

## Hong Kong, China

### Dashboard - Cover Note

The purpose of the Dashboard is to provide easy-to-understand figures to track the advances in areas critical to promoting greater regional economic integration, such as liberalization and facilitation of trade and investment. The intention is to display a set of harmonized indicators laying out the evolution across time of certain aspects of trade and investment liberalization and facilitation in quantitative terms.

This Dashboard was compiled by the Policy Support Unit and includes indicators gathered from respectable public sources only. **The data and indicators used in the Dashboard do not necessarily reflect the views of the APEC Secretariat or APEC member economies.**

Indicators, either individually or taken together, cannot cover every single aspect related to trade and investment liberalization and facilitation, as some features are too complex to capture by existing quantitative indicators. Instead, the Dashboard is a useful tool to complement the assessment of APEC member economies and the APEC region towards the Bogor Goals via the Individual Action Plans (IAP) Brief Reports prepared with submissions from each APEC member economy comprised by mostly qualitative information.

The Dashboard encompasses issues pertaining to goods trade, services and investments. The indicators were selected taking consideration of suitability and objectivity. However, certain caveats apply in the interpretation of these indicators. For more comprehensive details, readers are advised to read the Dashboard's technical notes.

For quick reference, some general caveats are set as below:

- To calculate the APEC MFN Tariff Averages, tariff data needs to be standardized across APEC economies. The Dashboard calculates MFN Tariff Averages at the Harmonized System (HS) 6-digit level and includes to the extent possible ad valorem equivalents of non-ad valorem tariffs. These tariff averages differ from those reported by APEC member economies as the latter are calculated at their own HS 8 or 10-digit domestic tariff line level. Preferential treatment under FTAs is not captured by the MFN Tariff Averages.
- Indicators on trade facilitation and investment are based on surveys.
- Indicators on time, cost and documents to export/import do not take into account geographic circumstances like landmass. For simplification and consistency, the survey only takes information from the largest economic city in each economy.
- Services indicators do not capture unilateral measures to liberalize trade in services, only those measures at the negotiated level (multilateral, bilateral or regional).
- The deepest level of RTA/FTA services commitments achieved quantifies the largest depth of services commitments among a sizeable group of FTA/RTAs in force by each APEC economy in the provision of mode 1 (cross-border trade) and mode 3 (commercial presence).

## Dashboard - Bogor Goals (as at 13 August 2012) (For Information)

| Hong Kong, China  | 2008  | 2009  | 2010  |
|---|-------|-------|-------|
| <b>Goods Trade</b>  |       |       |       |
| 1. MFN Applied Tariff (HS 6-digit level simple average)   | 0.0   | 0.0   | 0.0   |
| 2. MFN Applied Tariff - Agriculture (HS 6-digit level simple average)   | 0.0   | 0.0   | 0.0   |
| 3. MFN Applied Tariff - Non-Agriculture (HS 6-digit level simple average)   | 0.0   | 0.0   | 0.0   |
| 4. Zero - Tariff Product Lines (%)  | 100.0 | 100.0 | 100.0 |
| 5. Zero - Tariff Imports (%)  | 100.0 | 100.0 |       |
| 6. Percentage of Product Lines with MFN Tariff Rates >= 10%   | 0.0   | 0.0   | 0.0   |
| 7. Non-Ad Valorem Product Lines (%)   | 0.0   | 0.0   | 0.0   |
| 8. Non-Ad Valorem Imports (%)   | 0.0   | 0.0   |       |
| 9. Logistics Performance Index - Overall Index (1=low, 5 =high)   | 4.00  |       | 3.88  |
| 10. Lead Time to Export (days)  | 6     | 6     | 6     |
| 11. Lead Time to Import (days)  | 5     | 5     | 5     |
| 12. Cost to Export (USD per container)  | 625   | 625   | 625   |
| 13. Cost to Import (USD per container)  | 633   | 583   | 600   |
| 14. Documents to Export (number)  | 4     | 4     | 4     |
| 15. Documents to Import (number)  | 4     | 4     | 4     |
| <b>Services</b>   |       |       |       |
| 16. Services Sectors with GATS Commitments  | 68    | 68    | 68    |
| 17. Deepest Level of RTA/FTA Services Commitments Achieved<br>(0= no commitments, 100= full commitments in all sectors) | n/a   | n/a   | n/a   |
| 18. Number of RTA/FTAs with Sectoral Services<br>Commitments /Total Number of RTA/FTAs                                  | 1/1   | 1/1   | 1/1   |
| <b>Investment</b>   |       |       |       |
| 19. Prevalence of Foreign Ownership (1= very rare, 7= highly prevalent)   | 6.7   | 6.6   | 6.2   |
| 20. Business Rules Impact on FDI (1= lowest, 7= highest positive impact)  | 6.6   | 6.5   | 6.2   |

Note # 1: This dashboard only includes information from respected public sources for the period 2008-2010. Measures implemented recently may not have been captured by these figures. Please see Technical Note for further information on sources and descriptions for each of the indicators.

