Schweizerische Eidgenossenschaft
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Consulate General of Switzerland in Hong Kong

512.0-CHW

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Annual Economic report: Hong Kong 2010

1. Appreciation of economic problems and issues

1.1 General overview of HK's economy: In the wake of the downturn in 2009, the economy of Hong Kong staged a full recovery and grew by 6.8% in real terms in 2010, thanks to the strong growth in the Mainland China and Asia. The recovery was broadly based and both the external and domestic sectors fared strongly in 2010. Private consumption increased by 5.8% in 2010, following 0.6% in 2009. Fixed investment surged 8.1% after a decline of 3.9% in 2009. As for the external sector, exports of goods and services leaped by 17% and 15% respectively, after declining by 13% and growing by 0.3% respectively in 2009. In 2010, imports of goods expanded markedly by 19%, after a 9.4% decline in 2009. Likewise, imports of services rose by 11%, in contrast to 4.9% drop in 2009. However, inflationary pressure gradually built up and inflation rate rose from 0.5% in 2009 to 2.4% in 2010.

In the first quarter of 2011, the Hong Kong economy stayed robust, leaping by 7.2% over a year earlier, after a similarly strong 7.0% growth in 2010. External trade was vibrant alongside the rapid growth in many Asian economies and moderate recovery in the US and Europe. Domestic demand was strongly supported by the sustained surge in public sector works and by the upbeat consumer sentiment amid further improvement in the labour market. The unemployment rate dropped from its peak in mid-2009 to 3.4% in the first quarter of 2011. The HKSAR Government revised upwards its GDP growth forecast to 5-6% in 2011. However, Hong Kong is faced with higher inflationary pressures, due to the pick-up in import prices amid rising global food and commodity prices, and the gradual building up of domestic price pressures along with the strong pace of economic expansion. The government forecasts the inflation to reach 5.4% in 2011.

The HKSAR Government has to tackle two major ongoing challenges: an increasing risk of a property bubble and a huge gap between rich and poor. Underpinned by robust economic recovery, abundant liquidity, inflow of funds (mainly from China) and extremely low interest rates, overall residential property prices soared by another 20% in 2010, following a 29% rebound in 2009. The government announced the latest package of measures including the introduction of a Special Stamp Duty on short-term resale transactions and further tightening of the loan-to-value ratios for mortgage loans announced in Nov. 2010. Although it cooled down to some extent speculative activities, flat prices continued to rise. Financial Secretary John Tsang admitted in his Budget Speech on 23rd Feb. 2011 that both inflation and the risk of asset-price bubbles were the major challenges in the coming years.

As shown by the latest government statistics, the wealth gap continued to widen in 2010. People at grass-roots level think that they cannot share the fruits of prosperity and worse still, they feel the heat of inflation and hence social tension increases. Livelihood issues, housing problems and the wealth gap are the principal concerns in the community.

There are also some new challenges on the external front. The political unrest in the Middle East and North Africa may lead to an increase in oil prices and hence the inflation rate. The sovereign debt issue in the Euro Area may further hinder the recovery of the European market. The earthquake and nuclear incident in Japan has caused some disruptions to global supply chains, particularly in the fields of automobile and electronic components. Fortunately, trade performance of Hong Kong is so far not too much affected by the repercussions to global supply chains from the Japan incident. Nevertheless, if such disruptions continue in long term, the negative impacts will be more evident and serious.

1.2 Economic integration with Mainland China: Hong Kong's trade with China is to a large extent related to outward processing activities. More than 80% of Hong Kong manufacturers have established production facilities in China. In 2010, Hong Kong's domestic exports were confined to about 2.3% of its total exports while re-exports accounted for about 97.7% of its total exports. Hong Kong is the most important entrepôt for China. About 15% of China's foreign trade was handled via Hong Kong in 2010.

On one hand, Hong Kong is the largest source of overseas direct investment in China. By the end of 2010, among all the overseas-funded projects approved in the Chinese Mainland, 45% were tied to Hong Kong interests. Cumulative utilized capital inflow from Hong Kong amounted to US$ 456 billion, accounting for 42% of the national total. On the other hand, China is the biggest investor in Hong Kong. According to the Hong Kong Census and Statistics Department (HKCSD), China's cumulative direct investment in Hong Kong was US$ 339 billion or 36% of Hong Kong's total stock of inward direct investment at the end of 2009[1].

Hong Kong is a key offshore capital-raising centre for Chinese enterprises. As of December 2010, 592 mainland companies were listed in Hong Kong, comprising H-share, red-chip and private companies with total market capitalization of US$ 11.9 trillion, or 57% of the market total. For the past 10 years, mainland companies have raised more than US$ 226 billion via stock offerings (including IPO and Post IPO) in Hong Kong.

