

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

**Controlling officer:** the Director-General of Trade and Industry will account for expenditure under this Head.

**Estimate 2005–06** ..... **\$676.9m**

**Establishment ceiling 2005–06** (notional annual mid-point salary value) representing an estimated 678 non-directorate posts as at 31 March 2005 reducing by 154 posts to 524 posts as at 31 March 2006 ..... **\$185.5m**

In addition, there will be an estimated 14 directorate posts as at 31 March 2005 reducing by three posts to 11 posts as at 31 March 2006.

**Commitment balance** ..... **\$6,750.5m**

### Controlling Officer's Report

#### Programmes

**Programme (1) Commercial Relations**

**Programme (2) Trade Support and Facilitation**

**Programme (3) Support for Small and Medium Enterprises and Industries**

These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).

#### Detail

##### Programme (1): Commercial Relations

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision# (\$m)	69.3	73.1	150.1 (+105.3%)	255.3 (+70.1%)
				(or +249.2% on 2004–05 Original)

# All the figures set out above include the provision for (a) the contribution to the International Textiles and Clothing Bureau transferred from Head 106—Miscellaneous Services; (b) the contribution to the Asian and Pacific Development Centre and United Nations Development Programme transferred from the former Head 176—Subventions: Miscellaneous; as well as (c) the honoraria for members of the Review Body on Bid Challenges and the subscriptions to the Asia-Pacific Economic Cooperation and Pacific Economic Cooperation Council transferred from Head 152—Government Secretariat: Commerce, Industry and Technology Bureau (Commerce and Industry Branch). All these transfers have taken effect from 2004–05.

#### Aim

2 The aim is to secure and preserve maximum access and fair treatment for exports from Hong Kong to international markets.

#### Brief Description

3 The Department, through its Multilateral Division, Regional Co-operation Division and respective geographical divisions, is responsible for the commercial relations of Hong Kong. It seeks to protect Hong Kong's rights and trade interests by monitoring and responding to trade policies and measures of trading partners through multilateral and bilateral negotiations and other channels. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade by actively participating in multilateral and regional trade fora. To this end, Hong Kong relies on the multilateral trading system under the auspices of the World Trade Organization (WTO) as the cornerstone of its commercial policy.

4 The Department has helped achieve significant results on the commercial relations front. Hong Kong is a founding member of the WTO. This separate membership has continued since 1 July 1997 under the name "Hong Kong, China". Hong Kong was ranked the 11th largest trading economy in the world in 2003 by the WTO. It came first in the 2005 Index of Economic Freedom published by the Heritage Foundation of the United States (US) in January 2005. Within the region, the Department continues to expand its links and participates actively in the Asia-Pacific Economic Cooperation (APEC) forum whose member economies account for some 80% of Hong Kong's total external trade. The Department will continue to advance and safeguard Hong Kong's trade interests and rights.

5 The Department has actively participated in the discussions with the Mainland on further trade liberalisation under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). A Supplementary Agreement to the CEPA was signed on 27 October 2004.

6 The key performance measures are:

### *Indicators*

- provide early warning on import restrictions and regulations by importing economies;
- promptly disseminate information to traders where appropriate;
- make timely representations as appropriate to safeguard Hong Kong's trade interests;
- participate in and contribute to discussions in international economic and trade fora;
- secure and preserve market access for both goods and services; and
- uphold the integrity of the multilateral trading system.

7 In 2004, the Department's key activities included the following:

- active participation in the WTO bodies to monitor and evaluate the implementation of the Uruguay Round agreements, as well as the work programmes adopted at the WTO Ministerial Conferences. These included the work programme on harmonising rules of origin and the third and final Major Review on the implementation of the Agreement on Textiles and Clothing (ATC), as well as the launch of negotiations on trade facilitation;
- active and constructive participation in the new round of multilateral trade negotiations and work programme mandated by the Doha Ministerial Declaration, the decisions adopted at the Fifth WTO Ministerial Conference held in Cancun in September 2003, as well as the package of framework (the 'July Package') adopted at the WTO General Council Meeting on 1 August 2004 for further negotiations. These include close monitoring of, and submission of proposals on key negotiating areas such as agriculture, services, non-agricultural market access, development issues and trade facilitation, etc. The Department is also charged with the responsibility of preparing for hosting the Sixth WTO Ministerial Conference (MC6) in Hong Kong from 13 to 18 December 2005;
- active and constructive participation in the WTO negotiations on services which have entered the stage of discussing initial offers for specific commitments submitted by members;
- close monitoring of the implementation of China's WTO accession commitments and keeping the business community informed of changes in the Mainland's trade/business/investment laws and regulations through various channels, including issue of circulars and dissemination of information on departmental web portal;
- close monitoring of negotiations for accession to the WTO by important trading partners;
- active participation in various APEC fora, including the Economic Leaders' Meeting, Ministerial Meetings and Senior Officials' Meetings, and serving as the Vice-Chair of the Committee on Trade and Investment as well as the Convenor of the Group on Services. The Department was actively involved in the discussion on APEC's support for the multilateral trading system, in particular the negotiations under the Doha Development Agenda and the implementation of the APEC Trade Facilitation Action Plan. The Department played an important role in formulating initiatives for achieving APEC's goal of free and open trade and investment. In addition, it participated constructively in APEC's work concerning economic and technical co-operation, support for small and medium enterprises (SMEs), electronic commerce, counter-terrorism, promoting human security, financial co-operation, and implementation of the APEC Shanghai Accord;
- active participation in regional bodies, including the Pacific Economic Cooperation Council (PECC);
- participation in the United Nations Development Programme (UNDP) projects;
- conclusion of negotiations for an Investment Promotion and Protection Agreement (IPPA) with Bahrain, signing of a Letter of Intent regarding an IPPA with Kuwait, and continuation of negotiations for an IPPA with Finland;
- discussion with the Mainland on further trade liberalisation under CEPA. The Mainland agreed to apply zero tariff to the second batch of goods in 713 Mainland 2004 tariff codes;
- working on the continuation of tariff preferences for Hong Kong's exports to Canada and Norway under their respective Generalised Systems of Preferences Schemes;
- advising local companies on importing economies' anti-dumping legislation and procedures, and making representations against any unfair and unjustifiable allegations and practices in anti-dumping cases;
- close monitoring of, and advising the trade on, changes in the origin rules and other import regulations of our trading partners;
- co-operating with trading partners in a manner consistent with our domestic law to enhance the effectiveness in combating illegal textiles transshipment;

- close monitoring of developments in the new textiles trade regime in overseas markets in anticipation of the elimination of textiles quotas; and
- enhanced liaison with relevant Mainland authorities to discuss bilateral trade issues, and to reflect the views of Hong Kong traders regarding the trading environment in the Mainland.

