

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2457/02-03  
(These minutes have been seen  
by the Administration and  
cleared by the Chairman)

Ref: CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Friday, 18 July 2003, at 8:30 am**  
**in the Chamber 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
- Members absent** : Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon MA Fung-kwok, JP
- Public officers attending** : Item III  
Mr Henry TANG  
Secretary for Commerce, Industry and Technology  
  
Miss Denise YUE  
Permanent Secretary for Commerce, Industry and  
Technology (Commerce and Industry)  
  
Miss Jacqueline WILLIS  
Commissioner for Economic and Trade Affairs, USA  
  
Mr Christopher JACKSON  
Special Representative for Hong Kong Economic and  
Trade Affairs to the European Communities, Brussels

Mr Andrew LEUNG  
Director-General, London

Mr Joshua LAW  
Permanent Representative of the Hong Kong Special  
Administrative Region of China to the World Trade  
Organisation

Mr Alex FONG  
Principal Hong Kong Economic and Trade  
Representative, Tokyo

Miss Sarah WU  
Director, Hong Kong Economic and Trade Affairs,  
New York

Mrs Jenny WALLIS  
Director, Hong Kong Economic and Trade Affairs,  
Sydney

Miss Annie TANG  
Director, Hong Kong Economic and Trade Affairs,  
San Francisco

Mr Edward YAU  
Director-General, Hong Kong Economic and Trade  
Affairs, Washington

Mr Peter LEUNG  
Director, Hong Kong Economic and Trade Affairs,  
Guangdong

Mrs Rosanna URE  
Director, Hong Kong Economic and Trade Affairs,  
Toronto

Mr Rex CHANG  
Director, Hong Kong Economic and Trade Affairs,  
Singapore

Mr Bassanio SO  
Director, Hong Kong Economic and Trade Affairs,  
Toronto (Designate)

Item IV

Mr Gordon LEUNG  
Acting Deputy Secretary for Commerce, Industry and  
Technology (Commerce and Industry)

Ms Karen LO  
Chief Executive Officer, Commerce and Industry  
Branch, Commerce, Industry and Technology Bureau

**Clerk in attendance** : Miss Polly YEUNG  
Chief Assistant Secretary (1)3

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

Ms Sharon CHAN  
Legislative Assistant 6

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Action

**I Confirmation of minutes of previous meeting and matters arising**

(LC Paper No. CB(1)2206/02-03 -- Minutes of special meeting held  
on 15 April 2003

LC Paper No. CB(1)2208/02-03(01) -- List of outstanding items for  
discussion

LC Paper No. CB(1)2208/02-03(02) -- List of follow-up actions)

The minutes of the special meeting held on 15 April 2003 were confirmed.

**II Information papers issued since last meeting**

(LC Paper No. CB(1)1994/02-03 -- Information paper on Copyright  
(Suspension of Amendments)  
Ordinance 2001 (Amendment)  
Notice 2003)

2. Members noted that the above information paper was issued for members'  
reference on 17 June 2003.

### **III Briefing by the Heads of the Hong Kong Economic and Trade Offices**

(LC Paper No. CB(1)2208/02-03(03) -- Information paper provided by the Administration)

3. The Secretary for Commerce, Industry and Technology (SCIT) said that the Hong Kong Economic and Trade Offices (ETOs) had an important role to promote economic and trade interests of Hong Kong. He highlighted the contributions made by ETOs in keeping their host governments informed of developments in Hong Kong during the SARS outbreak and reinforcing the message that Hong Kong had adopted a determined approach in tackling the SARS epidemic. The involvement of the ETOs was instrumental in Hong Kong's success to persuade a number of major international exhibition organisers to lift their restrictions on the participation of Hong Kong exhibitors. He pointed out that Hong Kong gained much respect and appreciation from the international community in handling the SARS crisis. It was a good illustration of the significance of the ETOs' work. SCIT then invited the Commissioner for Economic and Trade Affairs, USA (C, USA), the Special Representative for Hong Kong Economic and Trade Affairs to the European Communities, Brussels and the Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization (PRG) to brief the Panel on the major areas of work of their ETOs and the latest development on various economic and trade related matters under their purview.

