

立法會
Legislative Council

LC Paper No. CB(1)280/06-07
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by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 17 October 2006, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon Vincent FANG Kang, JP (Chairman)
Hon WONG Ting-kwong, BBS (Deputy Chairman)
Dr Hon LUI Ming-wah, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon SIN Chung-kai, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon CHIM Pui-chung

Members absent : Hon CHAN Kam-lam, SBS, JP
Hon Ronny TONG Ka-wah, SC

Public officers attending : Agenda Item IV

Mr Joseph W P WONG
Secretary for Commerce, Industry and Technology

Miss Yvonne CHOI
Permanent Secretary for Commerce,
Industry and Technology (Commerce and Industry)

Ms Linda LAI
Deputy Secretary for Commerce, Industry and
Technology (Commerce & Industry) 1

Mr Christopher WONG
Deputy Secretary for Commerce, Industry and
Technology (Commerce & Industry) 2

Mr Gordon LEUNG
Deputy Commissioner for Innovation and Technology

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

Staff in attendance : Ms YUE Tin-po
Senior Council Secretary (1)5

Ms Sharon CHAN
Legislative Assistant (1)6

I Confirmation of minutes and matters arising

LC Paper No. CB(1)51/06-07 -- Minutes of meeting held on
12 October 2006

The minutes of the meeting held on 12 October 2006 were confirmed.

II Papers issued since last meeting

LC Paper No CB(1)2191/05-06(01) -- Extract from the minutes of the
meeting of Legislative Council
members with Tuen Mun
District Council members on 11
May 2006 on promoting
environmental industries and
construction of an industrial
exhibition centre in Tuen Mun

LC Paper No CB(1)2281/05-06(01) -- Information on the financial
position of the Applied
Research Fund for the period of
1 June 2006 to 31 August 2006

2. Members noted that the above papers had been issued for the Panel's
information.

III Date and items for discussion for next meeting

LC Paper No. CB(1)50/06-07(01) -- List of outstanding items for discussion

LC Paper No. CB(1)50/06-07(02) -- List of follow-up actions

3. Members agreed to discuss the items on “Strategic framework for Innovation and Technology Development” and “Issues related to the operation and management of the Applied Science and Technology Research Institute (ASTRI)” at the next regular meeting on 21 November 2006. The Chairman asked the Clerk to liaise with the Administration on whether there was any further proposed agenda item for the next meeting.

(Post-meeting note: With the concurrence of the Chairman, an additional item on the "Proposed new fee structure for the Textiles Trader Registration Scheme" proposed by the Administration would be added to the agenda for discussion at the next meeting.)

IV Briefing by Secretary for Commerce, Industry and Technology on relevant policy initiatives in the Chief Executive's Policy Address 2006/2007

LC Paper No CB(1)50/06-07(03) -- Policy agenda of Commerce and Industry Branch and Innovation and Technology Commission, Commerce, Industry and Technology Bureau

Other relevant documents

Two booklets provided by the Administration

- (a) Address by the Chief Executive at the Legislative Council meeting on 11 October 2006 -- "Proactive Pragmatic Always People First"; and
- (b) The 2006-2007 Policy Address -- "Policy Agenda".

4. At the invitation of the Chairman, the Secretary for Commerce, Industry and Technology (SCIT) highlighted the major initiatives of the Commerce and Industry Branch and the Innovation and Technology Commission of the Commerce, Industry and Technology Bureau (CITB) for 2006-2007 (copy of SCIT's speaking note had been issued to Panel members after the meeting vide LC Paper No. CB(1)91/06-07(01)).

5. The Deputy Chairman said that Members of the Democratic Alliance for the Betterment and Progress of Hong Kong supported in principle the initiatives contained in the 2006-2007 Policy Agenda. Mr Jeffrey LAM said that the commercial and industrial sectors welcomed the initiatives related to economic development. Mr Timothy FOK expressed support for the Administration's plan to set up a Hong Kong Film Development Council.

Implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

6. Mr CHIM Pui-chung opined that despite tariff-free access enjoyed by locally made products to the Mainland market and the preferential market access in a total of 27 services areas brought about by CEPA, the Administration had so far failed to re-invigorate the local manufacturing industry and create more employment and business opportunities in Hong Kong, with the exception of the moon cake production business. Nevertheless, he agreed that the Individual Visit Scheme under CEPA had contributed to boosting the economic recovery of Hong Kong.

