

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

**Economic Summit - Action Agenda of
the Focus Group on Trade and Business**

Introduction

This paper reports to Members the work done by the Focus Group on Trade and Business under the “11 • 5 Economic Summit” Forum and highlights some of the actions being pursued by the Administration on matters which fall under the remit of the Panel on Commerce and Industry.

Background

2. The Focus Group on Trade and Business is one of the four focus groups formed at the Economic Summit held on 11 September 2006. To facilitate discussion, the Focus Group formed four sub-groups to further examine different aspects of trade and business, namely on Hong Kong’s branding, Closer Economic Partnership Arrangement (CEPA), factories in Guangdong, and attracting and nurturing talents. The Focus Group completed its study and its convenor, Dr Victor Fung handed its report to the Chief Executive on 15 January 2007. Copy of the report can be found in http://www.info.gov.hk/info/econ_summit/eng/action.html.

3. In gist, the Focus Group has proposed three policy directions:

- At the international level, to inculcate a “Brand Hong Kong” culture and to enhance Hong Kong’s role as an effective conduit for overseas information, technology, human and financial flow to enter the Mainland, and a springboard for Mainland enterprises to reach the international markets.
- At the national level, to optimise the potential and benefit of CEPA and to nurture talents and enhance our talent pool.

- At the regional level, to help Hong Kong-owned factories in Guangdong to cope with the challenges arising from latest developments in Guangdong, including exploration of Mainland's domestic market.

4. Against the foregoing policy directions, the Focus Group has put forward a total of 13 strategic proposals and 32 specific measures. We are proactively studying these recommendations to see how best they could be brought forward. Some of them involve additional resources and would need to be considered in the light of resources availability. Some others could be implemented in the shorter term and action is in hand. We will keep the Panel informed of developments. For this meeting, we would like to highlight a few key areas at the three levels for Members' noting.

At the international level

5. Hong Kong has long been recognised as a brand in itself. It signifies, inter alia, a confluence of East and West and China's most international city where diversity and differences in values are respected, where high quality goods and efficient services are found, and where rule of law and free flow of information are core characteristics. We value these attributes and would like to further consolidate and expand on them.

6. Back in 2001, the Information Services Department launched a Brand Hong Kong programme to provide a visual identity highlighting our core values, attributes and strengths, and to position Hong Kong as Asia's world city. Various government departments have promoted Hong Kong overseas and in the Mainland in earnest. Non-government organisations have also organised various activities to recognise product and service excellence and encourage the development of brands.

7. In the last few years, we witnessed rapid economic growth in the Mainland. Its 11th Five Year Plan puts great emphases on, among other things, improving innovation capability, optimising industrial structure, as well as expanding domestic consumption. Such development offers unprecedented opportunities for Hong Kong. For example, at the

enterprise level, expanding domestic consumption means opening up a huge, yet largely untapped consumer market. Hong Kong has an edge in product design, innovation and technology. There are tremendous opportunities for industries to make use of our advantages in these aspects and to fully utilise the potential of the Hong Kong branding.

Proposed way forward

8. Against these developments, the Focus Group has pointed out a need to reinvigorate the “Brand Hong Kong” programme and devise a strategy to ensure effective, consistent, and coordinated promotion and implementation by various agencies.

9. “Brand Hong Kong” is a long term endeavour and investment. We would need to consider carefully how to take forward this recommendation to inculcate a “Brand Hong Kong” culture throughout the whole community. In the meantime, we will leverage on the celebration activities of the 10th anniversary of the HKSAR Establishment to actively promote “Brand Hong Kong”. The Administration, in particular the Commerce, Industry and Technology Bureau, Invest Hong Kong, Information Services Department, and the Economic and Trade Offices as well as members of Hong Kong Inc. such as the Hong Kong Trade Development Council (TDC) and the Hong Kong Design Centre will continue to work closely in promoting the image of Hong Kong and Hong Kong-brand products and services.

At the national level

10. At the national level, CEPA is a win-win agreement, bringing new business opportunities to both the Mainland and Hong Kong. The zero import tariff preference may attract to Hong Kong manufacturing of brand name products, or manufacturing process with high-value added content or substantial intellectual property input; while the WTO-plus market liberalisation measures for trade in services give Hong Kong companies a “first mover” advantage.

Proposed way forward

11. To facilitate better utilisation of the benefits CEPA provides, the Focus Group has suggested, among others, the establishment of a consultative arrangement with major business associations to provide a platform for exchanges on trade and investment facilitation measures as well as problems encountered relating to CEPA implementation, and for gathering views which the trade may have on further services liberalisation.

12. We have taken forward this recommendation and will launch the consultative arrangement this month. Representatives from the four major industry and trade organisations (viz. Hong Kong General Chamber of Commerce, The Chinese Manufacturers' Association of Hong Kong, Federation of Hong Kong Industries, and Chinese General Chamber of Commerce) and the Hong Kong Coalition of Professional Services will be invited to join a consultative forum. The Secretary for Commerce, Industry and Technology, together with senior representatives from relevant bureaux and departments will be present to hear views which the trade may have on further services liberalisation. The opportunity could also be taken for the trade to exchange views on trade and investment facilitation measures and problems relating to CEPA implementation. This could enhance the private sector perspective in tapping the full potential of CEPA. Such inputs are particularly timely for our current discussions with the Ministry of Commerce and other concerned agencies on further trade liberalisation, trade and investment facilitation as well as implementation. The first such forum has been scheduled for 30 March 2007.

At the regional level

13. At the regional level, it is estimated that there are some 60 000 Hong Kong-owned factories in Guangdong. The majority of them are small and medium-sized enterprises engaged in traditional labour-intensive, low value-added production activities, and are most vulnerable to the changes brought about by the 11th Five Year Plan. Many face difficulties associated with rising cost of production as well as

changes in rules and regulations.

Proposed way forward

14. The Focus Group has suggested to enhance Hong Kong-owned factories' understanding of the rules and regulations and help clear uncertainties on law enforcement and compliance, and to assist Hong Kong-owned factories in Guangdong to meet environmental requirements.

15. The Trade and Industry Department has been issuing trade circulars and disseminating information through the web. The Hong Kong Economic and Trade Office (ETO) in Guangdong has also been assisting enterprises to enhance understanding by organising seminars and discussion groups for Hong Kong businessmen. Mainland officials spoke on these occasions to explain the policy and address questions from Hong Kong businessmen. The Guangdong ETO also provides exchange platforms in the form of seminars, discussion groups and regular meetings with industry and trade organisations. Separately, TDC has been conducting market researches focussing on niches where Hong Kong-owned factories possess an edge.

16. At the same time, the Hong Kong Productivity Council (HKPC) has been providing consultancy and engineering support services to Hong Kong-owned factories in Guangdong to help them meet environmental requirements and upgrade their technology. HKPC also organises public awareness programmes for Hong Kong enterprises in collaboration with other trade and industrial organisations.

17. We will further consider how all the above efforts could be further enhanced.

18. In parallel, a study on the impact of Mainland's processing trade policy on Hong Kong is being conducted under the auspices of the Greater Pearl River Delta Business Council. This will, inter alia, analyse Mainland's processing trade policy, assess possible impacts of any adjustment on Hong Kong, and put forward recommendations. The Task Group formed to take forward this task aims to complete its study in May

2007. This would be useful in assisting Hong Kong manufacturers in the Mainland to better plan their businesses ahead.

Advice sought

19. Members are invited to note the contents of this paper.

Commerce, Industry and Technology Bureau
March 2007