

LegCo Panel on Commerce and Industry

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

This paper outlines the initiatives related to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission of the Commerce and Economic Development Bureau under the 2007-08 Policy Agenda.

Ten Major Infrastructures Projects to Boost Our Economy

Part I : Commerce, Industry and Tourism Branch

New Initiatives

Initiative: Strengthen support for Hong Kong enterprises on the development and promotion of Hong Kong brands to enable them to better compete in the Mainland and overseas markets.

2. With Hong Kong's economy shifting towards high value-added activities, brand building is becoming increasingly important for Hong Kong enterprises. As a follow-up to the recommendation of the 11.5 Economic Summit Focus Group on Trade and Business, the Financial Secretary will formulate strategies to revitalise Brand Hong Kong, including Hong Kong's branded products and services. Meanwhile, this Bureau has been consulting key stakeholders and trade organisations on ways to encourage and assist Hong Kong enterprises in developing and promoting branded products and services.

Initiative: Strengthen support for small and medium enterprises (SMEs) including those operating in the Mainland by enhancing the SME Funding Schemes.

3. We are committed to supporting the SMEs in Hong Kong, which are the backbone of our economy. Through the establishment of the SME Funding Schemes in late 2001/early 2002, we have assisted SMEs to secure finance, expand export markets, strengthen manpower training and enhance

overall competitiveness. These Schemes are well received by SMEs.

4. Many SMEs (particularly those with operations in the Mainland) are facing challenges arising from industrial upgrading, environmental protection, and energy conservation as set out in the 11th Five Year Plan. To strengthen support for them, we plan to raise the guarantee ceiling of the Business Installations and Equipment Loans under the SME Loan Guarantee Scheme, merge the Associated Working Capital Loans and Accounts Receivable Loans under this Scheme so as to improve its flexibility and effectiveness, as well as raise the grant ceiling of the SME Export Marketing Fund. We also intend to inject additional funding of \$500 million into the three SME Funding Schemes. We will consult the Panel on our detailed proposals later this year.

Initiative: Work closely with the trade to facilitate the latter's adjustment to changes in Mainland's policy on processing trade, including assisting them to upgrade, relocate their operation and develop new markets.

5. The Administration will continue to liaise closely with Mainland authorities to assist Hong Kong-owned enterprises to adjust to Mainland's policy changes related to the processing trade. We will also disseminate timely information to the trade to facilitate the latter's understanding of the new measures and preparation of their response.

6. We will join forces with the Guangdong authorities under the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade to study the difficulties encountered by Hong Kong-owned enterprises during the course of industrial upgrading and restructuring, and to put forward feasible measures to assist them. The Expert Group's key focuses are to streamline the procedures for enterprises to restructure themselves to foreign-owned enterprises, and to upgrade their production/environmental protection technologies.

7. In addition, we will actively encourage the trade to consider relocating their businesses to the central and western region of the Mainland. We will continue to arrange visits to Mainland cities with the potential to receive processing trade operations, especially the nine cities named by the Central authorities as the key reception sites, to assist the trade to better

understand the local business environment and investment policies there.

8. In the longer term, it is essential for the enterprises in the processing trade to restructure, upgrade, or relocate to new operating bases. This will enhance their competitiveness and align themselves with the nation's overall direction in improving the industry.

Initiative: Step up our economic ties with the emerging markets in Russia, India and the Middle East and help our enterprises tap the growing business opportunities in these markets.

9. We are committed to helping Hong Kong firms gain access to markets worldwide. In recent years, the emerging markets in Russia, India and the Middle East have grown quickly, and they now offer increasing business opportunities to Hong Kong traders and manufacturers. Together with Hong Kong Trade Development Council (TDC), we will take full advantage of our position as an international financial centre and Asia's trade hub to promote our services and products to these emerging markets. By organising trade delegations, we aim to encourage Hong Kong entrepreneurs to explore the potential of these markets and help them to do more business there.