China's Outline of the 12th Five-Year Plan for the National Economic & Social Development, which was promulgated on 16th March 2011, had a chapter (Chapter 57) dedicated to Hong Kong and Macau for the first time. It elaborated on the significant functions and positioning of Hong Kong in China's development strategy. It emphasized the Central Authorities' support for Hong Kong in consolidating and enhancing its position as an international financial, trade and shipping centre. The Central Authorities would support Hong Kong to develop into an offshore Renminbi (RMB) centre and an international asset management centre. Furthermore, the Central Authorities would support Hong Kong in nurturing emerging industries and developing six industries including medical services, education services, testing and certification services, innovation and technology, environmental industries as well as cultural and creative industries. The Central Authorities would support the economic co-operation between the Mainland and Hong Kong and continue to implement the Closer Economic Partnership Arrangement (CEPA).

For information on the Closer Economic Partnership Arrangement (CEPA), please refer to 2.2.

1.3 Situation of HK manufacturers in the Pearl River Delta PRD: According to an industry source, there are about 57,500 HK-funded factories in the PRD. They are facing enormous challenges and some of these challenges have already emerged before the global financial crisis. The Renminbi RMB appreciation, labour shortage, rising wages and higher material costs are all putting huge cost pressure on Hong Kong manufacturers in the PRD. In the PRD, the shifts in processing trade policy, tightening of environmental regulations and upgrading the industrial landscape have been driving low value-added, labour intensive, polluting and resource-depleting industries against the wall. Companies failing to upgrade their quality and technology either close down their factories or relocate to remote regions. On the external front, slow economic recovery in the US and Europe means that Hong Kong manufacturers in the PRD have to explore some new markets.

1.4 Public Finance: Financial Secretary John Tsang made an estimate last year that the government would suffer a budgetary deficit of about US$ 3.2 billion. On the contrary, the government achieved a huge budgetary surplus of US$ 9.6 billion, thanks to high land premiums and better-than-expected revenue from stamp duties in both the stock and property markets. The fiscal reserves increased to US$ 76 billion for the year ended 31st March 2011.

Owing to the pressure from the society and the Legislative Council, Financial Secretary John Tsang revised his proposed budget in early March 2011 and offered cash handouts to all Hong Kong permanent identity card holders aged 18 or above. It was the first time in the fiscal policy of Hong Kong that cash handouts would be given. After such revision, he estimated that total government revenue for 2011-12 would amount to US$ 47.4 billion, and total expenditure would reach US$ 48.5

[1] Investment figures for 2010 will only be available by Dec. 2011.

billion, with a deficit of US$ 1.1 billion. He insisted that the deficit for 2011-12 was mainly attributable to the one-off measures and would have no implications on the medium range finance. He expected an annual surplus in the Consolidated Account for the period between 2012-13 and 2015-16. Fiscal reserves would reach US$ 75 billion by end-March 2012, equivalent to 18 months of government expenditure, or 31 per cent of the GDP of Hong Kong.

1.5 Statutory minimum wage rate: The statutory minimum wage came into effect on 1st May 2011 in Hong Kong. It is a significant milestone in the development of Hong Kong's labour policy. Under the new statutory minimum wage regime, non-skilled workers are guaranteed a minimum monthly salary of HK$ 5,824 (about US$ 747) and the hourly rate approach is set at HK$ 28 (about US$ 3.6) per hour. While there has been a recent debate over pay for meal breaks and rest days, the government maintains that there has never been any labour legislation prescribing whether meal breaks and rest days should be paid or not. They are terms of employment to be agreed between employers and employees. The said issues may create some disputes between employers and employees. The government encourages both sides to resolve problems through communication and consensus in a lawful, rational and reasonable manner.

1.6 US Dollar peg: The Linked Exchange Rate System (HK$7.8: US$1) has been introduced to stabilize the then volatile economy and financial market since 17th October 1983. When asked whether the government would tackle the inflation issue by changing the linked exchange rate system, Chief Executive Donald Tsang said in the Legislative Council in January 2011 that there was no room for de-linking Hong Kong's currency from the US dollar and any change would attract speculations and cause more uncertainties and financial risks. He added that a stable exchange rate was crucial to Hong Kong because it heavily relied on trade. Any unfavorable change would cause adverse impact to the Hong Kong economy.

