5.1 At the Chairman's invitation, the Secretary for Commerce, Industry and Technology, Mr John TSANG, briefed members on the key areas of work of the Commerce and Industry Branch of the Commerce, Industry and Technology Bureau in 2004-05 (Appendix V-4).

Domestic exports

5.2 Mr HUI Cheung-ching noted that Hong Kong's domestic exports in 2003-04 (up to January 2004) accounted for 3.43% of total trade while the corresponding percentage for 2002-03 was 3.88%. In view of the lower percentage recorded in 2003-04, Mr HUI was concerned about the prospect of Hong Kong's export trade. In response, the Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry) (PSCI) advised that trade figures in recent years had reflected the transformation of Hong Kong's economy into a service-based one as manufacturing in Hong Kong accounted for only 4.5% of the Gross Domestic Product in 2002. Although many manufacturers in Hong Kong had relocated their production base to the Mainland, notably the Pearl River Delta (PRD) region, for the purpose of reducing costs, PSCI anticipated that with the implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and zero tariff for certain categories of locally manufactured products when exported to the Mainland, more manufacturing processes with high value-added content or substantial intellectual property input might be established in Hong Kong. This would help stimulate Hong Kong's economic growth. In this connection, PSCI assured members that attracting inward investment to Hong Kong was undertaken by Invest Hong Kong (InvestHK) and the Hong Kong Economic and Trade Offices (ETOs).

5.3 Regarding the concern that after the removal of quota on textile and clothing (T&C) products by the World Trade Organization (WTO) from 1 January 2005 onwards, individual WTO member states would still be able to impose certain restrictions on T&C exports from the Mainland, the Administration was aware that such an arrangement might affect those Hong Kong enterprises which had set up manufacturing operations in the Mainland. While the Administration welcomed manufacturers of T&C products to locate their production process in Hong Kong, PSCI stressed that the products in question had to comply with Hong Kong's rules of origin before they could be labelled as "made in Hong Kong" for export to other places. Mr HUI Cheung-ching further enquired whether the forthcoming removal of quota by WTO would boost T&C exports from Hong Kong. PSCI pointed out that since T&C

manufacturers in Hong Kong might not be willing to disclose detailed information on their exports for reasons of commercial sensitivity, the Administration was not in a position to make an assessment at the present stage on the effect, if any, of the removal of WTO quota on T&C exports from Hong Kong.

Promotion of foreign investment

5.4 Noting that part of the additional provision of $200 million allocated to InvestHK in 2003 would be used for broadening external representation in markets not previously covered, Mr Kenneth TING was concerned about the criteria adopted by InvestHK for selecting the specific markets. In response, the Director-General of Investment Promotion (DG of IP) pointed out that the major consideration was the propensity of the companies in the markets concerned to set up businesses in Hong Kong. He explained that at present, an Investment Promotion Unit was established in each of the ETOs in San Francisco, New York, London, Brussels, Tokyo and Guangzhou. With the availability of the additional allocation in 2003, InvestHK was able to extend representation to new markets, including South Korea, Osaka, the Middle East, India and Nordic countries of Europe and also improve its coverage in countries like Australia, Canada, France, Germany and Italy.

5.5 Regarding concerns about the cost-effectiveness of the promotional work of InvestHK, DG of IP said that reference could be made to the increasing number of external companies which had been successfully attracted by InvestHK to set up businesses in Hong Kong, details of which had been provided to the Panel on Commerce and Industry earlier on. As the additional provision had only been allocated to InvestHK in 2003, DG of IP expected more benefits to show through in 2004. As regards CEPA, DG of IP said that it was too early at the present stage to assess its effectiveness, but the results would likely be more ascertainable in late 2004 and early 2005. Nevertheless, he informed members that preliminary findings had revealed an increasing number of jewellery companies in India interested in setting up businesses in Hong Kong. Moreover, in view of a higher level of copyright protection in Hong Kong, DG of IP said that pharmaceutical and information technology companies in India had also indicated interests in conducting their business activities in Hong Kong.

Promotion of Hong Kong's service industries

5.6 Noting that the Hong Kong Trade Development Council (TDC) had earmarked over $3 million in 2004-05 for developing and marketing its service sectors portals, Mr NG Leung-sing expressed concern about the cost-effectiveness of these portals. In response, the Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry)1 (DS(CI)1) remarked that these portals had proved to be quite effective in terms of successful business matching between Hong Kong service providers on the one hand and potential clients overseas and in the Mainland on the other. For further details, DS(CI)1 would provide information on the successful cases after the meeting.

5.7 Given that users might be more inclined to rely on information provided in the service sectors portals since they were official portals launched by TDC, Mr NG Leung-sing expressed concern about the accuracy of information disseminated through these portals and cautioned that any misleading or inaccurate information might tarnish the reputation of TDC or the Government.

5.8 In response, DS(CI)1 advised that the service sectors portals provided a central platform for companies to disseminate corporate information locally, overseas and in the Mainland. There were terms and conditions in the agreement between TDC and the companies concerned stipulating, inter alia, that TDC would not be held liable for any inaccuracy in the information supplied by individual companies on these portals. DS(CI)1 confirmed that TDC had put in place a mechanism to deal with complaints which might arise from inaccurate information posted on the service sectors portals. He undertook to provide further details on the mechanism.