Initiative: Review the front-end electronic services (known as the Government Electronic Trading Services) for submission of six commonly used trade documents by traders or carriers to the Government with a view to improving the mode of service delivery. Our target is to commence the process of selecting service providers in early 2008.

10. The provision of reliable and stable Government Electronic Trading Services (GETS)¹ is vital to the further development of Hong Kong's trade and business. These services are currently provided by two service providers appointed by the Government.

11. The contracts between the Government and the existing service providers will expire by the end of 2009. We will conduct a review on GETS. We shall uphold the "Big Market and Small Government" principle, and seek to maintain a reliable and sustainable service whilst ensuring fair and effective

¹ GETS refers to the front-end electronic services for submission of six commonly used trade documents by traders/ carriers to the Government through service providers for the purposes of customs declaration, trade control and statistics compilation. These documents include trade declarations, dutiable commodities permits, electronic manifests, certificates of origin, production notifications, and notifications under the Textiles Trader Registration Scheme.

competition. We aim to brief this Panel on the outcome of the review in November before commencing the process of selecting service providers in early 2008.

Initiatives: Review and formulate strategies on the development of Hong Kong's convention, exhibition and related tourism industries by a cross-sector steering committee.

Initiatives: Closely monitor demand for convention and exhibition infrastructure, plan for additional facilities and actively attract large-scale international conferences and exhibitions to Hong Kong.

12. The convention and exhibition industry has played a key role in maintaining Hong Kong's leading position as an international business centre. International trade fairs and conventions held in Hong Kong are significant in the dynamics of job creation in various sectors of our economy and help promote the development of our convention, exhibition and related tourism industries. Therefore, the Government has spared no efforts in developing Hong Kong as an international convention and exhibition centre.

13. The Government has been striving to attract internationally renowned events to Hong Kong and is liaising closely with the Central People's Government and the industry to identify such opportunities. On infrastructure, the atrium link extension project of the Hong Kong Convention and Exhibition Centre (HKCEC) will be completed in early 2009, and will boost HKCEC's exhibition space by 42%. We are also liaising with the AsiaWorld-Expo for an early commencement of its Phase 2 project, to bring its total exhibition space up to 100 000 square metres. At the same time, Government is actively exploring the feasibility of developing phase 3 of the HKCED with the TDC.

14. Moreover, as indicated by the Chief Executive in his Policy Address, in the face of intensifying regional competition, the Government will strengthen our cooperation with the convention and exhibition, tourism and hotel industries to sharpen our advantages, enhance our attractiveness as a capital of international conventions, exhibitions and tourism. In this connection the Financial Secretary and the Secretary for Commerce and Economic Development will lead a cross-sector steering committee to formulate relevant development strategies.

Ongoing Initiatives

Initiative: Finalising the arrangements for the setting up of an Economic and Trade Office (ETO) in Berlin to strengthen our economic and trade representation in Europe.

15. The Berlin ETO will represent and promote Hong Kong's trade and commercial interests in the eastern part of Europe. Over the past year, we have been discussing closely with the German Government on the arrangements for the setting up of the new ETO in Berlin. We are at present waiting for the German Government to confirm the details of the arrangements. Since April 2007, a core team for the Berlin ETO has started operating from Brussels to prepare for the setting up of the Berlin ETO and commence networking with the countries under the new ETO's purview.

Initiative: Participating actively in the work of the World Trade Organization to bring about continual trade liberalisation and to promote and protect the trade interest of Hong Kong.

16. The multilateral trading system is the cornerstone of Hong Kong's external trade policy. We successfully hosted the Sixth Ministerial Conference of the World Trade Organization in December 2005, providing a launching pad for the Doha Development Agenda negotiations to enter its final phase. However, due to the divergence of WTO Members over the agricultural issues, the negotiations were temporarily suspended and have yet to attain any breakthrough so far.

