

Chapter IV : Commerce and Industry

4.1 At the invitation of the Chairman, the Acting Secretary for Commerce and Industry (SCI), Miss Yvonne CHOI, gave a presentation highlighting the major tasks under her policy programme areas in 2001-02 (Appendix V-3).

Competition between Hong Kong and Shanghai

4.2 Referring to the report “The Two Cities – Shanghai • Hong Kong” recently published by the Hong Kong Trade Development Council (HKTDC), Miss Emily LAU pointed out that Shanghai was forecast to outperform Hong Kong in Gross Domestic Product (GDP) terms in 15 years. Miss LAU enquired about the Government Economist's assessment in that respect, and whether provisions had been set aside for the Administration to conduct more studies and researches on initiatives to help sustain Hong Kong's success and competitive edge.

4.3 SCI advised that the Government Economist had been conducting studies on the comparative advantages of Hong Kong and its neighbouring cities. Albeit the rapid development of Shanghai and other neighbouring cities in the Mainland, like Shenzhen, Hong Kong still had an edge on many fronts, such as its sound legal framework, high degree of freedom, infrastructural facilities, telecommunications infrastructure, free flow of information, and excellent banking and insurance services. These attributes, coupled with further enhancement in the human capital, would continue to render Hong Kong competitive advantages over its neighbouring cities, and it was estimated that the GDP of Hong Kong would not be outstripped in the short run.

4.4. As to whether the Government Economist had made any long-term forecast on the comparative GDP of Hong Kong and Shanghai, SCI indicated that although HKTDC had stated in its report that Shanghai's GDP might outperform that of Hong Kong in 15 years or 20 years, it nevertheless pointed out that Hong Kong still maintained its competitive edge in many areas, and that Hong Kong should endeavour to build on its existing advantages to further enhance its competitiveness. To this end, she assured that the Administration was committed to upgrading the human capital and improving the business environment with a view to raising Hong Kong's competitiveness. The Small and Medium Enterprises Committee would actively explore measures to assist the local small and medium enterprises (SMEs). These measures aimed at helping SMEs develop and expand their access to the Mainland market, and identifying

Chapter IV : Commerce and Industry

areas where the Administration could strengthen its support to enhance SMEs' long-term competitiveness. The Business and Services Promotion Unit would also launch various helping business programmes in order to create a more favourable business environment for local and foreign entrepreneurs. SCI also undertook to check with the Government Economist to see whether he had conducted any long-term forecast on the comparative GDP of Shanghai and Hong Kong and provide a written reply after the meeting.

Development and promotion of trade and industry

4.5 Mrs Sophie LEUNG referred to the banking sector's recent move to impose new service charges on small banking customers, which, in her opinion, was indicative of the shrinking development of local industry and hence limited service targets for the banking sector to yield returns. As such, she was concerned whether sufficient provisions had been earmarked for exploring new initiatives to assist the local industry which could generate foreign exchange earnings. She also called on the Administration to grasp the opportunities associated with China's accession to the World Trade Organization (WTO) by organizing more discussion sessions and seminars on the business opportunities arising from the expansion and liberalization of the Mainland market.

4.6 SCI emphasized that the Administration and HKTDC had all along been working towards the goal of facilitating the development of local trade and industry, and much effort had been spent on developing new industries, such as Chinese medicine. In view of the small population size of Hong Kong and hence a relatively limited local market, she remarked, however, that focus should instead be shifted from the local market to the huge Mainland market for vast development potential and business opportunities to enhance Hong Kong's competitiveness. In this respect, strategies with regard to trade promotion and trade intelligence had been formulated by HKTDC to assist local traders in tapping the Mainland market. These included the enhancement in disseminating the latest market information in the Mainland, provision of business advisory services and a wider spectrum of trade-matching services in an effort to encourage overseas enterprises to use Hong Kong as a business platform for expanding into the Mainland market. Invest Hong Kong had also spearheaded its efforts to attract foreign direct investment and encourage foreign companies to set up their regional offices in Hong Kong.

