

Hong Kong Update

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The Berlin ETO Story – a new office starts a new era

The idea of setting up a Hong Kong representative office for the central and eastern European markets was initiated in about 2000, and firmed up in May 2004, following the enlargement of the European Union when the geo-political and economic developments in Europe brought about substantial business and trade opportunities for Hong Kong. It was mentioned in the Chief Executive's policy address in 2006/2007 and a

designated team of Hong Kong-based officers started working in Brussels from April 2007 till March 2009 when the new Hong Kong Economic and Trade Office commenced its operation in Berlin.

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HONG KONG



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The Hong Kong Economic and Trade Office, Berlin (HKETO, Berlin) is the first overseas government representative office established after Hong Kong's reunification with the mainland of China.

The whole development is also a testimony of the working of the 'One Country, Two Systems' principle enshrined in Hong Kong's constitutional document, the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (Basic Law).

Article 156 of the Basic Law provides, "The Hong Kong Special Administrative Region may, as necessary, establish official or semi-official economic and trade missions in foreign countries and shall report the establishment of such missions to the Central People's Government for the record."

To formally recognise the unique status of Hong Kong and the new office in Berlin, a special ordinance (*Verordnung über die Gewährung von Vorrechten und Befreiungen an das Wirtschafts- und Handelsbüro der Sonderverwaltungsregion Hongkong der Volksrepublik China in Berlin*) was passed by the Bundesrat of Germany in February 2009. As the German Federal Minister for Justice, Ms Brigitte Zypries put it, the HKETO, Berlin, has been granted with "virtually the same rights of preference and exemptions as the diplomatic representation of a state. In legal terms this was a real challenge, since Hong Kong is not an independent state."

The Inauguration Reception

On 19 May 2009, HKETO, Berlin held a business reception to mark the inauguration of its operation in Berlin, which also coincided with the beginning of the 200-day-countdown for the start of the East Asian Games to be held in Hong Kong later this year.

Stephen Kai Wong, Director of HKETO, Berlin, explained in his welcome remarks why the home of the new HKETO was in the capital of Germany. "Germany is Hong Kong's largest trading partner in the European Union. Last year, it ranked seventh among Hong Kong's trading partners in the world, with a bilateral trade volume amounting to EUR 15 billions and an average growth of almost 10% over the last five years. Being the capital, Berlin is the natural choice for the base of Hong Kong's new government representative office in Germany".

"Berlin and Hong Kong have quite a few things in common. Both are vibrant global cities with a wealth of theatres, concert halls and cinemas. Hong Kong serves as a gateway to the mainland of China in a similar way as Berlin is acting as a gateway to the eastern European countries. Hong Kong and Berlin share a multicultural spirit with people from all kinds of ethnic backgrounds and nationalities living there. And both cities offer unspoilt nature within their boundaries. Hong Kong does not only consist of skyscrapers – in fact 70% of its land mass is rural mountains, forests and outlying islands with beautiful beaches. In a similar way, 40% of the area of Berlin consists of forests, lakes and parks", Mr Stephen Kai Wong pointed out.

Mr Wong also took the opportunity to brief the guests on the fundamentals of Hong Kong's success: "Since the reunification in 1997, Hong Kong has seen the working of the 'One Country, Two Systems' principle and continued to be the freest economy in the world. The Basic Law guarantees the fundamental rights of residents – freedoms of speech; assembly; movement; religious belief; academic research; as well as equality before the law and many others".

Mr Wong also exemplified how Hong Kong was uniquely positioned as Asia's World City and the gateway to the mainland of China. "We signed in 2003 a Closer Economic Partnership Arrangement, or CEPA, with the mainland of China, and have since concluded six supplementary agreements. Under CEPA, all goods of Hong Kong origin enjoy zero tariff in the mainland market. A total of 42 services sectors are given preferential treatment. CEPA is by design a fast track to enter the massive goods and service markets in the mainland of China from Hong Kong," he said.

The Special Representative of Hong Kong to the European Communities, Ms Mary Chow, together with Ambassador Hans-Henning Blomeyer-Bartenstein, Director-General Asian Pacific Affairs, Federal Foreign Office of Germany, also joined the event.