2. International and regional economic agreements
2.1 HK's policy and priorities

Hong Kong is a free port which thrives on free trade. Its open door policy has enabled the city to become the world's 13th largest trading economy and an international financial and commercial centre serving the Asia-Pacific region and China. The cornerstone of this approach is a strong and credible multilateral trading system.

Hong Kong is a founding member of the World Trade Organization (WTO). Hong Kong became a member of the Asia-Pacific Economic Cooperation (APEC) and the Pacific Economic Cooperation Council (PECC) in 1991. Hong Kong belongs, in its own right, to the Asian Development Bank (ADB) and the World Customs Organization (WCO). Since April 1994, Hong Kong has been an observer in the Trade Committee of the Organization for Economic Cooperation and Development (OECD).

Hong Kong has so far concluded two free trade agreements with Mainland China (the Closer Economic Partnership Arrangement CEPA) and New Zealand. Hong Kong has completed negotiation with the EFTA States (including **Switzerland**) for a free trade agreement which will supposedly be signed in June 2011.

Furthermore, Hong Kong has signed investment promotion and protection agreements with 17 countries including Finland, Kuwait, the Netherlands, Australia, Denmark, Sweden, **Switzerland**, New Zealand, Italy, France, Germany, Belgo-Luxembourg Economic Union, Austria, Japan, Korea, the United Kingdom and Thailand.

2.2 Closer Economic Partnership Arrangement (CEPA)

The Closer Economic Partnership Arrangement (CEPA) is the first ever regional trade agreement signed between China and Hong Kong. It was signed in 2003 and came into effect from Jan. 2004. It covered 3 broad areas, namely 1) trade in goods, 2) trade in services and 3) trade and investment facilitation. As a living agreement, the scope of market access and liberalization measures were expanded under CEPA II – VI in 2004-2009. The latest Supplement VII was signed on 27th May 2010 and the new liberalisation measures took effect from 1st January 2011.

At present, all products of Hong Kong origin, except for a few prohibited articles, can be imported into the mainland tariff free under the CEPA. Since the tertiary sector accounts for about 92% of GDP in Hong Kong, the real significance of the CEPA lies in the trade in services.

The CEPA Supplement VII provides 35 market liberalisation and trade and investment facilitation measures in 19 sectors. Two new sectors "specialty design" and "technical testing, analysis and product testing" are added to the Supplement VII, bringing the total number of liberalised service sectors from 42 to 44[2].

On trade and investment facilitation, it strengthens the co-operation between both sides in education, cultural industry, environmental industry, innovation and technology industry as well as testing and certification.

On the whole, the CEPA Supplement VII further expedites and facilitates Hong Kong service industries to enter and expand in the Mainland market, and foster service industries' integration and professional exchanges of the two sides. Moreover, most of the market liberalisation and facilitation measures cover the four pillar industries (tourism, financial services, professional services as well as trading and logistics) and the six industries (medical services, education services, environmental industries, testing and certification, innovation and technology as well as cultural and creative industries) in which the HKSAR Government is keen to promote. It helps consolidate the status of Hong Kong as an international financial, trade, shipping, logistics and high value-added service centre. It also lays the foundation for the two sides to jointly develop the said six industries.

3. Foreign trade

3.1 Development and general outlook

3.1.1 Trade in goods

According to the Hong Kong Trade Development Council, Hong Kong is the world's 10th largest trading economy. Total exports of Hong Kong increased by 23% to US$389 billion in 2010. Domestic exports rose to US$ 8.9 billion (+20%) and re-exports rose to US$ 380 billion (+23%). Major export markets were China (53% of total exports), the US (11%), Japan (4.2%), Germany (2.7%) and India (2.5%). Major export products were electrical machinery and apparatus (28%), telecom, audio and video equipment (17%), office machines and computers (11%), clothing (6.2%) and textiles (2.9%).

Imports increased to US$ 431 billion (+25%) in 2010. Major supplier countries were China (46% of total imports), Japan (9.2%), Singapore (7.1%), Taiwan (6.7%) and the US (5.3%). Major import products were electrical machinery and apparatus (28%), telecom, audio and video equipment (14%), office machines and computers (9.6%), clothing (3.8%) as well as petroleum and petroleum products (3%).

Regulations: Hong Kong is a free port and there is no tariff on general imports except duty on strong liquors, tobacco, hydrocarbon oil and methyl alcohol.

There are no regulatory measures impinging on international trade other than those required to discharge international obligations or to protect health, environment and access to hi-technology.

