

LegCo Panel on Commerce and Industry

Policy Agenda of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau

This paper outlines the initiatives related to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission of the Commerce and Economic Development Bureau under the 2010-11 Policy Agenda.

Part I : Commerce, Industry and Tourism Branch

Developing the Infrastructure for Economic Growth

On-going initiatives

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.

2. The multilateral trading system embodied in the WTO is the cornerstone of Hong Kong's external trade policy. Hong Kong participates actively in the WTO to secure maximum market access for Hong Kong's exports of goods and services to international markets.

3. The Secretary for Commerce and Economic Development attended the WTO Seventh Ministerial Conference (MC7) held from 30 November to 2 December 2009 in Geneva. It was a low-key regular ministerial meeting with the theme "The WTO, the Multilateral Trading System and the Current Global Economic Environment".

4. While the MC7 was not a Doha Development Agenda negotiating session, Ministers affirmed their commitment to conclude the Doha Round.

5. We will continue to work closely with other WTO Members for an early conclusion of the Doha Round.

Initiative: Encouraging more enterprises from the Mainland, Taiwan and the emerging markets in Russia, India, the Middle East and South America to invest in Hong Kong and helping our enterprises tap the business opportunities in these markets; and strengthening aftercare services and support to those enterprises already established here to encourage them to upgrade their presence.

6. In 2009 and the first half of 2010 respectively, Invest Hong Kong (InvestHK) has completed 265 and 188 international, Mainland and Taiwan investment projects. In the coming year, Mainland companies will remain priority targets for InvestHK. Further to the series of promotional and marketing activities in Sichuan, Guangdong and Liaoning between September 2009 and August 2010, it will strengthen its relation with those Mainland companies that have already established their presence in Hong Kong and provide better aftercare services to assist them to expand their businesses here.

7. To enhance its promotion efforts in Taiwan, InvestHK has conducted a public relations campaign and compiled a comprehensive database on the Taiwan companies in Taiwan, Hong Kong and the Mainland. The database provides useful reference for InvestHK to strengthen its networking with those interested in setting up their business in Hong Kong. InvestHK had also conducted a telemarketing campaign and a perception study to help enhance awareness of InvestHK's services and better understand the investment needs of Taiwanese companies. Looking ahead, InvestHK will organise seminars in different cities in Taiwan, the first of which will be held in Taipei in November 2010 with a focus on innovation and green technologies.

8. To tap the opportunities arising from the economic growth of emerging markets in Russia, India, the Middle East and South America, and the expected increase of the two-way trade and investment flows between these economies and the Mainland, InvestHK has been increasing its presence in these markets and in 2010, it has engaged a second consultant in India and new consultant for Russia.

Initiative: Working closely with the Mainland authorities to ensure the smooth and effective implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); and exploring further trade liberalisation and facilitation measures under CEPA, particularly for early and pilot implementation in Guangdong Province to facilitate regional economic integration.

9. Supplement VII to CEPA (Supplement VII) concluded in May 2010 further enhances Hong Kong businesses' access to the continuously growing services market in the Mainland. It provides for 35 market liberalisation and trade and investment facilitation measures in 19 sectors. Among them, 27 are liberalisation measures in 14 service sectors, including medical services, tourism, banking, securities, construction, air transport, distribution, technical testing, analysis and product testing services, and specialty design. Eight of the above measures are for early and pilot implementation in selected areas. The new liberalisation measures will take effect from 1 January 2011.

10. The Government attaches great importance to the effective implementation of CEPA. Apart from stepping up promotion to encourage more and fuller utilisation of CEPA measures and providing necessary support to the businesses in this regard, we will continue to work closely with the Mainland authorities at the central, provincial and municipal levels to help resolve problems encountered by the businesses in making use of CEPA measures in the Mainland.

Initiative : Continuing to support Hong Kong enterprises in the development and promotion of Hong Kong brands to enable them to better compete in the Mainland and overseas markets.

11. With intense competition in the global market, brand building is becoming increasingly important for Hong Kong. The Hong Kong's Overseas Economic and Trade Offices, InvestHK, the Hong Kong Trade Development Council (TDC) and the Hong Kong Tourism Board (HKTB) will continue to promote to a wide international audience our unique position as one of the world's most cosmopolitan and dynamic cities. We also revitalised Brand Hong Kong (BrandHK) earlier this year to update the brand's core values and attributes which will help promote the city's forward-looking and innovative nature to the world.

