and also has main line services to Beijing and Shanghai. Hong Kong's shipping services connect to an extensive network of major ports and river trade ports in the Chinese Mainland. Commuter ferries link the SAR with major locations within the Pearl River Delta region. Hong Kong's highways link up to an extensive highway network in the Pearl River Delta region. Shenzhen can be reached in around an hour by car from Hong Kong Island and in 45 minutes by train from Kowloon. Guangzhou can be reached in 3 hours by car from Hong Kong and in one and three quarter hours by direct train. Macao and Zhuhai can be reached in just over an hour by ferry.

Efforts are under way to link Hong Kong and the western Pearl River Delta by bridge. China's State Council agreed in August 2003 that the Hong Kong-Zhuhai-Macao Bridge Advance Work Co-ordination Group should be established with Hong Kong as convenor. Construction is expected to begin by 2007 and to finish by 2015. Macao and Zhuhai each will be about a 45-minute drive from Hong Kong Island.

## Approximate Travel Time to Greater PRD Locations from Hong Kong

<b>By Train:</b>	
Guangzhou	1 hour 30 minutes – 2 hours
Shenzhen (KCR)	45 minutes
Dongguan	1 hour 10 minutes
Foshan	2 hours 55 minutes
Zhaoqing	4 hours 20 minutes
<b>By Ferry:</b>	
Shenzhen Airport	1 hour
Guangzhou East	1 hour 45 minutes
Nanhai	2 hours 45 minutes
Nansha / Panyu	1 hour 30 minutes
Shunde	1 hour 50 minutes
Zhuhai	1 hour 10 minutes
Jiangmen	2 hours 30 minutes
Gaoming	2 hours 50 minutes
Zhongshan	1 hour 15 minutes
Zhaoqing	3 hours 40 minutes
Macao	1 hour
<b>By Road:</b>	
Guangzhou	3 hours
Shenzhen	1 hour
Dongguan	2 hours
Foshan	3 hours 30 minutes
Huizhou	2 hours 30 minutes
Zhuhai	4 hours
Jiangmen	4 hours
Zhongshan	3 hours
Zhaoqing	4 hours 30 minutes
Macao	4 hours 30 minutes