3.1.2 Trade in services

Exports of services rose to US$ 106 billion (+23%) in 2010. It included: trade-related services (30% of total exports of services, increased by 20%), transportation services (28% of total exports of services, increased by 28%), travel services (21% of total exports of services, increased by 35%), financial

[2] The 44 service sectors include legal services, accounting, construction and real estate, medical and dental, advertising, management consulting, convention and exhibition, telecommunications, audiovisual, distribution, insurance, banking, securities and futures, tourism, transport, freight forwarding agency, storage and warehousing, logistics, air transport, information technology, professionals qualification examinations, cultural and recreational, trade mark agencies, patent agencies, job referral agencies, job intermediaries, individually owned stores, computer and the related services, market research, management consulting services, public utility, building-cleaning, photographic, printing, translation, environmental, social services, sporting, mining services, scientific and technical consulting, rail transport , research and development, specialty design as well as technical testing, analysis and product testing.

services (12% of total exports of services, increased by 12%), other services (8.5% of total exports of services, increased by 14%) and insurance services (0.5% of total exports of services, increased by 11%).

In 2009 (latest available information), exports of services by main destinations were China (US$ 23 billion, 27% of total, grew by 1%), the US (US$ 18 billion, 21% of total, dropped by 7.1%), the UK (US$ 6.5 billion, 7.8% of total, dropped by 5.2%), Japan (US$ 5.4 billion, 6.4% of total, decreased by 7.9%) and Taiwan (US$ 3.8 billion, 4.5% of total, dropped by 19%).

Import of services amounted to US$ 51 billion (+16%) in 2010. It included: travel services (34% of total imports of services, increased by 12%), transportation services (29% of total imports of services, increased by 19%), other services (20% of total imports of services, increased by 20%), financial services (6.9% of total imports of services, increased by 6.2%), trade-related services (8.4% of total imports of services, increased by 24%) and insurance services (1.6% of total imports of services, increased by 18%).

In 2009 (latest available information), imports of services by main sources were China (US$ 11 billion, 27% of total, dropped by 3.5%), the US (US$ 6.5 billion, 15% of total, dropped by 5.8%), Japan (US$ 3.3 billion, 7.9% of total, dropped by 13%), the UK (US$ 3.2 billion, 7.4% of total, dropped by 6.1%) and Singapore (US$ 2.6 billion, 5.9% of total, decreased by 6.8%).

3.2 Bilateral trade
3.2.1 Trade in goods

According to the Hong Kong Census and Statistics Department, Switzerland was the 12th largest trading partner of Hong Kong in 2010. Switzerland was Hong Kong's 11th largest supplier and 21st largest export market.

According to the Swiss Federal Customs Administration, Swiss exports to Hong Kong totalled CHF 6,534 million (+20%) in 2010. Major Swiss exports included watches and clocks (49% of total, increased by 47%, CHF 3,185 million in value), jewellery & precious metal (30% of total, decreased by 9.1%, CHF 1,926 million in value), chemical and pharmaceutical products (8.2% of total, increased by 39%, CHF 533 million in value) and machinery (6.2% of total, increased by 6.2%, CHF 405 million in value).

In 2010, Swiss exports to Mainland China (CHF 7,463 million in value) and Hong Kong (CHF 6,534 million in value) accounted for 6.9% of global Swiss exports, bringing China (incl. Hong Kong) to the position of Switzerland's most important market in Asia. On the other hand, Swiss imports from China (CHF 6,078 million) and Hong Kong (CHF 1,560 million) totalled CHF 7,638 million. Switzerland got a trade surplus worth CHF 6,359 million.

Hong Kong's total exports to Switzerland rose to CHF 1,560 million (+37%) in 2010. Major total exports included jewellery & precious metal (66% of total, increased by 58%, CHF 1,021 million in value), watches and clocks (18% of total, increased by 12%, CHF 284 million in value), machinery (8% of total, decreased by 2.4%, CHF 124 million in value) and textiles and garments (2.1% of total, increased by 6%, CHF 33 million in value).

According to the Hong Kong Census and Statistics Department, Swiss exports to Hong Kong totalled US$ 6,684 million (+26%) in 2010 of which goods worth US$ 2,138 million were re-exported to other countries and notably to China. Swiss goods worth US$ 943 million (+28%) were re-exported to China via Hong Kong in 2010. Major products were watches and clocks (US$ 310 million), silver and platinum (US$ 142 million), medicaments (US$ 50 million), measuring instruments (US$ 46 million) and colouring matter (US$ 35 million).

There has been a substantial quantity of Swiss products entering China via Hong Kong in recent years from US$ 518 million in 2005, US$ 610 million in 2006, US$ 700 million in 2007, US$ 867 million in 2008, US$ 736 million in 2009 and US$ 943 million in 2010. In this regard, Swiss exporters and manufacturers may make use of Hong Kong as a known entrepôt and trade hub (which has a huge cluster of traders who are experienced in the market of China) to do business with China.

