

LegCo Panel on Commerce and Industry

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

This paper outlines the initiatives related to the Commerce and Industry Branch and Innovation and Technology Commission of the Commerce, Industry and Technology Bureau under the 2005-2006 Policy Agenda.

Part I : Commerce and Industry Branch

Vibrant Economy

New Initiatives

Initiative : Strengthen our representation in the Mainland and Europe to further the economic and investment interests of Hong Kong.

2. The increasingly close economic relations between Hong Kong and the Mainland, China's accession to the World Trade Organisation and the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement have provided us with enormous business opportunities.

3. Since its establishment in 2002, the Guangdong Economic and Trade Office (ETO) has been effective in fostering economic cooperation and business ties between Hong Kong and Guangdong.

4. The vast economic potential of the Pan-Pearl River Delta (PRD)

region and the inception of its regional cooperation mechanism last year have given Hong Kong businessmen ready access to a great variety of business opportunities. We must act swiftly to capitalise on the opportunities to strengthen exchanges with the provinces and municipalities in the region. At the same time, the Yangtze River Delta region is another key economic driver in the Mainland with enormous business opportunities. Enterprises in the region are also our targets of inward investment promotion. We would like to attract more enterprises in the region to invest in Hong Kong or to use Hong Kong as a platform of “going out”. The economic potential of the municipality of Chongqing and the Anhui, Hubei and Shaanxi provinces should not be overlooked either. To pave the way for Hong Kong businessmen to tap into these markets, we must seek to maintain closer economic and trade liaison with all these provinces and municipalities.

5. In light of the above, the HKSAR Government will strengthen its representation in the Mainland, including broadening geographical coverage of the Guangdong ETO and the setting up of new offices in Shanghai and Chengdu respectively. The three offices will cover the nine provinces in the Pan-PRD region, the Yangtze River Delta region (viz the Shanghai municipality and the Jiangsu and Zhejiang provinces), as well as the municipality of Chongqing and the Anhui, Hubei and Shaanxi provinces. In addition, the HKSAR Government will also suitably introduce changes to the role and functions of the Beijing Office, including strengthening its work in economic and trade liaison as well as investment promotion. The Mainland Affairs Liaison Office to be established under

the Constitutional Affairs Bureau will coordinate the efforts of the Beijing Office and other offices in the Mainland to liaise with the relevant Mainland authorities, while the Commerce, Industry and Technology Bureau will continue to be responsible for the overall coordination of activities relating to economic and trade liaison and investment promotion with a view to furthering the economic and investment interests of Hong Kong in the Mainland.

6. As for Europe, there are new geo-political and economic developments following the enlargement of the European Union (EU). The increase of the EU Member States from 15 to 25 in May 2004 has brought about substantial business and trade opportunities for Hong Kong. To assist Hong Kong businessmen in capitalising on these opportunities and to strengthen Hong Kong's representation in some 30 European countries, we plan to establish a new ETO in Europe to be responsible for promoting economic and trade relations in the eastern part of Europe.

Ongoing Initiative

Initiative: Working 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 liberalisation and additional market access opportunities for Hong Kong goods and services.

7. Since the implementation of CEPA in January 2004, we have been maintaining close ties with the Mainland authorities 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 Province, the Expert Group on CEPA Services Implementation under the auspices of the Hong Kong and Guangdong Cooperation Joint Conference meets regularly to discuss the relevant matters.

8. The Government attaches great importance to the promotion of CEPA. The relevant HKSAR Government bureaux, the Trade and Industry Department, InvestHK, Beijing Office and our Economic and Trade Offices outside Hong Kong, as well as the Hong Kong Trade Development Council will continue to promote the details and the opportunities of CEPA among Mainland and foreign investors, enterprises and professionals through road shows, seminars and the like. Up-to-date information on CEPA and relevant legislative and regulatory changes in the Mainland are disseminated through the Internet and other appropriate means. Since trade associations and professional bodies are beneficiaries under CEPA, we will continue to collaborate with them in promoting the implementation of CEPA.

9. The outcome of the consultations on CEPA III will be announced as soon as possible. More goods of Hong Kong origin will enjoy zero tariff, and further liberalisation will be enjoyed by service sectors already covered in CEPA.

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

10. We are committed to supporting the 280,000 or so SMEs in Hong Kong, which form the backbone of our economy. Towards this end, the SME funding schemes were established to help SMEs secure financing, enhance productivity, expand export markets and raise overall competitiveness. With the approval of the Legislative Council Finance Committee, we have increased funding commitment under the schemes from \$7.5 billion to \$12 billion in mid 2005 to enable more SMEs to benefit from the schemes. As at the end of September 2005, the Trade and Industry Department has approved over 111,500 applications under the funding schemes, involving \$7.46 billion in government guarantee and grants. We will continue to work closely with the Small and Medium Enterprises Committee and review the operation of the schemes from time to time.