#### Role of ETOs and measures to promote Hong Kong

4. Mrs Selina CHOW appreciated the contribution made by ETOs in promoting Hong Kong's economic and trade interests. To enable the public to have a better understanding on the operation of ETOs, she suggested that the Administration might consider strengthening publicity on the locations and functions of ETOs. While noting that ETOs focused on establishing and maintaining Hong Kong's economic and trade ties with overseas countries at the governmental level, Mrs CHOW took the view that they should help promote Hong Kong by capitalizing on well-known local brands or activities such as cultural performances. Taking the example of the recent media and publicity programme launched by ETOs, Invest Hong Kong, members of the "Hong Kong Family" including the Hong Kong Tourism Board (HKTB), the Hong Kong Trade Development Council (TDC) and the Hong Kong Monetary Authority in conjunction with commercial corporations for relaunching Hong Kong after the outbreak of the Severe Acute Respiratory Syndrome (SARS), Mrs CHOW remarked that co-ordinated efforts from the public and private sectors would provide a synergy in rebuilding Hong Kong's image and restoring investment confidence in Hong Kong.

5. SCIT took note of Mrs CHOW's concerns. He explained that as ETOs were tasked to develop economic and trade relations with overseas countries at the macro level, the Administration had not focused on publicizing their day-to-day activities and services rendered. SCIT further pointed out that unlike

consulate-generals, ETOs mainly dealt with economic and trade related matters and did not have jurisdiction over civil and criminal issues. Notwithstanding, where circumstances warranted, ETOs would not hesitate in participating in relevant activities, such as campaigns for promoting Hong Kong's tourism and film industry overseas.

6. As regards Mrs CHOW's suggestion of promoting Hong Kong overseas on the strength of well-known local brands or activities, SCIT said that the Administration stood ready to provide appropriate assistance to participating companies or organizations. For instance, ETOs might serve as a middleman to introduce them to the relevant authorities in overseas countries. In this regard, Mrs Selina CHOW stressed the benefits of promoting Hong Kong overseas by capitalizing on some well-known local brands or activities. The Chairman suggested that the Administration might consider soliciting support from the HKTB in promoting Hong Kong overseas.

#### Implementation of the Closer Economic Partnership Arrangement (CEPA)

7. Mr HUI Cheung-ching enquired about the role of the Guangdong ETO in implementing CEPA and the measures to be taken for opening up more business opportunities in the Mainland. In anticipation that different sectors would actively explore business opportunities under the framework of CEPA, the Director, Hong Kong Economic and Trade Affairs, Guangdong (D(GD)) advised that the Administration would expedite its discussion with the Mainland on details of CEPA, in particular the rules of origin of products for the purpose of implementing zero tariff for Hong Kong's domestic exports to the Mainland from 1 January 2004 onwards. The Guangdong ETO would work closely with TDC to gauge the views of Hong Kong businessmen in the Guangdong Province on how best to benefit from the business opportunities arising from CEPA. While TDC had organized several briefings to exchange views with different sectors on the CEPA requirements, the Guangdong ETO would continue to maintain close liaison with the four major business associations in Hong Kong and the relevant trade associations in the Mainland.

8. The Chairman remarked that CEPA would benefit Hong Kong businesses in the Mainland apart from those based in the Pearl River Delta (PRD) region, and would add value to industries with development potential. In this connection, the Chairman and Mr HUI Cheung-ching expressed appreciation for the work of the Guangdong ETO.

9. On the timetable for the implementation of zero tariff for Hong Kong's domestic exports to the Mainland, SCIT advised that the Administration aimed at reaching an agreement with the Mainland on the rules of origin of products covered under the initial phase of CEPA before the end of 2003, in time for them to be eligible for zero tariff from 1 January 2004 onwards. The Administration was inclined to adopt the current practice whereby the origin of a product was determined with reference to the place where the principal manufacturing process took place, rather than the source of raw materials used for the manufacturing of

the product. The Administration would continue discussion with the Mainland in this regard.