According to the Hong Kong Census and Statistics Department, Hong Kong exports to Switzerland totalled US$ 2,494 million (+33%) in 2010. Among them, products of Chinese origin worth US$ 1,298 million (+30%) were re-exported to Switzerland via Hong Kong. Major products were watches and clocks (US$ 591 million), clothing (US$ 147 million), electrical machinery (US$ 117 million), jewellery (US$ 96 million) and telecom equipment (US$ 76 million).

Outlook for Swiss exports to Hong Kong

The economy of Hong Kong staged a full recovery in 2010 and sustained strong momentum in the first quarter of 2011. Retail sales have soared strongly, reflecting buoyant local consumption and strong tourist spending. The value of retail sales increased by 21% year-on-year in the first quarter of 2011, after an increase by 18% in 2010. In the first quarter of 2011, sales of jewellery, watches and clocks, and valuable gifts grew by 43% while sales of clothing and footwear also marked an increase of 23%. Sales of furniture and fixtures as well as electrical goods and photographic equipment grew by 14% and 12% respectively.

Renowned brands and luxury items from all over the world are well presented in Hong Kong. Swiss products, such as watches, jewellery, clothing, footwear, leather goods and skin care products, enjoy an excellent reputation in the market. They are not only appealing to local consumers, but also winning popularity among tourists, in particular from Mainland China (tourists from Mainland China reached 22.7 million or 63% of total visitor arrivals in 2010). Hong Kong is a window of the world to Chinese tourists who have high consuming power. Tourists from Mainland China account for about 70% - 80% of sales of Swiss hi-end watches in Hong Kong. Swiss medium-priced watches with brands known to mainland consumers also perform very well in the market. In the sector of beauty products, according to a leading cosmetic retailer, tourists from Mainland China account for about 40-50% of their total sales in Hong Kong.

The growth of the Swiss exports to Hong Kong was broad based. According to the Hong Kong Census and Statistics Department, a few categories of Swiss products exporting to Hong Kong recorded a remarkable growth in 2010. It included watches and clocks (increased by 56%), jewellery (increased by 43%), travel goods and handbags (increased by 65%), medicaments (increased by 28%), pearls, precious and semi-precious stones (increased by 49%), inorganic chemicals (increased by 32%) as well as perfumery and cosmetics (increased by 34%).

The global financial crisis galvanised the HKSAR Government's thinking on economic diversification. The Task Force on Economic Challenges has identified to promote six promising industries including education services, medical services, testing and certification, environmental industries, innovation and technology as well as cultural and creative industries. Swiss equipment and know-how has an edge and a good market potential in medical services, testing and certification, environmental industries as well as innovation and technology. Furthermore, as mentioned in 1.3, there is an increasing demand for upgrading and automation in the industries in the Pearl River Delta. It will offer business opportunities for Swiss companies which can provide solutions and technology to enterprises in the region.

3.2.2 Trade in services

According to the Hong Kong Census and Statistics Department, Hong Kong's exports of services to Switzerland amounted to US$ 863 million (1% of total exports of services, dropped by 3.2%) in 2009[3]. Switzerland ranked 15th largest market for Hong Kong's exports of services. It consisted of transportation services (US$ 416 million), financial services (US$ 107 million), trade-related services (US$ 199 million) and other services (US$ 104 million). Figures on travel services and insurance services were unavailable due to confidentiality of information relating to individual establishments.

Hong Kong's imports of services from Switzerland reached to US$ 344 million (0.8% of total imports of services, increased by 1.7%) in 2009. Switzerland ranked 19th largest supplier in this category. It consisted of transportation services (US$ 63 million), travel services (US$ 44 million), insurance

[3] The trade in services figures for 2010 will only be available by Feb. 2012.

services (US$ 27 million), financial services (US$ 42 million), trade-related services (US$ 16 million) and other services (US$ 152 million).

4. Direct Investments
4.1 Development and general outlook

According to the Hong Kong Census and Statistics Department, at the end of 2009 (latest available information), the stock of Hong Kong's inward direct investments rose by 15% to US$ 931 billion. Major investor countries were China (US$ 339 billion or 36% of total, increased by 15%), the British Virgin Islands BVI (US$ 302 billion or 32% of total, increased by 15%), the Netherlands (US$ 64 billion or 6.8% of total, increased by 21%), Bermuda (US$ 58 billion or 6.2% of total, increased by 26%) and the US (US$ 40 billion, 4.3% of total, increased by 25%).

