

立法會
Legislative Council

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by the Administration)

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Panel on Trade and Industry

Minutes of meeting
held on Tuesday, 11 January 2000, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon CHAN Kam-lam (Chairman)
Hon Kenneth TING Woo-shou, JP (Deputy Chairman)
Hon James TIEN Pei-chun, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon MA Fung-kwok
Hon CHEUNG Man-kwong
Hon CHAN Kwok-keung
Hon Bernard CHAN
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong

Member attending : Hon LEE Cheuk-yan (Non-Panel Member)

Members absent : Hon Cyd HO Sau-lan
Hon NG Leung-sing
Prof Hon NG Ching-fai
Hon HUI Cheung-ching
Hon Mrs Sophie LEUNG LAU Yau-fun, JP

Public officers attending : **For Items IV and V**

Mr CHAU Tak-hay
Secretary for Trade and Industry

Miss Yvonne CHOI
Deputy Secretary for Trade and Industry (1)

Mr Stuart HARBINSON
Permanent Representative of the Hong Kong
Special Administrative Region of China to the
World Trade Organization

Miss Jacqueline WILLIS
Commissioner for Economic and Trade Affairs, USA

Mr Christopher JACKSON
Director-General, Hong Kong Economic and Trade Affairs,
Washington

Ms Sandra LEE
Director-General, London

Miss CHEUNG Man-yee
Principal Hong Kong Economic and Trade Representative, Tokyo

Mr Andrew WONG
Special Representative for Hong Kong Economic and
Trade Affairs to the European Communities, Brussels

Mr Michael LEE
Director, Hong Kong Economic and Trade Affairs, San Francisco

Mrs Jenny WALLIS
Director, Hong Kong Economic and Trade Affairs, Sydney

Mr Clement CHEUNG
Director, Hong Kong Economic and Trade Affairs, Singapore

Mr Raymond FAN
Director, Hong Kong Economic and Trade Affairs, New York

Mr Donald TONG
Director, Hong Kong Economic and Trade Affairs, Toronto

For Item V

Mr Joshua LAW
Director-General of Trade

Mr K Y TANG
Government Economist

For Item VI

Mr CHAU Tak-hay
Secretary for Trade and Industry

Miss Yvonne CHOI
Deputy Secretary for Trade and Industry (1)

Miss Shirley YUEN
Principal Assistant Secretary for Trade and Industry

For Item VII

Mr Peter CHEUNG
Acting Director of Intellectual Property

Miss CHEUNG Siu-hing
Deputy Secretary for Trade and Industry (2)

Mr Philip CHAN
Principal Assistant Secretary for Trade and Industry

Miss Dora NG
Departmental Secretary, Intellectual Property Department

Clerk in attendance : Ms Mary TANG
Chief Assistant Secretary (1)6

Staff in attendance : Ms Rosalind MA
Senior Assistant Secretary (1)6

I. Confirmation of minutes of previous meeting
(LC Paper No. CB(1)729/99-00)

The minutes of the meeting held on 12 October 1999 were confirmed.

II. Information paper issued since last meeting

(LC Paper No. CB(1)553/99-00 - Report on the progress of operation of the Special Finance Scheme for Small and Medium Enterprises (as at 2 December 1999)

LC Paper No. CB(1)742/99-00 - Report on the progress of operation of the Special Finance Scheme for Small and Medium Enterprises (as at 5 January 2000)

2. Members noted the information papers issued since last meeting.

III. Date of the next meeting and items for discussion

(LC Paper Nos. CB(1)730/99-00(01) and (02) - Lists of outstanding items for discussion and follow-up actions)

3. Members agreed that the next meeting would be held on Tuesday, 15 February 2000 at 10:45 am. Mr Fred LI proposed to discuss the item on "Review of the Rice Control Scheme" at the next meeting. Mrs Selina CHOW also put forward the topic of prevention of copyright privacy as follow-up to the discussion on the difficulties in copyright verification expressed by optical disc manufacturers at the meetings of the Subcommittee to study the Organized and Serious Crimes Ordinance (Amendment of Schedule 1) Order 1999. In addition, the Chairman advised that the Administration proposed to discuss the consultancy report on the Business Park at the next meeting.

(Post meeting note: With the concurrence of the Panel Chairman, the agenda item on "Review of the Rice Control Scheme" would be replaced by "An Omnibus Bill to facilitate air cargo transshipment".)

