

LegCo Panel on Commerce and Industry

Policy Agenda of Commerce and Industry Branch and Innovation and Technology Commission, Commerce Industry and Technology Bureau

Introduction

The 2005 Policy Agenda lists the Government's new and on-going initiatives over the next two and a half years. This note elaborates on the initiatives concerning the Commerce and Industry Branch and the Innovation and Technology Commission of the Commerce, Industry and Technology Bureau (CITB). It also gives an account of the latest position regarding initiatives contained in the 2004 Policy Agenda.

Part I: Commerce and Industry Branch

Vibrant Economy

New Initiatives

Initiative: Step up promotional efforts to attract Mainland enterprises to invest in Hong Kong.

2. The Ministry of Commerce (MOC) launched in late August 2004 a new policy facilitating Mainland enterprises in investing in Hong Kong. Under the new policy, the procedures for approving the investment plans of these enterprises for Hong Kong are made more transparent, simplified and convenient.

3. In response to the above new policy, Invest Hong Kong (InvestHK) has put in place a series of tailor-made measures to provide convenient one-stop services for potential Mainland investors who intend to use the Hong Kong platform for their global business. The services include a toll free hotline, a service centre with a rich database of resources for public access, an information kit for Mainland companies and a step-by-step guide jointly produced by InvestHK and MOC.

4. InvestHK will further strengthen its promotion efforts in respect of Mainland companies. In 2005, InvestHK will organize more promotional activities targeting both the potential investors and relevant Mainland authorities in major provinces and cities such as Guangdong, Sichuan, Jiangsu, Fujian, Jilin and Yunnan. InvestHK will also organize study missions to Hong Kong from enterprises in these and other cities.

Ongoing Initiatives

Initiative: Working with the World Trade Organization to ensure the successful hosting of the Sixth Session of the Ministerial Conference in Hong Kong around 2005.

5. The Sixth WTO Ministerial Conference (MC6) will be held in Hong Kong from 13 to 18 December 2005. The Finance Committee has approved a budget of \$256 million for hosting this event. The Trade and Industry Department is taking a leading role in the logistical preparations for MC6 and has established an MC6 Coordination Office (MCO) for this purpose. A Steering Committee, chaired by the Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry) and comprising senior representatives of relevant bureaux and departments, has been set up to oversee the logistics preparations.

6. We are committed to making MC6 a success, in terms of speeding up the progress in the current Doha round of multilateral trade negotiations as well as ensuring the smooth running of the Conference. We would also take full advantage of this important event in raising Hong Kong's international profile and promoting Hong Kong as Asia's world city. MCO has been in close liaison with the WTO Secretariat and bureaux and departments concerned in the HKSARG to ensure the logistics arrangements will run smoothly. The Hong Kong Police Force has already embarked on planning of security measures to ensure public safety and order. It will make reference to experience of past MCs and similar events and work closely with all relevant bureaux and departments.

Initiative: Continuing to work closely with the Mainland authorities at the central, provincial and municipal levels to ensure the smooth and effective implementation of CEPA; promoting greater understanding of the opportunities under CEPA and making use of the standing consultation mechanism of CEPA to seek to discuss with the Mainland authorities on

further trade liberalization and additional market access opportunities for Hong Kong goods and services.

7. We have been working together with the Mainland authorities to ensure the smooth and effective implementation of CEPA since its signing in 2003. This is done through a variety of channels including the liaison offices established by the two sides and the ongoing contacts between various bureaux and departments of the HKSARG and their counterparts in the Mainland. To facilitate the implementation of services commitments in Guangdong where Hong Kong businessmen have huge interest, an Expert Group on CEPA Services Implementation was set up in 2003 under the auspices of the Hong Kong and Guangdong Cooperation Joint Conference.

8. We attach utmost importance to the promotion of CEPA. In this connection, the relevant HKSAR Government entities (e.g. bureaux concerned, the Trade and Industry Department, InvestHK, Beijing Office, and our Economic and Trade Offices) and statutory bodies (e.g. Hong Kong Trade Development Council) have been promoting the opportunities of CEPA among local, Mainland, and foreign investors, enterprises and professionals. Up-to-date information, including that on CEPA-related legislative and regulatory changes in the Mainland, is promptly disseminated to stakeholders through web links and other appropriate means. Recognizing also the key role of trade associations and professional bodies, the Government has been supporting their activities in promoting CEPA.

9. The Mainland and Hong Kong agreed on the further liberalization measures under CEPA II, covering both trade in goods and services, on 27 August 2004. We will continue to engage the Mainland authorities with a view to seeking further liberalisation and greater market access for goods and services of Hong Kong and progress in trade and investment facilitation for Hong Kong enterprises and service providers in the Mainland. In formulating the strategy for the subsequent phases of CEPA, we will continue to listen carefully to the views of the community, including those of the LegCo Panel on Commerce and Industry and the business sectors.

Initiative: Together with the Pearl River Delta municipalities, attracting more overseas enterprises to invest in Hong Kong.