10. Mr NG Leung-sing urged that ETOs should publicize the business-friendly environment of Hong Kong with a view to attracting more direct foreign investments. Since CEPA would permit Hong Kong companies to have an earlier access to the Mainland market ahead of China's WTO timetable, he was concerned whether such an arrangement would be regarded as unfair treatment for foreign companies.

11. In response, SCIT emphasized that the Administration had been committed to improving Hong Kong's business environment to facilitate its economic and trade development. Given that overseas investors were able to take advantage of the platform provided by CEPA to open up business opportunities in the Mainland, he did not consider that foreign companies would be disadvantaged. Referring to the North America Free Trade Agreement, SCIT pointed out that CEPA was in line with free trade and open market principles and was consistent with the WTO rules on bilateral or multilateral trade agreements. The Chairman agreed with SCIT's remarks.

12. Since the asset requirement for both Hong Kong banks and finance companies wishing to enter the Mainland market would be reduced from the existing US\$ 20 billion to US\$ 6 billion under CEPA, Mr NG Leung-sing was concerned whether the change would be regarded as unfair to foreign banks. In reply, SCIT clarified that if individual foreign banks were able to fulfil the requirements of "Hong Kong companies" and satisfy the asset requirement under CEPA, they were permitted to open up their business in the Mainland. They would however be subject to the minimum requirement of prior business operation in the Mainland, which was reduced from three to two years under CEPA. Among the 12 banks in Hong Kong currently eligible for opening up business in the Mainland, 8 of them could satisfy the asset requirement as a result of the change effected by CEPA. He anticipated that more banks in Hong Kong would have access to the Mainland market through mergers, acquisitions or other market activities.

13. Mr NG Leung-sing expressed concern about the sharp drop in business turnover during the recent Guangzhou Spring Trade Fair due to the outbreak of SARS. In response, D(GD) advised that by way of electronic trading services, the Mainland had managed to make up for some of the business loss arising from the outbreak of SARS. Given that the projected growth in the export of the Mainland for the current year was approximately 12%, which was 1% less than that of the expected rate projected earlier in the year, D(GD) considered that the impact of SARS on foreign trade in the Guangdong Province was not highly significant. Nevertheless, he added that SARS had dealt a serious blow to those products with new design in the Mainland. As regards Hong Kong companies in the Mainland, D(GD) said that their businesses were affected by SARS since many buyers were reluctant to place orders during the incident. However, when SARS subsided, urgent orders were placed by buyers and this had put pressure on

Hong Kong companies to accelerate their production in the Mainland to cope with the orders.

14. Dr LUI Ming-wah recognized that ETOs had put in much effort in promoting Hong Kong's economic and trade development. He enquired whether the Administration would consider taking measures to attract overseas manufacturing companies to invest in Hong Kong. He considered that if Hong Kong could adopt a more liberal policy on importation of labour, the manufacturing sector could benefit from a reduction in production cost and become more competitive. SCIT opined that it might not be appropriate for the Administration to implement special measures to enable certain industries to benefit from CEPA. It would be more appropriate to rely on market forces and the initiatives of individual sectors to make the best use of the business opportunities arising from CEPA.

15. The Chairman urged the Administration to take steps to reduce the production cost for the manufacturing industry and to create more employment opportunities through the implementation of CEPA. Whilst noting concerns about the existing unemployment and under-employment rates at approximately 8.6% and 4.3% respectively, SCIT anticipated that the employment market would be eased as more job opportunities would likely arise following the implementation of CEPA.

16. In response to Dr LUI Ming-wah's enquiry on whether the manufacturing process of overseas exports to the Mainland could be based in Hong Kong to take advantage of CEPA, SCIT pointed out that due to geographical, resources or technological constraints, it might not be possible for the production of certain products to be undertaken in Hong Kong. As CEPA would benefit the economy of Hong Kong and the Mainland, SCIT assured members that the Administration would take into consideration the interests of both places when negotiating the rules of origin of products, as well as take appropriate measures to prevent illegal exports from reaching the Mainland through Hong Kong.