Secretariat

4. Mrs Selina CHOW pointed out that the Concern Group of Music Copyright Ordinance had approached the Complaints Division of the Legislative Council Secretariat several times on their concern about the lack of transparency in the royalties collection system. Members agreed that a letter should be sent to the Administration on behalf of the Panel, requesting information on the Registration of Copyright Licensing Bodies Regulation so that the issue could be follow-up by the Panel.

Secretariat

5. Dr LUI Ming-wah also suggested writing to the Administration, asking it to provide for members' reference information on the Silicon Harbour project and whether consultancy studies on the project would be commissioned.

(Post meeting note: A letter dated 13 January 2000 was sent to the Secretary for Trade and Industry requesting for information on the concerns expressed by the members as set out in paragraphs 4 and 5.)

6. The Chairman consulted members on the arrangement of overseas duty visits for the Panel in the 1999/2000 LegCo session. Dr LUI Ming-wah suggested that overseas visits could be arranged to study measures for the promotion of technological development. Members agreed to discuss the need for overseas duty visits at the next Panel meeting and make a final decision by the end of February 2000.

IV. Briefing by Heads of the Overseas Hong Kong Economic and Trade Offices

(LC Paper No. CB(1)730/99-99(03))

7. The Secretary for Trade and Industry (S/TI) advised that the Heads of the Overseas Hong Kong Economic and Trade Offices (ETOs) had submitted written reports to the Panel on their work and he welcomed questions from members.

Reaction of overseas politicians and business sector to China's accession to the World Trade Organization

8. Mr SIN Chung-kai expressed concern over the voting preference of the US Congressmen regarding China's accession to the World Trade Organization (WTO). He enquired about the analysis and assessment made by ETOs in USA. The Commissioner for Economic and Trade Affairs, USA advised that political parties in the USA had diverse views on the granting of permanent "Normal Trade Relations" (NTR) status to China. The Democratic Party and the Republican Party tended to support the proposal while the labour groups held opposite views. The US Government was seeking to table the bill at the Congress in March/April 2000 for discussion. However, the Republicans in the US Congress and public opinion generally believed that such a timetable was unfeasible. They generally opined that the bill should be tabled at the Congress for discussion the earliest in June 2000. As the US presidential elections would soon take place in November 2000, there would be greater political obstacles to the passage of the bill should there be any delay in its introduction. At this stage, China therefore had to conclude the bilateral trade negotiations with other WTO members to facilitate the completion of the preparatory work for its accession to WTO.

9. Mr Bernard CHAN asked whether ETOs could relay the views of the overseas financial and business sectors on China's accession to WTO. The Director General, London (DG/London) advised that the business sector in London had been paying close attention to the business environment in Hong Kong and showed much interest in the opportunities and impact of China's accession to WTO for different sectors. Although no major institution had commissioned any detailed research in this respect, the London ETO had received invitations from the business sector to give speech and make analysis on the issue. At the request of Mr Bernard CHAN, DG/London agreed to provide the relevant information to the Panel for reference should the analysis of the information collected by the London ETO indicate that China's accession to WTO would have a significant impact on certain sectors. The Director, Hong Kong Economic and Trade Affairs, New York also responded that the business sector in New York showed much interest in the business opportunities that China's accession to WTO might bring about but there was no specific investment plan at this stage.

The work of the Overseas Hong Kong Economic and Trade Offices

10. Mrs Selina CHOW enquired whether ETOs had allocated any resources to assist other government or non-government organizations in organizing overseas exchange and promotion programmes in relation to art and culture. S/TI replied that ETOs had all along been providing such assistance and it was also part of their regular duties (except for the Geneva ETO). However, due to staffing and resource constraints, ETOs might not be able to provide assistance to all relevant activities. On whether more resources of ETOs would be utilized to promote art and culture after the dissolution of the two municipal councils, he advised that ETOs would discuss the relevant arrangements with the newly established Leisure and Cultural Services Department in order to provide suitable assistance.

11. In response to Dr LUI Ming-wah's question on the annual work plan of ETOs, S/TI informed that every ETO was required to prepare its own work plan for the year. As to the assessment on the effectiveness of ETOs, he advised that the Legislative Council had been regularly briefed on the work progress of ETO. As external liaison work

constituted a major part of their duties, it was relatively difficult to quantify their work. The effectiveness of ETOs should be judged by their ability to establish ties and maintain contacts with local officials, the business and commercial sectors, the press and think-tanks, thus enhancing their understanding of Hong Kong and contributing towards the promotion of foreign investment and exchange.