Initiative: Stepping up promotional efforts to attract Mainland enterprises to invest in Hong Kong and to use Hong Kong to reach out to the rest of the world.

11. InvestHK has been actively conducting promotional activities in the Mainland promoting Hong Kong as the platform for the Mainland enterprises to expand their international business. Following the 23 seminars in major Mainland cities in 2004, InvestHK organised a number of sector-specific seminars in 2005, for example, a seminar specifically for restaurants in Sichuan and a seminar for pharmaceutical and biotechnology

industries in Yunnan. InvestHK also organised theme-based seminars on such subjects as fund raising and listing in Hong Kong.

12. In response to the investment facilitation measures introduced by the Ministry of Commerce last August, InvestHK has launched the InvestHK's "One Stop Service". To continue its promotional efforts in respect of this service, InvestHK has held briefing sessions for the relevant Mainland provincial authorities.

13. InvestHK also briefs incoming delegations from the Mainland on Hong Kong's investment environment. Together with the Commercial Office of the Economic Affairs Department, Liaison Office of the Central People's Government in the HKSAR, and the Ministry of Commerce, InvestHK organised the first CEO training programme, the Forum on Global Business Strategies for Chinese CEOs, in June 2005. The programme was aimed to introduce to the Mainland CEOs the global business strategies and how Hong Kong can help Mainland enterprises to expand overseas. The Forum proved to be successful. InvestHK would continue to organise similar programmes in future.

14. InvestHK would continue to actively attract Mainland enterprises to invest in Hong Kong. It has assisted a total of 35 Mainland enterprises to establish or expand business in Hong Kong last year. The department has assisted another 33 up to the end of September this year.

Initiative: Undertaking joint promotional efforts with relevant authorities in the Mainland to attract more overseas enterprises to invest in Hong

Kong and use Hong Kong as a platform to tap the business opportunities in the Mainland.

15. In order to promote the combined advantages offered by Hong Kong and the Mainland, InvestHK has conducted a series of joint seminars with Mainland cities in key overseas markets in the past years. This strategy has proved to be successful attracting encouraging responses from foreign investors.

16. The joint promotion programmes by InvestHK and the Mainland have been extended to include other provinces outside the Pearl River Delta. A recent example is the Hong Kong – Shanghai promotion jointly organised with the Shanghai authorities in Tokyo in March 2005. Another joint promotion in Germany with Fujian Province is being planned for November 2005 to promote the Pan-PRD business environment.

Initiative : Pursuing legislative amendments to the Copyright Ordinance to implement recommendations of the recent review of a number of provisions in the Ordinance, including the scope of criminal liability for end-user piracy; and continuing to review the effective protection of copyright in the digital environment.

17. In June 2005, we consulted the Panel on Commerce and Industry on a package of preliminary proposals on various copyright-related issues (ref. LC Paper No. CB(1)661/04-05(01). Major proposals relate to business end-user criminal liability, copyright exemption, anti-circumvention of technological measures for copyright protection, parallel importation of copyright works, and rental rights for films and

comic books. Since then, we have approached different copyright work user groups (including major chambers of commerce, SME associations, the Consumer Council, the 18 District Councils, educational establishments not subvented by the Government, welfare organizations and major religious bodies) to solicit their views on the preliminary proposals and maintained discussions with copyright owners to work out the details of the proposals. We will report to the Panel at its meeting in November 2005 our proposed perimeters for the safe harbour of the proposed offence against copying/distribution of infringing copies of printed works by business end-users, and any refinements to other preliminary proposals. We plan to introduce an amendment bill to the Legislative Council to effect the proposals in early 2006.

18. We are committed to combating the Internet piracy problem. To this end, we have adopted a multi-pronged approach encompassing law enforcement, industry cooperation and public education. We are also examining whether any legislative amendments are needed for more effective protection of copyright works in the digital environment. Issues being reviewed include whether a technologically neutral right of communication should be introduced for copyright owners, how to facilitate copyright owners to take civil actions against infringing activities on the Internet, whether statutory damages for civil infringements should be introduced, and the role of Internet Service Providers in the fight against Internet piracy. We intend to conduct a public consultation exercise on these issues after we have completed the review and will brief the Panel on the exercise.

Initiative : Pursuing a series of measures to facilitate the movement of people and goods 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.

19. We have consulted stakeholders on the proposal to develop an advance cargo information system 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. In light of the feedbacks and concerns raised by stakeholders, we are refining the proposal and will hold further consultation with stakeholders with a view to bringing forward the project.

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

20. 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 logistics preparation for MC6 and has established an MC6 Coordination Office (MCO) for this purpose. A high-level committee, headed by the Chief Secretary for Administration and comprising relevant officials at Secretaries and Director of Bureaux rank, has been formed to oversee the progress of the preparation. In addition, the Steering Committee chaired by the Permanent Secretary for Commerce, Industry and Technology (Commerce

and Industry) is tasked with coordinating the concerted efforts of the relevant bureaux and departments in organising the event.

