

Chapter V : Commerce and Industry

5.1 At the Chairman's invitation, the Secretary for Commerce, Industry and Technology (SCIT), Mr Henry TANG, briefed members on the key areas of work of the Commerce and Industry Branch of the Commerce, Industry and Technology Bureau (CITB) in 2003-04 (Appendix V-4).

The work of the Mainland and Hong Kong Special Administrative Region Joint Commission on Commerce and Trade

5.2 Given the Mainland's rapid economic development and the enormous opportunities for Hong Kong enterprises, Mr NG Leung-sing opined that more resources should be allocated to the Mainland and Hong Kong Special Administrative Region Joint Commission on Commerce and Trade (Joint Commission) to strengthen Hong Kong's co-operation with the Mainland on trade and investment issues.

5.3 SCIT explained that the Joint Commission served as a forum for the Mainland and Hong Kong authorities to exchange views and discuss trade and commercial matters of mutual interests with a view to promoting co-operation between the two sides. Four working groups had been established under the Joint Commission to meet regularly to follow up on specific areas of trade matters. On the work of the Joint Commission in 2003-04, SCIT advised that it would speed up timely dissemination of economic and trade information to the Hong Kong business sector through the internet and continue to organize seminars and symposiums to introduce new trade and investment related policies and laws in the Mainland to the Hong Kong business community, to promote co-operation of the service sectors of the Mainland and Hong Kong, and to market Hong Kong's strong points to attract Mainland investors.

5.4 As for new initiatives to enhance co-operation in e-commerce between the Mainland and Hong Kong, the Acting Permanent Secretary for Commerce and Industry (PSCI) advised that a new working group was set up under the Joint Commission in late 2002 to take forward the matter. The new working group had yet to formulate its strategies and plans, but it would work closely with the business community in promoting the development of e-commerce between the Mainland and Hong Kong.

5.5 Mr HUI Cheung-ching enquired whether the Joint Commission should also assist Hong Kong businessmen in expanding their business and resolving difficulties encountered in their operations in the Mainland. Acting PSCI stressed that the Joint Commission aimed at promoting economic and trade

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co-operation between the Mainland and Hong Kong through communication and discussion between the relevant authorities. Other government and non-government agencies including the Guangdong Economic and Trade Office (GDETO), Invest Hong Kong (InvestHK) and Trade Development Council (TDC), continued to assist Hong Kong businessmen in understanding the Mainland investment environment, in seizing the business opportunities and giving support to their operations in the Mainland. Through these various channels, the views of Hong Kong businessmen were reflected to relevant authorities for follow-up.

5.6 SCIT added that China's accession to the World Trade Organization (WTO) had opened up new opportunities for Hong Kong. The Administration would continue to consult actively with the Mainland authorities on the Closer Economic Partnership Arrangement (CEPA) with a view to reaching an arrangement on the main parts by June 2003 as announced by the Chief Executive (CE) in his Policy Address in January 2003. The scope of CEPA covered trade in goods, trade in services as well as trade and investment facilitation. The Administration believed that CEPA would facilitate market access and operation of Hong Kong business in the Mainland. While CEPA would lay down the principle arrangements, the Joint Commission, GDETO and relevant trade organizations would continue to co-ordinate and co-operate in implementing programmes and plans to enhance economic and trade ties between the Mainland and Hong Kong.

The work of Economic and Trade Offices

5.7 In view of the robust economic growth in the Pearl River Delta (PRD) and that many Hong Kong businessmen had expanded their operation beyond Guangdong Province, Mr CHAN Kam-lam was of the view that the Administration should consider establishing one or two more ETOs in the Mainland to support Hong Kong enterprises.