17. The Chief Executive and the Secretary for Commerce and Economic Development had positive exchanges with other WTO Members on the latest development of the negotiations at the Economic Leaders Meeting and the Ministerial Meeting of the Asia Pacific Economic Cooperation (APEC) held in Sydney in September 2007. APEC Leaders subsequently issued a statement, pledging political will and flexibility to ensure that the negotiations will enter its final phase this year.

18. We have been participating actively in the negotiations and have assumed a constructive role in negotiating areas of importance to Hong Kong, including services (progress liberalisation in services), non-agricultural market access (lowering import tariffs and opening market) and rules (clarifying and improving trade rules). We will continue to work closely with other WTO Members for an early conclusion of the negotiations.

Initiative : Working closely with the Mainland authorities at the central, provincial and municipal levels to ensure the smooth and effective implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (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.

19. The Supplement IV to the CEPA (the Supplement IV) concluded in June 2007 further improves the market access opportunities of Hong Kong businesses in the Mainland. It encompasses 40 liberalisation measures in 28 services areas, and enhances cooperation in financial services, convention and exhibition services, as well as professional services.

20. The Government attaches great importance to the effective implementation of CEPA. We co-organized with the Mainland authorities a Business Forum on the Supplement IV in September 2007, inviting Central and provincial/municipal officials to explain the new liberalisation measures and their execution. Following the first CEPA Consultative Forum held in March this year, we will hold the second Consultative Forum in November 2007 to gather views of major business associations on CEPA implementation and liberalisation. We will continue to promote CEPA through various activities and maintain close liaison with the Mainland authorities to ensure effective implementation. We will also discuss in good time with the Mainland authorities further liberalisation measures.

Initiative: Encouraging more Mainland and overseas enterprises to invest and set up regional headquarters or offices in Hong Kong; and undertaking joint promotional efforts with Mainland authorities to promote the combined competitive advantages offered by Hong Kong and the Mainland.

21. Invest Hong Kong (InvestHK) has been encouraging Mainland enterprises to set up their operations in Hong Kong and to use Hong Kong as a springboard to expand internationally. To this end, InvestHK operates four Invest Hong Kong Service Centres in the Mainland, one each in the Beijing Office and our ETOs in Guangdong, Shanghai and Chengdu, to provide information and assistance to potential Mainland investors. In June 2007, InvestHK launched a three-year investment promotion campaign, “On Your Marks, Get-set, Go!” targeting privately owned enterprises in high growth regions across the Mainland. Moreover, InvestHK has been cooperating with various Mainland provincial and municipal authorities to conduct joint seminars in key overseas markets in the past few years. During this year, InvestHK has organised 12 joint promotion seminars in collaboration with seven Mainland authorities in major overseas cities.

22. Currently, the number of regional headquarters and regional offices in Hong Kong set up by Mainland and overseas companies has reached a record high of 3 890. We will continue to enhance our competitive advantages and ensure that our inward investment promotion programmes remain relevant to market needs and Hong Kong’s broader economic objectives.

Initiative: Continuing to promote awareness of and respect for intellectual property rights in the business sector, and to assist business, in particular small and medium enterprises, to achieve compliance with intellectual property rules.

23. We are committed to protecting intellectual property rights in Hong Kong. In 2006, to better promote intellectual property compliance in the business sector, we launched a pilot programme, called the “Software Certification Programme”, to facilitate proper management of software assets in the business community, especially SMEs. To strengthen our out-reaching efforts, we rolled out in early October 2007 the second phase of the Programme which provides consultancy services on software asset management (SAM) to enterprises, with SMEs as our main targets.

