

立法會 *Legislative Council*

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Report of the Panel on Commerce and Industry for submission to the Legislative Council

Purpose

This report gives an account of the work of the Panel on Commerce and Industry during the 2006-2007 session of the Legislative Council. It will be tabled at the Council meeting on 11 July 2007 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining Government policies and issues of public concern relating to commerce and industry. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 11 members. Hon Vincent FANG Kang and Hon WONG Ting-kwong were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is at **Appendix II**.

Major work

Hong Kong's participation in the World Trade Organization

4. Members noted that since the Sixth Ministerial Conference of the World Trade Organization (WTO) which was held in Hong Kong in December 2005, despite intensive work in Geneva and efforts made at the ministerial/leaders' level, consensus could not be reached on core issues such as domestic support for agriculture, market access for agriculture, and market access for non-agricultural products. The multilateral trade negotiations under the Doha Development Agenda (DDA) of the WTO had once been suspended, and later resumed in February 2007 in view of the WTO membership's general wish to restart the negotiations. Members were pleased to note that during the period of

suspension (i.e. from July 2006 to February 2007), Hong Kong had played a constructive role in pushing for the resumption of the talks.

5. Since the success of the Doha Round would bring about benefits to Hong Kong such that tariff reduction in domestic exports would have multiplying beneficial effect for business and employment opportunities in Hong Kong, members called on the Administration to step up its efforts as a middleman between opposing groups of WTO Members so as to facilitate the successful conclusion of the DDA negotiations. The Administration pointed out that the success or otherwise of the negotiations lied in the key players making compromise on agricultural market access and domestic farm support, as well as developing economies demonstrating a willingness to open their markets further to imports of services and industrial goods. As such, although negotiations had resumed in practice, it was unclear when, and how, they would progress and conclude. Nevertheless, the Panel was assured that the Government would monitor closely the development, and would continue to participate constructively in the negotiations, as well as playing an even more active role in Hong Kong's priority areas, namely services (i.e. to achieve progressive liberalization for trade in services) and rules (i.e. to clarify and improve trade rules) with a view to achieving a successful conclusion of the negotiations.

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

6. The Panel was pleased to note that, according to a recent study conducted by the Administration on the impact of CEPA on Hong Kong's economy, CEPA had induced net additional capital investment at \$305 million in the manufacturing sector by 2006. The cumulative amount of additional capital investment in the services sector amounted to \$4.8 billion by 2006. As a result of the first three phases of CEPA, about 36 000 new jobs were created for Hong Kong residents between 2004 and 2006. Noting that CEPA had brought about significant economic benefits to Hong Kong, members were keen to ensure that the Government would continue its efforts to further broaden and deepen the CEPA liberalization measures.

7. Among the various liberalization measures, some members considered that the Individual Visit Scheme (IVS) had brought about the most direct economic benefits to Hong Kong as IVS visitors had generated an additional tourist spending of \$22.7 billion between 2004 and 2006. In this connection, they noted with concern that IVS visitors tended to shorten their length of stay in Hong Kong. They considered that this might be due to the inadequate supply of hotel rooms at affordable charges for these visitors. The Administration was urged to look into the issue to identify suitable solutions.

8. In respect of IVS permits, the Panel noted that currently Mainland visitors issued with IVS permits to Macau could also visit Hong Kong but not vice versa. Members considered that such an arrangement was not conducive to Hong Kong as IVS visitors issued with permits to Hong Kong were not provided

with the greatest facilitation. They urged the Administration to actively take the matter up with the Mainland authorities. Noting members' concerns, the Administration undertook to explore with the Mainland authorities for issuance of one single IVS permit allowing Mainlanders to visit both Hong Kong and Macau. To help various local industries tap on the opportunities of and benefit fully from CEPA, the Panel also called on the Administration to liaise with the Mainland authorities regarding the implementation problems under CEPA, such as the cumbersome application procedures and lengthy application time, and where possible, to work out measures to provide greater facilitation to local trades.