### *Matters Requiring Special Attention in 2005–06*

8 During 2005–06, the Department will continue to:

- monitor the implications of the various WTO agreements for Hong Kong as well as the implementation of these agreements by trading partners, particularly the Agreement on Rules of Origin. In particular, it will closely monitor the faithful termination of the ATC to ensure full liberalisation of textiles and clothing trade after 1 January 2005;
- participate actively in the WTO negotiations under the Doha Ministerial Declaration and the July Package which are expected to intensify in the run-up to the MC6 in December 2005. In doing so, Hong Kong will build alliance with like-minded WTO members to take forward the WTO discussions while at the same time advancing Hong Kong's interests, particularly in the areas of non-agricultural market access, services and trade facilitation;
- participate actively and constructively in the WTO negotiations on services, particularly in anticipation of members' submission of revised offer for specific commitments by May 2005, and consult the trade in formulating Hong Kong's negotiating positions;
- work closely with relevant departments in the Government to prepare for the hosting of the MC6 in Hong Kong. In this regard, Hong Kong will also engage actively with major WTO members to invigorate the negotiations with a view to staging a Conference which is successful both in substantive and logistical terms. An MC6 Co-ordination Office has been set up for the planning and implementation of logistical preparations for the event;
- monitor, and inform the trade of, the Mainland's implementation of the CEPA concessions committed to Hong Kong, and to continue discussions with the Mainland on further liberalisation and co-operation measures concerning trade in goods, trade in services and trade and investment facilitation under CEPA. It will continue to consult the concerned sectors in the process;
- monitor, and inform the trade of, further progress of the Mainland's implementation of market liberalisation commitments made for the WTO accession and implications arising therefrom in the contexts of both our bilateral commercial relationship with the Mainland and participation in multilateral fora;
- contribute to multilateral and regional efforts in trade liberalisation and rule-making such as reforms of anti-competitive governmental restraints (e.g. anti-dumping), regional trade agreements, trade facilitation, rules of origin and government procurement;
- monitor closely and participate actively in discussions on issues mandated by the Doha Work Programme including electronic commerce, trade and environment, as well as trade-related aspects of intellectual property rights to safeguard Hong Kong's trade and economic interests and to uphold the integrity of the multilateral trading system;
- participate actively in the International Textiles and Clothing Bureau (ITCB), which was established in 1985 to safeguard members' interests in the textiles and clothing trade. The Department will work closely with other ITCB members, among others, to prevent, as far as possible, alternate methods of protection and discrimination being employed by restraining Members against textiles and clothing imports from Hong Kong and other developing economies after termination of the ATC, and also on other textiles-related issues under the WTO;
- participate actively in the APEC, PECC and other regional bodies. It will work closely with other APEC members in areas such as APEC's contribution to the WTO, implementation of the APEC Trade Facilitation Principles and capacity building through economic and technical co-operation;
- contribute to Hong Kong's participation, as an observer of the Trade Committee of the Organisation for Economic Cooperation and Development (OECD), in the meetings of the Trade Committee, its Working Party and its joint groups/sessions, given that the OECD is an important forum for the formulation of trade policy initiatives of developed countries;
- monitor closely the developments on the discussions on trade and competition policy and trade and investment in the multilateral and regional fora to safeguard Hong Kong's trade and economic interests;
- monitor the developments of regional economic integration and assess their impact on Hong Kong, and explore with interested trading partners possible means of enhancing economic co-operation;
- defend Hong Kong's trade interests against any potential discriminatory import measures imposed by overseas markets on Hong Kong's textiles and clothing exports;

- strengthen Hong Kong's trading ties with the Mainland through enhanced communication with the trade authorities at the central government and provincial levels;
- defend Hong Kong's interests against anti-dumping actions through bilateral and multilateral means and give advice to local industries;
- monitor any changes in major trading partners' origin rules and review domestic origin rules in consultation with local industries;
- monitor the developments in the new textiles trade regime in overseas markets after quota restraints on textiles and clothing products have been eliminated under the ATC;
- monitor any changes in major trading partners' trade laws and regulations and promptly provide information to traders as appropriate; and
- monitor the progress of accession to the European Union (EU) by certain European countries (including Bulgaria, Romania, Croatia, Turkey and Macedonia) and the related institutional reforms to ensure that Hong Kong's trade interests and market access to the enlarged EU will not be adversely affected.

## Programme (2): Trade Support and Facilitation

	2003-04 (Actual)	2004-05 (Original)	2004-05 (Revised)	2005-06 (Estimate)
Financial provision (\$m)	183.7	190.4	174.9 (-8.1%)	147.6 (-15.6%)
				(or -22.5% on 2004-05 Original)

### Aim

- 9 The aim is to:
- fulfil Hong Kong's obligations under international, multilateral and bilateral trade agreements and optimise the benefits to Hong Kong flowing from such agreements;
  - provide certification and licensing services in order to facilitate trade and supplement controls imposed for reasons other than trade; and
  - enhance Hong Kong's role as a regional trading and distribution centre.

### Brief Description

10 The Systems Division, Americas Division, Mainland Division and Europe Division provide various licensing facilities and certification services, including by electronic means, for different commodities such as textiles and clothing, strategic commodities, rough diamonds and reserved commodities so as to fulfil Hong Kong's international and bilateral obligations as well as to meet other requirements of public health, safety and security.