12. In parallel, we will strengthen co-operation and communication with relevant organisations, such as TDC, various trade associations and other key stakeholders in the trade, to support activities to enhance Hong Kong enterprises' awareness and knowledge about brand development. For example, the Trade and Industry Department (TID) and TDC will co-organise a branding conference in December 2010 to explore the branding strategies to venture into the Mainland consumer market. TID will continue to organise seminars on brand building, and provide funding through the small and medium enterprises (SMEs) funding schemes to facilitate local enterprises in promoting their brands in the Mainland and other emerging overseas markets.

Initiative: Continuing to support Hong Kong enterprises (in particular SMEs) through measures including various funding schemes.

13. We continue to assist Hong Kong enterprises to secure trade finance, expand market and enhance overall competitiveness through the funding schemes administered by TID.

14. To tackle the credit crunch problem arising from the global financial crisis, we introduced a number of enhancement measures to the on-going SME Loan Guarantee Scheme (SGS) and launched the time-limited Special Loan Guarantee Scheme (SpGS) in November and December 2008 respectively. In order to provide continued support to local enterprises in the midst of the crisis and provide sufficient time for the enterprises to consolidate their businesses after the crisis, the application period of the SpGS has been extended thrice, each for six months, in June and October 2009, and April 2010 respectively.

15. The enhanced SGS and SpGS have been contributing positively to "supporting enterprises and preserving employment". As at end September 2010, about 38 500 applications, involving total loans of some \$97 billion, have been approved under the above two schemes. The measures have benefited nearly 20 000 enterprises and helped preserve more than 330 000 jobs.

16. As the economy in Hong Kong has shown signs of recovery and the credit crunch problem has been largely relieved since 2010, we consider it desirable to let the credit market resume its normal operation gradually. The application period for SpGS will end after 31 December 2010. After the closing of the application period for the SpGS, the SGS, including the enhancement measures introduced in November 2008, will continue to render appropriate assistance to SMEs.

17. In addition, the SME Export Marketing Fund (EMF) will continue to support SMEs' participation in export promotion activities. The SME Development Fund will also provide financial support for trade and industrial organisations, professional bodies, support organisations and research institutes to carry out projects aimed at enhancing the competitiveness of SMEs generally and in specific sectors. As these two funds have all along been very well received by SMEs, we plan to submit an application to the Finance Committee next year to inject an additional \$1 billion into these two funds to give continued support to SMEs.

Initiative: Working closely with the trade to facilitate the latter to adapt to the Mainland's policy adjustments, to facilitate them to upgrade, restructure and relocate their operation, to develop new markets, as well as to reflect their views to the Mainland authorities.

18. The Hong Kong business sector has invested in a large number of manufacturing operations in the Mainland, many of which are in the processing trade. In recent years, the Mainland has been encouraging the restructuring and upgrading of the manufacturing sector through structural adjustment of the industry, with a view to promoting the sustainable development of the economy and enhancing the competitiveness of the country. In line with this direction, the HKSAR and Guangdong encouraged and assisted enterprises to restructure and upgrade and develop the Mainland domestic market under the auspices of the Framework Agreement on Hong Kong-Guangdong Co-operation signed in April this year.

19. We understand that the Mainland's policy direction in respect of the processing trade is to maintain an overall stable policy, and to continue with the implementation of major support measures launched in 2008 and 2009, so as to encourage enterprises engaging in processing trade to upgrade and restructure. These measures include "suspending the actual payment of standing book deposit for processing trade enterprises", "restructuring without stopping production, carrying forward without appraising the value", etc. On the front of domestic sales, the Mainland will continue with a number of facilitation measures, including "consolidated tax return for multiple domestic sales", for the benefit of Hong Kong enterprises interested in tapping the Mainland domestic market.

20. Separately, the Mainland has introduced a number of policies in recent years to spearhead the upgrading and restructuring of enterprises, for example, restricting the operation of polluting, resource-intensive and energy-intensive industries. Some of these policies might bring pressure on the trade. At the same time, enterprises also face other challenges in their operation, including an upsurge in operational cost due to rising wages and prices of raw materials, the appreciation of renminbi (RMB), labour shortage, etc. Recently, the trade has been very concerned about the legislative proposals of Guangdong and Shenzhen on the democratic management in enterprises and collective wage bargaining.

21. The HKSARG Government maintains close dialogue with the trade through various channels, including the Task Force to Support the Processing Trade, this Panel, LegCo Members and business associations. Similarly, the HKSAR Government also maintains close liaison with the relevant Mainland authorities. We have conveyed to the Mainland authorities the trade's views and discussed with them possible support measures for the trade. In this connection, the Guangdong authority has announced that consideration of the proposed legislation on democratic management in enterprises would be deferred.

