

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2330/02-03  
(These minutes have been seen  
by the Administration)

Ref: CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Monday, 9 June 2003, at 4:30 pm**  
**in the Conference Room A of the Legislative Council Building**

**Members present** : Hon Kenneth TING Woo-shou, JP (Chairman)  
Hon HUI Cheung-ching, JP (Deputy Chairman)  
Dr Hon LUI Ming-wah, JP  
Hon NG Leung-sing, JP  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon CHEUNG Man-kwong  
Hon CHAN Kam-lam, JP  
Hon SIN Chung-kai  
Hon Henry WU King-cheong, BBS, JP  
Hon MA Fung-kwok, JP

**Non-Panel Members attending** : Hon Howard YOUNG, JP

**Members absent** : Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP

**Public officers attending** : **Item IV**  
  
Mr Raymond YOUNG  
Deputy Secretary for Commerce, Industry and  
Technology (Commerce and Industry)  
  
Miss Clara TANG  
Principal Assistant Secretary for Commerce, Industry  
and Technology (Commerce and Industry)

Ms Joyce HUI  
Director, Product Promotion  
Hong Kong Trade Development Council

**Item V**

Mr Henry TANG  
Secretary for Commerce, Industry and Technology

Mr Kevin HO  
Director-General of Trade and Industry

Mr Clement LEUNG  
Deputy Director-General of Trade and Industry

**Attendance by invitation : Item V**

Mr CHAN Wing-kee  
Chairman  
Small and Medium Enterprises Committee

**Clerk in attendance : Ms Connie SZETO**  
Chief Assistant Secretary (1)4

**Staff in attendance : Mr TSANG Siu-cheung**  
Senior Assistant Secretary (1)7

Ms Christina SHIU  
Legislative Assistant

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Action

**I Confirmation of minutes**  
(LC Paper No. CB(1) 1823/02-03)

The minutes of the meeting held on 14 April 2003 were confirmed.

**II Information papers issued since last meeting**

2. Members noted that no information paper had been issued since the last meeting.

### **III Items for discussion at the next meeting**

(LC Paper Nos. CB(1) 1824/02-03(01) and (02))

3. Members agreed to hold the next meeting at 4:30 pm on Monday, 14 July 2003 to discuss the “Briefing by the Heads of the Hong Kong Economic and Trade Offices” proposed by the Administration.

*(Post meeting note: As requested by the Administration and with the concurrence of the Chairman, an agenda item proposed by the Administration on “Review of the operation of the Professional Services Development Assistance Scheme” was added to the next Panel meeting.)*

4. As there would be an agreement on the main parts of the HK/Mainland Closer Economic Partnership Arrangement (CEPA) by the end of June 2003, the Chairman suggested and members agreed to hold a special meeting after the announcement of the arrangement to receive the briefing of the Administration. Other Members of the Legislative Council would be invited to attend the meeting.

5. As it was envisaged that many controversial bills/agenda items would be discussed during the Council meetings in July 2003, in order not to affect the arrangements of the next Panel meeting, Mr NG Leung-sing suggested rescheduling the date of the meeting as a contingency measure. The Clerk advised that she would follow up Mr NG’s suggestion with the Chairman if necessary.

### **IV Follow-up to the World Jewellery and Watch Fair 2003 (WJWF 2003) incident and participation of local and overseas exhibitions and trade fairs in 2003**

(LC Paper No. CB(1)1824/02-03(03))

6. Deputy Secretary for Commerce, Industry and Commerce (Commerce and Industry) (DSCIT(CI)) advised that the information paper provided by the Administration had already detailed the follow-up actions on the events and the concerns raised by members.

#### Follow up actions on the event

7. As mentioned in paragraph 5 of the paper, the Administration had written to the Swiss Government to express disappointment and seek clarification on the decree in accordance with the relevant provisions under the World Trade Organization (WTO)Agreements. Mr CHAN Kam-lam was concerned about the stance and position of WTO towards the event. Regarding the unreasonable treatment to Hong Kong exhibitors, he questioned the justifications for the Swiss Government to take the prohibition measures.