5.8 SCIT agreed that with the Mainland becoming the largest trading partner of Hong Kong, economic growth in a lot of areas of the Mainland would offer enormous business opportunities for Hong Kong. However, due to stringency in government resources, it would be more cost effective to concentrate efforts in the major growth areas. Over the past years, PRD had emerged as the fastest growing economic region in southern China and become an attractive market with some 65 000 Hong Kong enterprises operating there. To strengthen economic ties between the two places, the GDETO was established in Guangzhou in July 2002. Together with the set up fund, the estimates for the office

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amounted to \$30 million in 2002-03. An estimate of \$24.1 million would be allocated to the office in 2003-04. The Administration would ensure GDETO had the necessary resources for its work. Besides, it would continue to monitor economic development in other areas of the Mainland e.g. the Northwest, to review the need of establishing other ETOs in suitable provinces/cities.

5.9 Having regard to the stringent fiscal position of the Government and the importance of external investment to Hong Kong's economic development, Mr SIN Chung-kai urged the Administration to consider re-deploying resources from some established ETOs, such as London ETO, to existing or new ETOs to boost promotion work in new markets, such as South America, which had greater potential for trade development and attracting investment to Hong Kong.

5.10 In respect of the London ETO, SCIT remarked that there were historical reasons related to its establishment. Apart from covering commercial relations with the United Kingdom, the London ETO also covered certain non European Union (EU) countries in Europe. The Brussels ETO, on the other hand, was responsible for EU members states. With expansion in EU membership from the existing 15 states to 25 states in 2004, it was expected that the workload of Brussels ETO would become heavier. SCIT shared the view that it was necessary for the Administration to consider more cost-effective use of the limited resources. He assured members that a review was being conducted on the deployment of resources for ETOs having regard to various factors with a view to identifying efficiency saving measures without adversely affecting their operations. However, there was no plan to close or merge any ETOs for the time being.

5.11 Responding to Mr SIN Chung-kai's view that ETOs, overseas offices of TDC and Hong Kong Tourism Board (HKTb) should be accommodated under one roof so as to provide convenience and one-stop services to users, Acting PSCI advised that it had been the Administration's ultimate aim to co-locate all relevant organizations as far as possible. However, as TDC and HKTb were independent organizations and suitable accommodation might not always be available, these offices were not located with ETOs in the same premises in some cities.

Promotion of inward investment

5.12 While expressing support to provide an additional resources of \$200 million for InvestHK in the coming five years for strengthening investment

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promotion efforts, Ms Emily LAU was of the view that apart from attracting overseas companies to invest in the PRD as well as setting up offices in Hong Kong, efforts should be stepped up to attract investments from Mainland enterprises in Hong Kong. She also enquired about how the provisions would be utilized and what were the expected results of the efforts.

5.13 In response, the Direct General of Investment Promotion (DG of IP) said that the additional resources would be used for a wide range of promotional activities targeting at various markets. For instance, marketing activities would be organized in major Mainland cities including Beijing, Shanghai and Guangzhou to attract companies to establish offices in Hong Kong. Moreover, efforts would be stepped up to promote Hong Kong as a two-way platform between the Mainland and the overseas for doing business. SCIT added that he had solicited support from a number of senior business leaders in the private sector to act as Investment Promotion Ambassadors (IPA) to help promote Hong Kong as a business location for overseas and Mainland companies. It was envisaged that through IPAs' international connections and follow-up work by InvestHK, more companies would be attracted to invest in Hong Kong. The InvestHK had formulated relevant programmes in its business plans for taking forward the various initiatives. It would consult the Panel on Commerce and Industry (CI Panel) on the details in April 2003 before seeking funding approval of the Finance Committee in May 2003.

5.14 As regards the anticipated outcome of the promotional efforts of InvestHK, DG of IP said that the additional resources would represent a 50% increase in the annual provision for InvestHK. It was estimated that with the new resources, the original target of attracting 125 companies to Hong Kong for 2003 would be increased to over 200. While the full impact of the efforts would be seen in two to three years' time, some new projects were expected to come forward by end 2003.

5.15 Mr Henry WU noted from InvestHK's analysis, 13 projects out of the 117 projects handled in 2002 were in the financial services sector. Mr WU enquired about the details, such as the nature of the investment, of these projects. DG of IP undertook to provide required information for members' reference after the meeting. He added that the analysis was based on the information provided by companies in the signed acknowledgment of assistance returned to InvestHK. As some companies were not willing to disclose all data, the analysis was based on the best information available to InvestHK.

