

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

**Progress Report on 11.5 Economic Summit
- Action Agenda of the Focus Group on Trade and Business**

Purpose

This paper updates Members on the progress made since the Administration's report to this Panel on 13 March 2007.

Background

2. At the meeting on 13 March 2007, we briefed the Panel on the deliberations of the Focus Group on Trade and Business under the "11.5 Economic Summit", as well as our actions on "Brand Hong Kong", Closer Economic Partnership Arrangement (CEPA) and support for Hong Kong-owned enterprises in Guangdong. (Please refer to LC Paper No. CB(1)1090/06-07(03)). We also undertook to provide a progress report to this Panel in six months' time.

"Brand Hong Kong"

3. During the past few months, the Administration has leveraged on the celebration activities of the 10th anniversary of the Establishment of the HKSAR to promote "Brand Hong Kong". Some 460 events, running from April to December 2007, have been organized locally to demonstrate Hong Kong's vigour and vitality. These events include exhibitions, international conferences as well as cultural and sports events. They also underscored our achievements since the Reunification and have been well received by the participants.

4. In the Mainland and overseas, the Economic and Trade Offices have organized a series of activities from the second to the fourth quarter

of 2007 to showcase Hong Kong's continued success as a leading trade and financial centre under the "One Country, Two Systems" principle. Roving exhibitions took place in over 40 Mainland cities and a major exhibition was held in Beijing attracting over 120,000 visitors. In addition, overseas Economic and Trade Offices organized business seminars and forums, cultural performances, film and food festivals as well as photo exhibitions in some 30 cities. The events have reinforced Hong Kong's position as Asia's World City as well as the gateway to the Mainland market.

5. Separately, the Administration is actively considering the recommendation of the Focus Group to set up a high level committee to take forward the "Brand Hong Kong" message on a sustained basis. Meanwhile, the Commerce and Economic Development Bureau has been consulting key stakeholders and trade organizations on ways to encourage and assist the Hong Kong enterprises to develop and promote brand products and services.

CEPA

6. Following the Focus Group's recommendation, we have established a consultative arrangement with major trade and industry organizations on CEPA. The first consultation session was held on 30 March 2007. The second one will be held later this year.

7. We have also completed a study on the economic impact of the first three phases of CEPA and reported the findings to this Panel on 12 June 2007. The study has reconfirmed that CEPA is a win-win arrangement, bringing new business opportunities, additional capital investment and new jobs to both Hong Kong and the Mainland. In addition, it has helped build a new economic platform for both sides to develop their economic relationship on a long term basis.

8. The Focus Group has also pointed out the need to safeguard Hong Kong's trade interest in the light of Mainland's further liberalisation arising from multilateral trade discussions and new trends in international trade. In this regard, we have incorporated into CEPA

Supplement IV (signed on 29 June 2007) the liberalisation measures which the Mainland has granted to ASEAN countries under the ASEAN-China Free Trade Agreement.

9. Apart from the above, we have:
 - (a) concluded a cooperation agreement with the relevant authorities in Guangdong to facilitate the implementation of CEPA Supplement IV, particularly those areas for pilot implementation in Guangdong;
 - (b) organized jointly with the Ministry of Commerce a CEPA Supplement IV Business Forum on 19 September 2007 to update the trades on the new CEPA package for service areas like finance, transport, logistics, tourism, convention and exhibition, cultural, medical, and elderly services. Representatives of 11 ministries and 13 provincial/municipal governments were invited to brief some 400 practitioners in these areas; and
 - (c) worked closely with relevant Mainland authorities to iron out problems in CEPA implementation. Examples include enhancing the transparency of rules and regulations, and simplifying the application and approval procedures.
10. We will continue to engage the Mainland authorities in good time on further liberalization under CEPA, taking into account the interests and concerns of our trade.

Hong Kong-owned Enterprises in Guangdong

11. We fully appreciate the challenges and problems facing Hong Kong-owned enterprises arising from adjustments to the policy on the processing trade. In this connection, we have taken various actions in the past few months. Of note :

- (a) We have set up a Task Force to Support the Processing Trade in

July 2007. The Task Force comprises various government bureaux and departments, trade associations and industry support bodies. It has met thrice so far. The Task Force collected the trade's views on the proposed policies, compiled assessment of the impact of the proposed policies and considered measures to alleviate the impact and enhance the trade's long-term competitiveness;

- (b) The Secretary for Commerce and Economic Development has written to both the Ministry of Commerce and the Ministry of Finance, as well as called on various Mainland ministries to convey the trade's concerns and suggestions. The Financial Secretary made a number of calls on his Mainland counterparts as well; and
- (c) We have also organised seminars and briefing sessions for the trade and relevant Mainland authorities were invited to explain the latest policies and measures.

12. The above efforts have yielded positive results. On 5 September 2007, the Mainland authorities announced that alternative means including cash and bank guarantees would be accepted for payment of the standing book deposit. We believe this would substantially relieve the cashflow problem for many enterprises.

13. Notwithstanding the above development, we do see that there is a long-term need for the trade to move towards industrial restructuring and upgrading, or to consider relocating to the central or western parts of the Mainland. To support them in this endeavour, we are working on the following measures:

- (a) exploring with the trade and various provincial authorities the feasibility of relocating to new operation bases, especially the nine cities named by the central authorities as the key reception sites. In this connection, the Secretary for Commerce and Economic Development has on 23-25 August 2007 led a business delegation to Chenzhou, Hunan to learn about its investment environment. Subsequent briefing sessions were

also held in Hong Kong; and

- (b) working closely with the Guangdong authorities to assist the trade to upgrade and restructure. To take forward actions in this regard, the two sides have set up the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade. The key focus would be to streamline the procedures for enterprises to restructure to foreign-owned enterprises and to upgrade their production/environmental technologies.

Advice sought

- 14. Members are invited to note the contents of this paper.

Commerce and Economic Development Bureau
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