8. DSCIT(CI) shared the views of Mr CHAN Kam-lam and opined that the Swiss Government lacked reasonable justifications for issuing the decree to prohibit Hong Kong exhibitors from engaging in marketing activities during the exhibition. Although the Swiss Government had given a reply on the event, the Administration considered it necessary for the Swiss Government to provide further clarification on certain issues, particularly the justifications for the quarantine period imposed on Hong Kong exhibitors. The Administration was currently seeking the views of the Health Department on the issue, and would continue to take up the matter with the Swiss Government. Subject to the reply of the Swiss Government, DSCIT(CI) advised that the Administration would consider invoking relevant provisions under the WTO framework to take appropriate follow up actions. Mr CHAN Kam-lam emphasized that the issue could not be effectively resolved merely by the negotiations between the two governments. Since both Hong Kong and Switzerland were WTO members, it was the responsibility of WTO to mediate the disputes arising from the events, and to follow up the Hong Kong exhibitors' claim and request for compensation and apology from the exhibition organizer.

9. In response to members' concern about the follow up actions on the event, DSCIT(CI) advised that the Administration had invoked Article 3 of WTO General Agreement on Trade in Services (GATS) on transparency, and requested the Swiss Government to account for the event. According to the provisions, if the action or the decision of a WTO member might cause another WTO member to be treated unfairly, the latter could demand the other party to make a clarification. The party being requested to make the clarification need to provide an enquiry point. In this particular event, Department of National Economic Affairs of the Swiss Government was acting as the enquiry point. If the Administration were not satisfied with the explanation and clarification of the Swiss Government, it could consider requesting WTO to activate the dispute settlement mechanism in accordance to the WTO GATS Article 23, and request WTO to resolve the issue by the mechanism. He added that WTO members had rarely activated the mechanism, as it might involve lengthy discussion in the process. DSCIT(CI) remarked that it was too early to say whether the dispute settlement mechanism should be activated at this stage. With reference to the past experience, even if the mechanism was successfully activated, it might not be able to claim for compensation against the organizer for Hong Kong exhibitors in monetary terms. At best, the Hong Kong Government could only demand the Swiss Government to remove the ban imposed on Hong Kong exhibitors and undertake to avoid the recurrence of similar incident in future.

10. In response to the concern raised by the Chairman and Mr Henry WU regarding the progress of the follow up action, DSCIT(CI) advised that, at the moment, it was impossible to estimate the time required by WTO to investigate into the event, as well as the time when the results would be released. However, the Administration would actively strive for the interests of the Hong Kong exhibitors from the relevant authorities. He pointed out that, since WTO has more than 140 members, if the event was elevated to the WTO level for

settlement, it would be more difficult for the Administration to envisage the development and solution of the event.

11. The Chairman suggested that the Administration should put forth the justification that none of the Hong Kong exhibitors had been infected since the outbreak of Severe Acute Respiratory Syndrome (SARS), and actively requested the exhibition organizers in other countries to remove their restrictions imposed on participation. DSCIT(CI) noted the Chairman's suggestion.

12. In response to the Chairman's enquiry about the progress of the follow up actions, Director of Product Promotion, Hong Kong Trade Development Council (TDC) (DPP(TDC)) remarked that TDC had filed a formal appeal against the Swiss Government's decree on 16 May 2003. The action could provide a basis to take legal action against the Swiss Government in future. On the other hand, TDC has been negotiating with the fair organizer. The deadline of the negotiation would be the end of June 2003. If a reasonable settlement option could not be reached by both parties by that time, TDC would consult legal advice for further legal action to be taken. Since resolving the issue by litigation might involve a long period of time, it is impossible to estimate at this stage the time when such follow up action would formally end. However, she emphasized that during the course of the negotiation, TDC would take into account the long-term interests of the jewellery and watch industries, and requested the fair organizer to allow Hong Kong exhibitors to return to Switzerland and participate in future exhibitions of similar nature. To ensure that the interests of the industries would be well protected, TDC would also draw up a contingency plan to investigate the feasibility of Hong Kong exhibitors to participate in similar exhibitions in other European countries.

13. Mr HUI Cheung-ching was concerned about the litigation cost the incident might involve. As Hong Kong exhibitors were often assigned to disadvantageous location in many exhibitions in the past, he considered such practices unfair and unreasonable. He suggested that the Administration should put pressure on overseas fair organizers to avoid the recurrence of Hong Kong businessmen being denied participation. DSCIT(CI) remarked that he noted Mr HUI's views. Since the fair was a commercial activity, the Administration had taken actions to persuade the fair organizer in the light of the event through the Hong Kong Economic and Trade Offices (ETOs) concerned. At the same time, as Hong Kong jewellery and watch industries had profound influence on international market, the issue could still be resolved by informal means. The Chairman urged the Administration to take proactive follow up measures and to avoid foreign governments or fair organizers seizing the opportunity to play up another issue and threaten the interests of Hong Kong businessmen.

