

## **LegCo Panel on Commerce and Industry**

### **Policy Agenda of Commerce and Industry Branch and Innovation and Technology Commission, Commerce, Industry and Technology Bureau**

This paper outlines the initiatives related to the Commerce and Industry Branch and Innovation and Technology Commission of the Commerce, Industry and Technology Bureau under the 2006-07 Policy Agenda.

#### **Part I : Commerce and Industry Branch**

##### ***Vibrant Economy***

##### **New Initiative**

***Initiative:*** *Intensify efforts to promote awareness of and respect for intellectual property rights in the business sector, and to assist businesses, in particular small and medium enterprises (SMEs), to achieve intellectual property compliance.*

2. We are committed to protecting intellectual property rights in Hong Kong. As the business sector is one of the major user groups of copyright works, we have been making efforts to promote intellectual property compliance in the business sector. For the coming year, we will intensify our efforts in this area. In particular, we will shortly launch a pilot programme entitled the “Software Certification Programme” in which outreaching services will be provided with a view to facilitating enterprises, especially SMEs, to properly manage their software asset. We hope that this programme would help create an atmosphere in which enterprises will take pride in intellectual property compliance.

##### **On-going Initiatives**

***Initiative:*** *Finalising the arrangements for the setting up of an Economic and Trade Office (ETO) in Berlin to strengthen our economic and trade representation in Europe.*

3. The geo-political and economic developments in Europe and in particular the enlargement of the European Union from 15 to 25 Member States in May 2004 have brought about substantial business and trade opportunities for Hong Kong. In order to tap the new business and trade potential in the European market, we have re-organised our representation in Europe in July 2006 by transforming the Brussels ETO into the 'head' ETO in Europe, supported by the London ETO and a new ETO to be set up in Berlin to strengthen Hong Kong's presence and representation in some 30 European countries.

4. We are at present finalising the arrangements for the setting up of the Berlin ETO which will in future represent and promote Hong Kong's trade and commercial interests in the eastern part of Europe.

***Initiative: Participating actively in the work of the World Trade Organization (WTO) to bring about continual trade liberalisation and to promote and protect the trade interest of Hong Kong.***

5. A multilateral trade regime is very important to Hong Kong. The WTO Sixth Ministerial Conference we hosted in December 2005 set out a launching pad for the Doha Development Agenda (DDA) negotiations to enter the final phase in 2006. Major WTO Members, however, failed to take forward the process and the negotiations were suspended on 27 July 2006. The cost of this suspension is high for the entire WTO membership, particularly for the developing economies, and will be even higher if the multilateral trade negotiations enter into a period of prolonged hibernation.

6. Since the suspension of the negotiations, the Secretary for Commerce, Industry and Technology has been maintaining close contacts with the trade ministers of major Members as well as the Director-General of the WTO to exchange views and explore ways to bring the DDA back on track.

7. Hong Kong has always been a strong supporter of multilateralism. We believe a multilateral approach to liberalise trade provides the maximum benefits to both Hong Kong and the rest of the world. However, we are positive towards more liberalised trade arrangements which are WTO plus and will actively consider pursuing these arrangements with other economies.

***Initiative:*** *Working closely with the Mainland authorities at the central, provincial and municipal levels to ensure the smooth and effective implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); promoting greater understanding of the opportunities under CEPA; and making use of the standing consultation mechanism of CEPA to seek to discuss with the Mainland authorities on further trade liberalisation and additional market access opportunities for Hong Kong goods and services.*

8. The new package of CEPA liberalisation measures announced in end June 2006 further consolidates the tariff free merchandise trade between the Mainland and Hong Kong and offers new business opportunities to Hong Kong Service Suppliers (HKSS) in the Mainland market. So far, CEPA rules of origin have been developed for 1 407 Hong Kong products and HKSS enjoy preferential market access in 27 services sectors.

9. The Government attaches great importance to the promotion and effective implementation of CEPA. The relevant HKSAR Government agencies like Invest Hong Kong (InvestHK) as well as the Hong Kong Trade Development Council will continue to promote CEPA and its business opportunities among Mainland and foreign investors, enterprises and professionals through seminars, conferences and large-scale exhibitions. We will also continue to maintain close ties with the Mainland authorities through a variety of channels including the liaison offices established by the two sides to ensure effective implementation of CEPA. The opening of the ETOs in Shanghai and Chengdu in September this year will further enhance communication and co-operation between the two sides in the implementation of CEPA.

10. CEPA provides an open platform for Hong Kong and the Mainland to pursue further liberalisation measures. The Government will continue to discuss with the Mainland authorities on new measures as and when appropriate, with a view to further economic cooperation between the two places. In addition to broadening and deepening the services liberalisation measures under CEPA, we would like to accelerate the mutual recognition of professional qualifications between the two places with a view to enhancing the development opportunities of the professional sectors. We will also explore with the Mainland to flesh out the substance of the trade and investment facilitation measures under CEPA, for example, strengthening cooperation in the protection of intellectual property to protect the interest of Hong Kong traders.