Note# 2: The dashboard is a living document and should not be treated as a fixed list of indicators. Methodologies and data availability to measure efforts on trade, services and investment shall be reviewed by economies across time.

Note # 3: At present, no suitable quantitative indicators on Non-Tariff Measures (NTM) such as technical barriers to trade, trade remedies and sanitary and phytosanitary measures were found. Information based on the number of WTO notifications does not allow the distinction of measures that constitute an unnecessary barrier to trade from those implemented for legitimate reasons.

Note # 4: The value of the Logistics Performance Index for year 2008 corresponds to year 2007.

Note # 5: This Dashboard is compiled by PSU and only for economies' references while complementing the assessment of APEC Member Economies' collective achievement towards Bogor Goals. This dashboard, including the contained data and indicators do not necessarily represent the views of APEC Secretariat or APEC Member Economies.

Note # 6: In terms of sectoral services commitments, Hong Kong, China committed from 1 January 2004 not to impose any new discriminatory measures on China's services and service suppliers in the same sectors covered under Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

## Technical Note

### Description of Dashboard Indicators

#### Trade Liberalization

##### 1. MFN Applied Tariffs

Simple average MFN applied tariffs are calculated based on pre-aggregated averages of the Harmonized System (HS) subheadings at the 6-digit level. Only duties under HS chapters 01-97 are taken into account. To the extent possible, non-advalorem duties are converted into advalorem equivalents. Pre-aggregation means that duties at the tariff line level are first averaged to HS 6-digit subheadings. For the APEC region, the simple average is an average of MFN applied tariffs of APEC economies based on equal weights.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011

##### 2. MFN Applied Tariffs – Agriculture

Simple average MFN applied tariffs on agricultural products are calculated by taking the HS subheadings at the 6-digit level that are included in the product coverage of the WTO Agreement on Agriculture, which covers HS Chapters 1 to 24 less fish and fish products, plus HS codes 2905.43, 2905.44, 3809.10, 3823.60 and HS headings 33.01, 35.01 to 35.05, 41.01 to 41.03, 50.01 to 50.03, 51.01 to 51.03, 52.01 to 52.03, 53.01 and 53.02. To the extent possible, non-advalorem duties are converted into advalorem equivalents. For the APEC region, the simple average is an average of MFN applied tariffs on agricultural products of APEC economies based on equal weights.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011

##### 3. MFN Applied Tariff – Non Agriculture

Simple average MFN applied tariffs on non-agricultural products are calculated based on the HS subheadings at the 6-digit level. Non-agricultural products are those not included in the coverage of the WTO Agreement on Agriculture. To the extent possible, non-advalorem duties are converted into advalorem equivalents. For the APEC region, the simple average is an average of MFN applied tariffs on non-agricultural products of APEC economies based on equal weights.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011

##### 4. Zero-Tariff Product Lines

The percentage of product lines with zero-tariff refers to the share of duty-free HS subheadings in the total number of subheadings based on the HS nomenclature adopted by the APEC economy for the corresponding year. Partially duty-free HS 6-digit subheadings are taken into account on a *pro rata* basis. For the APEC region, the percentage of zero-tariff product lines is represented by the simple average of the shares of zero-tariff product lines in each APEC economy.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011.

## 5. Zero-Tariff Imports

At individual economy level, percentage of zero-tariff imports is calculated by dividing the combined import values of zero-tariff agricultural and non-agricultural products at the HS 6-digit level by the total import value. Partially duty-free HS 6-digit subheadings are taken into account on a *pro rata* basis.

At regional level, APEC's zero-tariff import is represented by the simple average of the share of zero-tariff imports in each APEC economy.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011, World Trade Profiles 2009, 2010, 2011

## 6. Percentage of Product Lines with MFN Tariff Rates $\geq$ 10%

This indicator is represented by the share of HS 6-digit subheadings with MFN rate above 10% in the total number of subheadings.