22. The HKSAR Government will continue to follow up with the relevant Mainland authorities on facilitation measures proposed by the trade, including strengthening the protection of intellectual properties, streamlining the procedures for Hong Kong enterprises to open distribution and retail outlets, standardising the certification/inspection system, simplifying the process of quality inspection, etc. We will also encourage Hong Kong traders to make good use of trade fairs and matching forums organised by different Mainland provinces and cities, and also by the TDC, so to develop new sales channels. Meanwhile, we will continue to assist enterprises in upgrading and restructuring, conducting research and development, and branding through the provision of different kinds of funding and financing support (such as the “SME Funding Schemes”, “Innovation and Technology Fund”, “Research and Development Cash Rebate Scheme”, etc.)

Initiative: Further promoting and expanding trade, investment, tourism and other areas of co-operation between Hong Kong and Taiwan and promoting multi-faceted, multi-level exchanges with Taiwan in a proactive manner through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council and the Hong Kong-Taiwan Business Co-operation Committee.

23. Hong Kong and Taiwan enjoy close economic and trade relations. The HKSAR Government has been actively creating favourable conditions for strengthening the economic and trade cooperation between the two places. The Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC) and the Hong Kong-Taiwan Business Co-operation Committee (BCC) were established on 1 April 2010, providing a new platform for promoting and deepening bilateral co-operation which is beneficial to both places.

24. The Financial Secretary visited Taiwan between 28–31 August 2010 in his capacity as the Honorary Chairperson of the ECCPC. Members of ECCPC and BCC and representatives of the business sector also joined the trip. Both sides agreed to build on the existing good foundation and strengthen exchange and co-operation in the areas of economic and trade, investment, tourism and culture, etc., with a view to promoting synergy and co-operation between the two places on a long term basis. The visit has also enabled both sides to discuss and exchange views on other policy areas, for example, bilateral co-operation in financial services and regulation, double taxation avoidance issues and the updating of the air transport arrangements between Hong Kong and Taiwan.

25. In addition, with the commencement of its operation since late 2008, the TDC Taipei Office has established close links with Taiwan's commerce and industry sectors, and has been actively encouraging various industries in Taiwan to use Hong Kong as a platform for promoting and developing their businesses. The Taipei Office will continue to strengthen promotion of Hong Kong's service industry, including the emerging professional services such as arbitration and mediation.

26. On tourism, the HKTB will continue to step up its promotion efforts in Taiwan to attract more overnight vacation visitors to Hong Kong. It will also try to open up new visitor sources from Taiwan cities other than Taipei, and launch special promotions for young people, family tourists and MICE (Meetings, Incentives, Conventions and Exhibitions) visitors. HKTB will also co-operate with the travel trade to promote Hong Kong/Taiwan cruise itineraries and "multi-destination" cruise products in all major Mainland provinces and cities. On the setting up of an office in Taipei by the HKTB, both sides agree to actively pursue this issue with a view to implementing the relevant arrangements as soon as possible.

Initiative: Promoting co-operation between major venues to achieve better utilisation of existing convention and exhibition facilities and closely monitoring Hong Kong's long term demand for additional facilities.

27. Following the “one show, two locations” approach, the Hong Kong Jewellery and Gem Fair 2010 was held concurrently at Hong Kong Convention and Exhibition Centre (HKCEC) and the AsiaWorld-Expo (AWE) in September to tap the synergy of integrating our first-class exhibition venues for a trade fair organised by the same event organiser. The fair featured over 3 200 exhibitors spreading over 120 000 square meters of exhibitions space in AWE and HKCEC. Building on the success of this fair, the organiser is planning to further expand the show in AWE next year. We will continue to encourage and facilitate exhibition organiser and venue operators to make fuller use of our existing convention and exhibition facilities using the “one show, two locations” approach. Meanwhile, the TDC is planning more exhibitions at AWE and is exploring the feasibility of launching four new shows there in 2011/12.

Initiative: Taking forward the refined proposals for strengthening copyright protection in the digital environment with a view to introducing the relevant amendment bill into the Legislative Council in the 2010-11 legislative session.

28. We released a set of refined proposals in November 2009 after taking into account the views of stakeholders and the experience and practices in overseas jurisdictions. The proposals cover issues such as the introduction of an all-embracing right of communication in electronic transmission with ancillary criminal sanctions, the role of online service providers in combating Internet piracy, etc. We are now working on the relevant amendment bill with a view to introducing it into the Legislative Council within the 2010-11 legislative session.

Initiative: Continuing to promote awareness of and respect for intellectual property rights in the business sector, and to assist business, in particular SMEs, to achieve compliance with intellectual property rules.