11 Since 2 October 2003, the Mainland Division has implemented a one-stop Hong Kong Service Supplier (HKSS) Certification Scheme for all service sectors under CEPA. In May 2004, to facilitate the applicants, it streamlined the general documentation requirements for the Certification Scheme and provided flexibilities for groups of companies to meet the HKSS criteria. Pursuant to the conclusion of further trade liberalisation in October 2004, the Mainland Division extended the certification services on 30 November 2004 to cover the new service sectors under CEPA II. Apart from providing one-stop certification services, the Mainland Division also handles enquiries on CEPA, and disseminates CEPA-related information, including application procedures for provision of services in the Mainland through the Department's CEPA website. In order to promote the business opportunities offered by CEPA and to facilitate traders and service suppliers to understand the liberalisation measures and implementation details, the Department also participates in various promotional and publicity activities.

12 Following the introduction of full electronic service for sending Production Notification as from February 2000 and Certificate of Origin applications as from September 2000, electronic services for sending manifests and textiles notifications were launched in April and May 2003 respectively. In collaboration with other departments and under the lead of the Commerce, Industry and Technology Bureau, the Department will continue to help promote the electronic mode of submission for official trade documents.

13 In 2004, the Department continued to maintain the integrity of the Textiles Export Control System vigilantly. Enhanced administrative actions have been introduced since 1998 to impose greater deterrence against textiles origin malpractice, along with vigorous enforcement actions by the Customs and Excise Department.

14 With the global elimination of quantitative restrictions on textiles and clothing products by 1 January 2005 under the WTO ATC, the Department has suitably streamlined the textiles control arrangements to provide greater facilitation to the trade while maintaining necessary control to safeguard the interests of Hong Kong's textiles exports.

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**15** Following the signing of the main text and the Annexes of CEPA on 29 June 2003 and 29 September 2003 respectively, the Mainland commenced to apply zero import tariff for imported goods of Hong Kong origin by phases. In the first and second phases, starting from 1 January 2004 and 1 January 2005, goods in 374 and 713 Mainland 2004 tariff codes can respectively enjoy such tariff preference and the Department has implemented the Certificate of Hong Kong Origin – CEPA (CO(CEPA)) System.

**16** For products not included in the first phase of CEPA zero tariff implemented from 1 January 2004, the Mainland has undertaken to apply zero tariff latest by 1 January 2006 upon applications by local manufacturers and upon CEPA origin rules being agreed and met. The Department received and consolidated applications from local manufacturers from January to April in 2004. In the ensuing discussion with the Mainland, the Mainland agreed to apply CEPA zero tariff to the second batch of goods in 713 Mainland 2004 tariff codes.

**17** Rice trade has been liberalised as from 1 January 2003. Import quota was removed and any interested parties can register as rice stockholders to import rice for local consumption subject to a reserve stock requirement. In 2004, the Department reviewed the operation of the liberalised Rice Control Scheme and implemented measures to further facilitate the rice trade.

**18** In 2004, the Department continued its efforts to ensure the smooth implementation of the Kimberley Process Certification Scheme for rough diamonds, which was launched in January 2003 to safeguard the interests of traders in rough diamonds in Hong Kong. The Kimberley Process Certification Scheme is an international certification scheme which aims at stopping trade in “conflict diamonds” from fuelling armed conflicts, activities of rebel movements and illicit proliferation of armament.

**19** The Department has launched a system for electronic submission of strategic commodities licence applications in March 2004 to further facilitate trade in strategic commodities.

**20** Following the commencement of operation of the Chemical Weapons (Convention) Ordinance on 18 June 2004, the Department has implemented a permit system for facilities involved in activities of specified chemicals.

**21** The Department met all of its performance targets in 2004.

**22** The key performance measures are:

### *Targets*

	Target processing time (working days or as specified)	2003 (Actual)	2004 (Actual)	2005 (Plan)
consignment-specific textiles licence				
import .....	2	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	2
export .....	2	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	2
re-export .....	2	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	2
amendment and cancellation of				
consignment-specific textiles licence .....	2	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	2
textiles import licence .....	1	1	1	N.A. <sup>(b)</sup>
textiles re-export licence .....	1	1	1	N.A. <sup>(b)</sup>
textiles export licence to all restrained markets (except those for samples and personal effects) .....	2 <sup>(c)</sup>	2	2	N.A. <sup>(b)</sup>
textiles export licence to all non- restrained markets (except those for samples and personal effects) .....	1	1	1	N.A. <sup>(b)</sup>
textiles export licence for samples and personal effects to all markets .....	20 mins <sup>(d)</sup>	25 mins	20 mins	N.A. <sup>(b)</sup>
special export licence (textiles) Form 8a under the Special Export and Import Licensing (Textiles) Scheme .....	1	1	1	N.A. <sup>(b)</sup>
special import/export licence (textiles) Forms 8b, 8c, 8d and 8e under the Special Export and Import Licensing (Textiles) Scheme .....	1 <sup>(e)</sup>	30 mins <sup>(f)</sup>	30 mins <sup>(f)</sup>	1
amendment and cancellation of textiles licence for import, re-export and export to non-restrained markets				
amendment .....	30 mins	30 mins	30 mins	N.A. <sup>(b)</sup>
cancellation .....	15 mins	15 mins	15 mins	N.A. <sup>(b)</sup>
amendment and cancellation of other textiles licence .....	2 <sup>(c)</sup>	2	2	N.A. <sup>(b)</sup>
expeditious issue of textiles licence .....	24 hrs	24 hrs	24 hrs	N.A. <sup>(b)</sup>