At regional level, APEC's percentage of product lines with MFN tariff rates above 10% is calculated by using a simple average of the percentages obtained by each APEC economy.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011, Tariff Download Facility; World Bank – World Integrated Trade Solution (WITS)

## 7. Non-Ad Valorem Product Lines

This indicator is represented by the percentage of HS subheadings at the 6-digit level subject to non-ad valorem duties. When only part of the HS 6-digit subheading is subject to non-ad valorem duties, the percentage of tariff lines subject to non-ad valorem duties is used. For the APEC region, the percentage of non-ad valorem product lines is represented by the simple average of the percentages obtained by APEC economies.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011, Tariff Download Facility; World Bank – World Integrated Trade Solution (WITS)

## 8. Non-Ad Valorem Imports

This indicator is represented by dividing the imports of HS 6-digit subheadings subject to non-ad valorem tariffs by the total imports. When only part of the HS 6-digit subheadings is subject to non-ad valorem duties, the imports are allocated on a *pro rata* basis. For the APEC region, the percentage of non-ad valorem imports is the simple average of the percentages obtained by APEC economies.

Data sources: WTO – World Tariff Profiles 2009, 2010, 2011, World Trade Profiles 2009, 2010, 2011

## 9. Logistics Performance Index – Overall Index

The index summarizes the performance of economies in seven areas that capture the current logistic environment. The seven areas are: 1) efficiency of the clearance process by customs and other border agencies; 2) quality of transport and ICT for logistics; 3) ease and affordability of arranging international shipments; 4) competence of the local logistics industry; 5) ability to track and trace international shipments; 6) domestic logistics costs; and 7) timeliness of shipments in reaching destination.

The index is comprised by a combination of soft and hard data gathered in a worldwide survey of companies responsible of moving goods and facilitating trade around the world. The information provided by these companies contains numerical information as well as their perceptions in a number of aspects concerning the seven aforementioned areas. The index summarizes the information on a 1-to-5 scale, being 1 for the lowest score and 5 for the highest.

APEC's overall index is calculated via a simple average of the values obtained by each APEC member.

Data sources: World Bank – The Logistics Performance Index and Its Indicators 2007 and 2010.

### **10. and 11. Lead Time to Export and Lead Time to Import**

The time for exporting / importing is recorded in calendar days. It considers the time from the moment the export/import is initiated and runs until is completed. The fastest legal procedure is chosen for the calculation. It is assumed that neither the exporters nor the importers waste time and each commit to complete each remaining procedure without delay. Procedures that can be completed in parallel are measured in simultaneous. Waiting time between procedures is included as well. Ocean transport time and fast-track procedures applying to firms located to export processing zones are not included.

These indicators are measured by assuming the export / import of a standardized cargo of goods by ocean transport. The goods must not be not hazardous, nor include military items; must not need refrigeration or any special environment; must not require any sanitary, phytosanitary or environmental safety standard other than accepted international standards; and must be one of the economy's leading export / import products. The methodology also assumes that the exporting / importing company is located in the economy's largest business city and it does not operate from an export processing zone or an industrial estate with export or import privileges.

APEC's overall lead time is calculated via a simple average of the lead time by each APEC member.

Data Sources: World Bank – Doing Business 2009, 2010, 2011

### **12. and 13. Cost to Export and Cost of Import**

Cost measures the fees levied on a 20 ft. container in USD. All fees associated with completing the procedures to export or import the goods are included. These include costs for documents; administrative fees for customs clearance and technical control; customs broker fees; terminal handling charges and inland transport. It does not include customs tariffs and duties or costs related to ocean transport. Only official costs are recorded.

These indicators are measured by assuming the export / import of a standardized cargo of goods by ocean transport. The goods must not be not hazardous, nor include military items; must not need refrigeration or any special environment; must not require any sanitary, phytosanitary or environmental safety standard other than accepted international standards; and must be one of the economy's leading export / import products. The methodology also assumes that the exporting / importing company is located in the economy's largest business city and it does not operate from an export processing zone or an industrial estate with export or import privileges.

APEC's overall cost is calculated via a simple average of the cost incurred by each APEC member.

Data Sources: World Bank – Doing Business 2009, 2010, 2011

#### **14. and 15. Documents to Export and Documents to Import**

All documents required per shipment to export and import the goods are recorded. Documents required for clearance by government ministries, customs authorities, port and container terminal authorities, health and technical control agencies and banks are taken into account. All documents required by banks for the issuance or securing a letter of credit are also taken into account. Documents that are renewed annually and that do not require renewal per shipment are not included.