Initiative: Taking forward the preparation of related subsidiary legislation for the recently enacted Copyright (Amendment) Ordinance 2007 as well as rolling out publicity and public education programmes targeted at relevant sectors before the new liability provisions in the Ordinance are brought into operation

24. The Copyright (Amendment) Ordinance 2007 was enacted in July 2007. It introduces, among other things, a new criminal offence against the copying/ distribution of infringing copies of printed works in business and a separate civil liability against the act of circumventing technological protection measures. Before these new liabilities come into operation, we have to enact two pieces of subsidiary legislation which set out the scope within which the relevant acts do not attract the new liabilities. We are consulting the stakeholders, with a view to tabling the subsidiary legislation before LegCo in the second quarter of 2008.

25. In parallel, we are rolling out civic education programmes and activities to promote awareness of the new provisions in the amended Copyright Ordinance, especially among the relevant stakeholders in the business and education communities. A separate budget of \$4 million has been earmarked for the purpose. Programmes include seminars for schools/ SMEs/ NGOs/ professional bodies, etc on the new copyright exemptions and/or liabilities; publication of leaflets and other reference materials; as well as the production of Announcements of Public Interest.

Initiative: Taking forward the review on copyright protection in the digital environment having regard to views received in the public consultation exercise ending April 2007, with a view to releasing preliminary proposals in early 2008 for building up a consensus.

26. We launched in December 2006 a consultation exercise on copyright protection in the digital environment. Public views were sought on issues including the liability for unauthorised uploading and downloading of copyright works, the role of Internet Service Providers in combating the Internet piracy problem, and facilitation measures for copyright owners to pursue civil actions against Internet piracy. Around 600 submissions were received at the end of the consultation period. We are considering the views received. We plan to release preliminary proposals in early 2008 to facilitate further deliberations in the community.

Initiative: Encouraging the Hong Kong Tourism Board, the Hong Kong Trade Development Council and the Economic and Trade Offices of the HKSAR to jointly promote Hong Kong as an international city.

27. The TDC will continue to raise Hong Kong's profile as an international business hub and promote Hong Kong's advantages as a business

and trade platform to companies from around the world. In parallel, the Hong Kong Tourism Board (HKTB) will continue to promote Hong Kong as a preferred destination of tourists. Through various marketing activities in source markets and mega events in Hong Kong, HKTB promotes Hong Kong as a “must-visit” destination to attract overseas and Mainland visitors and encourage their spending in Hong Kong. Our ETOs will also organise events regularly to promote the overall image of Hong Kong. In this connection, we will encourage TDC, HKTB and ETOs to jointly promote Hong Kong as an international city to enhance synergy.

Initiative: Continuing to pursue measures to facilitate the movement of people and goods across the boundary, with a view to maintaining Hong Kong’s competitiveness. These include the extension of self-service immigration clearance to frequent visitors, and developing a “Road Cargo System” that provides the electronic infrastructure for facilitating customs clearance of road cargoes as well as the movement of transshipment cargoes that involve inter-modal transfer (e.g. from land to air).

28. To keep pace with global, regional and national developments in moving towards electronic customs clearance, we plan to roll out an electronic advance cargo information (e-ACI) system for the customs clearance of road cargoes (i.e. the “Road Cargo System” (ROCARS)) in the third quarter of 2009. We will then commence an 18-month transitional period before mandating e-ACI submissions for road cargoes in early 2011. The Government will fund ROCARS in full without charging the users for making electronic submissions. We shall seek the Finance Committee’s approval of the funding proposal in November 2007.

29. As regards the initiative concerning the extension of self-service immigration clearance to frequent visitors, since it falls under the Security Bureau’s portfolio it will feature in the Secretary for Security’s briefing to the LegCo Panel on Security scheduled for 17 October 2007.

Part II : Innovation and Technology Commission

Ongoing Initiatives

Initiative: Promoting applied research and development and technology transfer to the industry through implementing the strategic framework for

innovation and technology development

30. The strategic framework has been implemented through the establishment of the research and development (R&D) Centres. Following their formal establishment in April 2006, the five R&D Centres have solicited the first round of project proposals in end 2006/early 2007. Up to end August 2007, a total of 62 approved projects have commenced with approved ITF funding amount of \$293.4 million. The Centres are either soliciting or preparing to solicit the second round of proposals for R&D projects which are expected to commence in end 2007/early 2008.