10. Hong Kong has long been viewed as the natural gateway to the Mainland, in particular the Pearl River Delta (PRD). To promote this HK-PRD formula, InvestHK has been conducting joint promotion with the PRD cities in overseas cities since September 2002. This strategy has proved to be

successful and all the joint seminars have received encouraging response from foreign investors. InvestHK organized nine joint promotional events with Foshan, Dongguan, Guangzhou, Shenzhen, Guangdong Province and Zhuhai, in New York, Singapore, Seoul, Tokyo, Stockholm, London, Marseilles, Mumbai and New Dehli in 2004. InvestHK also organised an on-line web-based seminar with Guangdong Province in June 2004.

11. InvestHK will continue to highlight the combined strengths of Hong Kong and the PRD as a core message in our promotional activities, particularly in underlining Hong Kong as an investment and services platform, backed by the PRD as a resourceful hinterland and a growing market.

12. According to the 2004 Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong, nearly 85% of the overseas companies surveyed have set up their regional headquarters and offices in Hong Kong in order to manage their operations in the Mainland. As at June 2004, there were 1,098 regional headquarters and 2,511 regional offices of overseas companies in Hong Kong.

Initiative: Developing a new exhibition centre at Chek Lap Kok jointly with the Airport Authority and a private sector consortium.

13. To reinforce Hong Kong's position as an international business centre and trade fair capital, we will enhance our convention and exhibition facilities by providing a first class exhibition centre, AsiaWorld-Expo, in Chek Lap Kok.

14. Construction of the AsiaWorld-Expo is underway. Phase 1 development comprising 66,000 square meters of net usable area is expected to be completed for full operation by the first quarter of 2006. Phase 2 development will extend the exhibition centre to 100,000 square meters of net usable area.

Initiative: Pursuing a review of the scope of criminal liability for end-user piracy and a number of other provisions in the Copyright Ordinance to further improve the copyright protection regime in Hong Kong.

15. During the deliberation of the Copyright (Amendment) Bill 2003 ("the 2003 Bill") at the Legislative Council, some copyright owners requested that the provisions relating to the use of infringing copies of copyright works for

business (“end-user criminal liability”) should also apply to other categories of copyright works in addition to computer programs, movies, TV dramas and musical recordings (“the four categories of works”). On the other hand, some copyright work users expressed serious concerns about possible impact on free flow of information and education activities and requested the adoption of a non-exhaustive approach for providing exemption from copyright restricted acts. To enable these related issues to be thoroughly considered, we removed from the 2003 Bill all provisions relating to end-user criminal liability and undertook to discuss further with copyright owners and users.

16. As the issues of criminal liability and copyright exemption carry wide social implications and require a delicate balance to be struck between the interests of copyright owners and those of users, we have decided to consult the public widely before formulating any proposal. For this purpose, we issued in December 2004 a consultation document which covers also a number of other issues that require a review such as end-user liability associated with parallel imported copies, rental rights for films and circumvention of technological measures for copyright protection. The consultation period will end on 15 February 2005. We plan to brief the Panel on the outcome of the consultation exercise and consult the Panel on our proposals in the second quarter of 2005. We hope to submit an amendment bill to the Legislative Council for consideration and enactment before the expiry in end July 2006 of the current suspension arrangements for the provisions relating to end-user criminal liability (except those applying to the four categories of works).

Imitative : Pursuing a series of measures to facilitate the movement of people and good across the boundary including the establishment of a new boundary control point on the Hong Kong – Shenzhen Western Corridor and installation of automated passenger, vehicle and cargo clearance systems.

17. We have been developing an advance road cargo information system in close consultation with stakeholders, with a view to enhancing the efficiency of road cargo customs clearance at land boundary control points, and providing the necessary infrastructure for inter-modal facilitation. Taking into account stakeholders’ views, we have formulated an implementation plan and are further consulting stakeholders. Subject to stakeholders’ further views, we intend to bring forward the project as soon as possible.

Initiative: Continuing to provide assistance to small and medium enterprises (SMEs) through the SME funding schemes.

18. We are committed to supporting the 280,000 or so SMEs in Hong Kong, which form the backbone of our economy. We will provide them with the necessary support to raise their competitiveness. With a total commitment of \$7.5 billion, the SME funding schemes help SMEs to obtain credit from financial institutions, enhance productivity, expand export markets and raise overall competitiveness. As at 1 January 2005, the Trade and Industry Department has approved over 89,000 applications under the funding schemes, involving nearly \$6 billion in government guarantee/grants. To meet the ever changing needs of the SMEs, the Small and Medium Enterprises Committee (SMEC) has commenced to review the operations of the four SME funding schemes. We will continue to work closely with the SMEC.

Part II : Innovation and Technology Commission

Vibrant Economy

New Initiatives

Initiative: Take forward the new strategic framework for innovation and technology development (including the identification of technology focus areas and setting up R&D centres to drive applied R&D efforts) in the light of the feedback received during the public consultation exercise.