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	Target processing time (working days or as specified)	2003 (Actual)	2004 (Actual)	2005 (Plan)
transfer of quota .....	5 <sup>(g)</sup>	5	5	N.A. <sup>(b)</sup>
enquiry on quota balance .....	2	2	2	N.A. <sup>(b)</sup>
certificate of registration for Textiles Trader Registration .....	3 <sup>(h)</sup>	3	3	3
amendment of textiles notification under the Textiles Trader Registration Scheme .....	2 <sup>(b)</sup>	1	1	2 <sup>(b)</sup>
textiles controls registration .....	25 mins	25 mins	25 mins	N.A. <sup>(b)</sup>
registration of local appointed agent .....	1	1	1	N.A. <sup>(b)</sup>
replacement licence for import customs clearance .....	1	1	1	N.A. <sup>(b)</sup>
enquiry on classification of textiles products				
restrained markets .....	5 <sup>(i)</sup>	5	5	N.A. <sup>(b)</sup>
non-restrained markets .....	30 mins	30 mins	30 mins	N.A. <sup>(b)</sup>
certificate of Hong Kong origin, certificate of origin-processing and CO(CEPA) <sup>(j)</sup> .....	1.5	1.5	1.5	1.5
certificate of origin (Form A) .....	2	2	2	2
expeditious issue of certificate of Hong Kong origin/Form A/CO(CEPA) <sup>(j)</sup> .....	24 hrs	24 hrs	24 hrs	24 hrs
production notification for cut and sewn garments (PN) .....	1.5	1.5	1.5	1.5
enquiry on PN: classification <sup>(k)</sup>				
simple enquiry .....	1	1	1	N.A.
complicated enquiry .....	4	4	4	N.A.
enquiry on PN: permissible limits for component parts <sup>(k)</sup>				
simple enquiry .....	1	1	1	N.A.
complicated enquiry .....	4	4	4	N.A.
enquiry on PN: permissible limits for component parts or classification enquiry <sup>(k)</sup>				
simple enquiry .....	1	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	1
complicated enquiry .....	5 <sup>(i)</sup>	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	5
application for factory registration .....	14	14	14	14
amendment of factory registration particulars				
if factory inspection is necessary .....	14	14	14	14
if factory inspection is not necessary ..	5	5	5	5
local sub-contracting arrangement registration .....	1	1	1	1
outward processing arrangement (OPA) registration .....	3	3	3	3
enquiry on OPA : manufacturing processes allowed to be subcontracted outside Hong Kong				
simple enquiry .....	1	1	1	1
complicated enquiry .....	4	4	4	4
import and export licence for reserved commodities .....	1	1	1	1
import and export licence for ozone depleting substances .....	2	2	2	2
import and export licence for strategic commodities .....	2.5	2.5	2.5	2.5
import licence for radioactive substances and irradiating apparatus .....	1	1	1	1
Kimberley Process Certificate (Import) for rough diamonds .....	20 mins	20 mins	20 mins	20 mins
Kimberley Process Certificate (Export) for rough diamonds .....	24 hrs	24 hrs	24 hrs	24 hrs
registration for rough diamond traders .....	1	1	1	1
certified true copy .....	1	1	1	1

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	Target processing time (working days or as specified)	2003 (Actual)	2004 (Actual)	2005 (Plan)
registration for Transshipment Cargo				
Exemption Scheme .....	14	14	14	<b>14</b>
certificate of HKSS .....	14	14	14	<b>14</b>
amendment, replacement and cancellation of certificate of HKSS .....	5	N.A. <sup>(l)</sup>	5	<b>5</b>
certified true copy of certificate of HKSS...	1	N.A. <sup>(l)</sup>	1	<b>1</b>
other written enquiries .....	10	10	10	<b>10</b>
 (a) New/modified services being provided starting 1 January 2005.				
(b) With the abolition of textiles quotas starting 1 January 2005, textiles licensing and notification services are either discontinued or restructured. Given the different scope of licensing and notification services in 2005, the existing processing time is not applicable after 31 December 2004.				
(c) Electronic Data Interchange (EDI) licence for restrained markets will be made available, on a best endeavour basis, at 3:30 p.m. of the day preceding the pledged issuing day.				
(d) The target processing time has been shortened from 25 minutes to 20 minutes for 100% of the applications starting from 2004.				
(e) As a transitional arrangement, Form 8b will be issued until 30 April 2005; Forms 8c, d and e have been discontinued starting 1 January 2005; and the target processing time is revised from 30 minutes to one working day.				
(f) 90% of the applications can be handled in 25 minutes.				
(g) 80% of the applications can be handled in four days.				
(h) 70% of the applications can be handled in two days.				
(i) 50% of the enquiries can be handled in four days.				
(j) The CO(CEPA) was introduced on 30 December 2003.				
(k) PN enquiry services have been combined with an expansion in scope starting 1 January 2005. Revised target processing times are set out in "enquiry on PN: permissible limits for component parts or classification enquiry".				
(l) The Department started to provide services on the amendment, replacement, cancellation and certified true copy of certificate of HKSS on 8 March 2004.				

### Indicators

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
<i>Licence issued</i>			
textiles export licence (restrained) .....	445 955	428 533	N.A. <sup>(m)</sup>
textiles export licence (non-restrained) .....	308 902	307 947	N.A. <sup>(m)</sup>
textiles import licence .....	38 202	41 158	N.A. <sup>(m)</sup>
consignment-specific textiles import licence .....	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	23 000 <sup>(n)</sup>
consignment-specific textiles export licence .....	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	108 000 <sup>(n)</sup>
comprehensive import licence (textiles) .....	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	2 000 000 <sup>(n)</sup>
comprehensive export licence (textiles) .....	N.A. <sup>(a)</sup>	N.A. <sup>(a)</sup>	3 000 000 <sup>(n)</sup>
exports notification I .....	694 780	685 320	330 000 <sup>(o)</sup>
exports notification II .....	3 583 960	3 714 760	1 849 000 <sup>(o)</sup>
exports notification III .....	139 860	117 900	N.A. <sup>(m)</sup>
exports notification IV .....	130 980	116 860	N.A. <sup>(m)</sup>
import notification .....	2 781 440	2 770 040	2 578 000 <sup>(o)</sup>
transshipment notification .....	397 160	425 720	456 000 <sup>(o)</sup>
textiles trader registration .....	19 923	19 909	19 895 <sup>(m)</sup>
textiles controls registration .....	5 461 <sup>(p)</sup>	4 759	N.A. <sup>(m)</sup>
certificate of Hong Kong origin, certificate of origin - processing and CO (CEPA) <sup>(q)</sup> .....	2 940	2 363	4 519 <sup>(q)</sup>
certificate of origin (Form A) .....	2	3	3
factory registration .....	2 695 <sup>(p)</sup>	2 761	1 839 <sup>(r)</sup>
OPA registration .....	966	1 157	1 152
local sub-contracting arrangement registration .....	445	545	543
PN .....	219 581 <sup>(s)</sup>	222 996	145 000 <sup>(o)</sup>
statutory declarations of antique .....	19	15	15
reserved commodities licence .....	5 782	6 988	8 446
registration of reserved commodity stockholder .....	83	97	107
ozone depleting substances licence <sup>(t)</sup> .....	440	350	302
strategic commodities licence .....	69 380	74 907	74 907
delivery verification certificate .....	24	28	28
international import certificate .....	30	58	58