21. MC6 will provide a forum to speed up the progress in the current Doha round of multilateral trade negotiations. A successful conclusion of the Doha round would help remove trade impediments in various forms, with immense implications for the long-term economic development of Hong Kong. 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. We are committed to making MC6 a success and ensuring the smooth running of the Conference. MCO has been in close liaison with the WTO Secretariat and the bureaux and departments concerned on various areas to ensure that the logistics arrangements will run smoothly. The Panel on Commerce and Industry has also been briefed on the progress of the logistics preparation from time to time. Close contacts with the District Councils, the business community and the non-governmental organisations are also maintained.

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

22. 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.

23. Phase 1 of AsiaWorld-Expo is nearing completion and the

opening ceremony is scheduled to be held in December. The Phase 1 development comprising 66,000 square meters of net usable area will come into full operation in March 2006. Phase 2 development will extend the net usable area of AsiaWorld-Expo to 100,000 square meters.

Part II: Innovation and Technology Commission

Vibrant Economy

Ongoing Initiatives

Initiative: Implementing the new strategic framework for innovation and technology development through the establishment of five research and development (R&D) centres to conduct applied R&D and promote technology transfer to the industry.

24. To implement and take forward the new strategy of innovation and technology development, the Financial Committee of the Legislative Council approved in June 2005 the establishment of four research and development (R&D) centres for automotive parts and accessory systems, logistics and supply chain management enabling technologies, textile and clothing, and nanotechnology and advanced materials with the funding support from the Innovation and Technology Fund. Besides, the Hong Kong Applied Science and Technology Research Institute will be funded to set up an R&D centre for information and communications technologies. Preparation work for the development of these R&D centres has been started and it is expected that these centres will come into operation by the end of 2005 or early 2006.

25. Besides, an incubation-cum-training centre was set up in the Cyberport in October 2005 to provide the industry with incubation services and training opportunities.

Initiative: Continuing to enhance collaboration in science and technology with the Mainland through the Mainland-Hong Kong Science and Technology Co-operation Committee.

26. In 2004, the Ministry of Science and Technology and the Commerce, Industry and Technology Bureau of the HKSAR set up the “Mainland/Hong Kong Science and Technology Co-operation Committee” to coordinate technology co-operation between Hong Kong and the Mainland. In its first meeting in Beijing in December 2004, the committee agreed to enhance technology co-operation and exchanges in four technology areas, namely radio frequency identification (RFID) technologies, automotive parts and accessory systems, integrated circuit design and Chinese medicine. In 2005, four working groups were set up by the Committee to draw up co-operation plans. The Committee also agreed to invite Hong Kong experts to participate in the medium and long-term planning of science and technology development in the Mainland and the formulation of national standards. Together with its four working groups, the Committee will continue to promote the work in this respect.

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 Co-operation Joint Conference to promote research and development collaborations between research institutions and

enterprises in the region.

27. In September 2004, the Expert Group launched the “Guangdong/Hong Kong Technology Co-operation Funding Scheme”. The purpose of the scheme is to encourage collaboration 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 PRD region. A total of 265 applications were received under the Scheme, and 67 applications were approved upon assessments. The governments of Guangdong and HKSAR had provided \$300 million in total to support the approved projects, which had been started accordingly. In view of the positive response, both sides have agreed that the Scheme should continue. The Expert Group has raised its amount for funding support to \$520 million this year. A total of 395 applications have been received from both sides and assessments are underway.

28. Since November 2004, the Guangdong and the HKSAR governments have also jointly organised a number of technology seminars and forums in Hong Kong, Shenzhen, Zhuhai, Dongguan and Guangzhou, covering various technology areas, such as software, electronics, information and communications technology, logistics/supply chain management enabling technologies, and biomedical technology, with a view to facilitating technology exchange between the two places.

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

29. In June 2004, we launched a HK\$250 million DesignSmart Initiative with a view to strengthening the support for design and innovation, and promoting wider use of design and innovation in industries to help them move up the value chain. Four funding schemes have been launched under the Initiative to support projects in design research, design/business collaboration, design professional continuing education, as well as fostering culture in design. As at the end of September 2005, the Design Support Scheme had provided about \$33 million to support 18 projects. The Hong Kong Young Design Talent Awards 2005 was launched in May 2005 to select and sponsor outstanding young designers to undergo overseas training and/or work attachment so as to enhance their professional skills.

30. Under the Initiative, we provide funding for the Hong Kong Science and Technology Parks Corporation and the Hong Kong Design Centre to develop the existing Tech Centre into the InnoCentre, for creating and sustaining a cluster of high value-added design activities among design professionals, interns and companies. The Centre is expected to operate by the end of 2005.

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