7. SCIT responded that the liberalization measures under CEPA had facilitated Mainland enterprises to invest in Hong Kong, thus leading to positive growth in Hong Kong's economy. The increasing value of Hong Kong origin exports under CEPA had also led to an increase in business activities conducive to the creation of more employment opportunities for the local workforce. In the first two years of implementing CEPA, it was estimated that about 30 000 new jobs had been created. About 25% of the foreign investors attracted to Hong Kong and assisted by InvestHK had indicated that CEPA was a significant factor in their consideration of setting up business in Hong Kong. On cultural and creative industries, CEPA had opened up new opportunities for Hong Kong's film industry to tap into the Mainland market. This arrangement was far beyond the commitment of the Mainland made to the World Trade Organization. Various professional sectors also benefited from preferential market access granted to Hong Kong companies in 27 services sectors including accounting, legal and telecommunications services. The zero import tariff would help attract to Hong Kong the manufacturing operations of brand name products, or manufacturing processes with high-value added content or substantial intellectual property input. SCIT added that following its report on the key findings of the study on the economic impact of CEPA I released in 2005, the Administration was in the course of conducting a further review on the impact of the implementation of CEPA on the Hong Kong economy. The Chairman said that the Panel looked forward to receiving the briefing by the Administration on the outcome of the second study on the impact of CEPA on the economy of Hong Kong after its completion in the first half of 2007.

8. Mr CHIM Pui-chung said that local manufacturers had been faced with considerable difficulties in operating their business in Hong Kong. In this connection, he considered that the Administration should intensify efforts in providing practical assistance to local small and medium enterprises (SMEs) in the services sectors, such as those engaged in financial services and tourism business.

9. In response, SCIT advised that although many local manufacturers had moved their production base to the Mainland, most of them retained their offices or headquarters in Hong Kong to make use of Hong Kong's world-class services in finance, marketing and logistics. This helped maintain Hong Kong as an international trade, investment and business centre and contributed towards Hong Kong's Gross National Product.

10. In this connection, the Chairman pointed out that the implementation of CEPA had attracted manufacturers to undertake high value-added manufacturing activities in Hong Kong, a notable example of which was the production of proprietary Chinese medicine. He added that the market response was good as the Mainland buyers and consumers had greater confidence in products made in Hong Kong.

11. On the implementation of CEPA, Mr Timothy FOK considered that the Administration should pursue with the Mainland authorities on the feasibility of further opening up the Mainland market for Hong Kong design professionals to make use of the business opportunities arising from the 2008 Beijing Olympic Games and the 2008 Olympic Equestrian Events.

12. In response, SCIT advised that under CEPA, agreements had been reached between the Mainland and Hong Kong on mutual recognition of professional qualifications for various professional sectors. The Administration would continue discussion with the Mainland authorities to provide more opportunities to Hong Kong professionals setting up their business or practising their services in the Mainland. Where certain liberalization measures might not be ready for country-wide application at this stage, pilot schemes to liberalise the markets in nearby provinces such as Guangdong for Hong Kong professionals in individual sectors (eg. the film industry) would be explored. He undertook to relay Mr Timothy FOK's view to the Equestrian Events (Hong Kong) of the Games of the XXIX Olympiad Company Limited for consideration.

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Role of Economic and Trade Offices (ETOs)

13. Noting that the Constitutional Affairs Bureau (CAB) was responsible for overseeing the operation of the Office of the Government of the HKSAR in Beijing (BJO) and the three ETOs in Guangdong, Shanghai and Chengdu, Mr CHIM Pui-chung was concerned about the division of roles between CAB and CITB in overseeing the work of these offices.

14. In response, SCIT clarified that the Mainland Affairs Liaison Office within CAB was responsible for formulating the overall strategies and directions of Mainland-Hong Kong cooperation, and coordinating from a macro level the liaison work with the Mainland authorities conducted by BJO and the ETOs in the Mainland. It would also oversee the resource management, personnel arrangements and administrative work of those offices. As for CITB, it would continue to oversee the work of the ETOs in the Mainland regarding economic and trade relations and investment promotion.