On behalf of the German authorities, Mr Blomeyer-Bartenstein congratulated the setting up of the Berlin ETO and praised Hong Kong's high professional standard of services making reference to his recent visit to Hong Kong under the sponsored visitors programme. He mentioned how impressed he was by the smooth and effective infrastructure, the friendliness and

Snap shots of previous business activities of HKETO, Berlin



Mr Stephen Kai Wong, Ms Mary Chow and Ambassador Hans-Henning Blomeyer-Bartenstein raising their glasses to mark the start of the business reception



Dragon dance at the Chinese New Year reception in Warsaw in March 2008



Students (1st and 2nd from left) from the German Swiss International School Hong Kong sharing with staff of HKETO, Berlin during their visit in Berlin in June 2009

service orientation of the Hong Kong people and the renowned blending of eastern and western culture.

This reception opened a new chapter in the bilateral relations between Hong Kong and Germany, as well as central and eastern European countries. The 200 guests from different sectors in Germany also enjoyed a mild spring evening on a terrace with drinks and buffet as well as networking opportunities.



A City of Vision

Riding out of the Storm – Six Industries identified for Hong Kong's Future

As an externally-oriented economy, Hong Kong is vulnerable to changes in the international environment. But four years of very rapid growth, stronger households' balance sheets, and our sound financial system have put Hong Kong's economy on a sounder footing in weathering the global crisis.

The Government is also taking positive short-term and long-term steps to ensure a healthy and stable business environment. A pillar of the short-term economic stimulus package is financial backing for small and medium-sized enterprises to allow them to borrow more money from banks. Besides, business registration fees and entertainment and restaurant licence fees will be waived for a year. These measures are helping Hong Kong to recover from the global recession.

Apart from immediate relief measures, the government of Hong Kong has been concerned about formulating long-term measures to further develop the city into a knowledge-based economy. Already in 2008, the Chief Executive of the Hong Kong Special Administrative Region (HKSAR), Mr Donald Tsang, established the Task Force on Economic Challenges (TFEC) in order to formulate measures to embrace new economic opportunities.

In the past few months, the TFEC has studied six priority industries which are new engines for economic growth in a knowledge-based economy. They are medical services; educational services; testing and certification; innovation and technology; cultural and creative industries; and environmental industries. These industries will complement Hong Kong's four pillar industries of financial services, producer and professional services, trading and logistics, and tourism. Combined, they will form a more solid



Mr Donald Tsang, the Chief Executive of HKSAR, announcing recommendations by the Task Force on Economic Challenges in promoting the development of six priority industries

base for economic growth.

Since talent is the key to success in a knowledge-based economy, Hong Kong will also strengthen its efforts to nurture local talent through education and research opportunities. At the same time, Hong Kong will create an environment to attract talents and world-class professionals from all over the world to live and work in Hong Kong.

"Of all the conditions needed to develop into a knowledge-based economy, the most significant is 'soft power'. Hong Kong has established a 'brand' that is synonymous with integrity, professionalism, an independent and mature judicial system, a free and clean society, and an efficient and free flow of information. The six priority industries proposed by the TFEC are built on the 'soft power' of the Hong Kong brand and that is why their development should yield good results." said Mr Tsang. Another vital element for building a knowledge-based economy is the market. Being a small economy, Hong Kong adopts a strategy of leveraging its strengths in the mainland of China, particularly the Pearl River Delta (PRD) Region, and reaching out to Asia and the rest of the world. "The Government of the HKSAR will play an important role in exploring new markets. From integrating with the PRD to negotiating better access to the mainland market under the Closer Economic Partnership Arrangement (CEPA), the Government needs to play a leading role. We will work hard hand in hand with industries to explore new markets and opportunities." Mr Tsang added.

Hong Kong's Economy Rebounded in the 2nd Quarter



Hong Kong's economy performed stronger than expected in the 2nd quarter, benefiting from the rapid growth of the mainland of China, the waning of recessionary forces of trading partners and government's relief measures amounted to about EUR 8.7 billion, 5.2% of GDP.