9. The Panel was assured by the Administration that it would continue to ensure an effective implementation of CEPA. The Administration would also brief the Panel on the new package of liberalization measures under CEPA in July 2007.

Action Agenda of the Focus Group on Trade and Business

10. The Panel was briefed on the work done by the Focus Group on Trade and Business (the Focus Group), which was one of the four focus groups formed at the Economic Summit held in September 2006 in relation to China's 11th Five-Year Plan. Members noted that the Focus Group had proposed three policy directions, namely the inculcation of a "Brand Hong Kong" culture; optimization of the potential and benefit of the CEPA and nurturing of talents to enhance Hong Kong's talent pool; and assistance to Hong Kong-owned factories in Guangdong. Against the foregoing policy directions, the Focus Group had put forward 13 strategic proposals and 32 proposed specific measures. Members generally welcomed the strategic proposals and proposed measures as they considered that the proposals and proposed measures would be conducive to the economic development of Hong Kong. Their particular concern was that the Mainland was now in the process of industrial restructuring, and Hong Kong-owned factories operating in the Mainland were facing lots of challenges. They urged the Government to step up communication and strengthen co-operation with the Mainland authority so as to assist those factories in meeting the various requirements promulgated by the Mainland such as those on environmental protection and energy conservation. Some members also considered that to bring added value to the "Brand Hong Kong" effects, effort should be made to further strengthen the intellectual protection regime, another edge which Hong Kong possessed. At members' request, the Administration would provide a progress report to update the Panel on the development of the issue in around September 2007.

Promotion of inward investment

11. In discussing the work of Invest Hong Kong (InvestHK), the Panel appreciated the department's effort and strategies in promoting inward investment in overseas countries, such as those in the Western Europe. To boost further investment, members considered that InvestHK should step up its promotion

efforts in regions like the Middle East and the Eastern Europe where there were vast business opportunities. Some members also highlighted the difficulties encountered by businessmen in obtaining visas to Hong Kong than to other neighbouring regions such as the Mainland and Macau. They were concerned that Hong Kong might lose its competitive edge as a result. The Administration was urged to relax the visa control measures. Noting members' concern, the Administration undertook to follow up on the proposal as to facilitate the issue of business visas to overseas applicants.

12. In examining the working relationship between InvestHK, Economic and Trade Offices (ETOs) and the Trade Development Council (TDC), members reiterated their concern on the possible duplication of resources. Noting that a study would be commissioned to examine, inter alia, the role and mission of InvestHK, the Panel urged that consideration should also be given to explore the possibility of pooling the resources of InvestHK, ETOs and TDC together for cost savings and synergy.

Convention and exhibition services

13. In view of the increasing regional competition in the area of convention and exhibition services and the rise in the number of exhibition facilities in the neighbouring regions, members supported the Administration's measures to strengthen and promote Hong Kong's position as an international convention and exhibition centre. Members considered that apart from liaising closely with the Central Government to identify opportunities for hosting large-scale international conventions and exhibitions in Hong Kong, the Administration should step up its effort for collaboration with the industry, trade associations and chambers of commerce so as to seek to bring more renowned and prestigious conventions, exhibitions and fairs to Hong Kong. Consideration should also be given to collaborating with the neighbouring regions for staging international exhibitions and conventions in Hong Kong.

14. Since the hosting of conventions and exhibitions could bring about significant direct economic benefits to the economy in relation to tourism and retail, members were keen to ensure that there was adequate provision of convention and exhibition facilities to meet the demand. They called on the Government to be forward looking in making advance planning for exhibition spaces, and to pursue actively the early commencement of AsiaWorld-Expo Phase 2 and the development of Hong Kong Convention and Exhibition Centre Phase 3. Members considered that ancillary facilities such as the supply of hotel rooms were also crucial to support the hosting of those events. The Administration assured that it would monitor closely the demand for exhibition infrastructure and its ancillary facilities to ensure the smooth running of events held in Hong Kong. In this connection, the Panel noted that a consultancy study was being commissioned to review, inter alia, the future demand for exhibition facilities in Hong Kong, as well as to assess when there would be unmet demand.