15. Mr Jeffrey LAM highlighted that the implementation of CEPA had offered new business opportunities to Hong Kong manufacturers in the Mainland market. As a result, about 60 000 Hong Kong-owned factories had been set up in the Mainland. He considered that the Beijing Office and other ETOs in the Mainland should coordinate and enhance their efforts to help promote business and trade links between Hong Kong and various authorities in the Mainland. This would facilitate Hong Kong enterprises in gaining access to the Mainland market to promote their brand name products.

16. Noting Mr Jeffrey LAM's view, SCIT advised that the Administration would consider whether the resources provided to ETOs in the Mainland should be strengthened in the light of operational experience. Mr LAM said that he would welcome the Administration's plan to boost the resources of ETOs so as to provide stronger support to Hong Kong enterprises operating in the Mainland.

Promotion of Hong Kong design and brand name products

17. Mr Jeffrey LAM noted that the Administration would seek the Finance Committee (FC)'s approval for a proposed funding of \$100 million to be spread over five years to enhance the role of Hong Kong Design Centre (HKDC) in assisting the local industries to promote their design and brand names. He also noted that part of the proposed funding would be used to support HKDC for the development of the InnoCentre, which was a one-stop shop and a focal point for providing support and services related to design. Nevertheless, he pointed out that it usually took quite a long time for SMEs to establish their products and fully integrate their design into the product development processes and operation strategies. He therefore expressed concern about the cost-effectiveness of the development of the InnoCentre and sought information on the Administration's measures, if any, to further assist the local trades and industries to make full use of their design and build up their brand names.

18. In response, SCIT stressed that design was an integral part of Hong Kong's innovative capacity which helped the local industries move up the value chain. The Government's policy was to promote the wider use of design in industrial and business processes, and encourage enterprises to switch their mode of operation from Original Equipment Manufacturing to Original Design Manufacturing and then to Original Brand Manufacturing. The Hong Kong

Trade Development Council (TDC) was tasked to promote Hong Kong's products and services in world markets. The Design Gallery set up by TDC also provided a platform for the promotion of creativity, innovation and excellence of Hong Kong products. In the coming year, CITB would join hands with TDC, HKDC and other trade associations in promoting Hong Kong design and original brands in both the Mainland and overseas markets in a coordinated manner. At the same time, local trade associations would continue to publicize the Hong Kong Q-Mark Scheme and organize events such as the "Hong Kong Top Brand Awards" as well as other competitions to further promote Hong Kong brand name products.

19. SCIT further advised that the InnoCentre, under the partnership of HKDC and the Hong Kong Science and Technology Parks Corporation, would provide one-stop service in promoting design as a value-adding activity so to raise the profile of brand name products of local SMEs through packaging, design and promotion. The InnoCentre would also concentrate on design education and professional development. In response to the Deputy Chairman's enquiry about the funding arrangement for the development of the InnoCentre, SCIT replied that as it was difficult to seek private sponsorships at this early stage to fund the operation of the InnoCentre, it was necessary to inject a capital funding to support the operation of the InnoCentre over the next five years. In the long run, the InnoCentre was expected to generate sufficient income to self-finance its operation. Regarding some members' concern that the proposed funding would be spent on meeting high administrative costs, SCIT assured members that the Administration would provide detailed justification in its submission to FC on how the proposed funding would be used.

20. SCIT added that in view of increasing brand awareness in the Mainland, the Ministry of Commerce had organized an event (named "品牌萬里行") for the promotion of Mainland brand products in world markets. The Administration considered that Hong Kong could strengthen its cooperation and competition with the Mainland and make use of such joint events to promote mutual recognition and quality assurance of brand name products. CITB and the ETOs in the Mainland would examine how to further strengthen cooperation between Hong Kong and the Mainland in this regard.

21. The Chairman pointed out that local design graduates were inclined to further their studies or pursue professional training in overseas countries (e.g. Europe) to widen their international exposure instead of pursuing their careers in Hong Kong. In order to retain and nurture those promising local talents for the future development of the design industry in Hong Kong, he suggested that the Administration should work with tertiary institutions and invite internationally renowned scholars from overseas design institutes to conduct local programmes, such as those offered by the Hong Kong Polytechnic University (HKPU) under credits schemes. This would create a critical mass of professional talents from around the world and raise the profile of the Hong Kong tertiary institutions in their training programmes on design. In this connection, he urged the

Admin Administration to pursue the matter with HKPU. SCIT took note of the Chairman's suggestion and undertook to follow up the issue with HKPU.