**Initiative: Undertaking joint promotional efforts with relevant authorities in the Mainland to attract more overseas enterprises to invest in Hong Kong and use Hong Kong as a platform to tap the business opportunities in the Mainland.**

11. In order to promote the competitive advantages offered by the economic integration of Hong Kong and the Mainland, InvestHK has co-operated with various Mainland provincial and municipal authorities to conduct a series of joint seminars in key overseas markets in the past few years. This strategy has proven to be successful, and the seminars have attracted encouraging responses from foreign investors. Moreover, the joint promotion programmes by InvestHK and the Mainland have been extended to include other provinces outside the Pearl River Delta (PRD) region. Examples include a joint promotion programme with the Shanghai authorities held in Tokyo in March 2005, and a Hong Kong – Fujian promotion programme to be held in Philadelphia on 18 October this year to promote the Pan-PRD business environment. InvestHK also plans to co-operate with relevant Mainland authorities to organise eight joint promotion seminars in major overseas cities, including a joint seminar with the Guangdong Province in Paris in November 2006.

***Initiative: Stepping up promotional efforts to attract Mainland enterprises to invest in Hong Kong and to use Hong Kong to reach out to the rest of the world.***

12. InvestHK has been actively stepping up promotional efforts in the Mainland to promote Hong Kong's role as a springboard for Mainland enterprises to go global, and to introduce services offered by it. For example, InvestHK organised a series of seminars with the theme "Hong Kong – Your Platform to Go Global" in various major Mainland cities in 2006.

13. To further enhance our support services for Mainland enterprises interested in investing in Hong Kong, InvestHK launched two Invest Hong Kong Service Centres, one each in the Beijing Office and the Guangdong ETO of the HKSAR, in June 2006. Following the establishment of the Shanghai and Chengdu ETOs in September 2006, InvestHK will also set up such service centres in these offices, and will organise an "Invest Hong Kong Day" in the two cities.

***Initiative: Continuing promotional efforts to attract more overseas enterprises to invest in Hong Kong and to set up regional headquarters or regional offices in Hong Kong.***

14. InvestHK actively carries out investment promotion activities in overseas markets to promote Hong Kong's unique position for foreign companies to manage their operations in the region and to expand their business in the PRD region. These activities include direct marketing, overseas publicity and road shows, joint seminars co-organised with relevant Mainland authorities, and promotional efforts leveraging on the support of the business community, etc.

15. In 2006, the number of regional headquarters and regional offices in Hong Kong operated by overseas and Mainland companies reached a record high level of 3 845, with the USA, Japan, and the UK topping the list. This number represents an increase of 23% for the period from 2002 to 2006.

***Initiative: Taking the Copyright (Amendment) Bill 2006 through the legislative process with a view to enacting it within the 2006-07 legislative session.***

16. In March 2006, we introduced the Copyright (Amendment) Bill 2006 into the Legislative Council. The Bill encompasses a package of proposals to enhance protection for copyright owners, whilst accommodating the needs of the community for reasonable use of copyright works. The Bill is currently being scrutinised by the Bills Committee. The Administration will continue to tender our full assistance to facilitate the work of the Bills Committee, with a view to having the Bill enacted in the 2006-07 legislative session.

***Initiative: Continuing to review how to give more effective protection of copyright in the digital environment, with a view to launching a public consultation exercise in end 2006.***

17. We fully appreciate the importance of copyright protection in the digital environment. We are reviewing whether the existing legislative framework needs to be improved for more effective protection to copyright owners in the digital environment. Since the issues involved are controversial and have wide implications on the community, we plan to launch a public

consultation exercise towards the end of this year.

***Initiative: Pursuing a series of measures to facilitate the movement of people and goods across the boundary including the establishment of a new boundary control point for the Hong Kong-Shenzhen Western Corridor and installation of automated passenger, vehicle and cargo clearance systems.***

18. We have further consulted stakeholders on the proposal to develop an electronic advance road cargo information system with a view to enhancing the efficiency of road cargo customs clearance at land boundary control points and providing the necessary infrastructure for inter-modal transshipment facilitation. In light of the feedback and concerns raised by stakeholders, we are refining the proposal with a view to taking forward the project.

***Initiative: Continuing to assist small and medium enterprises through the SME funding schemes.***

19. We are committed to supporting the 270 000 or so SMEs in Hong Kong, which form the backbone of our economy. Towards this end, we have set aside \$2.2 billion to establish the SME funding schemes with a view to helping SMEs secure financing, expand export markets and raise overall competitiveness.