29. We will continue to promote respect for intellectual property rights in the business sector through various channels and activities, including seminars, publication of leaflets and other reference materials. In particular, we will publicise the “business end-user offences” so that enterprises may guard against inadvertent breaches of the law. To help enterprises, especially SMEs, protect and capitalise on their intellectual assets (including brand, systems and practices of enterprise, registered intellectual property rights, etc.) for future business development, we will continue to run the Intellectual Capital Management Consultancy Programme.

Initiative: Continuing to support the further development of wine trading and distribution businesses in Hong Kong, riding on growing demand across Asia. Measures being pursued include trade and investment promotion, facilitating the movement of wine imports into the Mainland, manpower training and education, promotion of wine and food pairings, combating counterfeits, and collaboration with trading partners.

30. Since the exemption of wine duty in February 2008, imports and wine-related businesses continue to grow at a vibrant pace. For example, according to the industry, Hong Kong overtook London to become the second largest wine auction centre in the world in 2009, just after New York.

31. The HKTb will be organising the second Wine and Dine Festival in late October 2010, after a successful inaugural event attracting some 70 000 visitors last year. The TDC will also hold its third International Wine and Spirits Fair in early November 2010, which is the second major international wine fair in Hong Kong this year after Vinexpo’s return for the fourth time in May 2010.

32. We are also continuing our discussions with wine-producing countries/regions on promotional co-operation agreements, on top of the nine agreements that we have signed so far¹. We launched with the Mainland Customs in June 2010 a facilitation scheme, enabling faster clearance of wines re-exported from Hong Kong to the Mainland. We are also exploring with the Mainland General Administration of Quality Supervision, Inspection and Quarantine possible introduction of facilitation measures regarding food safety inspection.

Initiative: Continuing to pursue measures to facilitate the movement of people and goods across the boundary, with a view to maintaining Hong Kong's competitiveness. These include the further promotion of self-service immigration clearance to visitors, and encouraging the industry's migration to the newly-introduced electronic "Road Cargo System" for easy and efficient customs clearance of road cargoes.

33. Following the smooth launching of ROCARS in May 2010, the Customs and Excise Department (C&ED) has been actively encouraging the industry's early migration to this electronic system through publicity, outreaching work, seminars and training, etc. Use of ROCARS will be made mandatory in November 2011, after a transitional period of 18 months.

34. C&ED has agreed with the Mainland customs to harmonise the data format for fields common to ROCARS and the Mainland electronic system for receiving road cargo manifests. This would reduce traders' data input efforts. Another development of note is that riding on ROCARS, C&ED will introduce measures in November 2010 to facilitate inter-modal transfer of cargoes (e.g. from land to air/sea).

¹ We have signed co-operation agreements with France (and its Bordeaux region), Spain, Australia, Italy, Hungary, New Zealand as well as United States (and its Washington and Oregon States).

Part II : Innovation and Technology Commission

Developing the Infrastructure for Economic Growth

New Initiatives

Initiative: Work closely with the Hong Kong Council for Testing and Certification to implement a three-year market-driven development plan and explore business opportunities for new testing and certification services in four selected trades, i.e. Chinese medicine, construction materials, food and jewellery.

35. The Hong Kong Council for Testing and Certification (HKCTC) was established in September last year to co-ordinate and spearhead the development of the testing and certification industry in Hong Kong. It submitted its Report containing a three-year market-oriented development plan for the industry to the Government in March 2010. The Government has accepted all its recommendations.

36. HKCTC recommends the Government to adopt a dual approach - making general improvements to the accreditation service and factors of production of the industry, whilst focusing particular attention on four selected trades with good potential in using testing and certification services. The four trades are Chinese medicine, construction materials, food and jewellery.

37. We will work closely with HKCTC to implement its recommendations in the coming years. The Council is forming panels for each of the selected trades to allow stakeholders to work together to promote and develop new testing and certification services.

Initiative: Provide financial assistance to Partner State Key Laboratories in Hong Kong to enhance their research capability.

38. Enhancing the technological infrastructure of Hong Kong will benefit Hong Kong's enterprises in particular on facilitating transfer of relevant science and technology achievements to the Mainland. State Key Laboratory (SKL) is the highest nationally recognised technological infrastructure. To qualify as a SKL, the laboratory must possess high quality research team, as well as state-of-art research facilities and equipment. As at mid 2010, the national Ministry of Science and Technology has approved 12 laboratories operated by the Hong Kong universities to become Partner SKLs.

39. The Government is planning to provide these Partner SKLs with financial assistance through the Innovation and Technology Fund (ITF) with the aim to further enhance their research capabilities. Details on the financial assistance plan are being worked out.