17. Mr CHAN Kam-lam considered that establishing an association of Hong Kong businessmen in the Mainland would provide a proper forum for direct communication with the Mainland authorities concerned. In reply, D(GD) said that a trade association of Hong Kong businessmen, Hong Kong Chamber of Commerce in China-Guangdong (HKCCC-GD), had already been set up in Guangdong Province. The trade association at present had more than 800 members with TDC providing it with secretariat support. As the majority of the 70 000 Hong Kong companies in the Mainland were located in the PRD region, the Guangdong ETO would continue to work closely with the four major business associations in Hong Kong and HKCCC-GD with a view to further improving the economic and trade development in both places. In this connection, the Chairman informed members that the Federation of Hong Kong Industries planned to set up offices in 11 Mainland cities in order to provide greater support for Hong Kong companies in the Mainland.

Trade negotiations in the World Trade Organization (WTO)

18. Mr HUI Cheung-ching expressed concern on the progress made by the Administration in the Doha Round multilateral trade negotiations in WTO, particularly in relation to negotiation on services. In response, PRG advised that the Administration had participated actively in the Doha Round trade negotiations process. Progress relating to services negotiations had in fact been steady. So far, nearly 30 initial offers for service liberalization had been submitted by WTO members including Hong Kong. The slower progress on rules negotiations in services could be attributed to members' diverse views on a number of rather complex issues, including services subsidies and emergency safeguard measures. PRG anticipated that it would take some time before WTO members could reach a consensus on some of the more controversial issues. As for our other priority subject matters such as market access for non-agricultural products, PRG reported that negotiations had progressed slowly and were behind schedule, partly because of linkages with the lack of progress on agriculture negotiations.

Other concerns

19. As the mass rallies and protests staged in Hong Kong in July had been widely reported by the media worldwide, Mr SIN Chung-kai enquired whether ETOs had assisted in disseminating information about the incident and canvassed views and feedbacks from the respective countries. In this respect, C,USA informed members about the proactive measures taken by ETOs in USA. For example, letters had been sent to key interlocutors, including the Fortune 500 companies, to update them on the recent developments in Hong Kong, notably the activities to relaunch Hong Kong after SARS, the protests on 1 July 2003, CEPA and issues relating to the National Security (Legislative Provisions) Bill. Positive feedbacks had been received from interlocutors, including Cabinet Secretaries, Governors and a Senator of the US Congress who took an active interest in the proposed legislation to give effect to Article 23 of the Basic Law. With regard to the mass rallies, the US was impressed by the self-restraint exercised by the protestors and the Government as well as the orderly manner in which the protests were staged in Hong Kong. SCIT remarked that the protests had demonstrated the ability of the people of Hong Kong in voicing their views or discontent in a peaceful manner, which might not be found in similar protests staged overseas. He did not consider that the incident had projected a negative image on Hong Kong.

Conclusion

20. Summing up, the Chairman thanked the various ETO representatives for attending the meeting and briefing members on their major activities.

#### IV Review of the operation of the Professional Services Development Assistance Scheme

(LC Paper No. CB(1)2208/02-03(04) -- Information paper provided by the Administration)

21. The Acting Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry) (ADSCIT(CI)) briefed members on the review of the operation of the Professional Services Development Assistance Scheme (PSDAS) and the recommendations and changes that would be implemented with effect from August 2003.

##### Approval of grants

22. In view of the small amount of subsidies granted so far, i.e. \$22.56 million approved for a total of 55 projects, Mrs Selina CHOW expressed concern about the usefulness of PSDAS in providing support to the professional services sectors for enhancing their professional standards and external competitiveness. She questioned whether the low take-up rate was due to complicated application and vetting procedures. To enable members to have a better understanding on how the scheme operated, she requested the Administration to provide the total number of applications received since PSDAS was first launched in February 2002. Mr HUI Cheung-ching raised similar concern about the low disbursements under the Scheme.