#### Measures taken for upcoming trade fairs

14. Mr NG Leung-sing opined that the Administration should learn from experience in the light of this event and take timely and effective precautionary

measures to avoid Hong Kong exhibitors being denied participation again due to the outbreak of SARS. He would not rule out the possibility that the Swiss authorities imposed restrictions on Hong Kong exhibitors in the participation of the exhibition out of trade protectionism in this particular case. Referring to paragraph 12 of the paper which mentioned that TDC would join hands with local airlines, hotels, restaurants and retail outlets to offer discounts to overseas buyers in order to attract more business visits, Mr NG expressed concern whether such measures could achieve the desired results. Moreover, apart from the discount offers, he enquired whether TDC would step up other measures to attract overseas buyers to visit Hong Kong and conduct business activities.

15. DSCIT(CI) advised that after the outbreak of SARS, the Administration had taken the initiative to contact various exhibition organizers in advance to have detailed discussion on the eligibility of Hong Kong exhibitors and the relevant participating arrangements, such as whether measures including self quarantine should be adopted to alleviate overseas buyer's concern. He stressed that the Administration would keep up such measures in future exhibitions.

16. In response to Mr NG Leung-sing's concern about the discounts offered to overseas buyers, DPP(TDC) remarked that there were successful examples in the past to prove that such measures could attract more overseas buyers, especially new buyers, to participate in the exhibition. Moreover, TDC would also upload information of exhibitors and their products to the Internet to facilitate overseas buyers in obtaining the information. By means of the business-matching programme, TDC would also take the initiative to disseminate product information to overseas buyers and provide assistance to exhibitors in seeking interested overseas buyers as a means of marketing promotion.

17. Regarding Mr NG Leung-sing's concern that the exhibition organizer of other countries might also deny participation of Hong Kong exhibitors in the exhibitions on unjustified grounds, DSCIT(CI) remarked that such possibility could not be ruled out. However, the Administration would try to explain to them the precautionary measures taken by Hong Kong exhibitors against SARS, in order to persuade them to grant Hong Kong exhibitors the chance to participate in the exhibition. In general, as the exhibition was in itself a commercial activity, it would be difficult for the Administration to intervene even if the organizer had denied the participation of Hong Kong exhibitors. However, exhibitor could still seek compensation by civil proceedings. Since the Swiss Government's decision was involved in this event, i.e. its issuance of a decree which prohibited Hong Kong exhibitors from conducting marketing activities in the exhibition, the Administration could take follow up actions in the light of this event in accordance with the relevant provisions in GATS.

18. In response to Mr NG Leung-sing's enquiry on the validity of the discounts offered to overseas buyers, DPP(TDC) advised that such measures would cover all exhibition activities to be held until the end of 2003. Subject to the response of the overseas buyers and other market factors, as well as views of

the industry through its advisory committees, TDC would decide whether it is necessary to continue the discounts offer.

19. In response to Mr Henry WU's enquiry on the trade fairs "held as scheduled" listed in the annex of the paper, DSCIT(CI) clarified that the exhibition organizers concerned had requested exhibitors to take appropriate precautionary measures against SARS, including self quarantine. Regarding the upcoming trade fairs/conferences listed in Part C, such as the "National Plastics Expo" to be held in Chicago, USA on 23 to 27 June, he remarked that the Administration had not yet received any request from the organizer which required Hong Kong exhibitors to take prior precautionary measures.

20. Regarding the discriminatory arrangement of foreign governments and exhibition organizers, Mrs Selina CHOW opined that it was necessary for the Administration to take a clear and firm stand, and formulate strategic contingency plan, in order to demonstrate its determination to safeguard the interest of local exhibitors. Moreover, she opined that the Administration should investigate means to further enhance the competitiveness of the exhibition industry in Hong Kong, especially after China's accession to WTO, when the Mainland market became more attractive, and provided much room for favourable development of the exhibition industry. On TDC's plan to offer discounts to overseas buyers in order to attract more business visits, Mrs Selina CHOW considered it necessary for restoring the confidence of overseas buyers, providing an impetus to the business activities of other industries, and stimulating domestic consumption.

