

立法會
Legislative Council

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by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 16 June 2009, at 2:15 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon WONG Ting-kwong, BBS (Deputy Chairman)
Hon Fred LI Wah-ming, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Tommy CHEUNG Yu-yan, SBS, 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
Hon Starry LEE Wai-king
Hon Tanya CHAN
Dr Hon Samson TAM Wai-ho, JP
- Member attending** : Hon Paul CHAN Mo-po, MH, JP
- Members absent** : Hon Vincent FANG Kang, SBS, JP (Chairman)
Hon Timothy FOK Tsun-ting, GBS, JP
Dr Hon LAM Tai-fai, BBS, JP
- Public officers attending** : Agenda Item III
Mr Eddy CHAN Yuk-tak, JP
Commissioner for Innovation and Technology

Mr Andrew LAI Chi-wah
Deputy Commissioner for Innovation and Technology

Mr Nicholas CHAN Chun-tak
Assistant Commissioner for Innovation and
Technology (Policy and Development)

Agenda Item IV

Mr Gregory SO, JP
Under Secretary for Commerce and Economic
Development

Miss Vivian LAU Lee-kwan
Deputy Director-General of Trade and Industry
(Commercial Relations, Controls and Support)

Agenda Item V

Commerce and Economic Development Bureau

Mrs Rita LAU NG Wai-lan, JP
Secretary for Commerce and Economic Development

Miss Yvonne CHOI Ying-pik, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Martin GLASS, JP
Permanent Representative of the Hong Kong Special
Administrative Region of China to the World Trade
Organization

Miss Mary CHOW, JP
Special Representative for Hong Kong Economic and
Trade Affairs to the European Communities, Brussels

Mrs Jennie CHOK, JP
Principal Hong Kong Economic and Trade
Representative, Tokyo

Mr Donald TONG, JP
Commissioner for Economic and Trade Affairs, USA

Mr Stephen WONG
Director, Hong Kong Economic and Trade Affairs,
Berlin

Miss Sarah WU, JP
Director-General, Hong Kong Economic and Trade
Affairs, London

Ms Lorna WONG, JP
Director, Hong Kong Economic and Trade Affairs,
Sydney

Ms Doris CHEUNG, JP
Director, Hong Kong Economic and Trade Affairs, San
Francisco

Mr Eddie MAK
Director-General, Hong Kong Economic and Trade
Affairs, Washington

Miss Monica CHEN
Director, Hong Kong Economic and Trade Affairs,
New York

Ms Maureen SIU
Director, Hong Kong Economic and Trade Affairs,
Toronto

Mr LAW Kin-wai
Director, Hong Kong Economic and Trade Affairs,
Singapore (Acting)

Constitutional and Mainland Affairs Bureau

Mr Howard CHAN
Deputy Secretary for Constitutional and Mainland
Affairs 2

Mr Thomas TSO, JP
Director, Beijing Office

Mr Patrick CHAN, JP
Director, Hong Kong Economic and Trade Affairs,
Shanghai

Mr Richard LUK
Director, Hong Kong Economic and Trade Affairs,
Chengdu

Mr Rex CHANG
Director, Hong Kong Economic and Trade Affairs,
Guangdong

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Information paper issued since last meeting

(LC Paper No. CB(1)1713/08-09(01) -- Administration's response to the submission from Parker Engineering Limited expressing views on rental concession for Government properties and land)

The Deputy Chairman chaired the meeting in the absence of the Chairman who was out of town.

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

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)1866/08-09(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1866/08-09(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 21 July 2009 at 2:30 pm in Conference Room A to discuss the following items:

- (a) Progress update on the support measures for small and medium enterprises arising from the global financial turmoil;
- (b) Copyright protection in the digital environment;
- (c) Promoting an innovation and technology culture in Hong Kong; and
- (d) Further development of wine-related businesses in Hong Kong.

(*Post-meeting note:* At the request of the Administration and with the concurrence of the Chairman, the discussion of the item "copyright protection in the digital environment" was deferred to a future meeting.)