23. In reply, ADSCIT(CI) said that three rounds of applications had been invited since the inception of PSDAS. The number of applications received and the amount of funding applied for were as follows:

<u>Round</u>	<u>Number of applications received</u>	<u>Amount of funding applied for (\$ million)</u>
1st	74	72.30
2nd	34	25.90
3rd	40	26.40
	Total :	124.60

24. ADSCIT(CI) explained that in the first round of applications, quite a number of applications fell outside the scope of the PSDAS, possibly because the applicants were unfamiliar with the newly launched Scheme, and such applications needed to be turned down. The situation improved in subsequent rounds of applications when the applicants had a much clearer idea of the scope of the Scheme and hence the number of applications rejected for the aforesaid reason was greatly reduced. In processing an application which fell within the scope of the Scheme, the Vetting Committee would assess the cost-effectiveness of the individual elements and the reasonableness of the associated budgets, to ensure that public money was applied properly. There had been cases where the Vetting Committee was not convinced of the cost-effectiveness of certain elements of a proposal and hence had to decline support for these elements, or to

trim down the associated budget costs. ADSCIT(CI) supplemented that when the Scheme was proposed a year ago, it was expected that funds under PSDAS would be disbursed over a span of about three years. He nevertheless assured members that the Administration would exercise prudence in approving funding for individual projects.

#### Application procedures

25. Mrs Selina CHOW was concerned that if the application procedures were too complicated, interested applicants might need to engage agents such as universities or other organizations like the Hong Kong Productivity Council to handle their applications on their behalf and at a fee. This might in turn deter eligible applicants from submitting applications. In response, ADSCIT(CI) said that the application procedures, including the application form, had been kept as simple as practicable. The PSDAS Secretariat would also take the initiative to follow up with individual applicants if the information provided in the application form was insufficient. For the purpose of familiarizing applicants with the funding procedures of PSDAS, the Administration had also pro-actively invited professional bodies to briefings and provided helpdesk service to answer enquiries in connection with preparation of the application forms. ADSCIT(CI) also expected that with the professional sectors becoming more aware of the existence of the Scheme and gaining experience in securing funding, and the increased rounds of applications per year, professional bodies would make more applications.

26. Mrs Selina CHOW expressed further concern that individual agents might apply for funding for their clients but used the funding obtained to support some of their own research activities. To ascertain that PSDAS would generally benefit the relevant sectors, she requested the Administration to provide information on the number of applications submitted by agents and the projects where universities or other organizations had participated as implementation agents. ADSCIT(CI) noted Mrs CHOW's concern and would follow up her request.

Admin

27. To raise the effectiveness of PSDAS in providing support to the professional service sectors for enhancing their professional standards and external competitiveness, Mr SIN Chung-kai suggested that the Administration might consider accepting funding applications throughout the year. In response, ADSCIT(CI) confirmed that the Administration would adopt a flexible approach in receiving and processing urgent funding applications any time out of the application cycle if there were good justifications. The Administration would monitor the situation and assess the impact of the above practice.

#### Matching contribution

28. On Mr HUI Cheung-ching's enquiry on whether the dollar-for-dollar matching requirement would deter potential applicants, ADSCIT(CI) informed members that based on the findings of a recent survey, only about 10% of the respondents who had not made an application quoted this as the reason for not

having made an application yet. For the remaining 90% of respondents, other reasons had accounted for their decision not to apply from the Scheme.

29. As regards the contribution to be made by the applicant under PSDAS, ADSCIT(CI) said that under the dollar-for-dollar matching principle, an applicant would be expected to contribute about 50% of the total cost of the project. While Mr HUI considered the contribution on the high side, ADSCIT(CI) advised that the existing arrangement recognised contribution in cash, expected income to be derived from the project, manpower contribution and other contribution in kind for the calculation of the applicant's contributions. This approach provided flexibility for professional bodies, including those which were not able to provide much contribution in cash, to meet the matching requirement, and was generally agreeable to most of the respondents surveyed.

### Conclusion

30. The Chairman concluded that the Panel noted the Administration's review of PSDAS and its recommendations. In view of increased opportunities for opening up business in the Mainland after the implementation of CEPA, the Chairman urged the Administration to strengthen publicity of the Scheme in order to benefit more applicants.

### **V Any other business**

31. There being no other business, the meeting ended at 10:15 am.