12. Mr Fred LI asked whether the Principal Hong Kong Economic and Trade Representative, Tokyo, being a woman, had encountered any difficulties while working in a male-centred country like Japan. Moreover, he was concerned about issues such as the Japanese citizens' impression on Hong Kong and the figure on Japanese tourists visiting Hong Kong. The Principal Hong Kong Economic and Trade Representative, Tokyo responded that within the first few weeks in her new post, she had met many high level members of the business sector and the political circle. She was making smooth progress with her work and she did not find that her female gender had posed any obstacle to her work. She also informed members that the figure on Japanese tourists visiting Hong Kong had a 17% growth in November and December last year.

13. In reply to Mr James TIEN's question on the differences in the post titles of the heads of ETOs, S/TI advised that with the exception of the Geneva ETO, which also functioned as the Representative of the Hong Kong Special Administration Region of China to WTO, all ETOs performed the same functions. The differences in post titles were mainly the results of ETOs' different historical backgrounds and operational needs. As the local people had accepted and were familiar with the existing post titles, it might cause unnecessary confusion if these post titles had to be changed for the sake of standardization.

V. China's accession to the World Trade Organization (LC Paper Nos. CB(1)730/99-00(04) and (05))

14. S/TI advised that the Government Economist had just completed the assessment report on the implications of China's accession to WTO for China and Hong Kong. In general, it would be beneficial to the long-term economic development of Hong Kong. He pointed out that China still had to conclude bilateral negotiations with the European Union and the remaining 19 WTO members and complete the multi-lateral process at WTO in Geneva before becoming a formal WTO member. China and the European Union had yet to set the date for the resumption of negotiations while the US Administration, in striving for the granting of permanent NTR status to China, was also subjected to the complicated political factors in the US Congress. The Republican leaders in the House of Representatives and the Senate had issued a statement declaring that they would vote on the granting of permanent NTR status only after China had concluded all bilateral negotiations and multi-lateral process. The move aimed at delaying the voting procedures so that the Democratic Party would be exposed to greater pressure from the labour sector before the presidential elections in November. At present, the Washington ETO was making active lobbying efforts, in the hope that the US Congress would approve the granting of permanent NTR status to China by the end of June.

15. The Government Economist (GE) briefed members on the main points of the information paper. On the whole, China's economy would benefit from her accession to WTO in the following ways:

- (a) fairer and more certain trading environment;
- (b) wider market access for China's goods;
- (c) affirmation of the Chinese government's commitment to economic reform;
- (d) re-invigorating foreign capital inflow;
- (e) expediting the state-owned enterprise reform process and accelerating transformation of China into a market-driven economy; and
- (f) enhanced consumer and producer benefits.

16. As regards individual industry, China's accession to WTO would bring about different opportunities and challenges. For the manufacturing industries, the export potential of light industries would be expanded, thus creating more employment opportunities. However, other industries such as automobile and chemical products, would suffer as a result of competition. Domestic local producers who were not able to compete would be forced to restructure, merge or even go out of business. Regarding the agricultural sector, labour-intensive products such as fruits, vegetables, livestock and aquatics would be in an advantageous position with their exports expected to increase. The service sector such as banking, insurance and telecommunications would attract more foreign capital inflow, resulting in greater development potential. However, it would also have to face greater competition from foreign operators.

17. Regarding the implications of China's accession to WTO for Hong Kong's economy, GE advised that on the whole, Hong Kong would be provided with ample development opportunities. As the huge market in China would be further opened up, the business establishments of Hong Kong should be well prepared to seize these opportunities and meet greater competition from foreign companies. He pointed out that Hong Kong's role as a gateway to China would not diminish. On the contrary, Hong Kong would be able to secure a significant share of the liberalized trade in the Mainland, given Hong Kong's rich experience in the import/export trade and better knowledge of the culture and environment of the Mainland. On the implications on local employment, greater competition and on-going transformation in the economy would lead to increased unemployment in Hong Kong. However, judging from past experience, in every round of economic transformation, new jobs would be created and the workforce at large would benefit from the greater employment opportunities with better terms. On the other hand, some workers would inevitably face greater difficulties than others in adapting to the change because of their own limitations. They would require more focused retraining to get themselves re-equipped for the new jobs.

Discussion with Members

Employment problems brought about by the transformation of Hong Kong's economy

18. Mr CHEUNG Man-kwong was concerned whether those industries growing in the course of the transformation of Hong Kong's economy spurred by China's accession to WTO could provide enough employment opportunities to absorb the unemployed workers from the vulnerable and declining industries. He asked if the Administration had conducted any comprehensive review on this matter and whether it could provide suitable retraining programmes to assist the unemployed in acquiring new skills. GE advised that even without China's accession to WTO as a catalyst, Hong Kong's economy would still experience an economic transformation towards high value-added and high technology industries. The Administration was studying the means to upgrade the skills

and competitiveness of Hong Kong's working population through education and retraining.