- GDP resumed growth at 3.3% compared with last quarter
- Employment stabilized, unemployment rate at 5.4%
- Consumer sentiments recovered, private consumption grow strongly by 4.0% compared with last quarter
- Rate of decline slower in both exports of goods and services



Hong Kong and Pearl River Delta (PRD) in 2020

Hong Kong is working with Guangdong to implement "The Outline of the Plan for the Reform and Development of the Pearl River Delta (PRD) Region" (Outline) announced by The National Development and Reform Commission of the People's Republic of China in January this year.

In cooperation with the Guangdong Province, Hong Kong is building a mega region that consists of 100 million people, equal to about 20 % of the whole population of the European Union. It is a huge economic entity in itself.

The Chief Executive of HKSAR, Mr Donald Tsang; the Chief Secretary for Administration, Mr Henry Tang; attended a forum on the implementation of the Outline on 21 July, with the participation of the Vice-Governor of Guangdong Province, Mr Wan Qingliang, and the leaders of the nine PRD municipalities. Various projects for the implementation of

the Outline were discussed, including the Hong Kong – Zhuhai – Macao Bridge, Hong Kong-Shenzhen Western Express Line (previously known as Hong Kong-Shenzhen Airport Rail Link) and Guangzhou – Shenzhen – Hong Kong Express Rail Link. With all these new infrastructural projects, Hong Kong and Guangdong will be able to realise the strategic aim of creating a metropolitan region where it is possible to commuting for work and home around an hour.

Besides transportation, Hong Kong and other PRD municipalities have been collaborating on upgrading the secondary production and expediting development of the tertiary production with a view to enhancing the competitiveness of the PRD region. Hong Kong and PRD are also cooperating in improving the environment to make the region a more pleasant and greener place to live. Significant improvements



Mr Henry Tang, the Chief Secretary for Administration of HKSAR, attends Forum on Implementation of "The Outline of the Plan for the Reform and Development of the Pearl River Delta Region" on 21 July 2009

in air quality have been achieved in 2008 when the average annual concentration levels of sulphur dioxide and respirable suspended particulates decreased by 19% and 11% respectively as compared to the 2007 levels. With the support of the Cleaner Production Partnership Programme launched by the Hong Kong Government, more manufacturers in the region are taking up cleaner production technologies and practices.

Already, Hong Kong is moving forward along this line. This March, DuPont has set up its global solar energy business and R&D centre in the Hong Kong Science Park, and its relevant production plant in Shenzhen is scheduled to be opened before the end of 2009. This project, which maximises the respective comparative advantages of Hong Kong, Shenzhen and DuPont, is the first major technology project under the „Shenzhen-Hong Kong Innovation Circle“ framework.

Renminbi (RMB) Trade Settlement Pilot Scheme

To further strengthen financial cooperation between the mainland of China and Hong Kong, the State Council announced in December 2008 and April 2009 the introduction of a pilot scheme for the use of RMB to settle cross-border trade transactions. The relevant pilot scheme began operation in Hong Kong on 6 July 2009.

As the Financial Secretary of HKSAR, Mr John Tsang, has pointed out, "Allowing trade transactions between the Mainland and Hong Kong to be settled in RMB will not only strengthen the role of Hong Kong as a testing ground for the use of RMB outside the Mainland, but is also conducive to trade activities and economic development in the two places. This will also provide Hong Kong enterprises with more flexibility in their operations, and is complementary to the policy initiatives of the Government to assist them in withstanding the impact of the international financial crisis."

The Chief Executive of the Hong Kong Monetary Authority, Mr Joseph Yam, also said, "With the implementation of the pilot scheme, there will be a further diversification of RMB business in Hong Kong. This will help enhance the capability of Hong Kong's financial system in handling financial transactions that are denominated in RMB."

The pilot scheme is initially limited to the trade of goods and pilot enterprises in five Mainland cities, namely Shanghai, Shenzhen, Guangzhou, Dongguan and Zhuhai. The benefit of the pilot scheme goes beyond the Mainland and Hong Kong, as enterprises in Macau and ASEAN^{Note} economies are also allowed to settle trade transactions in RMB with the pilot enterprises in the Mainland cities and this can be done through the participating banks in Hong Kong. Banks in Macau and ASEAN countries can also provide related services at their home markets under the pilot scheme.