19. To improve the relevance of applied research and development (R&D) to the needs of the industry and to ensure optimal use of resources, we plan to adopt a new strategic framework for innovation and technology development. The key initiatives of the new strategy are to identify technology focus areas where Hong Kong has competitive edges and has the potential for meeting market needs, as well as to set up R&D centres to drive and coordinate applied R&D efforts, facilitate technology transfer to the relevant industries and promote commercialization of R&D results in the selected areas.

20. In June 2004, we issued a consultation paper on the new strategy for a two-month public consultation. Most of the submissions received were supportive of the direction and initiatives of the new strategy. Taking into account the feedback received, we plan to set up R&D centres under four technology areas, namely automotive parts and accessory systems, logistics and supply chain management enabling technologies, textiles and clothing, and

nanotechnology and advanced materials. In addition, the Applied Science and Technology Research Institute (ASTRI) will subsume R&D under five technology areas, namely communications technologies, consumer electronics, integrated circuit design, opto-electronics, and Chinese medicine, as part of its development plan. We plan to invite proposals to host the R&D centres in early 2005 and to set up the R&D centres in the second half of 2005.

21. Furthermore, digital entertainment is a new industry with huge development potential. Given that the local digital entertainment industry comprises mostly new and small companies, instead of setting up an R&D centre at this juncture, it would be more efficient to support the development of the industry through the provision of incubation services and training opportunities and the Cyberport would be a suitable location to take forward such initiatives. We plan to invite the Cyberport to submit a proposal for the establishment of an incubation cum training centre. We will also support R&D in other technology areas, such as display technologies, mechanical watch movements and medical diagnostics and devices, on a project basis.

Initiative: Implement the DesignSmart Initiative to promote wider use of design and innovation in industries to help them move up the value chain.

22. We launched the \$250 million DesignSmart Initiative in June 2004 with the objectives of strengthening the support for design and innovation, and promoting the wider use of design and innovation in industries to help them move up the value chain. Under the DesignSmart Initiative, we operate four funding schemes to support design research; design/business collaboration; design professional continuing education; as well as fostering the culture of design. As at December 2004, we approved four projects with funding support amounting to a total of \$12 million.

23. Under the DesignSmart Initiative, we will also provide funding support to the Hong Kong Science and Technology Parks Corporation and the Hong Kong Design Centre for the joint development of a one-stop shop which aims to create and sustain a cluster of high value-added design activities among design professionals and interns, and companies. It will be located in Kowloon Tong and is expected to come into operation in mid-2005.

Ongoing Initiatives

Initiative: Enhancing cooperation with the Ministry of Science and Technology to promote and facilitate applied R&D and innovation development under the newly-established Mainland/Hong Kong Science and Technology Cooperation Committee.

24. In May 2004, the Ministry of Science and Technology and the Commerce, Industry and Technology Bureau signed the “Agreement on the Establishment of the Mainland and Hong Kong Science and Technology Co-operation Committee”, which established a framework for technology cooperation between the Mainland and Hong Kong. The Mainland/Hong Kong Science and Technology Co-operation Committee held its first meeting in Beijing in December 2004. The Committee agreed on a work plan to enhance technology cooperation and exchanges between Hong Kong and the Mainland in four technology areas, namely radio frequency identification (RFID) technologies, automotive parts and accessory systems, integrated circuit design, and Chinese medicine.

Initiative: Continuing to work closely with the Guangdong Provincial Department of Science and Technology under the Expert Group on Co-operation in Innovation and Technology of the Hong Kong-Guangdong Cooperation Joint Conference to promote R&D collaborations between research institutions and enterprises in the Greater PRD region.

25. In September 2004, the Guangdong Provincial Department of Science and Technology and the Innovation and Technology Commission jointly launched the “Guangdong and Hong Kong Technology Cooperation Funding Scheme”. The purpose of the scheme is to encourage collaborations among universities, research institutions and technology enterprises in Hong Kong and Guangdong in carrying out applied R&D projects that will facilitate industry upgrading and economic development in the Greater Pearl River Delta (PRD) region. Under the Scheme, Hong Kong and Guangdong provided funding support to R&D projects in six technology areas of common interest, namely RFID technologies, automotive parts and accessory systems, electronic and information technology, new materials and fine chemical processing, critical precision manufacturing equipment, and new energy and energy-saving related technologies. The Guangdong side received 186 applications while the Hong Kong side received 79 applications. Both Guangdong and Hong Kong have completed assessment of the applications and decided to support 43 and 24 projects respectively.

26. The Hong Kong-Guangdong Expert Group on Co-operation in Innovation and Technology held its second meeting in October 2004. At the meeting, members discussed the work plan for the coming year and agreed to review the operation of the Technology Cooperation Funding Scheme with a view to working out an implementation plan for the 2005 Scheme.

Commerce and Industry Branch
Innovation and Technology Commission
Commerce, Industry and Technology Bureau
January 2005