China was the biggest source of Hong Kong's inward direct investment as well as the second largest destination for Hong Kong's outward direct investment (US$ 350 billion or 42% of total)[4]. The substantial cross-boundary investment between China and Hong Kong reflected the close economic links between the two places.

The ratios of inward and outward direct investments were 445% and 395% of GDP respectively in 2009. It reflected Hong Kong as a highly externally oriented economy and an important business centre in the region with substantial cross-boundary investment. The highly ranked BVI and Bermuda reflected a common practice of Hong Kong and foreign enterprises in setting up non-operating companies in these offshore financial centres for channelling direct investment funds back to Hong Kong.

According to the International Monetary Fund (IMF), inward portfolio investments to Hong Kong amounted to US$ 811 billion (+46%) in 2009. Major investor countries were Cayman Islands (US$ 162 billion or 20% of total, increased by 125%), China (151 billion or 19% of total, increased by 47%), the US (US$ 92 billion or 11% of total, grew by 26%), the UK (US$ 90 billion or 11% of total, increased by 29%) and Bermuda (US$ 89 billion or 11% of total, grew by 11%).

In Hong Kong, there is neither restriction on inward and outward investments nor nationality restrictions on corporate or sectorial ownership.

4.2 Bilateral investment flows

According to the Hong Kong Census and Statistics Department, Swiss direct investments in Hong Kong were about US$ 6.5 billion (0.7% of total, grew by 20%) and ranked the 12th largest investor country in 2009[5]. Swiss portfolio investments in Hong Kong reached US$ 2.5 billion (0.3% of total, grew by 47%), according to the IMF.

As at 1st June 2010, 47 Swiss companies have set up their regional headquarters in Hong Kong. 57 Swiss companies have set up their regional offices whereas 73 Swiss companies have set up their local offices in Hong Kong. They are classified in various sectors: banking, beauty products, chemicals & pharmaceuticals, consultants, electronics, foodstuffs, freight forwarding, inspection, insurance, machinery/engineering, textiles & garments, watches/jewellery and trading houses, etc.

According to the Hong Kong Census and Statistics Department, the outward direct investments from Hong Kong to Switzerland for 2002, 2003 and 2004 were US$ 1.49 billion (ranked 14th), US$ 780 million (ranked 17th) and US$ 564 million (ranked 18th) respectively. The said department compiles for top 20 recipient countries only. As Switzerland dropped out of this category in 2005-2009, the corresponding figure is no longer available.

[4] The British Virgin Islands, an offshore centre for indirect channelling of direct investment funds, ranked the 1st largest destination for outward direct investment and accounted for 44% of the total in 2009.
[5] Bilateral investment figures for 2010 will only be available by Dec. 2011.

5. Trade, economic and tourist promotion

5.1 Foreign economic promotion instruments

The Consulate General of Switzerland, the Federation of the Swiss Watch Industry, Switzerland Tourism, the Swiss Chamber of Commerce in Hong Kong and the Swiss-Chinese Chamber of Commerce/the Swiss-Hong Kong Business Association are the organisations to promote Swiss economic interests in Hong Kong.

The Swiss Chamber of Commerce in Hong Kong
It is an organization with the mission to provide business platform and networking for Swiss companies and individuals in Hong Kong. It acts as an access to Greater China and Asia Pacific Region. For details, please visit its website www.swisschamhk.org.

Swiss-Chinese Chamber of Commerce/Swiss-Hong Kong Business Association

The Swiss-Chinese Chamber of Commerce is a non-profit association registered in Switzerland. The Swiss-Hong Kong Business Association is established by the Swiss-Chinese Chamber of Commerce and the Hong Kong Trade Development Council HKTDC. For details, please visit its website www.sccc.ch.

Switzerland Tourism

Switzerland Tourism organises media trips, travel talks in the media and travel seminars on regular basis. All the above activities help to promote Switzerland in excellent image and top quality branding.

The Federation of the Swiss Watch Industry

The Bienne based Federation of the Swiss Watch Industry (FH) is a private, professional and non-profit association which defends the watch industry's interests and contributes to its development. For details, please visit its website www.fhs.hk.

5.2 Interests for Switzerland as a location for investment, potential for development

Some Hong Kong companies have acquired Swiss watchmakers and producers of watch movements as a means to extend marketing and distribution network, and/or to gain access to better technology and designs. A noteworthy acquisition was the acquisition of Saia-Burgess by Johnson Electric in 2005. Johnson Electric, one of the biggest manufacturers of micro motors in the world, is a listed company in Hong Kong. The Consulate General has not heard about any substantial investment from Hong Kong companies to Switzerland in 2010.