III. Mainland-Hong Kong technology co-operation

(LC Paper No. CB(1)1866/08-09(03) -- Administration's paper on Mainland-Hong Kong technology co-operation)

Presentation by the Administration

4. At the invitation of the Deputy Chairman, the Commissioner for Innovation and Technology (CIT) briefed members on the collaboration underway between Hong Kong and the Mainland to promote technological development, details of which were set out in the Administration's paper (LC Paper No. CB(1)1866/08-09(03)).

Discussion

Funding of projects

5. Noting that Hong Kong and the Mainland together supported more than 850 projects with a total funding of \$1.9 billion under the "Guangdong-Hong Kong Technology Co-operation Funding Scheme" (TCFS) from 2004 to 2008, Ms Emily LAU urged the Administration to adopt a prudent approach in vetting and providing funding for projects under TCFS. In this connection, she enquired about the respective share of funding for the joint projects and profits generated by the research deliverables between Guangdong and Hong Kong. She also enquired about the amount of government funding provided for the co-operation projects under the "Shenzhen-Hong Kong Three Year Action Plan".

6. CIT responded that the funding support from the HKSAR Government under TCFS amounted to \$460 million. Out of the 850 projects under TCFS, 112 were supported by Hong Kong, of which 59 projects had already been completed and the commercialization of the research deliverables were underway. He highlighted that one of the projects, namely the hybrid electric vehicle platform, was developed in conjunction with the Chinese University of Hong Kong. The system featured four-independent-wheel-drive technology as well as an intelligent energy management technology. Negotiation with Mainland vehicle manufacturers on technology transfer was well underway.

7. CIT further advised that out of the 24 co-operation projects under the "Shenzhen-Hong Kong Three Year Action Plan", the HKSAR Government might fund the projects in solar energy, radio frequency identification (RFID) technology and food safety while universities and research institutions would fund others

depending on the stakeholders of each project. So far, one project proposal in solar energy had been received. The DuPont project on global thin film photovoltaic research was the first major technology collaboration project under the "Shenzhen-Hong Kong Innovation Circle". The funding for the project was estimated to be in the region of \$15 million. At members' request, CIT undertook to provide information on the amount of government funding provided for the co-operation projects in the fields of RFID technology and food safety after the meeting. CIT further advised that such projects were vetted by an expert group comprised of university professors, experts from the industry and research and development (R&D) sector. Stringent criteria were used in the vetting process of the project applications, with an average success rate of around 25 to 30%.

(Post meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)2422/08-09(01) on 4 August 2009.)

Partner State Key Laboratories

8. Noting that three universities in Hong Kong had sought the agreement of the Ministry of Science and Technology (MOST) to set up five partner State Key Laboratories (SKLs) in Hong Kong in conjunction with the relevant SKLs in the Mainland, the Deputy Chairman enquired whether the Administration had provided any assistance to local universities in their bid to set up such SKLs.

9. In response, CIT advised that the Innovation and Technology Commission (ITC) had agreed with MOST to coordinate the invitation of applications for the establishment of SKLs in Hong Kong. Preliminary assessments on the applications were conducted by the Research Grants Council and the results were submitted to MOST for its consideration. As a result of this exercise, seven more partner SKLs would be set up by the universities in Hong Kong with the assistance of ITC, raising the total number of partner SKLs to 12.

Grooming of talents

10. The Deputy Chairman sought information on the Mainland-Hong Kong cooperation in the grooming of talent in technological development. In response, CIT advised that the grooming of talent and technological exchanges between Shenzhen and Hong Kong would be strengthened under the "Shenzhen-Hong Kong Innovation Circle". In addition, the Administration also implemented the Quality Migrant Admission Scheme to attract more R&D talents to Hong Kong.