21. DSCIT(CI) advised that the Administration had all along been making the best efforts to help Hong Kong businessmen to participate in exhibitions of different nature. For example, TDC has organized various internationally reputable exhibitions every year, and successfully attracted overseas buyers to conduct trading activities in Hong Kong. Moreover, TDC has also frequently organized delegations of local industries to participate in major overseas exhibitions, to promote the popularity of local exhibitors and assist them in exploring overseas market. In the long run, the Administration would also liaise with TDC and study the feasibility of organizing exhibitions outside Hong Kong for local businessmen. Regarding the way to further develop Hong Kong's exhibition industry, DSCIT(CI) advised that the implementation of CEPA was believed to be capable of providing Hong Kong businessmen with certain advantages in entering Mainland market, and facilitating the development of local exhibition industry. On the presently proposed international exhibition centre in Chek Lap Kok, he envisaged that it would provide a suitable exhibition venue for many large-scale local product exhibitions, thus giving more room of development for the local exhibition industry. Moreover, it was believed that the provisions from the SME Export Marketing Fund would provide Hong Kong businessmen with the funding support to participate in marketing activities such as exhibitions.

## Conclusion

22. The Chairman concluded that the Panel noted the Administration's report on the follow up actions on this event, and urged the Administration to actively liaise with the Swiss Government and the exhibition organizer to seek desirable settlement terms. He suggested that apart from lodging claims for the refund of the participation fees, the Administration should file compensation claims for the loss of business incurred in their withdrawal from the exhibition. DSCIT(CI) responded that according to past cases, compensation for the loss of business was generally difficult to seek. DPP(TDC) remarked that after consulting legal advice, it was inappropriate to speculate on the compensation issue at this stage as the incident might subsequently involve legal proceedings. Mrs Selina CHOW called on the Administration to accelerate the pace of the follow up actions.

## **V Further Support to Small and Medium Enterprises (SMEs) under the SME Funding Schemes** (LC Paper No. CB91)1824/02-03(04))

23. The Secretary for Commerce, Industry and Technology (SCIT) briefed members on the Administration's proposal of providing further support to small and medium enterprises (SMEs) under the SME funding schemes. The details were set out in the information paper provided by the Administration.

### The proposal of flexible deployment of resources among the three funding schemes and the utilisation rate of the funds

24. Mrs Selina CHOW supported in principle the Administration's proposal to provide flexibility in deploying resources among the SME Export Marketing Fund (EMF), the SME Training Fund (STF) and the SME Development Fund (SDF). However, she was concerned about the low utilization rate of the three funding schemes mentioned above as stated in paragraph 6 of the paper. With particular reference to STF, she was concerned whether the earmarked resources would exceed the actual demand of the SMEs. Moreover, she was worried that the complicated application procedures would hinder SMEs from benefiting from the funding schemes. Regarding EMF, she was concerned whether the funds were only applicable to SME's participation in marketing activities conducted outside Hong Kong.

25. SCIT clarified that EMF resources were not limited to the participation in overseas exhibitions. SMEs could also apply for the funds to conduct local marketing activities. For example, in April 2003, many local SMEs had successfully received funding from EMF and participated in the Gifts & Premium Fair.



26. In response to Mrs Selina CHOW's concern about the low utilization rate of STF, SCIT advised that probably most SMEs might have focused their effort on their business development, thus neglected the importance of training. He emphasized that, in the long run, it was necessary for the SMEs to enhance their competitiveness through continuous training in order to ride on the development of the knowledge-based economy.

27. To promote the development of the knowledge-based economy, Mrs Selina CHOW opined that, apart from the fundings provided to SMEs, the Administration should also take the initiative to introduce suitable training courses to SMEs, particularly courses in information technology and accounting. SCIT recognized the importance of information technology in the development of the knowledge-based economy. He advised that during the outbreak of SARS, the Administration had worked with the information technology (IT) sector to offer concessions to SMEs in the purchase of computer hardware and software. As many different IT courses were available on the market, SMEs could choose courses conducive to their business development according to their actual needs to enhance their competitiveness. The Trade and Industry Department was prepared to advise SMEs on the contents and the suitability of the courses.

28. Referring to the unsatisfactory response to the three funding schemes as stated in paragraph 6 of the paper, Mr CHAN Kam-lam enquired whether the Government could provide the actual number of applications for members' reference. SCIT pointed out that, after the increment of the maximum amount of grant for EMF and STF at the end of February 2003, the number of applications had increased significantly. For example, the number of applications for EMF had increased from 66 applications per week between December 2001 and 23 February 2003 to 255 applications per week between 24 February and 29 March 2003. However, the number had reduced to 179 applications between 30 March and 31 May 2003 during the outbreak of SARS. Owing to members' concern about the existing utilization rate of the three funding schemes, the Administration would consider strengthening publicity and ask various trade organisations to encourage SMEs to submit applications. Mr CHAN Wing-kee, Chairman of Small and Medium Enterprises Committee undertook to introduce further appropriate measures to improve the utilization rate of the three funding schemes. He estimated that when SARS had gone, more SMEs would need funding assistance to reorganize their business. Regarding the proposal to provide flexibility in deploying resources among the three funding schemes, he opined that such arrangement could facilitate more effective utilization of existing resources.