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	2003 (Actual)	2004 (Actual)	2005 (Estimate)
other non-textiles licence .....	2 673	2 544	<b>2 483</b>
Kimberley Process Certificate .....	5 068	4 913	<b>4 763</b>
registration of rough diamond traders <sup>(u)</sup> .....	240	58	<b>263</b>
certificate of HKSS .....	32 <sup>(v)</sup>	1 164	<b>1 200</b>
permit under the Chemical Weapons (Convention) Ordinance .....	N.A. <sup>(w)</sup>	0	<b>5</b>
<i>Textiles export quota utilisation (%) <sup>(x)</sup></i>			
US .....	66.9	56.3	N.A. <sup>(m)</sup>
Canada .....	28.8	21.8	N.A. <sup>(m)</sup>
EU .....	61.6	51.1	N.A. <sup>(m)</sup>
<i>CEPA</i>			
enquiries .....	6 064 <sup>(y)</sup>	30 523	<b>31 000</b>
visitors to the Department's CEPA website .....	422 601 <sup>(y)</sup>	373 602	<b>374 000</b>

- (m) With the discontinuation or restructuring of textiles licensing services upon the elimination of textiles quotas on 1 January 2005, these indicators are no longer applicable as from 2005.
- (n) The 2005 figures are only rough estimates.
- (o) Due to the significant change in the scope of the Textiles Trader Registration Scheme and the Production Notification (PN) arrangement, it is anticipated that the number of textiles notifications and PNs issued would change substantially in 2005.
- (p) The figures have been updated after the preparation of the 2004–05 Estimates.
- (q) We envisage that quite a large number of traders would apply for certificate of Hong Kong origin (CO) to cover cut-and-sewn garment to the US in 2005.
- (r) As a result of removal of textiles quotas in 2005, it is anticipated that the number of registrants will drop in 2005.
- (s) The 2003 figure represents the number of PNs lodged in the year. Due to a change in the methodology in deriving the 2004 and 2005 figures, the 2003 figure is not directly comparable with those of 2004 and 2005.
- (t) With the introduction of a new combined “import and export licence” for transshipment of ozone depleting substances in January 2004 to replace the import licences and export licences, the number of ozone depleting substances licences issued in 2004 had decreased.
- (u) Under the biennial registration system introduced on 2 January 2003, renewal of registrations will only take place in 2005. Hence, the 2004 figure included only new registrations while the estimate for 2005 includes both new registrations and registration renewals.
- (v) The Department has implemented the HKSS Certification Scheme for the telecommunications sector as from 2 October 2003 and for the remaining service sectors covered by CEPA I as from 17 November 2003. The Scheme was further expanded to include new service sectors covered by CEPA II as from 30 November 2004.
- (w) The permit system was introduced when the Chemical Weapons (Convention) Ordinance came into operation on 18 June 2004.
- (x) Quota utilisation for a particular year may be subject to minor adjustments in the first three months of the following year. The 2003 figures have been revised to reflect the changes, while the 2004 figures are best estimates based on the information on hand.
- (y) Only include enquiries received/hits recorded after the signing of the Annexes of the CEPA on 29 September 2003.

### ***Matters Requiring Special Attention in 2005–06***

**23** During 2005–06, the Department will:

- continue its efforts to safeguard the integrity and credibility of Hong Kong's control arrangements over textiles and clothing exports by maintaining close co-operation with the Customs and Excise Department to implement an integrated and targeted approach of inspections and investigations, reviewing constantly the textiles control arrangements especially its effectiveness in deterring textiles-related malpractices, maintaining an effective origin certification system to accredit Hong Kong origin to products manufactured in Hong Kong, and applying legal and administrative actions against offending parties;
- review the textiles licensing arrangements taking into account the development of the future textiles trade regime in overseas markets after the elimination of textiles quotas, the extent of safeguard measures invoked by WTO Members and the local manufacturing scene. Necessary adjustments to the textiles control arrangements will be made to ensure a proper balance between trade facilitation and regulation so that Hong Kong-origin textiles and clothing exports can enjoy continued access to the world markets;
- continue to review textiles licensing and certification procedures and requirements with a view to removing unnecessary formalities and introducing further electronic delivery services;



- review the certification procedures and conditions of issuing the CO(CEPA) with a view to facilitating the trade to benefit from the tariff preference under CEPA, as well as prepare for further consultations with the Mainland authorities on goods to be covered in the third phase of tariff preference under CEPA;
- administer the permit system under the Chemical Weapons (Convention) Ordinance, and compile annual reports for submission to the Organisation for the Prohibition of Chemical Weapons through the Central People's Government;
- keep under review the liberalised Rice Control Scheme to ensure a stable supply and a sufficient reserve stock, and to further facilitate the rice trade as appropriate;
- continue to monitor the implementation of the Kimberley Process Certification Scheme closely; and
- monitor closely and review the implementation of the HKSS Certification Scheme and liaise with other relevant bureaux/departments to facilitate the service suppliers in Hong Kong to gain the greatest benefits from CEPA. The Department will also continue to strengthen the public's understanding on the liberalisation measures and implementation details of CEPA through the provision of user-friendly enquiry services as well as active organisation of or participation in various promotional and publicity activities.