Copyright protection for Hong Kong products in the Mainland

5.9 Mr SIN Chung-kai expressed concern about piracy activities in the Mainland, in particular the PRD region, and enquired on measures, if any, taken by the Administration with a view to tackling copyright infringement of Hong Kong products, particularly movie and musical products. In response, the Director of Intellectual Property (DIP) advised that the Administration had strengthened liaison and communication with the intellectual property (IP) authorities in Guangdong Province through the Guangdong/Hong Kong Expert Group on the Protection of Intellectual Property Rights set up in August 2003 under the Hong Kong/Guangdong Co-operation Joint Conference. DIP said that unlike Hong Kong where the Customs and Excise (C&E) Department was the principal agency responsible for enforcement against copyright infringement, IP protection in the Mainland was vested in six different agencies. Notwithstanding, the Administration would continue to work closely with the relevant authorities in the Mainland to safeguard the copyright interests of Hong Kong enterprises. In conjunction with the Mainland authorities, the Administration had also organized publicity activities in the Mainland with a view to increasing the awareness of Mainland enterprises on the need for IP protection.

5.10 Noting that the Intellectual Property Department had been allocated $650,000 in 2004-05 for implementing measures to protect the IP rights of Hong Kong enterprises operating in the Mainland, Mr SIN Chung-kai asked whether enforcement action could be strengthened by deploying C&E officers to the ETO of the Government of Hong Kong Special Administrative Region (HKSAR) in Guangdong (Guangdong ETO) whose main duty was to provide relevant information to the Mainland authorities to facilitate their enforcement actions against infringement activities involving the copyright interests of Hong Kong enterprises. In this regard, the Acting Commissioner of Customs and Excise confirmed that currently there were adequate communication channels in place to facilitate the exchange of information and intelligence between the Mainland Customs and Hong Kong Customs on copyright infringement activities. He said that the customs authorities of both places had collaborated very well in their efforts to combat illicit activities connected with copyright infringement and the import and export of pirated products. He was of the view that the current communication channels between the two customs administrations were both effective and satisfactory. PSCI cautioned that the arrangement suggested by Mr SIN had to be considered carefully as the attachment of an officer from HKSAR Government to assist the Mainland authorities in enforcing copyright protection could give rise to jurisdictional issues. As regards problems on copyright infringement encountered by Hong Kong enterprises in the Mainland, PSCI advised that the companies concerned could approach the Guangdong ETO which would convey their complaints to the relevant Mainland authorities for follow up. PSCI confirmed that IP-related complaints, brought to the attention of the Guangdong ETO, would be referred to the relevant Guangdong authorities, just like other economic and trade-related issues.

International fairs and conferences

5.11 Mr Henry WU enquired on the measures taken by the Administration in promoting participation in overseas exhibitions and fairs by Hong Kong enterprises. In response, PSCI advised that at present, TDC was mainly responsible for assisting Hong Kong enterprises and co-ordinating their participation in major overseas exhibitions/fairs, such as the World Jewellery and Watch Fair held in Basel in early April each year. In addition, individual companies in Hong Kong could apply for financial subsidies from the Small and Medium Enterprises (SMEs) Export Marketing Fund administered by the Trade and Industry Department for participating in local and overseas exhibitions/fairs. Under the existing arrangement, each SME was eligible for a maximum grant of $80,000. PSCI also noted that industries and trade associations such as the Federation of Hong Kong Industries and the Hong Kong General Chamber of Commerce also organized seminars and trade promotional activities from time to time to assist local enterprises to reach out to overseas and Mainland markets.

5.12 Regarding measures to attract major international conferences to be held in Hong Kong, PSCI informed members that the Hong Kong Tourism Board and InvestHK took an active role in facilitating the holding of major international conferences in Hong Kong, such as the Forbes CEO Conference 2004 with participation of the Fortune 500 companies. PSCI highlighted that the forthcoming Sixth Ministerial Conference of WTO to be hosted by Hong Kong would be a significant international event.

5.13 Mr Henry WU was concerned about the Administration’s criteria, if any, in promoting the participation of local enterprises in overseas exhibitions and in hosting major events in Hong Kong. In this connection, PSCI said that it was entirely up to individual enterprises to decide on their own whether to participate in local and overseas exhibitions. As regards the hosting of international conferences in Hong Kong, PSCI advised that due to limited resources, the Administration would accord priority to major events which attracted worldwide attention.

5.14 Referring to the 84 projects approved by the Economic Relaunch Working Group, Mr SIN Chung-kai sought further information on the allocation of $7 million for the purpose of supporting the participation of the watch and jewellery industries in the Basel Fair in April 2004. PSCI reported that in April 2003, over 300 watch and jewellery exhibitors from Hong Kong were prohibited by the organizer from participating in the Basel Fair due to the outbreak of the Severe Acute Respiratory Syndrome in Hong Kong. Subsequently, the Administration and TDC had taken up the matter with the Swiss Government and the organizer of the Basel Fair. After considerable efforts, TDC had managed to turn this crisis into an opportunity by successfully negotiating with the authorities concerned to set up a "Hong Kong Pavilion" for exhibitors from Hong Kong at the main venue of the Fair starting from 2004, instead of at the previous off-site location. PSCI confirmed that the $7 million in question was a one-off financial support measure to assist Hong Kong exhibitors in renting their booths in the new "Hong Kong Pavilion" with a view to supporting their return to the Fair in 2004.

5.15 While stating that he had no objection to the grant in question, which was one-off in nature, Mr SIN Chung-kai expressed his concern about the implications of providing direct financial support to a particular industry as other industries might put up similar requests for assistance.