^{Note} ASEAN stands for Association of Southeast Asian Nations, which comprises Brunei, Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, The Philippines, Singapore, Thailand and Vietnam.



More Magic in an Expanded Hong Kong Disneyland

If you thought the current four theme parks (Main Street U.S.A., Fantasyland, Adventureland and Tomorrowland) of Hong Kong Disneyland (HKD) are good fun, you will be surprised how much more fun is waiting for you with the three new theme areas – Grizzly Trail, Mystic Point and Toy Story Land which will be built in the next five years.

Since its opening, HKD has received more than 17 million visitors. Survey data from the Hong Kong Tourism Board indicated that these visitors to HKD had generated an additional spending of HK\$17 billion in Hong Kong, over and above what would have been spent without the theme park. Taking into account both the direct and indirect value added generated from this additional spending, HKD has brought about EUR 1 billion of value added to the Hong Kong economy in the past three years. This has raised GDP by an average of 0.2% each year. The additional spending of visitors to HKD has created more than 10,000 jobs in terms of man-years in each of the past three years.



Mickey and Minnie welcoming visitors

The expansion will enlarge the area of the existing theme park by 23% and cost about EUR 360 million. The expanded Disneyland will provide entertainment, mystery and learning experiences for the whole family with a large variety of attractions catering to different age groups. After completion of all works, there would be more than 30 new attractions, bringing the total number of attractions in HKD to over 100.

What is special about the expansion plan is that The Walt Disney Company will introduce three unique theme areas to HKD not available in any other Disneyland in the world so far. Grizzly Trail offers high-spirited frontier fun in an abandoned mining town where guests travel back in time to 1888. Mystic point offers visitors a beautiful garden full of relics, mythological figures and mysteries that trick the eye. Visitors to Toy Story Land can enjoy oversized outdoor rides which allow them to experience the different perceptions of scale and shrink to the size of a toy.

Facts and Figures	
Opening year	2005
Existing theme areas	Main Street U.S.A., Fantasyland, Adventureland and Tomorrowland
New theme areas	Grizzly Trail, Mystic Point and Toy Story Land <i>(New theme areas Grizzly Trail and Mystic Point will be exclusive to HKD for the first five years after their respective openings; Toy Story Land will be exclusive within Asia for the first five years after opening.)</i>
Existing staff	About 4,500
New employment opportunities	Creation of more than 3,000 new jobs and 600 permanent employment opportunities in the expanded park



Agreement on Wine with Hungary

The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism), Ms Yvonne Choi, exchanging documents with the Consul General of the Republic of Hungary in Hong Kong, Mr Ádám Terták, after the signing of the MOU

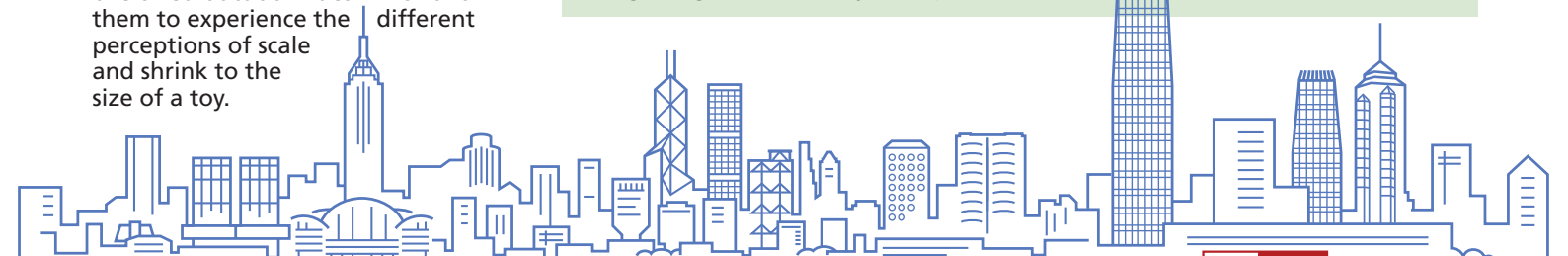
Hong Kong and Hungary signed a Memorandum of Understanding (MOU) on Cooperation in Wine-related Businesses on 27 May 2009. The signing signifies a further step in Hong Kong's development as a regional hub for wine trading and distribution.