Way forward

11. Noting the success of the DuPont project on global thin film photovoltaic research, the Deputy Chairman enquired about similar co-operation projects underway between Hong Kong and the Mainland to promote technological development. CIT responded that the HKSAR Government was committed to

developing Hong Kong into a regional base for the development of renewable energy. In fact, certain overseas companies in the relevant fields had already or would soon set up their R&D bases in Hong Kong. Discussions with other well-known companies with a view to setting up their R&D bases in Hong Kong were underway.

IV. Progress update on the support measures for small and medium enterprises arising from the global financial turmoil

(LC Paper No. CB(1)1866/08-09(04) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil

LC Paper No. CB(1)1885/08-09(01) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil (supplementary note))

Presentation by the Administration

12. At the invitation of the Deputy Chairman, Under Secretary for Commerce and Economic Development (USCED) briefed members on the latest position of the SME Loan Guarantee Scheme (SGS) and the Special Loan Guarantee Scheme (SpGS), details of which were set out in the Administration's papers (LC Paper Nos. CB(1)1866/08-09(04) and CB(1)1885/08-09(01)).

Discussion

Review of previously rejected loan applications

13. Noting that the increase in loan guarantee ratio from 70% to 80% under the SpGS had boosted the confidence of the participating lending institutions (PLIs) in offering loans to SMEs, the Deputy Chairman enquired about the progress of the review of previously rejected loan applications by the PLIs following the increase in loan guarantee ratio by the Government.

14. In response, USCED advised that the Administration was actively pursuing the matter with the PLIs. In fact, the Trade and Industry Department (TID) had issued letters to all PLIs urging them to proactively review previously rejected loan applications. Because the enhanced measures under SpGS were only implemented one day earlier on 15 June 2009, the Administration did not have information on whether loan applications previously rejected by the PLIs had been approved under the enhanced SpGS. At members' request, the Administration undertook to provide the information in the future if such information was furnished by the PLIs.

Safeguard against abuse

15. Noting that a total loan amount of \$22.7 billion had been approved under the SGS and SpGS as at 14 June 2009, Mr CHIM Pui-chung enquired about the portion of loan amount constituted from the repackaging of existing credit facilities. In response, USCED advised that the Administration had built in the requirement that the loans should not be used for repaying, restructuring or repackaging other loans to safeguard against abuse.

Other supportive measures

16. Mr CHIM Pui-chung expressed concern that the banks might tighten their credit policy after the warning of the second wave of the financial tsunami given by the Chief Executive of the Hong Kong Monetary Authority (HKMA). In this connection, he enquired whether the Administration had introduced other proactive measures to assist SMEs to tide over the financial difficulties.

17. In response, USCED advised that the enhancement measures to the SpGs were intended to assist SMEs to address their liquidity problem. More PLIs had joined the enhanced SpGS. The PLIs had also announced new promotional measures in support of SpGS, such as the offer of lower interest rates. In fact, the Government had introduced a package of relief measures to assist different sectors of the community to ride out of the global financial crisis. This included, amongst others, the increase in the commitment for the SME Export Marketing Fund, and the increase in the ceiling of "small credit limit" applications from \$0.5 million or below to \$1 million or below under an Export Credit Insurance Corporation (ECIC) scheme which would handle these applications as flexible and accommodating as possible.

18. Noting that no default claims had been received during the reporting period, Miss Tanya CHAN enquired about the possibility of conducting a review of the SpGs with a view to improving the enhancement measures under the scheme. In response, USCED advised that the latest round of enhancement measures were introduced as recently as mid June 2009 after a thorough review. With a Government loan guarantee ratio of 80% for the new loans, the Administration had assumed a higher default risk of 12%.

Export credit

19. The Deputy Chairman enquired if the Administration would provide SMEs with the information on risk ratings of Mainland enterprises so as to minimize the risk of delinquency, and whether ECIC would offer export credit insurance cover for local SMEs doing business in the Mainland.