20. As at the end of September 2006, the Trade and Industry Department has approved over 127 800 applications under the funding schemes, involving more than \$9.2 billion in government guarantees and grants. We will continue to work closely with the Small and Medium Enterprises Committee and review the operation of the schemes from time to time including the financial situation of the funds.

## **Part II : Innovation and Technology Commission**

### ***Vibrant Economy***

#### **New Initiative**

***Initiative: Promote Hong Kong design and encourage the use of design for adding value to our goods and services through enhanced support for the Hong Kong Design Centre.***

21. Design is an integral part of our innovative capacity that helps our industries move up the value chain and cope with global competition. Our policy is to promote the wider use of design in industrial and business processes, and encourage enterprises switching from Original Equipment Manufacture to Original Design Manufacture and then to Original Brand Manufacture.

22. The Hong Kong Design Centre (HKDC) is a non-profit-making organisation set up in 2001 with the support of all the major local professional design bodies. It is our key partner to promote design as a value-adding activity, to enhance design standards, to foster design-related education, and to raise the profile of Hong Kong as an innovation and creative hub. It organises education courses, conferences, workshops, exhibitions, networking activities and the like to promote design.

23. Over the years, we see an expansion in the role of the HKDC which has formed a partnership with the Hong Kong Science and Technology Parks Corporation to jointly develop an InnoCentre as a one-stop shop and a focal point for support and services related to design. Given the increasing breadth and depth of HKDC's activities and plans to enhance its role, and hence the benefits that it brings to the economy, we plan to seek Finance Committee's approval for a funding of \$100 million to be spread over five years.

### **Ongoing Initiatives**

***Initiative: Implementing the new strategic framework for innovation and technology development through the five newly established research and development (R&D) centres to conduct applied R&D and promote technology transfer to the industry.***

24. The five R&D Centres were formally launched on 20 April 2006 and have since then started operation. The Government has appointed the Commissioner for Innovation and Technology as a director in the Board of Directors of all the R&D Centres, and as a member of the Technology Committee under the respective Boards. The Government will appoint suitable public officers to sit on the other committees/panels of the R&D Centres as appropriate to provide the necessary policy steering and advice.

25. The Centres are either soliciting or preparing to solicit project proposals. The first batch of R&D projects are expected to commence in end 2006/early 2007.

***Initiative: Continuing to enhance collaboration in science and technology with the Mainland through the Mainland-Hong Kong Science and Technology Co-operation Committee.***

26. In 2004, the Ministry of Science and Technology and the Commerce, Industry and Technology Bureau of the HKSAR set up the “Mainland/Hong Kong Science and Technology Co-operation Committee” to co-ordinate technology co-operation between Hong Kong and the Mainland. At its first two meetings, the Committee has agreed to enhance co-operation in four technology areas, namely radio frequency identification (RFID) technologies, automotive parts and accessory systems, integrated circuit design and Chinese medicine. Four working groups have been set up to devise co-operation measures. To enhance exchange and co-operation between Hong Kong and the Mainland, the Committee has also agreed to organise a large-scale exhibition in Hong Kong during the National Science and Technology Week to be held in May next year to showcase the latest technology achievements.

***Initiative: Continuing to work closely with the Guangdong Provincial Department of Science and Technology under the Expert Group on Co-operation in Innovation and Technology of the Hong Kong-Guangdong Co-operation Joint Conference to promote research and development collaborations between research institutions and enterprises in the region.***

27. In September 2004, the Expert Group launched the “Guangdong/Hong Kong Technology Co-operation Funding Scheme”. The purpose of the scheme is to encourage collaboration among universities, research institutions and technology enterprises in Hong Kong and Guangdong in carrying out applied R&D projects that will facilitate industry upgrading and economic development in the Greater PRD region. Over the past two years, both sides have supported about 200 projects with total funding of \$660 million. A new round of the scheme has been launched this year and vetting of the application is expected to complete within this year.

28. In May and June this year, the Guangdong and the HKSAR governments jointly organised seminars in four PRD cities, namely Guangzhou,



Foshan, Shenzhen and Dongguan, to promote the newly established R&D Centres as technology servicing platforms for the Greater PRD region.

***Initiative: Implementing the DesignSmart Initiative to promote wider use of design and innovation in industries to help them move up the value chain.***

29. We launched the \$250-million DesignSmart Initiative in June 2004 with the objectives of strengthening the support for design and innovation, and promoting the wider use of design and innovation in industries to help them move up the value chain. Under the DesignSmart Initiative, we operate four funding schemes to support design research; design/business collaboration; design professional continuing education; as well as fostering the culture of design. As at end September 2006 we approved 48 projects with funding support amounting to a total of \$52 million.

30. Under the DesignSmart Initiative, we also provide funding support to the Hong Kong Science and Technology Parks Corporation and the HKDC for the joint development of a one-stop shop called InnoCentre as a focal point for providing support and services related to design. It is located in Kowloon Tong and will start operation in full swing in November 2006.

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