19. Mr LEE Cheuk-yan pointed out that as the economic transformation tended to move towards high technology industries, middle level jobs might decrease considerably. As such, middle level workers might have to accept low level jobs and low-skilled workers would finally be displaced. He estimated that as many as two million middle and low level workers would be affected. Mr SIN Chung-kai shared the same concern and enquired about the Administration's measures to address the problem of the two million affected workers.

20. GE responded that the economic transformation would affect all strata of the working population in Hong Kong. As far as the high-skilled workers were concerned, they had to adjust their working style and culture. For example, they had to increase their knowledge about the Mainland market. He did not agree that the middle level personnel would lose their job opportunities, because they had acquired considerable skills and knowledge and they had edges in international trade. For the low-skilled workers, maintaining their productivity was an important factor in competing for employment. He advised that although all strata of the working population would be affected by the economic transformation, the number of unemployment workers would not rise to the alleged figure of two million because it would account for 60% of the working population. The chances for the unemployment rate to reach such an extremely high level were very slim. S/TI added that in his view, it was absolutely impossible to have two million people unemployed, and if such a situation did arise, Hong Kong's economy would have definitely collapsed.

21. Dr LUI Ming-wah asked whether the Administration, in assessing the possible changes in the economy and the employment rate after China's accession to WTO, had drawn any reference from the experience of other countries which had joined WTO. GE replied that as each country's economy had its own characteristics, it was not easy to identify a WTO member whose case was similar to that of China for the purpose of an indicative assessment. The Administration had referred to certain studies conducted in the Mainland when compiling the assessment report.

The commercial opportunities brought about by China's accession to WTO

22. Mr Kenneth TING expressed concerned about whether Hong Kong would become a more attractive place for foreign companies to establish their offices in order to gain a foothold in the Mainland market after China's accession to WTO. S/TI said that every year the Industry Department would collect data on the number of offices established in Hong Kong by multi-national enterprises for reference purpose. Although he did not have the data on hand, the experience of a recent visit to Korea indicated that some Korean investors were interested in setting up joint ventures in China with Hong Kong businessmen. It was believed that many foreign investors were interested in China, which is an enormous market. Hong Kong businessmen should seize this opportunity to give full play to their rich trading experience as well as their knowledge and connections in China to act as navigators for foreign investors in opening up China's market. Mr Kenneth TING suggested that the Administration should step up publicity in this respect, so as to attract more foreign investors to set up joint ventures in China with Hong Kong businessmen.

Action

23. In reply to the Chairman's question on the assistance provided by the Administration to small and medium enterprises in technological development, S/TI advised that the Innovation and Technology Fund would subsidize research projects. Furthermore, research grants could also be applied in respect of joint research projects with the universities. He pointed out that it was an inevitable trend for the business and commercial sectors in Hong Kong to develop towards high technology and high value-added products. If the companies could communicate with their clients through the Internet, process of exchange of documents could be sped up and more comprehensive services could be provided to the clients. As such, this trend was natural in a highly competitive commercial society. At present, both the government and non-government organizations had been conducting promotion work in this respect.

Political issues arising from China's accession to WTO

24. Mr James TIEN expressed concern over the political factor of the US Congress involved in China's accession to WTO and enquired about the corresponding actions of the business sector in the USA in this regard. S/TI advised that officers of the Washington ETO had made every effort to lobby the US Congressmen. Assistance and support from the business sector were given in the process. He said that after many years of work, the Washington ETO had established good relationship with the business sector in the USA. In connection with China's accession to WTO, the alliance formed by the business sector had exerted much pressure on the Republicans to urge the Congress to take an early vote on the granting of permanent NTR status to China. However, as he had analyzed earlier at the meeting, the Republicans wished to take this opportunity to exert greater political pressure on the Democrats. Therefore, the present situation was still uncertain. At the request of Mr James TIEN, S/TI agreed to report to the Panel the progress of China's accession to WTO.

Admin

VI. Hong Kong's Obligation under the World Trade Organization Agreement on Government Procurement

(LC Paper No. CB(1)741/99-00(01))

25. The Chairman advised members that this agenda item was a follow-up to the proposals put forward by the Members on the honoraria payment to the Chairman, Deputy Chairman and members of the Review Body on Bid Challenges (the Review Body) at the meeting of the Finance Committee on 7 January 2000. The information paper provided by the Administration had explained clearly the contents of the Agreement on Government Procurement (GPA), the requirements of the Bid Challenge System and the response to Members' views on the honoraria payment.