Apart from acquisitions, Switzerland as a location of research and development centres or international headquarters may be of interests to a limited number but well-established companies in Hong Kong.

6. Useful internet links

HK Government agencies:
HKSAR Government (www.gov.hk/)
Commerce and Economic Development Bureau (www.cedb.gov.hk/)
Trade and Industry Department (www.tid.gov.hk)
Census & Statistics Department (www.censtatd.gov.hk/)
Invest HK (www.investhk.gov.hk/)
Customs and Excise Department (www.customs.gov.hk)
HK Monetary Authority (www.info.gov.hk/hkma/)
Intellectual Property Department (www.ipd.gov.hk/)

Swiss Government agencies and export promotion bodies
State Secretariat for Economic Affairs (www.seco.admin.ch/)
OSEC Business Network Switzerland (www.osec.ch)

Statutory trade promotion bodies:
Hong Kong Trade Development Council (www.tdctrade.com)

Chambers and Associations:
Swiss Chamber of Commerce in HK (www.swisschamhk.org)
Swiss Association of Hong Kong (www.swiss-hk.com)
Federation of the Swiss Watch Industry, HK Office (www.fhs.hk)
HK General Chamber of Commerce (www.chamber.org.hk)
Federation of HK Industries (www.industryhk.org)
Chinese General Chamber of Commerce (www.cgcc.org.hk)
Chinese Manufacturers' Association (www.cma.org.hk)

Newspapers:
South China Morning Post (www.scmp.com)
The Standard (www.thestandard.com.hk/)

Trade exhibitions calendar:
Please refer to Hong Kong Trade Development Council (http://www.hktdc.com/info/trade-events/EX/en/Exhibitions.htm)

Appendices

1. Structure of the economy
2. Essential economic data
3 Trading partners
4 Bilateral trade between Switzerland and Hong Kong
5. Main investor countries

Appendix 1

Structure of Economy (latest available information*)

	1995	2006	2007	2008	2009	% Change 1995 / 2009
Spreading GDP (%)						
Primary Sector	0.2%	0.1%	0.1%.	0.1%.	0.1%	-50%
Secondary Sector	16%	8.7%	7.7%	7.9%	7.8%	-51%
Tertiary Sector	83.8%	91.2%	92.3%	92%	92.1%	+9.9%
Spreading Employment						
Primary Sector	0.6%	0.3%	0.2%	0.3%	0.2%	-67%
Secondary Sector	27.1%	13.4%	13.2%	12.6%	11.8%	-56%
Tertiary Sector	72.3%	86.3%	86.6%	87.1%	88%	+22%

*This set of figures for 2010 will only be available by Nov. 2011

Source: Hong Kong Census and Statistics Department

Appendix 2

Essential Economic Data

	2003	2004	2005	2006	2007	2008	2009	2010
GDP (USD billion)	158.5	165.8	177.3	189.1	207.1	215.2	208	224
GDP per capita (USD)	23,150	24,100	26,000	27,600	29,900	30,800	29,700	31,700
GDP growth (%)	3.2	8.6	7.1	7.0	6.4	2.3	-2.7	6.8
Inflation (%)	-2.6	-0.4	1.0	2.0	2.0	4.3	0.5	2.4
Unemployment rate (%)	7.9	6.9	5.6	4.8	4.0	3.5	5.4	4.3
Fiscal balance (% of GDP)	-3.3	-0.3	1.0	4.0	7.2	-0.3	0.8	4.1
Current account balance (% of GDP)	10.4	9.5	11.4	10.8	12.3	13.7	8.6	6.6
Reserves (in months of imports)	23.3	21.1	19.8	18.6	19.5	22.3	34.6	27.7

Sources: HKSAR Government

Appendix 3

Trading Partners 2010

	Exports to country/region	Exports (USD millions)	Share (%)	Growth* (%)
1	China	204,900	53	27
2	USA	42,576	11	16
3	Japan	16,365	4.2	17
4	Germany	10,338	2.7	1.6
5	India	9,545	2.5	42
6	Taiwan	8,795	2.3	25
7	UK	7,792	2	1.9
8	Korea Rep	6,881	1.8	24
9	Singapore	6,536	1.7	21
10	Netherlands	5,657	1.5	18
	EU	43,495	11	10
21	**Switzerland**	**2,494**	**0.6**	**33**
	Total	388,592	100	23
	Imports from country/region	**Imports (USD millions)**	**Share (%)**	**Growth* (%)**
1	China	196,122	46	22
2	Japan	39,508	9.2	30
3	Singapore	30,437	7.1	36
4	Taiwan	28,816	6.7	28
5	USA	22,969	5.3	26
6	Korea Rep	17,143	4	30
7	Malaysia	10,860	2.5	25
8	Thailand	9,783	2.3	33
9	India	9,204	2.1	37
10	Germany	7,392	1.7	15
	EU	31,697	7.3	19
11	**Switzerland**	6,684	**1.5**	**26**
	Total	431,390	100	25