Staffing of Invest Hong Kong

5.16 Noting that InvestHK had deployed staff from Hong Kong and also recruited local staff to work in its overseas offices, Mr SIN Chung-kai asked whether the Administration had compared the staff cost involved. In response, DG of IP advised that as overseas offices were tasked to promote and market Hong Kong as a destination for investment and business, the agency required personnel with both the knowledge on Hong Kong and respective places to facilitate their work. These offices provided a wide range of services including disseminating timely economic and trade information on Hong Kong, explaining regulatory requirements for setting up businesses in Hong Kong, assisting key personnel of overseas companies in obtaining employment visa, and securing school places for their family members etc.

5.17 On the staffing situation of InvestHK, DG of IP advised that four out of the 65 staff employed in the Head Office were expatriates but only one of them was on expatriate terms and the rest on local terms. As regards the situations in major overseas offices, the London Office had two staff with one deployed from Hong Kong and the other recruited locally. The two staff in the Brussels Office had been recruited locally. The New York Office had two staff recruited locally and one deployed from Hong Kong. The situation was the same in the San Francisco Office. For the Guangzhou Office, two staff had been deployed from Hong Kong and one recruited locally. The Tokyo Office had two staff with one deployed from Hong Kong and other recruited locally. They all worked in the ETOs.

Support to small and medium enterprises

5.18 While welcoming the increase in resources for the four Small and Medium Enterprises (SME) funding schemes to enhance assistance to SMEs, Mr Henry WU suggested the Administration taking a more proactive role in promoting the schemes to different business sectors and trades so that more eligible establishments would be benefited.

5.19 In reply, SCIT stressed that the four SME funding schemes were open to all business sectors and trades where eligible establishments were welcomed to apply. Since launching of the funding schemes in late 2001, a lot of SMEs in different sectors, such as logistics, financial services and import and export had been benefited. The Administration envisaged that with implementation of the improvement measures, including expansion in the scope

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of and increase in subsidies and grants for some schemes, the funding schemes would more comprehensively address the needs of SMEs and benefit more SMEs. As regards promotion of the funding schemes, SCIT said that the Administration and SME Committee had been working in collaboration with relevant business and trade organizations in explaining and promoting the schemes. The parties would continue with their efforts. The Administration would continue to monitor the implementation of the funding schemes and report the situation to CI Panel regularly.

Establishment structure of specialized support units in the Customs and Excise Department and the Trade and Industry Department

5.20 Ms Emily LAU and Mr CHAN Wai-yip expressed concern about the establishment structure of the Technical Support Team (TSI) in the Customs Drug Investigation Bureau (CDIB) of the Customs and Excise Department and the Information Technology Management Section (ITMS) of the Trade and Industry Department (TID). They considered the multi-layer staffing structure where one senior officer was responsible for supervising another officer of a lower rank not cost-effective and urged the Administration to review the structure.

5.21 On the establishment of the TSI, the Commissioner of Customs and Excise (C of C&E) explained that it was a specialized unit providing logistics and routine technical support service, such as servicing and maintenance of specialized equipment, to the CDIB responsible for anti-narcotics investigations and operations. In respect of the ITMS, the Director General of Trade and Industry (DG of TI) said that the section was responsible for the overall management, maintenance and development of information technology (IT) systems as well as formulation of IT policy for TID. He further advised that creation of the nine posts in the section would be cost-neutral as this would be offset by the deletion of similar posts in the Information Technology Services Department. Noting members' concern, C of C&E and DG of TI assured members that establishment structure of work units/sections were subject to on-going review. Upon request of members, they undertook to provide details on the duties and responsibilities of the posts in the two units including the percentage of time spent on each duty.

5.22 On the concern about cost-effectiveness of the staffing structure in the two sections, SCIT affirmed the Bureau's commitment to enhancing efficiency of its operation through streamlining work procedures and structure. He advised that the Bureau would work to achieve the overall target of reducing the civil

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service establishment by 10% by 2006-07 as announced in the CE's Policy Address.