20. In response, USCED advised that ECIC would provide export credit insurance cover for Hong Kong enterprises selling in the Mainland domestic

market and those exporting to other overseas markets through their Mainland subsidiaries or operations. However, the sale contracts would need to be signed by the companies in Hong Kong or the goods would need to be supplied by the companies in Hong Kong due to legal restrictions. Moreover, the export credit insurance would need to be taken out by the Hong Kong companies. He further advised that ECIC had maintained close contact with the China Export and Credit Insurance Corporation to exchange information and enhance cooperation on the relevant issues.

V. Reports on the work of the Hong Kong Economic and Trade Offices and the Office of the Government of the HKSAR in Beijing

(LC Paper No. CB(1)1866/08-09(05) -- Administration's paper on reports on the work of the overseas Hong Kong Economic and Trade Offices provided by the Commerce and Economic Development Bureau

LC Paper No. CB(1)1866/08-09(06) -- Administration's paper on report on the work of HKSAR Government's Offices in the Mainland provided by the Constitutional and Mainland Affairs Bureau

LC Paper No. CB(1)1866/08-09(07) -- Paper on the work of the Hong Kong Economic and Trade Offices and the Office of the Government of the HKSAR in Beijing prepared by the Legislative Council Secretariat (background brief)

Presentation by the Administration

21. At the invitation of the Deputy Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the work of the Hong Kong Economic and Trade Offices (ETO) and the Office of the Government of the HKSAR in Beijing (BJO) between June 2008 and May 2009, details of which were set out in the Administration's paper (LC Paper Nos. CB(1)1866/08-09(05) and (06)).

Discussion

H1N1 Influenza A

22. Mr Fred LI enquired whether the media reports covering pandemic threats of H1N1 influenza A in Hong Kong had aroused public concern in overseas

countries. He enquired about the impact of H1N1 outbreak in Hong Kong on inbound tourism, in particular tourists from the United States (US) and Europe, as well as the export trade. He also sought the Administration's measures taken to minimize the impact.

23. Commissioner for Economic and Trade Affairs, USA (C, USA) advised that whilst senators and officials in US seldom raised the subject of H1N1 Influenza A, the ETOs in US had maintained close contact with relevant agencies and the media to convey to them Hong Kong's vigilance and concrete measures in containing the infection.

24. Special Representative for Hong Kong Economic and Trade Affairs to the European Communities, Brussels (SREC) advised that similar to the situation in the US, the business sector and officials in Europe rarely raised the subject of H1N1 Influenza A. Nevertheless, the various ETOs in Europe had kept their contacts abreast of the developments and the actions taken by the HKSAR Government. In response to Mr Fred LI's enquiry on trade promotion, SREC advised that the various ETOs in Europe had been exploring new markets in Europe in terms of both new product and service sectors as well as new geographical markets in central and eastern Europe.

25. Director, Beijing Office advised that the Central People's Government (CPG) fully supported the vigilance of the HKSAR Government in handling the cases of H1N1 influenza A. In fact, the impact of H1N1 outbreak in Hong Kong on inbound tourism from the Mainland was minimal. To promote Hong Kong inbound tourism, BJO had jointly organized with the People's Daily Online a photo competition to showcase Hong Kong through photographic images taken by Mainland residents.

26. SCED added that arrivals from the long-haul source markets were seriously affected by the global economic downturn. As such, the tourism promotion strategy had been adjusted to focus more on short-haul markets, especially the Mainland. On Mr Fred LI's enquiry about the progress of Mainland's implementation of allowing non permanent residents of Shenzhen to apply Individual Visit Scheme endorsement in Shenzhen, SCED advised that the HKSAR Government was actively liaising with the Mainland authorities to implement the arrangement early. Mainland had mentioned the target implementation date to be by the end of 2009.

Tax enforcement bills in the US

27. In response to Mr Paul CHAN's enquiry about the development of the tax enforcement bills and the proposed blacklisting of offshore secrecy jurisdictions including HKSAR, C, USA advised that the Washington ETO had been closely monitoring the development of the bills lobbying and explaining to different stakeholders, including the Congressional Members co-sponsoring the bills, the US Treasury Department and State Department, that HKSAR was a low-tax

jurisdiction rather than a tax haven and that HKSAR did not have laws to protect bank secrecy. The majority of the stakeholders contacted had indicated an understanding of the situation of HKSAR. The US Administration had so far not taken a stance on the bills which were apparently not high on the agenda of the US Congress due to its focus on other priority issues such as healthcare reform, financial regulatory reform, and climate control. In fact, the Chairman of the US Finance Committee had expressed reservations about the naming of individual jurisdictions.