These indicators are measured by assuming the export / import of a standardized cargo of goods by ocean transport. The goods must not be not hazardous, nor include military items; must not need refrigeration or any special environment; must not require any sanitary, phytosanitary or environmental safety standard other than accepted international standards; and must be one of the economy's leading export / import products. The methodology also assumes that the exporting / importing company is located in the economy's largest business city and it does not operate from an export processing zone or an industrial estate with export or import privileges.

APEC's overall number of documents is calculated via a simple average of the number of documents needed by each APEC member.

Data Sources: World Bank – Doing Business 2009, 2010, 2011

### **Services**

#### **16. Services Sectors with GATS Commitments**

The number of services sectors with GATS commitments has been calculated on the basis of available information and in the light of the Services Sectoral Classification List (MTN.GNS/W/120). The total number of sub-sectors is in the order of 160.

This indicator does not consider the depth of the commitments in each of the services sectors, which can vary in each sector across APEC economies. The indicator only considers if a commitment was made in a sector regardless of the quality of the commitment.

For the APEC region, the number of services sectors with GATS commitments represents the simple average of the GATS commitments in each APEC member.

Data Sources: WTO - World Trade Profiles 2009, 2010, 2011

### **17. Deepest Level of RTA/FTA Services Commitments Achieved**

The indicator considers the RTA/FTA in force as at the end of the calendar year in which the deepest level of services commitments was achieved in the case of each APEC economy. To calculate the scores, the Services Sectoral Classification List (MTN.GNS/W/120) is taken as reference. For each of the subsectors with full commitments, a score of 1 is given. If no commitment is made, a score of 0 is assigned. Partial commitments are assigned with 0.5. If partial commitments in a subsector are better than those in GATS, a score of 0.75 is given. Further increments are added for additional improvements in partial commitments. The overall score for each economy is the proportion of the sum of the scores in all subsectors against the maximum possible score. An overall score of 0 means that no commitments in any services subsector were made; whereas a score of 100 means that full commitments in all services subsectors were made.

This indicator takes into consideration 65 RTA/FTAs with services commitments with at least one APEC member as signatory party by the end of 2011. This represents 86.6 percent of the RTA/FTAs with services commitments that include at least one APEC member. The complete list of 65 RTA/FTAs can be found in the following website: [http://www.wto.org/english/tratop\\_e/serv\\_e/dataset\\_e/list\\_of\\_services\\_agreements\\_in\\_the\\_dataset\\_e.doc](http://www.wto.org/english/tratop_e/serv_e/dataset_e/list_of_services_agreements_in_the_dataset_e.doc)

For the APEC region, the score is the simple average of the overall scores of the deepest RTA/FTA services commitments achieved by each APEC member.

Data Source: Marchetti, Juan & Martin Roy, "Dataset of services commitments in regional trade agreements (RTAs)". Available at: [http://www.wto.org/english/tratop\\_e/serv\\_e/dataset\\_e/dataset\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/dataset_e/dataset_e.htm)

### **18. Number of RTA/FTAs with Services Commitments – Total Number of RTA/FTAs**

This indicator takes into account the number of RTA/FTAs in force by each APEC economy -at the end of the calendar year- that includes binding services commitments in terms of market access and/or national treatment. This number is compared with the total number of RTA/FTAs in force by each APEC economy.

APEC's overall number of RTA/FTAs with Services Commitments considers all the trade agreements with those features by the end of the calendar year. As some of these agreements are currently in force between two or more APEC economies, the indicator will count those agreements only once.

Data Sources: RTA/FTA texts available in official government websites.

## **Investment**

## **19. Prevalence of Foreign Ownership**

This indicator seeks to measure via survey on the perception of the prevalence of foreign ownership of companies. The indicator is on the 1-to-7 scale, with 7 being the highest possible value indicating most prevalence in foreign ownership. APEC's prevalence of foreign ownership is calculated by using a simple average of the values obtained by each APEC member.

Data Sources: World Economic Forum – Global Competitiveness Report 2008-2009, 2009-2010, 2010-2011.

## **20. Business Rules Impact on Foreign Direct Investment**

This indicator seeks to measure via survey on the perception of the extent that rules governing foreign direct investment encourage foreign investments in each economy. The indicator is on the 1-to-7 scale, with 7 being the highest positive value indicating the most positive impact of rules on foreign direct investment. APEC's business rules impact on FDI is calculated by using a simple average of the values obtained by each APEC member.

Data Source: World Economic Forum – Global Competitiveness Report 2008-2009, 2009-2010, 2010-2011.