Chapter IV : Commerce and Industry

4.7 Mr HUI Cheung-ching also opined that extra efforts should be placed in enhancing co-operation and trade development between the Mainland and Hong Kong in anticipation of China's imminent accession to the WTO.

4.8 SCI affirmed in response that China's entry to the WTO had been one of the priorities of the Administration in recent years. An interbureau research group led by the Financial Secretary (FS) had been set up to examine, as a matter of priority, practical ways of helping local businessmen capture the business opportunities in the various sectors which would emerge upon China's accession to the WTO. New measures would also be introduced by HKTDC to help local business and professional sectors penetrate the Mainland market. These included the conduct of in-depth analysis of the South China region's development potential in different sectors, organization of more study missions and industry-specific business delegations to foster increased co-operation between the two places, and the setting up of a China Business Advisory Unit to provide local businessmen with one-stop services for doing business in Guangdong.

4.9 The Director-General of Trade and Industry added that large-scale conferences had been organized by the Trade and Industry Department in March 2000 and 2001 respectively so as to keep local businessmen informed of the business opportunities relating to the opening up of the Mainland market in future. He and representatives from the Administration had invariably been invited to deliver talks on the subject all year round.

4.10 On Mr NG Leung-sing's enquiry about the adequacy of existing resources for implementation of new initiatives to promote the bilateral economic and trade ties between Hong Kong and the Mainland, and whether those initiatives would include delegations led by senior government officials to China for trade promotion purposes, SCI advised that the Administration would, as far as possible, make use of existing resources to implement such new initiatives. As for the initiative of setting up an Economic and Trade Office in Guangdong to strengthen the liaison with the local governmental trade and commerce authorities, funding might need to be sought from the Finance Committee if the Administration decided to pursue the proposal.

4.11 Concerning exchange visits to China, SCI pointed out that bureau secretaries, SCI and Secretary for Financial Services, had undertaken various activities, sometimes together with local businessmen and professionals, in an

Chapter IV : Commerce and Industry

effort to promote trade development between the two places. Towards the end of May this year, FS would lead a high-level delegation comprising local businessmen, senior representatives of quasi-government organization and senior government officials, to major cities in the Western China with a view to helping local businesses seize business opportunities in the Western Region, establish stronger co-ordination with the local governmental trade and commerce authorities, and if possible, enter into trade deals with them.

4.12 While acknowledging the vigorous efforts spent by the Administration and HKTDC in helping local businesses open up the Mainland market, Mrs Sophie LEUNG remarked, however, that focus should not only be made on the Mainland market but also the global market at large.

4.13 SCI assured that apart from the Mainland market, efforts were also made to assist local businessmen in penetrating other overseas new markets, such as the Middle East and India, and the Administration would liaise closely with HKTDC for furtherance of trade promotion in the global market. She highlighted that the Administration had been participating actively in promoting free and open trade and investment with a view to opening up more markets for local businesses. To this end, Mrs Sophie LEUNG suggested the Administration to put in place indicators for assessing the effectiveness of the efforts made by the Administration and HKTDC in promoting trade and investment. In reply, SCI advised that there had been general indicators for assessing Key Result Areas under the policy programmes of the Commerce and Industry Bureau (CIB). Notwithstanding this and the difficulty in setting out detailed indicators for assessing the effective use of resources for trade negotiations, she undertook to look into Member's suggestion when compiling the controlling officer's report in the coming year.

The Mainland and Hong Kong Joint Commission on Commerce and Trade

4.14 Mr HUI Cheung-ching was concerned about the work of the Mainland and Hong Kong Joint Commission on Commerce and Trade (the JC) and how it could help strengthen understanding and cooperation with the Mainland authorities on trade and commerce, particularly following China's entry into the WTO.