28. Noting the State Council Premier WEN Jia-bao's announcement of the goal of developing Shanghai into an international financial centre by 2020, which was commensurate with the economic strength of the Mainland and the international status of renminbi, Mr Paul CHAN enquired whether HKSAR would strive for participation in important finance forums held in the Mainland.

29. In response, SCED advised that the CPG would have regard to Hong Kong in considering the economic development of the Mainland. Director, Hong Kong Economic and Trade Affairs, Shanghai added that it was the CPG's stance to develop HKSAR and Shanghai as complementary financial centres so that greater and wider synergies could be generated resulting in win-win-situations. To this end, the HKSAR Government had maintained close liaison with the Shanghai authorities and shared experience with them on relevant financial issues.

Economic development of Greater China

30. Noting that the HKSAR Government would continue to monitor major developments in economic and trade policies and initiatives in the Mainland, in particular the preparatory work of the National 12th Five-Year Plan, and the publication of "The Outline of the Plan for the Reform and Development of the Pearl River Delta" (the Outline), Ms Starry LEE enquired about the measures taken to tie in with the CPG's policies.

31. SCED advised that in response to the publication of the Outline, the Chief Secretary had led a business delegation to Guangzhou to visit nine cities in the Pearl River Delta. In addition, a forum on the implementation of the Outline would be held in Hong Kong with the nine PRD municipalities in July 2009. The Constitutional and Mainland Affairs Bureau would continue to co-ordinate the various ETOs concerned to tie in with the CPG's policies.

32. In response to Ms Starry LEE's enquiry about the economic development of Greater China, SCED advised that over the past few months, the HKSAR Government and the Taiwan authority had been conducting close discussion for the purpose of promoting contacts and strengthening cooperative ties in trade, investment, tourism and other areas of economic co-operation between Hong Kong and Taiwan.

Doha Development Agenda

33. In response to Mr Andrew LEUNG's enquiry about the latest development of the multilateral trade negotiations under the Doha Development Agenda (DDA) of the World Trade Organization (WTO), Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization advised that due to the divergence of WTO Members over the key issues of agriculture and non-agricultural market access (NAMA), the negotiations had yet to attain major breakthrough so far. Nevertheless, Hong Kong had been participating actively in the negotiation process by working intensively with other WTO Members to bridge the gaps among different groups to work towards greater convergence on a number of key modalities of the negotiations on NAMA. The HKSAR would continue to work closely with other WTO Members for an early conclusion of the DDA negotiations.

European Parliament Election

34. In response to Mr Andrew LEUNG's enquiry about the impact of the result of the European Parliament Elections on the European Union's trade policy, SREC advised that trade matters belonged to Community competence whereby the European Commission (EC) would take on a leading role. The discussions with EC trade officials suggested that the EC would continue to uphold the principle of free trade and work on the DDA negotiations.

Development of wine-related businesses in Hong Kong

35. Miss Tanya CHAN enquired about the progress of the Memoranda of Understanding (MOUs) signed with various wine-producing countries. She stressed the importance of providing training courses for sommeliers and training on matching Chinese cuisine with wine. She also hoped that Hong Kong would develop into a regional hub for wine trading and distribution.

36. In response, SCED advised that Hong Kong had already signed MOUs with five wine-producing countries and one wine-producing region. Negotiations on the signing of MOUs were underway with the United States, New Zealand and Chile. On wine education and manpower training, she advised that the Government had been facilitating exchanges between the industry and training institutions on how best to meet manpower training needs.

VI. Any other business

37. There being no other business, the meeting ended at 4:35 pm.