

COUNTRY PROFILE:**HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA****DATED:****APRIL 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	1A	No Restrictions

Recent Political Highlights

- ❑ Chief of state since March 2003 has been President of China Hu Jintao with Head of Government Chief Executive Donald Tsang. The chief executive is elected for a five-year term by an 800-member electoral committee. The next election is due in 2012;
- ❑ China rejected Hong Kong's latest petition for a democratic Government, saying that no such elections will be permitted until two more five-year chief terms have been completed, that is until 2017, if then, and all candidates will have to be approved by the central government. It will also not be until 2020 at earliest that Hong Kong's citizens will have the right to elect all the members of the city's legislature directly. In the interim, Hong Kong will be governed under the principal of 'one country, two systems' where China agreed to give the region a high degree of autonomy and to preserve its economic and social systems for 50 years from the date of handover (1997).

Recent Economic Highlights

- ❑ Hong Kong has a population of 7m that grew at an expected growth rate of 0.6% in 2007. With little room for expansion, it houses some 6,300 people per square kilometer (the world's highest population density) through its towering skyscrapers;
- ❑ Once home to fishermen and farmers, Hong Kong today is a crowded commercially-vibrant metropolis where Chinese and Western influences blend;
- ❑ Hong Kong's economy has evolved from manufacturing to a service-based economy. The region is a major corporate and banking centre as well as a conduit for China's burgeoning exports and its deepwater port is one of the world's busiest;
- ❑ The EIU has maintained its GDP growth forecast at 4.9% in 2008, while expecting a pick up of 5.6% next year. GDP growth was 6.3% in 2007. Economic growth will average 5.3% in 2010, 5.5% in 2011 and 5.4% in 2012. Inflation will double to an average of 4% in 2008 from 2% in 2007 on the back of higher food prices and a weak US dollar boosting imported inflation. It reached 6.3% in February 2008 – its highest rate in ten years;
- ❑ Government will continue to pursue closer integration with the mainland in terms of the flow of people and resources, notably through the Closer Economic Partnership Arrangement. Hong Kong's lead over mainland financial centres, such as Shanghai, will be maintained at least until 2012 due to its superior infrastructure, strong regulatory environment and skilled workforce;
- ❑ According to the Index of Economic Freedom 2008, it is the 14th straight year that Hong Kong has earned the number one ranking, yet the Asia-Pacific region remains a study in contrasts with 18 economies improving in freedom, with 10 becoming increasingly un-free. More countries in the region are ranked 'mostly un-free';
- ❑ Following the introduction of high-speed bullet trains in Asia, Hong Kong and mainland China are planning to build a high speed rail between Hong Kong and Guangzhou. The Guangzhou-Shenzhen-Hong Kong Express Rail Link will reduce the travel time in half between Guangzhou and Hong Kong to 48 minutes. The time to travel between Shenzhen and Hong Kong will be 14 minutes. The US\$5bn (\$39.5bn Hong Kong) project will start construction in 2009 and be completed by 2015. The estimated ridership is 120,000 passengers daily by 2030.

Latest Trade Developments

- ❑ Major exports: electrical machinery and appliances, textiles, apparel, footwear, watches and clocks, toys, plastics, precious stones and printed material;
- ❑ Major imports: raw materials and semi-manufactures, consumer goods, capital goods, food items and fuel;
- ❑ Main trading partners: China, US, Japan, Taiwan, Singapore and South Korea;
- ❑ South African exports to Hong Kong totaled R2.7bn in 2006 from R3.8bn in 2005 and R4.6bn in 2007 and R185m in January 2008.

Lily Maharaj – Economic Services