The MOU is the first trade-related agreement that Hong Kong signs with Hungary. Both places agreed to strengthen cooperation in the promotion of wine-related trading, investment, tourism and education as well as in the fight against counterfeit wine.

The Permanent Secretary for Commerce, Industry and Tourism, Ms Yvonne Choi commented after the signing that "Hungary produces quality wines. Wine exports from Hungary to Hong Kong increased by as much as 78% by value in 2008." She also expected Hungarian wine to be more widely known and enjoyed in Hong Kong. Ms Choi announced that Hong Kong would welcome more Hungarian companies to participate in the Hong Kong International Wine and Spirits Fair, to be held from 4 to 6 November this year.

Organized by the Hong Kong Trade Development Council, this fair offers a platform for international wine dealers and cellars to network. About 240 exhibitors from 25 countries and regions will bring their liquor and beverage products, as well as wine-related products, including premium food products, accessories and equipment, and services such as wine production and logistics, to exhibit at the fair. Another wine-related event in the pipeline is the first Wine and Dine Festival to be rolled out by Hong Kong Tourism Board from 30 October to 8 November 2009. There will be an outdoor carnival at the West Kowloon Waterfront Promenade to showcase wines and cuisines from different parts of the world to consumers, particularly tourists.

Within one year after duty reduction, wine imports to Hong Kong grew to EUR 300 million with a year-on increase by 83%. A total of 12 wine auctions, with a total sale of EUR 36 million, have been held in Hong Kong since the duty exemption.



Fight Against Pandemic – Hong Kong is Vigilant and Prepared

As a traveller to Hong Kong, you might have heard that the first swine flu case in Hong Kong was detected on 1 May this year and that the guests and the staff of the affected hotel were quarantined. This was a tough but necessary decision at the time to prevent the spread of the virus to the community. However, just like other countries we have changed our policy now taking into account new evidence and experiences gathered in the past few months.

There is no more quarantine of visitors, not even of people who had close contact with confirmed patients. All sectors of the travel industry, including tourist attractions, public transport, restaurants and hotels, and other tourist facilities have been adopting the highest hygiene standards and the necessary

preventive measures such as enhanced disinfection of facilities. In addition, the Government will make sure that all people requiring it get timely medical treatment. Our world-class medical services, together with the mitigation measures in place, have helped ensure that the infected will get rapid treatment and prevent the spread of swine flu.

So if you are planning to travel to Hong Kong for leisure or business, stop planning! Go book a ticket now to see for yourself a cosmopolitan city of great vitality. For more information on the measures adopted, – just check the tips and FAQs at

http://www.tourism.gov.hk/resources/english/paperreport_doc/fact/2009-07-02/message_for_visitors_and_travel_trade_en.pdf.



A City of Creativity Hong Kong's Creative Industry Excels

Film making, digital entertainment development, design, advertising ... these are some examples of the creative industry, one of the six priority industries that Hong Kong has the potential to excel.

Hong Kong has a wealth of talents in this respect: about 32,000 firms, with more than 170,000 practitioners, and creating an added value to Hong Kong's GDP of more than EUR 6 billions annually, or 4% of the GDP.

To promote its development, a new office, named Create Hong Kong, dedicated to promoting the development of creative industry was set up in June 2009. The Office will consolidate the work currently done by various departments by pooling the resources together and provide one-stop services and better support for the industry, with a vision to build Hong Kong into a regional creative capital.

Hong Kong's creative culture is highly regarded overseas and sometimes the link to Hong Kong is not even apparent - the 2006 Hollywood blockbuster "The Departed" was a remake of a very successful Hong Kong film in 2003 – "The Inferno Affairs".

Recently, a Hong Kong advertising agency called McCann Worldgroup won the Grand Prix award at the Cannes Lions International Advertising Festival, the first time for Hong Kong. "It demonstrates that the design capabilities of Hong Kong's advertising talent are on a par with the international standard," said Mrs Rita Lau, the Secretary for Commerce and Economic Development.