4.15 SCI advised that JC was a liaison mechanism set up with the Ministry of Foreign Trade and Economic Co-operation in 1999 to promote

Chapter IV : Commerce and Industry

economic and trade co-operation between the two places. It aimed to provide timely information on laws, regulations and the latest economic developments in the Mainland to local businessmen, and to reflect their views and concerns to the Mainland authorities, thereby facilitating their business operations in the Mainland. Regarding the activities of the JC, she said that the two sides had been exchanging views at the working level on matters relating to trade, investment, technology trade and construction contracting and labour management. The third meeting of JC would be held in late 2001 in Beijing. As such, most of the expenditure would be borne by the Mainland side. As for the Hong Kong delegation, provisions had already been earmarked for payment of their air passage and accommodation whereas their expenses for liaison and co-ordination would be absorbed by existing resources. She assured members that JC would continue to strengthen the communication between local businessmen and the concerned Mainland authorities following China's entry into the WTO.

Hong Kong Trade Development Council

4.16 Mr SIN Chung-kai was concerned that the financial provision for HKTDC varied from year to year, depending on the net yields of declaration charge on domestic exports and imports collected by HKTDC in the respective preceding financial years. To cushion HKTDC against the fluctuation in funding provision, he suggested the Administration to review the existing funding arrangement with HKTDC and to consider the feasibility of providing HKTDC with a steady amount of financial provision.

4.17 SCI advised that the existing funding arrangement between the Administration and HKTDC dated back to 1985 when both sides agreed to eliminate reference to the net yields of declaration charge on re-exports. The fluctuation in financial provision for HKTDC in recent years was attributable to the drop in the yields of declaration charge on exports and imports due to the Asian financial turmoil. However, as the import and export trade had improved, it was expected that Government subvention to HKTDC would remain steady, i.e. around 25% of HKTDC's annual total expenditure. As such, the Administration had no intention to review the present financial arrangement with HKTDC. Notwithstanding this, SCI assured that should there be any special circumstances which resulted in a sharp decrease in Government subvention to HKTDC and hence a major impact on HKTDC's financial condition, HKTDC could request the Administration to consider including in its subvention the net yields of declaration charge on re-exports as well.

Hong Kong Productivity Council

4.18 Mr Henry WU was concerned about the shift in training focus of the Hong Kong Productivity Council (HKPC) and asked if operators/craftsmen would be deprived of suitable training opportunities as a result of the reduction in training courses. The Commissioner for Innovation and Technology (C for IT) explained that the training services of HKPC were essentially market-driven. To address the continuous needs of Hong Kong to move towards a technology-intensive economy with high-value-added industries, and taking into consideration that the demand for training courses of less technological content for operators/craftsmen had declined while the demand for advanced development and training courses for technicians/technologists and senior/middle management had increased, HKPC had adjusted its training focus to accommodate the market needs. She assured, however, that HKPC would organize fewer, instead of ceasing to organize such courses. She would provide further information in this regard after the meeting.

Customs and Excise Department

4.19 Mr SIN Chung-kai was concerned whether the Administration had deployed sufficient resources to undertake the extra work arising from the commencement of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000, and the likely increase in smuggling and distribution of contraband cigarettes activities following a revision on tobacco duty if approved by the Legislative Council. He also queried the rationale for deleting 132 posts from the Customs and Excise Department in 2001-02 which would undermine its efficiency in suppressing smuggling activities, and whether it was necessary to step up the staffing level for investigation and enforcement to cope with the increasing workload.

4.20 The Commissioner of Customs and Excise (C of C&E) affirmed that the deletion of 132 posts would not affect the Department's operational efficiency or its capability to meet with new demands. He explained that of the 132 posts, 56 posts were to be deleted on grounds of completion of a number of short-term projects and implementation of several computer systems. As for the other 76 posts, they were to be deleted under the Enhanced Productivity Programme in 2001-02, and it was made possible through a series of measures adopted in recent years to improve the Department's efficiency and productivity, such as rationalization of manpower deployment, streamlining of work procedures and re-

Chapter IV : Commerce and Industry

distribution of duties. He emphasized that as the Department was inclined towards a wider application of the intelligence-based mode of operation instead of the manpower intensive approach in conducting investigation, the deletion of such posts would not compromise the operational efficiency.