Copyright protection in the digital environment

15. The Panel acknowledged the Administration's efforts to provide a robust copyright protection regime in order to facilitate the sustainable development of creative industries in Hong Kong. Further to the introduction of an enhanced and more flexible regime by way of the Copyright (Amendment) Bill 2006 passed in the Legislative Council on 27 June 2007, the Administration launched a public consultation exercise on issues relating to copyright protection in the digital environment. In this respect, some members stressed that due regard should be made to the impact that more stringent copyright protection in the digital environment might have on the free dissemination of information, protection of personal privacy, as well as the daily activities of members of the public. They considered that other than the scale of infringement, the Government should also focus on the intent of the unauthorized downloading activities in order to decide whether such activities warranted criminal sanctions. They suggested that consideration should be given to criminalizing only unauthorized downloading for commercial purposes but not downloading for private use or record purpose.

16. On the Administration's proposal of introducing a system to enable efficient takedown of infringing materials on the Internet or blocking of access to such materials by online service providers (OSPs), some members were concerned that a takedown system without legislative backing might lead to abuse as OSPs might remove materials from their servers lightly without concrete evidence on whether those were infringing materials, and hence adversely affect dissemination of information in Hong Kong. While sharing with members overseas experiences in this regard, the Administration advised that to guard against abuse, consideration could be given to introducing a notice and takedown system similar to that adopted in the United States, whereby copyright owners could serve a notice to an OSP on certain online piracy activities identified on the OSP's service platform. The OSP should, in response, take down or disable access to the infringing material found. In the event that the affected service subscriber considered that the material removed or the access disabled was a result of mistake or misidentification, he could serve a counter notice to the OSP which should then put back the removed material or cease disabling access. Notwithstanding the proposed introduction of the notice and takedown system, some members remained concerned that OSPs might wrongly remove materials from their service platforms as notices for removal could be served by anyone disguising as the concerned copyright owners. They considered that the implementation details of the notice and takedown system, if introduced, had to be deliberated with due care.

17. Members noted that under the Administration's proposal, OSPs might be liable for online piracy activities undertaken by their clients via their service platforms. They considered that any legal responsibility to be imposed should be appropriate and proportionate, and should not be greater than those currently imposed upon OSPs in relation to criminal activities such as hacking activities. The Administration assured the Panel that adequate consultation would be made

on all the issues involved before coming up with any implementation plan for consultation with the Panel again.

Innovation and technology development

18. The Panel exchanged views with the Administration and the various heads of the Research and Development (R&D) Centres on the latest position on the implementation of the strategic framework for innovation and technology development, as well as the establishment of the five R&D Centres which commenced operation in April 2006. Members noted that under the strategic framework, a three-tier funding model was adopted to support applied R&D in Hong Kong. Under Tier one, five R&D Centres were established for conducting R&D in specific focus areas, whereas R&D projects with focus themes were undertaken under Tier two. As for projects funded under Tier three, these were innovative in nature while also exhibiting application potentials.

19. Some members raised concern on the effectiveness the R&D Centres in establishing connections with the industry. They were keen to ensure that the R&D Centres should not limit their contact with trade associations only but should outreach themselves to ascertain the varying needs of the industry customers and to enhance industry awareness. They also considered that the R&D Centres should strengthen their promotion and publicity efforts to enhance industry customers' awareness of the R&D projects undertaken and the research output so as to secure continued support from the industries concerned for applied R&D in Hong Kong. Noting members' concerns, the Administration assured that the R&D Centres had been attaching great importance to the promotion of their activities to industry customers which included both local companies and companies in Pearl River Delta region. The head of each R&D Centre had also been establishing channels and effective connections with the industry to promote the Centre's activities.

20. On the benefits of establishing the R&D Centres, the Panel noted that there were plans to conduct a consultancy study for quantitative analysis on the social and economic benefits resulting from the setting up of the R&D Centres in terms of job opportunities created, increase in revenue of enterprises, the number of new enterprises established, and etc. The Panel urged the Administration to monitor closely the operation of the R&D Centres to ensure that public funds were used in a prudent and cost-effective manner. Noting members' concerns, the Administration undertook to brief the Panel in July 2007 and thereafter annually the income and expenditure of the R&D Centres for members' information.

