

立法會
Legislative Council

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Panel on Trade and Industry

Minutes of meeting
held on Tuesday, 12 October 1999, at 4:30 pm
in the Chamber of the Legislative Council Building

Briefing on the Chief Executive's Policy Address 1999

- Members present** : Hon CHAN Kam-lam (Chairman)
Hon Kenneth TING Woo-shou, JP (Deputy Chairman)
Hon James TIEN Pei-chun, JP
Hon Cyd HO Sau-lan
Dr Hon LUI Ming-wah, JP
Hon NG Leung-sing
Prof Hon NG Ching-fai
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon MA Fung-kwok
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon CHAN Kwok-keung
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
- Member attending** : Hon Ronald ARCULLI, JP
- Members absent** : Hon Fred LI Wah-ming, JP
Hon Bernard CHAN
- Public officers attending** : Mr CHAU Tak-hay
Secretary for Trade and Industry

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

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

Mr Joshua LAW
Director-General of Trade

Mr Francis HO
Director-General of Industry

Mr Stephen SELBY
Director of Intellectual Property

Mr W M LI
Acting Commissioner of Customs & Excise

Clerk in attendance : Miss Salumi CHAN
Chief Assistant Secretary (1)5

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mr Matthew LOO
Senior Assistant Secretary (1)7

Action

I. Briefing by the Secretary for Trade and Industry on the Chief Executive's Policy Address 1999

Secretary for Trade and Industry (STI) briefed members on the important developments and new initiatives under the following two policy objectives of the Trade and Industry Bureau (TIB):

- (a) To strengthen Hong Kong as an international trade centre through maximizing local exporters' access to overseas markets and providing local business community with a free, fair and competitive business environment; and
- (b) To enable Hong Kong to be one of the most competitive economies in the world by increasing the added value and productivity of Hong

Action

Kong's manufacturing and service industries.

2. STI advised that among the 44 initiatives committed in or before 1998, TIB and its departments had completed actions for 16 items, and were on schedule in taking forward the remaining 28 items. STI highlighted the following achievements in the past year:

- (a) progressive implementation of the recommendations made by the Chief Executive's Commission on Innovation and Technology in its First Report, including the setting up of the \$5 billion Innovation and Technology Fund;
- (b) strengthened support to Small and Medium Enterprises (SMEs);
- (c) established the "Mainland/Hong Kong Special Administrative Region Joint Commission on Commerce and Trade" (the Joint Commission) with the Ministry of Foreign Trade and Economic Co-operation;
- (d) maintained a vigorous control system for strategic commodities and textiles and clothing;
- (e) encouraged the public and private sectors to comply with the competition policy;
- (f) actively participated in the preparation for the new round of multilateral trade negotiations to be launched in early next century; and
- (g) vigorously combated intellectual property rights infringement activities.

(Post-meeting note : The Chinese and English versions of the speaking note of STI were circulated to members vide LC Paper Nos. CB(1)100/99-00 and CB(1)126/99-00 on 14 October and 15 October 1999 respectively.)

Economic link with the Mainland

3. To facilitate trading activities between the Mainland and Hong Kong, Mr James TIEN asked whether the Administration would, through the Joint Commission, request the Mainland to reduce the tariffs on imported goods from Hong Kong. STI advised that for China to gain accession to the World Trade Organization (WTO), it would enter into negotiations with other members of WTO, including reduction of its tariffs. Hong Kong, as a member of WTO, would then benefit from any agreement reached in the negotiations.

4. Mr James TIEN noted that some members of WTO, such as the United States of America (USA) and Mexico, had entered into free trade agreements among themselves. He asked whether the same could be done between the Mainland and

Action

Hong Kong. STI pointed out that the WTO rules provided that members of WTO might enter into free trade agreements among themselves, an example of which was the North America Free Trade Agreement. In principle, Hong Kong might enter into similar agreement with the Mainland. However, this might affect the perception of Hong Kong's status as a separate customs territory and thus the continued access to high-tech products of its trading partners. STI also considered it inappropriate for Hong Kong companies to seek special treatment from the Mainland in areas of interest/advantage to them by playing up "One Country" under the "One Country, Two Systems" principle.

5. Responding to Mr HUI Cheung-ching, STI advised that apart from conducting annual meetings, the Joint Commission would set up ad hoc working groups to look at specific issues if necessary. It was expected that a working group would be formed to follow up, inter alia, the problems encountered by Hong Kong businessmen in setting up factories in the Mainland.

Support for small and medium enterprises

6. Mr CHEUNG Man-kwong noted that in May 1999, the Special Finance Scheme (the Scheme) for SMEs had been revised by raising the Government's risk-sharing factor from 50% to 70% and extending the maximum length of guarantees from one year to two years. Since these revisions, the take-up rate for the Scheme had increased considerably and all the funds (HK\$2.5 billion) had been committed in three months. Mr CHEUNG also noted that some participating lending institutions (PLIs) had offered clean credit personal loan of \$50,000 to applicants under the Scheme. He was concerned that the Scheme might have been abused and that the default rate would likely be high.

7. STI pointed out that when the Scheme was first introduced in June 1998, the take-up rate for the Scheme was low because the Government's risk-sharing factor was only 50%. To boost the take-up rate, the Administration then sought the agreement of Legislative Council Members to raise the Government's risk-sharing factor to 70% in May 1999. The Administration had also simplified the administrative procedures for the Scheme, having regard to the experiences gained in the credit guarantee scheme introduced by Hong Kong Export Credit Insurance Corporation. STI considered that the Scheme had not been abused.