## Programme (3): Support for Small and Medium Enterprises and Industries

	2003-04 (Actual)	2004-05 (Original)	2004-05 (Revised)	2005-06 (Estimate)
Financial provision (\$m)	284.8	640.3	646.8 (+1.0%)	274.0 (-57.6%)
				(or -57.2% on 2004-05 Original)

### Aim

- 24 The aim is to support and facilitate the development of Hong Kong's SMEs and industries.

### Brief Description

25 The Industrial Support Division develops policy initiatives and implements programmes to enhance the competitiveness of SMEs and their long term development. The Division provides information and advisory services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS). It administers four SME funding schemes. It also provides secretariat support to the Small and Medium Enterprises Committee (SMEC), an appointed body to advise the Chief Executive on issues affecting the development of SMEs in Hong Kong and suggest measures to support and facilitate their development and growth. On the regional front, the Division participates in the SME-related activities of the APEC and assists in the implementation of bilateral agreements on SME co-operation between Hong Kong and other economies.

26 In support of the development of Hong Kong's industries, the Division maintains liaison with local industries and trade and industrial organisations and collects information on Hong Kong's industrial development. It also participates in the formulation and implementation of policies by other government bureaux and departments which impinge on industrial development in Hong Kong. It is represented on the governing bodies of various support organisations whose work has an impact on industrial development. These organisations include the Hong Kong Productivity Council, Vocational Training Council, Hong Kong Quality Assurance Agency, and the Clothing Industry Training Authority. To recognise and encourage excellence in different aspects, it takes part in, as well as provides steer on, the organisation of the Hong Kong Awards for Industry (HKAI) and Hong Kong Awards for Services (HKAS).

27 The Division administers the SME Loan Guarantee Scheme (SGS), the SME Training Fund (STF), the SME Export Marketing Fund (EMF) and the SME Development Fund (SDF). A review is being conducted on the four Schemes.

28 SUCCESS serves as SME entrepreneurs' first-stop for free and reliable business information and consultation services. Being a neutral entity, SUCCESS recruits other government departments, trade and industrial organisations, support organisations and professional bodies as partners to provide diversified free services. One of SUCCESS' most popular services is the free business advisory service for SME entrepreneurs or business starters to seek advice from experts on aspects relating to starting, running and expanding businesses. Facilities at SUCCESS include a reference library and computer workstations which provide free access to the internet and electronic databases. To help SME entrepreneurs keep pace with the ever changing business environment, SUCCESS organises seminars, workshops and company visits and publishes an SME newsletter – "Pulse" on a half-yearly basis. Furthermore, SUCCESS also organises a series of theme activities to provide SME entrepreneurs with more specific and in-depth knowledge on current business topics.

**29** The Division launched the 2003/04 Mentorship Programme in October 2003. The Mentorship Programme aims at helping SME entrepreneurs who are at their early stage of business build entrepreneurial and leadership skills. SME participants will receive one-on-one free counselling during a period of nine months from mentors, who are accomplished entrepreneurs, senior executives and professionals, nominated by the Programme co-organisers (mainly trade and industrial organisations and professional bodies). For experience sharing and business networking purposes, the Division organises group activities, such as seminars, workshops and company visits for the Mentorship Programme participants. It also launched a “Student Attachment Pilot Programme” for SMEs participating in the Mentorship Programme. The pilot Programme is conducted in partnership with the City University of Hong Kong and the Hong Kong Baptist University, which arrange their students to conduct short-term projects for SMEs to enhance their competitiveness.

**30** The Division also participated in the eighteenth and nineteenth meetings of the APEC SME Working Group, eleventh meeting of APEC SME Ministers and various seminars/fora organised by other APEC economies. It also works closely with Ireland and the Mainland respectively on SME co-operation, including establishing hyperlinks between each other’s websites and facilitating exchanges between each other’s SMEs.

**31** The Department collaborates with various supporting agencies to enhance industrial support services for the fashion industry.

**32** The key performance measures are:

***Targets***

	Target %	2003 (Actual) %	2004 (Actual) %	2005 (Plan) %
<b>SUCCESS</b>				
confirmation of consultation meeting with applicants of Business Advisory Service (BAS) within ten working days.....	100	98.3 <sup>(z)</sup>	98.1 <sup>(z)</sup>	<b>100</b>
replies to simple enquiries on licensing requirements within one working day .....	100	100	100	<b>100</b>
replies to complicated enquiries on licensing requirements within three working days .....	100	100	100	<b>100</b>
replies to simple enquiries on SME support services and facilities within one working day .....	100	100	100	<b>100</b>
replies to complicated enquiries on SME support services and facilities within three working days.....	100	100	100	<b>100</b>
<b>SME Loan Guarantee Scheme</b> (previously known as SME Business Installations and Equipment Loan Guarantee Scheme)				
processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) .....	100	99.8	99.6	<b>100</b>
<b>SME Development Fund</b>				
processing applications for grant within 70 working days (after closing date for submission of applications)φ .....	100	100	100	<b>100</b>
<b>SME Export Marketing Fund</b>				
processing applications for grant within seven working days .....	100	94	91 <sup>^</sup>	<b>100</b>
reimbursement of grant within 30 working days .....	100	90	90 <sup>^</sup>	<b>100</b>
<b>SME Training Fund</b>				
processing applications for grant within 12 working days .....	100	94	71 <sup>Ψ</sup>	<b>100</b>
reimbursement of grant within 30 working days .....	100	82	63 <sup>Ψ</sup>	<b>100</b>

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### *Indicators*

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
SUCCESS			
enquiries .....	12 446	11 547	<b>12 000</b>
visitors to SUCCESS@ .....	32 808	43 148	<b>53 000</b>
visitors to SUCCESS website (i.e. Virtual SME Information Centre)@.....	283 826	377 678	<b>502 000</b>
visitors to Business Licence Information Service website .....	133 352	128 743	<b>129 000</b>
SME Loan Guarantee Scheme (previously known as SME Business Installations and Equipment Loan Guarantee Scheme)			
amount of government guarantees issued (\$m) .....	2,002	2,153	<b>N.A.#</b>
SME Export Marketing Fund			
applications received and processed .....	12 548	15 075	<b>N.A.#</b>
SME Development Fund			
applications received and processed .....	73	74	<b>N.A.#</b>
SME Training Fund			
applications received and processed .....	24 611	33 149	<b>N.A.#</b>
SME seminars and other activities .....	105	113	<b>80</b>
publications relating to local industries and SMEs .....	1	2	<b>2</b>

(z) The lead time required to set up BAS appointment is sometimes out of the Department's control as it depends on the availability of the advisors.