Admin 22. Mrs Sophie LEUNG opined that although many tertiary institutions in Hong Kong, such as the Institute of Vocational Education (IVE) under the Vocational Training Council, had been providing training courses in various design disciplines, such training courses should have the input of the production sector in order to cater for the practical needs of the local industries. Hence, more opportunities should be provided for the development of product design. The Administration should also encourage the collaboration between SMEs in the manufacturing industry and the tertiary institutions in product design on a project basis. SCIT took note of Mrs LEUNG's suggestion for further consideration.

Future economic development of Hong Kong

23. The Deputy Chairman was concerned that the Administration should give sufficient attention to economic development and wealth creation in addition to focusing efforts on improving people's livelihood only. He also considered that instead of relying heavily on tapping business opportunities in the Mainland market, the Administration should strive to open up new opportunities locally so that Hong Kong could attain economic achievements primarily on its own.

24. Quoting Yiwu as an example, the Deputy Chairman pointed out that it was a city of Zhejiang province where a large number of traders were engaged in the trading of various kinds of merchandise. Local businesses in Yiwu were joined by merchants from the Yangtze River Delta region, the central and northern regions of the Mainland who came to set up stalls or display outlets to wholesale their products. Some wholesalers had also set up their own production base in Yiwu to facilitate the staging of trade fairs and product promotions to attract buyers from neighbouring areas and overseas. Compared with Yiwu, Hong Kong would be a more suitable place for the establishment of merchandizing centres as Mainland and foreign enterprises could capitalize on Hong Kong's favourable business environment underpinned by a free economy, as well as a sound legal and financial system.

25. The Deputy Chairman was concerned about the high rental rates in Hong Kong and their adverse impact on operating costs borne by business enterprises. He observed that as there was a large number of vacant factory premises in industrial buildings, the Administration should coordinate the necessary arrangements with the relevant departments and make available such unoccupied premises for staging exhibition and product shows on a long-term basis. In this connection, he suggested that if necessary, the Administration should conduct a study tour to Yiwu to acquire first hand understanding on its operation.

26. Echoing the view of the Deputy Chairman, Mrs Sophie LEUNG said that there were already locations in Hong Kong specializing in the trading of a certain

merchandise, for example, factory outlets of textile and clothing factories in Cheung Sha Wan. She suggested that vacant factory premises could be converted and utilized as design centres. SCIT took note of members' suggestion for further consideration.

27. Pointing out that Switzerland was an international financial services and asset management centre in the world, Mr CHIM Pui-chung stressed that there were similarities between Switzerland and Hong Kong, such as the high salaries and high rental prevailing in the two places. In this connection, he enquired the reasons for Switzerland's renowned international status and whether the Administration had any intention to develop Hong Kong into the "Switzerland of Asia". In response, SCIT advised that Switzerland was an economically developed country where certain high-tech industries such as chemical and pharmaceutical industries thrived. Switzerland also attached great importance to good quality design and brand names. Hong Kong could overcome the problem of high operating costs in terms of high salaries and rentals by focusing on the development of value-added industries with the support of relatively low-cost land and manpower supply from neighbouring areas.

Innovation and technology development

28. SCIT remarked that the Administration had been implementing the new strategic framework for innovation and technology development mainly through applied R&D activities to be conducted by the five newly established research and development (R&D) centres. Mr Jeffrey LAM expressed support for the establishment of R&D centres to take forward the new strategy of innovation and technology development and technology transfer. Noting that the centres had been soliciting or preparing to solicit proposals on R&D projects, he looked forward to the R&D results which would benefit various sectors of the manufacturing industry. In this connection, the Chairman recapped that the Panel would discuss the items on "Strategic framework for Innovation and Technology Development" and "Issues related to the operation and management of ASTRI" at the next regular meeting on 21 November 2006.

V Any other business

29. There being no other business, the meeting ended at 3:45 pm.