Initiative: Enhancing collaboration in science and technology with the Mainland at different levels and promoting interflow of technology talents with Mainland cities such as Beijing, Shanghai, Chongqing and Pan-Pearl River Delta Region.

31. The national 11th Five-Year Plan places strong emphasis on “autonomous innovation” and the need to expedite the building up of the national innovation capability. Hong Kong possesses many favourable elements that are conducive to the development of innovation and technology and are positive facilitators in the promotion of national technological development. Working towards this goal, we have been strengthening our technology cooperation with the Mainland. In particular, the State Ministry of Science and Technology has agreed to set up a mechanism to process applications from local universities and research institutions for establishing state key laboratories in Hong Kong. The Ministry of Information Industry has also agreed to strengthen cooperation with Hong Kong in various areas relating to information industry and technology, and to encourage enterprises, research institutes and experts from Hong Kong to participate in the formulation of national standards relating to information technology.

32. In respect of Guangdong/Hong Kong cooperation, the “Guangdong/Hong Kong Technology Co-operation Funding Scheme” has supported over 400 projects with a total funding of about \$1.15 billion in the past three years. We have also signed a cooperation agreement on “Shenzhen-Hong Kong Innovation Circle” with the Shenzhen Municipal Government in May 2007, with a view to comprehensively strengthening technology cooperation between the two cities. Meanwhile, we are also actively promoting technology exchanges and cooperation with the Pan-PRD region and Mainland cities such as Beijing, Shanghai, Chongqing.

Quality City and Quality Life

Innovation and Technology Commission

New Initiative

Initiative: Promote a culture of innovation, technology and design to the general public, particularly the younger generation to support the development of creative industry

33. We will work closely with the relevant bureaux and departments, universities and non-government organisations to organise regular programmes, such as exhibitions, seminars, roadshows and workshops, to enhance the public's knowledge and interest towards innovation, technology and design. We aim to instil a general awareness among the general public that innovation, technology and design are relevant to our daily lives and are important to the prosperity of Hong Kong. We will also provide opportunities through organising competitions and training courses for students and youngsters to uncover and develop their strengths and potential in innovation, technology and design in order to nurture more talents in the long run.

Ongoing Initiatives

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

34. We launched the \$250-million DesignSmart Initiative in 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. Four funding schemes are in operation to support design research; design/business collaboration; design professional continuing education; as well as fostering the culture of design. As at end September 2007 we approved 113 projects with funding support amounting to a total of \$76 million.

35. Under the DesignSmart Initiative, we also provide support to the Hong Kong Science and Technology Parks Corporation and the HKDC for the joint development of the InnoCentre as a one-stop shop for providing support and services related to design. In full operation since November 2006, the

InnoCentre has admitted 15 design companies as tenants and 23 as incubatees.

Initiative: Promoting Hong Kong design and encouraging the use of design to add value to our goods and services and Government's interface with the public, through enhanced support for the Hong Kong Design Centre.

36. Design is an integral part of our innovative capacity that helps our industries move up the value chain and cope with global competition. Our policy is to promote the wider use of design in industrial and business processes, and encourage enterprises switching from Original Equipment Manufacture to Original Design Manufacture and then to Original Brand Manufacture. In the realm of public service, design can also bring value to its delivery and enhance the interface between Government and the public.

37. The Hong Kong Design Centre (HKDC) is a non-profit-making infrastructure organisation established in 2001 to further the development of design. It is our key partner to promote design as a value-adding activity, to enhance design standards, to foster design-related education, and to raise the profile of Hong Kong as an innovation and creative hub. With a new \$100 million funding support for its operation over five years, HKDC is taking forward a business plan with dedicated programmes for designers, user industries, the public sector and the general public as well as to raise the profile of Hong Kong as a design hub.

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