* year-on-year basis

Sources : Hong Kong Census & Statistics Department, Hong Kong Trade Development Council

Appendix 4 Bilateral Trade Table

Bilateral trade Switzerland – Hong Kong

	Exports (CHF million)	% Change	Imports (CHF million)	% Change	Trade Balance	Total Imp./Exp.	% Change
1990	2'265	4.3%	902	-17.3%	1'363	3'166.8	-
1995	2'843	-10.0%	642	-4.3%	2'201	3'485.3	10%
2000	3'842	31.9%	895	36.3%	2'947	4'736.1	32.7%
2001	4'039	5.1%	679	-24.1%	3'360	4'718.6	-0.4%
2002	4'479	10.9%	824	21.3%	3'655	5'304	12.4%
2003	4'002	-10.7%	648	-21.3%	3'353	4'650.9	-12.3%
2004	4'073	1.8%	822	26.6%	3'251	4'894.2	5.2%
2005	4'012	-5.3 %	1'674	52.4%	2'338	5'686	16.2%
2006	4'694	17.0%	1'457	-13.0%	3'237	6'151	8.2%
2007	5'296	12.8%	1'185	-18.6%	4'111	6'481	5.4%
2008	6'219	17.1%	1'440	21.5%	4'779	7'659	17.9%
2009	5'426	-12.7%	1'104	-23.3%	4'322	6'530	-14.7%
2010	**6'534**	**20.4%**	**1'560**	**36.6%**	**4'974**	**8'094**	**24%**

Major products

Exports	2009		2010		
	% of total	CHF million	% of total	CHF million	% Change 2009/2010
1. Watches and clocks	40	2'168	49	3'185	47
2. Jewellery and precious stones	39	2'118	30	1'926	-9.1
3. Chemical and pharmaceutical products	7.1	384	8.2	533	39
4. Machinery	6	328	6.2	405	6.2

Imports	2009		2010		
	% of total	CHF million	% of total	CHF million	% Change 2009/2010
1. Jewellery and precious stones	57	648	66	1'021	58
2. Watches and clocks	23	254	18	284	12
3. Machinery	12	127	8	124	-2.4
4. Textiles and garments	2.8	31	2.1	33	6

Appendix 5

Major investor countries/regions 2009 (latest available information)

Rank	Country/Region	Direct investments (USD billion)	Share (%)	Growth (%)	Change of inflow (USD billion)
1	China	339	36%	15%	1.6
2	British Virgin Islands	302	32%	15%	2.1
3	Netherlands	64	6.8%	21%	1.3
4	Bermuda	58	6.2%	26%	5.4
5	USA	40	4.3%	25%	-3.9
6	Japan	22	2.4%	4.8%	0.2
7	Cayman Islands	19	2%	36%	0.4
8	UK	16	1.7%	6.7%	0.3
9	Singapore	15	1.6%	7.1%	**
10	Cook Islands	8.6	0.9%	23%	-0.9
	EU	92	9.9%	13%	0.8
11	**Switzerland**	**6.5**	**0.7%**	**20%**	**0.5**
	Total	931	100 %	15%	-7.4
Rank	**Country/Region**	**Portfolio investments (USD billion)**	**Share (%)**	**Growth (%)**	**Change of inflow (USD billion)**
1	Cayman Islands	162	20%	125%	N.A.
2	China	151	19%	47%	N.A.
3	USA	92	11%	26%	N.A.
4	UK	90	11%	29%	N.A.
5	Bermuda	89	11%	11%	N.A.
6	Australia	41	5%	21%	N.A.
7	Luxembourg	22	2.7%	38%	N.A.
8	Japan	18	2.2%	-44%	N.A.
9	France	18	2.2%	86%	N.A.
10	Republic of Korea	17	2.1%	13%	N.A.
18	**Switzerland**	**2.5**	**0.3%**	**47%**	N.A.
	Total	811	100%	46%	N.A.

*N.A. Not available
** Insignificant variation

Remarks: Investment figures for 2010 will only be available by Dec. 2011

Sources : Hong Kong Census & Statistics Department, IMF