4.21 On the strengthening of capability for cargo clearance through the implementation of an Automatic Vehicle Recognition (AVR) System and mobile X-ray vehicle scanning system at certain control points, C of C&E advised in response to Mr TING Woo-shou that since license numbers of vehicles could be automatically transmitted to and recognized by the AVR System, the time taken for vehicle clearance would reduce by one tenth, i.e. around five to six seconds, as against the present target of clearing a vehicle within 60 seconds. As for secondary examination of vehicles with containers, it could take as long as four to eight hours, including time to unload and load all the goods for inspection. Yet, with the aid of the mobile X-ray vehicle scanning system, those vehicles could be cleared within 15 to 20 minutes. He added that since the time span for cargo clearance would be shortened remarkably by means of the above equipment, more vehicles could be cleared, thereby facilitating the flow of goods and vehicles.

Cyberport Project

4.22 Referring to the criticism by the local and international communities on the Administration's decision to grant the development rights of the Cyberport to the Pacific Century Group (PCG), Miss Emily LAU enquired whether any resources had been earmarked for explaining the Government's commitment to promoting fair trade in Hong Kong.

4.23 SCI clarified that in developing the Cyberport in conjunction with PCG, the Government had aimed to provide the essential infrastructure for the formation of a strategic cluster of information services companies with a view to promoting Hong Kong's image as an international information technology (IT) centre, as well as facilitating the growth of the local IT industry. Since the Administration's move was no different from providing the usual basic infrastructure to the community, it should not be perceived as favouring any specific company in any light. She explained further that following the announcement of the Cyberport development and the wide coverage on the issue, there had been enquiries from the media, both local and overseas, as well as from overseas contacts. When Hong Kong Economic and Trade Offices (HKETOs) met with officials of the host governments or the congressmen of the United

Chapter IV : Commerce and Industry

States, the subject had, at times, been brought up in, though never the focus of, their discussion. Those enquiries were generally related to the nature of the project and the extent of Government participation in the project. In the circumstances, it was difficult, if not impossible, for CIB to quantify the resources earmarked for the purpose. But she envisaged that little resources would be incurred in that respect. SCI stressed that according to HKETOs' reports, the subject was no longer a controversial issue or a subject of concern.

4.24 The Director-General of Investment Promotion supplemented that when the decision of awarding the development rights to PCG was announced, there had indeed been some misgivings expressed about the deal the Administration had come up with PCG, particularly from North America. Yet, as the project was better understood with the passage of time, those misgivings had to a certain extent begun to fade, and, in view of the keen competition for tenancy in the Cyberport, the Information Technology and Broadcasting Bureau was now in the course of setting up an international committee for selection of tenants.

Convention facilities

4.25 Miss CHOY So-yuk asked whether a new convention centre would be built in the northern area of the Chek Lap Kok Airport and, if so, the provisions earmarked for the project. SCI replied that since the above proposal was being examined by the Airport Authority (AA) in the context of its Strategic Overview of Major Airport Development Study which would be completed by mid-June this year, the Administration had not taken any position on whether it would subsidize the construction, and it would continue to liaise closely with AA to see how the proposal should be taken forward. She stressed, however, that it remained the Administration's wish that the new facility, if to be constructed, should be developed by private companies in the form of joint venture. In this connection, she informed Members that AA had already extended its invitation to both local and overseas private companies for expression of interests in constructing this facility. CIB would work closely with parties concerned to see how the project should be taken forward.

The Innovation and Technology Fund

4.26 Mr Henry WU enquired about the granting criteria for the University-Industry Collaboration Programme which was a new funding

Chapter IV : Commerce and Industry

programme introduced under the Innovation and Technology Fund to support commercial research and development projects undertaken by private companies in collaboration with local universities. C for IT advised that in considering applications, reference would be made to the content of the projects, with particular respect to their research and development content, and contribution to innovation and technology, and the amount of funding sought. There was no ceiling imposed upon the number of applications to be approved or the approved amount for each funded project. As for the reason of approving the same amount of \$189,000 for six projects under the Teaching Company Scheme of the University-Industry Collaboration Programme in 2000-01, C for IT advised that this was a coincidence, rather than a result of any ceiling on project funding. At Mr WU's request, she undertook to provide further information on the list of participating universities under the Scheme.