21. Since new R&D projects would continue to be undertaken in Hong Kong and there was currently a shortage in the supply of local R&D personnel, some members expressed grave concern in this regard. The Administration assured the Panel that in cases where the required expertise was not available locally, overseas recruitment exercises would be conducted. Moreover, while activities would be organized to arouse the interests of the younger generation in innovation and technology, co-operation with the local universities and various

R&D institutions would be strengthened with a view to nurturing R&D talents for the future R&D development in Hong Kong. R&D professionals currently employed by the R&D Centres could also help train up local R&D personnel to meet the future needs.

Legislative/financial proposals

22. The Panel had been consulted on a number of legislative/financial proposals.

Electronic advance road cargo information

23. On the Administration's proposal to implement an electronic customs clearance system for road cargoes (the proposed system) which aimed to allow cross-boundary trucks to enjoy seamless customs clearance at land boundary control points by stopping only once (instead of twice under the existing system) for both immigration and customs clearances, and its proposal to amend the Import and Export Ordinance (Cap.60) to provide a legal basis for the new reporting requirements under the proposed system, the Panel expressed in-principle support. Noting that the electronic customs clearance infrastructure of the Mainland Customs, which was similar to the proposed system to be rolled out in 2009, had already been in operation, the Panel considered that the Administration should implement the proposed system earlier to provide greater facilitation to cross-boundary cargo movement. In order to keep in pace with the international development, the Panel also urged the Administration to seriously consider early implementation of an electronic road cargo manifest system so as to obviate the submission of paper manifests by truck drivers and provide greater convenience to them. The Administration assured the Panel that it would pursue the implementation of the electronic manifest system as and when the conditions were ripe. The relevant Amendment Bill was enacted on 1 June 2007.

Hong Kong Design Centre

24. On the proposed funding requirement of \$100 million to support the operation of Hong Kong Design Centre (HKDC) over five years to promote the importance of design and innovation, the Panel supported in principle the proposal as members generally considered that it would be conducive to the development of local enterprises as well as the long-term economic development of Hong Kong. In order to solicit more co-operation and hence business opportunities, some members took the view that HKDC should conduct more promotional activities overseas to showcase Hong Kong's design talents. The Administration advised that HKDC spared no effort in showcasing Hong Kong's design talents and their works in overseas events. Discussion was underway for Hong Kong designers to partner with world-renowned international manufacturers to produce and showcase limited-edition signature products in overseas mega events. The Panel was assured that such arrangement would help raising the profile and reputation of Hong Kong's design talents in the

international arena.

25. In addition to promoting design, members were also keen to ensure that safeguards would be put in place by HKDC to protect the intellectual property (IP) of designers and their products. In this regard, members noted that HKDC had compiled a business manual for local designers which covered IP protection on how to apply for registration for their IP and related legal issues. The Administration also assured the Panel that HKDC would continue to provide assistance to the design industries on this front.

26. From October 2006 to end June 2007, the Panel held a total of ten meetings.

Council Business Division 1
Legislative Council Secretariat
6 July 2007

Panel on Commerce and Industry

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion matters.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

Panel on Commerce and Industry

Membership list for 2006-2007 session

Chairman	Hon Vincent FANG Kang, JP
Deputy Chairman	Hon WONG Ting-kwong, BBS
Members	Dr Hon LUI Ming-wah, SBS, JP Hon CHAN Kam-lam, SBS, JP Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP Hon SIN Chung-kai, SBS, JP Hon Timothy FOK Tsun-ting, GBS, JP Hon Jeffrey LAM Kin-fung, SBS, JP Hon Andrew LEUNG Kwan-yuen, SBS, JP Hon Ronny TONG Ka-wah, SC Hon CHIM Pui-chung

(Total : 11 Members)

Clerk Miss Erin TSANG

Legal Adviser Mr Timothy TSO

Date 12 October 2006