φ The processing time refers to the time taken by the Secretariat of the SME Development Fund to conduct initial assessments on applications and submit recommendations to the Vetting Committee for decision.

^ The difference is mainly due to the substantial increase of applications for grants and reimbursement in 2004, which represented an increase of 20.1% and 60.5% against 2003 respectively.

Ψ The difference is mainly due to the substantial increase of applications for grants and reimbursement in 2004, which represented an increase of 34.7% and 38.1% against 2003 respectively.

@ Split from the previous indicator on "visitors to the physical and virtual centres", for clarity.

# Figures for 2005 not available pending outcome of the review on the SME Funding Schemes.

### *Matters Requiring Special Attention in 2005–06*

**33** During 2005–06, the Department will continue to:

- implement the SME funding schemes and closely monitor their effectiveness;
- work closely with the SMEC to facilitate the development of SMEs;
- develop and strengthen the services of SUCCESS;
- re-develop the Virtual SME Information Centre and the Business Licence Information Service;
- launch the Mentorship Programme for SMEs;
- issue the SME newsletter "Pulse" on a half-yearly basis;
- monitor Hong Kong's industrial development and maintain liaison with industries and related organisations;
- participate in the APEC SME Working Group meetings, Ministerial Meeting and seminars/fora organised by other APEC economies;
- work closely with Ireland and the Mainland to foster co-operation on support for SMEs, and facilitate exchanges between each other's SMEs; and
- enhance the industrial support services for the fashion industry.

**34** The Department will proceed to rationalise the organisation of the HKAI and HKAS.

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### ANALYSIS OF FINANCIAL PROVISION

Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
(1) Commercial Relations .....	69.3	73.1	150.1	255.3
(2) Trade Support and Facilitation .....	183.7	190.4	174.9	147.6
(3) Support for Small and Medium Enterprises and Industries .....	284.8	640.3	646.8	274.0
	537.8	903.8	971.8 (+7.5%)	676.9 (-30.3%)
				(or -25.1% on 2004-05 Original)

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2005-06 is \$105.2 million (70.1%) higher than the revised estimate for 2004-05. This is mainly due to increased cash flow requirements for the hosting of the Sixth WTO Ministerial Conference and the increase in departmental expenses on overseas duty visits, partly offset by the full-year effect of the 2005 civil service pay cut. 36 posts will be deleted in 2005-06.

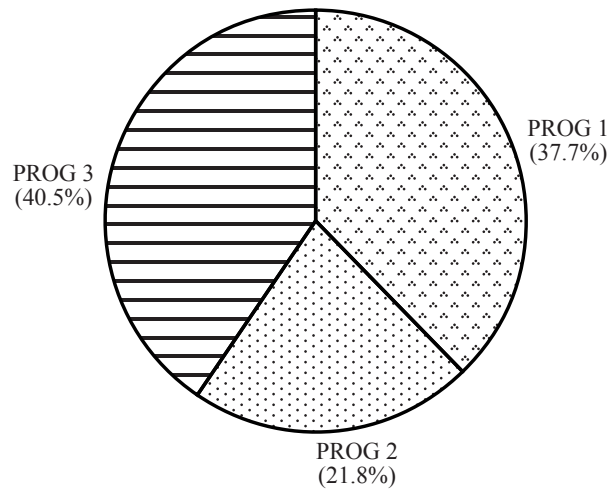
##### Programme (2)

Provision for 2005-06 is \$27.3 million (15.6%) lower than the revised estimate for 2004-05. This is mainly due to the decrease in departmental expenses on the recurrent costs for computer systems, the full-year effect of the 2005 civil service pay cut, the full-year savings from posts deleted in 2004-05 and a deletion of 121 posts in 2005-06.

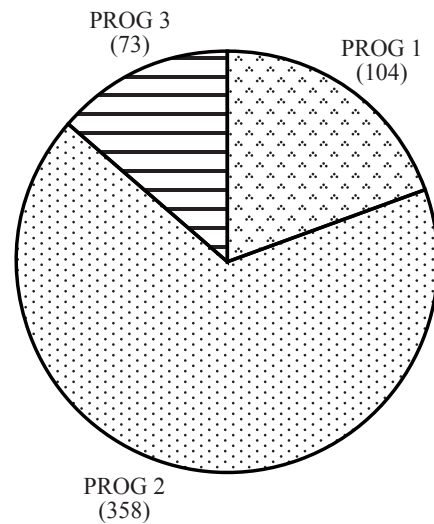
##### Programme (3)

Provision for 2005-06 is \$372.8 million (57.6%) lower than the revised estimate for 2004-05. This is mainly due to a net reduction in cash flow for the four SME funding schemes and the full-year effect of the 2005 civil service pay cut.

