

Why Invest in Hong Kong?

Technical Annex to the *Economic Note* “Hong Kong: The Ongoing Economic Miracle”

As we pointed out in our *Economic Note*, Hong Kong today is a doorway to China and the rest of Asia for foreign investors. It is a hub for financial flows in the region. In 2011, inflows and outflows of foreign direct investment represented 433% and 411% of Hong Kong’s gross domestic product (GDP) respectively.¹

Significant presence of foreign firms

There are currently 7,449 foreign and mainland Chinese companies with subsidiaries in Hong Kong. These companies are mostly from, in descending order, Japan, the United States, mainland China, the United Kingdom and Taiwan.

The main reasons for foreign businesses to set up shop in Hong Kong are:

- A simple tax system with low rates
- The free flow of information
- Geographical location
- Its free-port status
- The rule of law and an independent judiciary²

A familiar business environment for Canadians

In 2011, Hong Kong was Canada’s 10th largest export market, as well as the second largest destination in Asia for Canadian foreign direct investment after Japan but ahead of mainland China and India.³

Ninety-seven Canadian companies, including 19 regional headquarters,⁴ currently do business in Hong Kong, especially financial services and technology firms. Numerous SMEs are also present in the fields of information and environmental technology, infrastructure development and professional services. The cumulative investment of Canadian companies in Hong Kong amounted to HK\$47 billion (CAN\$6.3 billion) at the end of 2009.⁵

In Hong Kong, Canadian investors find judicial, economic and financial systems that are familiar to them. Canadians and Hong Kongers share a judicial system based on common law, which allows them to conduct their business in English in a stable, predictable environment. Canadian businesspeople can also call on a quality workforce that is able to

work in English and Mandarin, and also on the expat community, thanks to flexible immigration policies.

Canadians who want to invest in Hong Kong can count on a certain number of institutions to support them with the process, such as the Canadian Chamber of Commerce in Hong Kong, the Canadian Trade Commissioner Service in Hong Kong, the Hong Kong Canada Business Association and Invest Hong Kong. They can also count on the Consulate General of Canada in Hong Kong as well as an Alberta trade office.

Hong Kong is two hours from Shanghai by plane, three hours from Beijing and within four or five hours from all of the main Asian markets. It is also a one-hour car ride from the Pearl River Delta, the largest manufacturing region in the world.

Quality infrastructure

The territory has excellent infrastructure. Hong Kong International Airport has flights to some 180 locations worldwide, 48 of which are in mainland China, with a total of around 1,000 flights a day by over 100 airlines. In 2012, 56.5 million passengers passed through this airport, which is third in the world in terms of passengers, along with 4.03 million tonnes of air cargo.⁶ Hong Kong's deepwater container port is also one of the busiest in the world.

The whole territory is covered by an excellent mass transit system, the Mass Transit Railway or MTR, which carries an average of 4.28 million passengers a day.⁷ In 2015, Hong Kong will also be connected to the Beijing-Shenzhen line of mainland China's high-speed railway network.

¹ Hong Kong Special Administrative Region Government, Census and Statistics Department, *External Direct Investment Statistics of Hong Kong 2011, 2012*, p. 9.

² Hong Kong Special Administrative Region Government, Information Services Department, *Survey shows growth in companies from Asia setting up in Hong Kong*, 2013.

³ Government of Canada, *Canada- Hong Kong Relations*, 2012.

⁴ Hong Kong Special Administrative Region Government, Census and Statistics Department, *Report on 2013 Annual Survey of Companies in Hong Kong Representing Parent Companies Located outside Hong Kong*, 2013, p. 34.

⁵ Hong Kong Special Administrative Region Government, Invest HK, *Canadian Business Community*, 2011.

⁶ Hong Kong International Airport, *Welcome to Hong Kong International Airport*, 2013.

⁷ Hong Kong Special Administrative Region Government, *Hong Kong: The Facts. Coming to Hong Kong*, 2013.