29. MR SIN Chung-kai supported in principle flexible deployment of resources among the three funding schemes. However, he was concerned that such arrangement would cause undesirable elements to set up shell companies and apply for the funds, resulting in the waste of government resources. He also expressed concern about the possibility that the resources of the funding

schemes would be exhausted in the near future. As such, he suggested that the Administration should conduct regular reviews on the maximum amount of grant of the three funding schemes as well as the provision arrangement, in order to plug the potential loopholes.

30. SCIT responded that since the Administration had already set the subsidy level and ceiling for each approved application of the funding schemes, individual SME would also need to contribute part of the expenses for its marketing and training programmes. As such, the possibility of fraud of public money by law-breakers in the name of shell companies was relatively low. In addition, the Administration had currently formulated stringent monitoring mechanism to ensure that the resources of the funding schemes were properly utilized. Following to the continuing reform and liberalisation in the Mainland markets and the rising consumption level of the people, he believed that local SMEs could have more room of development. Hence, SMEs should seize the opportunity and further develop their businesses with the assistance of the funding schemes.

31. On Mr SIN Chung-kai's concern that the flexible deployment of the three funding schemes might affect the resources currently earmarked for individual funds, SCIT remarked that, as far as the utilization rate of the three funding schemes was concerned, no such risk was expected for the time being.

#### Other concerns

32. On Mr NG Leung-sing's concern about the impact of CEPA on the development of local SMEs, SCIT advised that the Administration would proceed with the arrangement in a practical way, and safeguard the principle of "big market, small government", with the aim of developing a business-friendly environment. In view of the difference in market systems between Mainland and Hong Kong, he believed that the arrangements had to be implemented with the joint efforts of both governments. He would not rule out the possibility that such arrangements would provoke the jealousy of Hong Kong's competitors. Regarding the potential benefits of such arrangements, SCIT estimated that other than providing Hong Kong's business sector with trade facilitation in the Mainland, the arrangements were believed to be capable of creating more job opportunities for local people.

33. Mr NG Leung-sing enquired whether the Administration would consider providing subsidy to the marketing activities which were uncertain as to whether they could be held as scheduled due to the outbreak of SARS. SCIT advised that even if the activities could not be held as scheduled, SMEs could apply for EMF after the details of the activity had been confirmed. As at 31 May 2003, the Administration had received a total of 6 944 applications for EMF, among which 5 892 applications were successful, 288 applications were not approved and 407 applications were pending process.

34. Regarding whether the approval standards of the three funding schemes would change due to the present proposal, SCIT stressed that the Administration had no intention to relax the standards concerned. As for the present proposal to raise the subsidy level per successful application of STF from 50% to 70%, he believed that it would provide SMEs with the incentive to pursue training.

35. Mr Howard YOUNG was concerned about the effectiveness of EMF in promoting local tourism. About the business promotion activities presently planned by many local travel agents to be held outside Hong Kong, Director-General of Trade and Industry (DGTI) clarified that in general, EMF could subsidize travel agents to conduct organized business visit activities or participate in exhibitions, but the fund was not applicable to the financial support for individual travel agents to promote their campaigns. He added that travel agents did not need prior approval from the Hong Kong Tourism Board to lodge their applications to EMF.

36. Mr HUI Cheung-ching declared his interest as a member of the Small and Medium Enterprises Committee. Owing to the existing stringent monitoring mechanism and that the Administration's proposal could benefit more SMEs, he would support the proposal.

37. In response to Mrs Selina CHOW's enquiry, SCIT clarified that under the principle of flexible deployment of resources, the total expenditure for the three funding schemes was capped at \$900 million. He reiterated that the Administration would adhere to the principle of financial prudence in deploying the resources among the three funding schemes and providing subsidies to qualified SMEs. The three funding schemes were monitored by an Assistant Director-General of Trade and Industry.

38. The Chairman concluded that the Panel supported the Administration's proposal to improve EMF, STF and SDF.

39. In response to Mr CHAN Kam-lam's enquiry, DGTI clarified that regarding the proposal to provide further assistance to SMEs through various SME funding schemes, the Administration intended to seek the approval of the Finance Committee on 20 June instead of 13 June 2003. SCIT added that if the proposals were approved, they would be implemented on 23 June 2003.

## **VI Any other business**

40. There being no other business, the meeting ended at 6:30 pm.