8. Director-General of Industry (DGI) added that the Administration was also concerned about the offer of clean credit personal loans of \$50,000 by some of the PLIs. The Administration had requested the Hong Kong Monetary Authority to review whether these offers complied with the best practices of lending institutions. It had also discussed with the PLIs concerned which had agreed to stop making these offers. Nevertheless, the Administration had considered the need to set a lower limit for the loans offered by PLIs under the Scheme, such as \$200,000 or \$500,000. In the absence of scientific justifications, however, it was difficult for the Administration to set such a limit. Moreover, the sum of \$50,000 could arguably provide economic

Action

relief for some small enterprises.

Action

9. On the way forward, DGI advised that the Administration would seek the Finance Committee's approval for raising the commitment under the Scheme to \$5 billion. Responding to Mr CHEUNG Man-kwong's further question, DGI advised that if the proposal was approved by the Finance Committee, the Administration would provide PLIs with guidelines on assessing SME loans. The Panel would be briefed on the new arrangement at its meeting scheduled for 1 November 1999.

(Post-meeting note: A Legislative Council Brief on "Special Finance Scheme for Small and Medium Enterprises" was issued to members under LC Paper No. CB(1) 207/99-00(02) and discussed at the Panel meeting on 1 November 1999. The Finance Committee approved on 12 November 1999 that the commitment under the Scheme be doubled to \$5 billion.)

10. Mr NG Leung-sing asked whether the Administration would consider offering loans directly to SMEs which failed to obtain loans from PLIs under the Scheme. DGI advised that the Administration had not received such a request from SMEs. The Administration was of the view that the operation of the Scheme should be market driven and it would continue to rely on PLIs to vet the loan applications on their merits. The Administration would arrange seminars for SMEs to facilitate their preparation for applications for the Scheme, in particular on business plans and financial statements.

Support for service industries

11. Mrs Selina CHOW asked whether the Administration had any concrete measures to provide economic relief to the service industries. In response, STI advised that the Administration had implemented various measures to assist SMEs many of which were service industries. The measures included the introduction of the Special Finance Scheme for SMEs and the establishment of a Small and Medium Enterprises Office within the Industry Department to coordinate support programmes and deliver information on facilities and services available to SMEs. Mrs CHOW suggested the Administration to consider implementing additional measures such as freezing or reducing the rent levels of shops in Government properties. STI considered it inappropriate to do so as Hong Kong was not a welfare state. As regards Mrs CHOW's concern about the promotion of service industries, STI assured members that the Hong Kong Trade Development Council would continue its efforts in promoting the development of service industries of Hong Kong.

Innovation and technology

12. Responding to Mr NG Leung-sing, DGI advised that although the Administration had set the target of approving 130 applications under the Innovation and Technology Fund by September 2000, it would consider the merits of each application prudently.

13. Dr LUI Ming-wah noted that some foreign semi-conductor manufacturers had started discussions with the Administration on their investment plans in Hong Kong.

Action

He was concerned about the progress of the discussions as semi-conductor technology played an important role in promoting innovation and technology in Hong Kong. DGI advised that the Administration welcomed these investment plans and had set up a task force to negotiate with one of the leading investors. Both parties were exchanging information at this stage. The Administration would follow up the matter closely.

14. Prof NG Ching-fai expressed concern about the progress of the merging of the Hong Kong Science Park (HKSP), the Hong Kong Industrial Technology Centre Corporation (HKITCC) and the Hong Kong Industrial Estates Corporation (HKIEC), and the progress of the setting up of the proposed applied science and technology research institute (ASTRI) and Institute for Chinese Medicine (ICM). In response, STI advised that the Administration was discussing with HKSP, HKITCC and HKIEC on the merging proposal. No timetable could be set at this stage. As regards ASTRI, a task force had been established in November 1998 to work out the planning parameters of the institute. The recommendations of the task force were being examined by the Administration. On ICM, the current thinking was that it would be established under ASTRI.

Promotion of investment in Hong Kong

15. Mrs Sophie LEUNG was pleased to note that the Administration would continue to promote foreign direct investment in Hong Kong. Mrs LEUNG suggested the Administration to maintain frequent contact with the foreign investors in Hong Kong so as to understand their needs and problems. In response, STI advised that the Administration had conducted a survey to identify the needs and problems of the multinational companies which had established regional headquarters or regional offices in Hong Kong. Based on the outcome of the survey which was expected to be available in December this year, the Administration would explore how to facilitate the operation of the multinational companies in Hong Kong. DGI added that all along, staff of the Industry Department had made regular visits to the foreign companies in Hong Kong and that, he himself, in the past 18 months, had regular dinner meetings with the major multinational companies to understand their concerns.

16. In response to Mr SIN Chung-kai's enquiry on the measures adopted by the Administration to promote investment in Hong Kong, STI advised that in the recent decades, the Administration had provided land at cost to private enterprises for industrial use. Regarding some enterprises' request for tax reduction, the Administration had to consider such request carefully because of its implications on the overall taxation policy.

Protection of intellectual property rights

17. Mr MA Fung-kwok expressed concern about the infringement of Hong Kong's intellectual property rights in overseas countries and on internet. Director of Intellectual Property pointed out that the Copyright Ordinance (Cap. 528) enacted in

Action

1997 had incorporated the most up-to-date international standard and was sufficient for the protection of intellectual property rights within Hong Kong. The Administration recognized the need for public education and had organized publicity programmes to increase the awareness of the importance of intellectual property rights among the general public. Mr MA pointed out that the Government of USA had sent delegations to lobby for better protection of its intellectual property rights in overseas countries. He asked whether the Administration would do the same for Hong Kong. STI said that the Administration did not have the resources to do so. However, he pointed out that the Government would support programmes to promote awareness of enterprises in the protection of their intellectual property rights.

II. Any other business

18. There being no other business, the meeting ended at 5:40 pm.

Legislative Council Secretariat
10 January 2000