Mrs Rita Lau (centre), the Secretary for Commerce and Economic Development of HKSAR, congratulating the Creative Consultant of McCann Worldgroup, Mr Nick Lim (1st from left), and the Managing Director and Executive Creative Director, Mr Spencer Wong (2nd from left); joined by the Acting Head of Create Hong Kong, Mr Alan Siu (1st from right), and the Chairman of the Association of Accredited Advertising Agencies of Hong Kong, Mr Royce Yuen (2nd from right)



A City of Dynamism

Contrary to what most people might think, Hong Kong is a city of sports. A large multi-sport event, 2009 East Asian Games (EAG), will be held in the city from 5 to 13 December. Over 3,000 athletes from 9 countries or regions will come to Hong Kong to compete in this biggest ever EAG to vie for more than 250 gold medals.

The 2009 EAG is a precious opportunity for the best athletes in East Asia to show their sports talent. Seven sports make their debut at the Games, making a record 22 featured sports, with more than 1,700 competition events at 21 venues.

Hong Kong makes a natural host for this great regional event, with its prime location at the heart of East Asia, its great infrastructure and connectivity, world-class hotels, hospitality and cuisine.

Tickets are now available through the webpage:

<http://www.hkticketing.com/eng/>



Tennis as one of the sports to be held at the 2009 East Asian Games



Athletes from other countries competing in Hong Kong at the East Asian Games



A City of Opportunities: Business seminar on Hong Kong

Mr Stephen Kai Wong, Director of the Hong Kong Economic and Trade Office, Berlin (HKETO, Berlin) highlighted Hong Kong as Asia's world city at a business seminar in Hamburg on 13 July.

"The fundamentals of the HKSAR are the 'One Country, Two Systems' principle and the freedoms guaranteed under the Basic Law. With the constitutional guarantee under the Basic Law, Hong Kong possesses numerous trade-facilitating attributes that make it an ideal place to do business including the low tax policy; visa-free access for visitors from more than 170 countries or regions; free flow of capital and information; and freedom of expression etc. It is a place where east meets west, and a dynamic city full of opportunities." Mr Wong said.

Furthermore, he underlined Hong Kong's rich experience in providing first-class professional support as well as acting as arbitrators and mediators for dispute resolution. "Hong Kong provides top legal services through a

wealth of legal practitioners: 6,100 solicitors, 1,000 barristers and 1,200 registered foreign lawyers from 27 jurisdictions," he explained.

"In relation to playing the role as the gateway to China, Hong Kong also has a close legal and economic co-operation with the Mainland. Since 1999, Hong Kong has reached three agreements about dispute resolution mechanism with the Mainland in the areas of service of judicial documents, reciprocal enforcement of arbitral awards and reciprocal enforcement of court judgments."

About 200 representatives from the business community, the Hamburg Chamber of Commerce, academia and the media attended the seminar. It was the first seminar promoting the interest and image of the HKSAR conducted by HKETO, Berlin in Hamburg, signifying closer cooperation between two of the world's major trading cities and shipping centres.



From left: Mrs Agnes-E. Schöttler, President of the Hamburg China Association; Dr Monika Stärk, Managing Member of the Board of OAV – German Asia-Pacific Business Association; Mr Stephen Kai Wong presenting a poster entitled "Our door is open"; Mr Stefan Matz, Director International Business of the German Hong Kong Association; Ms Corinna Nienstedt, Managing Director of the International Division at the Hamburg Chamber of Commerce

Major forthcoming events

*September 2009:
Business seminar in Warsaw,
Poland*

*September 2009:
Seminar on intellectual property
protection in Geneva,
Switzerland*

*October 2009:
Hong Kong Pavilion in the
Frankfurt Book Fair, Frankfurt,
Germany*

*October 2009:
Business seminar and concert at
the Asia Pacific Weeks in Berlin,
Germany*

*November 2009:
Business talk and concert at Euro
Finance Week in Frankfurt,
Germany*

*February - March 2010:
Chinese New Year receptions
in Austria, the Czech Republic,
Germany, Hungary, Poland, the
Slovak Republic, Slovenia and
Switzerland*

Hong Kong Update

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