Initiative: Work closely with the Hong Kong Science and Technology Parks Corporation to commence the construction works of Science Park Phase 3 in the second half of 2011 and to revitalise the industrial estates in order to keep pace with development.

40. The funding arrangement and the land grant for the development of Science Park Phase 3 were approved by the Finance Committee and the Executive Council in the second quarter of 2010. We are working closely with the Hong Kong Science and Technology Parks Corporation (HKSTPC) on the procurement of consultancy services for the management and architectural design of Phase 3. The consultants will be required to produce innovative and sustainable design to meet the commencement of works contracts in 2011.

41. To ensure that the development of our industrial estates keeps pace with the times and brings the best economic benefit to Hong Kong, HKSTPC has commissioned a consultancy study to reposition and revitalise the industrial estates. The study has been completed and HKSTPC is reviewing the findings. We will work closely with the HKSTPC to look into the feasibility and cost effectiveness of various proposals, taking into account long-term sustainable development directions and strategies.

On-going Initiatives

Initiative: Implementing the Research and Development (R&D) Cash Rebate Scheme to reinforce research culture among business enterprises and encourage them to establish stronger partnership with designated local public research institutions.

42. Following Finance Committee's approval for a commitment of \$200 million, we launched the R&D Cash Rebate Scheme on 1 April 2010. Under the Scheme, we will provide a 10% cash rebate on the R&D investment by local companies in conducting applied R&D projects either funded under the ITF or in collaboration with designated local research institutions. In its first six months of operation, the Scheme has received 128 applications for a total rebate of around \$3.3 million. We will report progress annually to the Panel on Commerce and Industry and conduct a review on the Schemes' effectiveness after three years.

Initiative: Implementing the Three Year Action Plan under the "Shenzhen-Hong Kong Innovation Circle" and promoting closer co-operation between Hong Kong and Shenzhen in innovation and technology.

43. In March 2009, the governments of Shenzhen and Hong Kong agreed on an action plan to promote closer co-operation in innovation and technology in the coming three years. This Three Year Action Plan comprises 24 co-operation projects in various fields including biomedical, integrated circuit, Radio Frequency Identification (RFID) technology, solar energy and industrial design. Co-operation partners include government departments, universities, research institutes and community organisations from both sides. The overall progress of the projects in the first year was satisfactory. We will continue to work closely with the government of Shenzhen to facilitate and monitor the implementation of the Three Year Action Plan.

Initiative: Promoting applied R&D and technology transfer to the industry through the R&D Centres and the Innovation and Technology Fund.

44. In the past four years or so, the R&D Centres have undertaken more than 330 projects with an ITF funding of \$1.7 billion, and are taking steps to commercialise the R&D results. We are currently undertaking a review of the institutional setup to look into the *modus operandi* and operating cost of the R&D Centres to see if there is any room for achieving greater savings and higher cost effectiveness. We will report the findings to the Panel on Commerce and Industry by the end of this year.

Initiative: Continuing to promote all round collaboration in science and technology with the Mainland.

45. This year, innovation and technology has been included as one of the major areas in the Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement) and CEPA (Supplement VII) signed in April and May respectively.

46. In accordance with the provisions of the CEPA (Supplement VII), the Government will work with the Mainland to progressively involve Hong Kong research institutes and enterprises into the national innovation system and encourage Hong Kong research personnel and institutes to participate in national science and technology projects. The Government will also work with Guangdong and Shenzhen counterparts to implement measures and objectives stated in the Framework Agreement to jointly encourage Hong Kong-Guangdong science and technology collaboration on a regional basis.

Quality City And Quality Life

New Initiatives

Initiative: Organise a wide range of community and business activities, including the InnoTech Month and the Business of Design Week, during November and December 2010 to enhance the community's awareness of and capacity for innovation and creativity.

47. Innovation and technology are essential elements to enhance an economy's productivity and competitiveness, and sustain long-term economic growth. The Government attaches great importance to the development of innovation and technology. To foster a culture of innovation and technology within the community, and to bring to the attention of the general public the importance of innovation and technology for the future development of Hong Kong, the Innovation and Technology Commission will continue to enhance its publicity plan with a view to providing the community with first-hand experience of innovation and technology applications in real life under different dimensions; and promote participation from the community, in particular the younger generation, through continuous nurturing of innovation and technology culture.

48. Among which, the anchor event, InnoTech Month (ITM), is to be held in four consecutive weeks in November 2010 to enable the public, students, teachers and parents to experience technological development and the achievements of academics, technopreneurs, business entities and R&D sector.

Commerce, Industry and Tourism Branch
Innovation and Technology Commission
Commerce and Economic Development Bureau
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