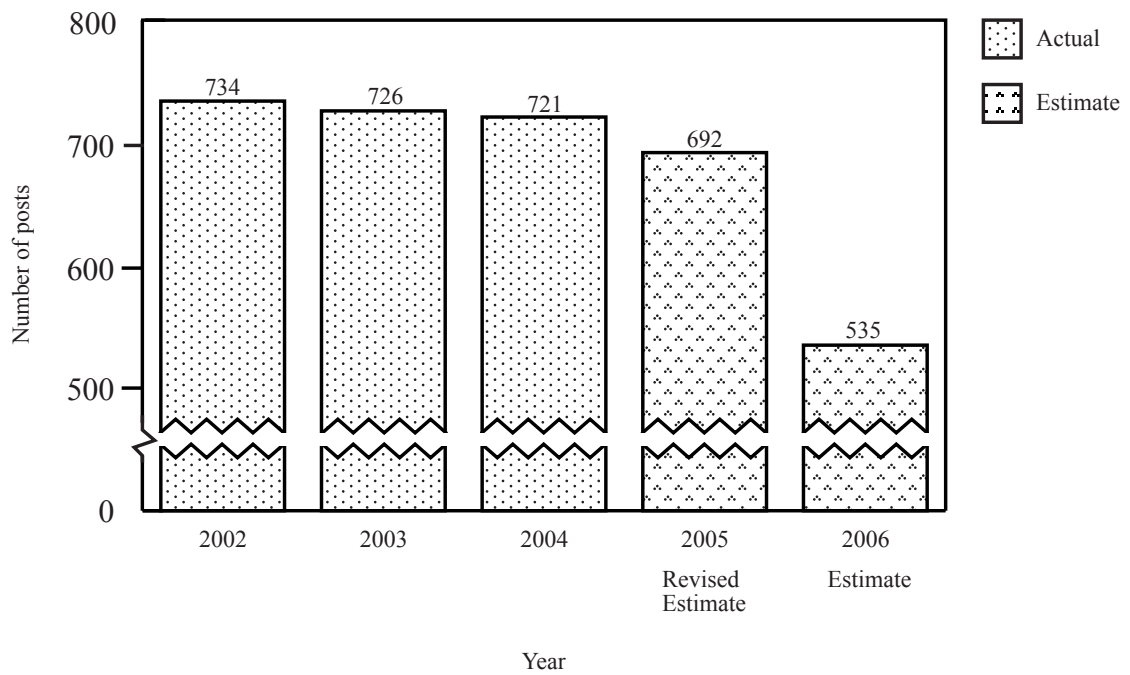
*Allocation of provision  
to programmes  
(2005-06)*



*Staff by programme  
(as at 31 March 2006)*



*Changes in the size of the establishment  
(as at 31 March)*



## Head 181 — TRADE AND INDUSTRY DEPARTMENT

Sub-head (Code)		Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	Estimate 2005-06
		\$'000	\$'000	\$'000	\$'000
<b>Operating Account</b>					
	Recurrent				
000	Operational expenses .....	288,544	299,670	306,503	288,524
	Total, Recurrent.....	288,544	299,670	306,503	288,524
	Non-Recurrent				
700	General non-recurrent.....	246,706	603,391	665,019	388,248
	Total, Non-Recurrent.....	246,706	603,391	665,019	388,248
	Total, Operating Account.....	535,250	903,061	971,522	676,772
<b>Capital Account</b>					
	Plant, Equipment and Works				
603	Plant, vehicles and equipment .....	37	500	50	50
661	Minor plant, vehicles and equipment (block vote) .....	—	250	200	50
	Total, Plant, Equipment and Works .....	37	750	250	100
	Total, Capital Account .....	37	750	250	100
	Total Expenditure .....	535,287	903,811	971,772	676,872

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Trade and Industry Department is \$676,872,000. This represents a decrease of \$294,900,000 against the revised estimate for 2004–05 and an increase of \$141,585,000 over actual expenditure in 2003–04.

#### *Operating Account*

##### Recurrent

**2** Provision of \$288,524,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Trade and Industry Department. The decrease of \$17,979,000 (5.9%) against the revised estimate for 2004–05 is mainly due to the full-year savings from posts deleted in 2004–05, deletion of 157 posts in 2005–06 and full-year effect of the 2005 civil service pay cut, partly offset by increased requirement for the hosting of the Sixth WTO Ministerial Conference.

**3** The establishment as at 31 March 2005 will be 689 permanent posts and three supernumerary posts. It is expected that 154 permanent posts will be deleted and three supernumerary posts will lapse in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$185,510,000.

**4** An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	238,714	239,252	238,556	221,683
- Allowances .....	5,107	7,031	8,171	6,650
- Job-related allowances .....	12	25	25	27
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	196	184	184	192
Departmental Expenses				
- General departmental expenses .....	42,605	50,022	55,911	54,631
Other Charges				
- Subscription to the APEC .....	—	750	750	2,000
- Trade negotiations and associated activities .....	1,910	1,196	1,696	2,319
- Subscription to the PECC .....	—	150	150	128
- Contribution to the ITCB .....	—	664	664	586
- Asian and Pacific Development Centre ...	—	88	88	—
- UNDP .....	—	308	308	308
	<u>288,544</u>	<u>299,670</u>	<u>306,503</u>	<u>288,524</u>

#### *Capital Account*

##### Plant, Equipment and Works

**5** Provision of \$50,000 under *Subhead 661 minor plant, vehicles and equipment (block vote)* represents a decrease of \$150,000 (75.0%) against the revised estimate for 2004–05. This is due to a reduced cash flow requirement for the replacement of an interactive voice response system.

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2004	Revised estimated expenditure for 2004–05	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	434	Sixth Ministerial Conference of the WTO .....	225,000	—	66,000	159,000
	515	Consultancy to provide advisory services on trade in goods and services.....	8,608	4,971	762	2,875
	517	Consultancy to provide advisory services on further broad-based multilateral negotiation .....	3,054	297	312	2,445
	520	SME Loan Guarantee Scheme.....	6,600,000	3,533	91,960	6,504,507
	524	SME Training, Export Marketing and Development Funds .....	900,000	315,985	505,316	78,699
			<u>7,736,662</u>	<u>324,786</u>	<u>664,350</u>	<u>6,747,526</u>
<b><i>Capital Account</i></b>						
603		<i>Plant, vehicles and equipment</i>				
	213	Replacement of Private Automatic Branch Exchange System.....	6,090	3,051	50	2,989
		Total .....	<u><u>7,742,752</u></u>	<u><u>327,837</u></u>	<u><u>664,400</u></u>	<u><u>6,750,515</u></u>