26. Mr LEE Cheuk-yan was concerned about the trend of public housing project contractors procuring construction materials and fittings in the Mainland. He asked whether a proviso could be added to require project contractors to procure materials and fittings made in Hong Kong if the Housing Authority (HA) split the works into smaller contracts during tendering exercises to keep the value of each contract below the threshold value specified in the GPA. S/TI replied that this proposal involved a question of principle. Under the broad principle that the Government procurement policy should treat all tenderers equally, the HA, as a quasi-government organization, would not lay down any discriminatory stipulations. The Administration would not approve of the practice of splitting the construction works projects to circumvent the GPA restriction

clause. He pointed out that even before Hong Kong became a party to the GPA in May 1997, the Administration had already upheld the principle of equal treatment for all during tendering exercises and had not required tenderers to use products which were made in Hong Kong.

27. In response to Mr Kenneth TING's comment that the rates of honoraria for members of the Review Body were on the high side, the Deputy Secretary for Trade and Industry (1) (DS/TI(1)) advised that the remuneration of the members of the Canadian International Trade Tribunal was confidential. Therefore the information on members' remuneration provided in the paper might not present the full picture. Moreover, as their situation might be different, even if the information on the whole remuneration package for non-official members of bid challenge systems of other parties to the GPA was obtained, it was still very difficult to make a direct comparison on the basis of such information. She remarked that, in preparing the proposal on the honoraria for members of the Review Body, the Administration had referred to the remuneration of members of other similar appeal bodies in Hong Kong as a benchmark.

28. Mrs Selina CHOW agreed to the Administration's proposal on the honoraria for members of the Review Body as set out in the paper. However, she expressed concern over the Brief on the Operation of the Review Body at Annex A, and enquired about the procedures to handle the 17 written enquiries from the public, which had been received since the establishment of the Review Body. DS/TI(1) advised that most of these enquiries requested for copies of the Rules and Guide for the Review Body. Requests for general information would be handled by the Review Board Secretariat under the Trade and Industry Bureau (TIB). Only those cases involving complaints against bidding procedures would be referred to the Chairman of the Review Body for consideration.

29. Mrs Selina CHOW asked if it was adequate and an internationally recognized practice for the Chairman to assess whether the complaint was a prima facie case. She pointed out that it might be more appropriate to refer the case to the Panel for consideration. DS/TI(1) responded that since the review procedures required that a complaint be referred to the Chairman within seven days after it was received for him to assess whether there was a prima facie case, it would be too hasty to set up and convene a Panel in such a short time. She advised that the TIB planned to review the operation of the Review Body and Mrs CHOW's views would be considered in detail in this context.

30. Members accepted the proposal as set out in the information paper and agreed that it could be re-submitted to the Finance Committee for consideration.

VII. Outsourcing of computer services for the Intellectual Property Department
(LC Paper No. CB(1)730/99-99(06))

31. The Deputy Secretary for Trade and Industry (2) (DS/TI(2)) explained that the information paper sought members' support for outsourcing certain non-core services of the Intellectual Property Department (IPD) to the private sector, thus allowing the Government to optimize resources and focus more on its policy, statutory and quasi-judicial functions. The paper also outlined the implementation programme for the outsourcing project for members' consideration.

32. Mr MA Fung-kwok was concerned about the industry's proposal to establish a central authentication centre for copyright verification by the Government and asked for the IPD's response to this proposal. DS/TI(2) advised that in accordance with international requirement, copyright owners should not be subjected to any additional registration requirement. As such, any copyright registration system could only be operated on a voluntary basis and would not serve any useful purpose. Furthermore, some organizations in the industry had developed a copyright information system. The industry could therefore make use of these resources, rather than relying on the Government to establish the central authentication centre for copyright verification. She commented that the proposal should not be discussed in the context of outsourcing computer services.

33. Responding to Mr MA Fung-kwok's question on the problem related to information confidentiality concerning contract-out services, the Director of Intellectual Property advised that the Administration could stipulate in the contract necessary requirements on information security which should be observed by the service providers concerned. DS/TI(2) added that, judging from the experience of the electronic submission service provided by Tradelink, it was feasible to regulate the behaviour of service providers through contract terms. Should a service provider breach the terms of his contract, the Administration could terminate his contract in part or in full.

34. Members agreed to the proposal set out in the paper and expressed support for the funding proposal to be submitted to the Finance Committee so that the outsourcing programme could be taken forward as set out in paragraph 16 of the paper.

VIII. Any other business

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