

Head 181 — TRADE AND INDUSTRY DEPARTMENT

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

Estimate 2002–03	\$1,040.9m
Establishment ceiling 2002–03 (notional annual mid-point salary value) representing an estimated 726 non-directorate posts at 31 March 2002 reducing by eight posts to 718 posts at 31 March 2003	\$217.2m
In addition there will be an estimated 11 directorate posts at 31 March 2002 and at 31 March 2003.	
Capital Account commitment balance	\$7,440.0m

Controlling Officer's Report

Programmes

Programme (1) Commercial Relations	These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce and Industry).
Programme (2) Trade Support and Facilitation	
Programme (3) Support for Small and Medium Enterprises and Industries	

Detail

Programme (1): Commercial Relations

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	68.2	72.8 (+6.7%)	80.2 (+10.2%)	79.2 (–1.2%)

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 Cooperation 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 Organisation (WTO) as the cornerstone of its commercial policy.

4 The department has helped achieve significant results on the commercial relations side. Hong Kong is a founding member of the WTO. This separate membership continues after 1 July 1997 under the name "Hong Kong, China". It was ranked the 10th largest trading economy in the world in 2000 by the WTO. It came first in the 2001 edition of Index of Economic Freedom published by the Heritage Foundation of the United States (US). Within the region, the department continues to expand its links and participates actively in the Asia-Pacific Economic Cooperation (APEC) forum whose member economies now account for some 80% of Hong Kong's total external trade. Looking forward, the department will continue to safeguard Hong Kong's trade interests and rights.

5 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 on international economic and trade fora;
- secure and preserve market access for both goods and services; and
- uphold the integrity of the multilateral trading system.

6 In 2001, the department's key activities included the following:

- active participation in WTO bodies to monitor and evaluate the implementation of the Uruguay Round agreements, as well as the work programmes adopted at the first WTO Ministerial Conference held in Singapore in December 1996. This included the work programme on harmonising rules of origin and review of the implementation of the Agreement on Textiles and Clothing; as well as the WTO working groups on trade and investment, trade and competition policy, and transparency in government procurement;
- close monitoring of the progress of China's and Chinese Taipei's accession to the WTO, assessment of the accession's implications for Hong Kong, and publicity work in this regard;
- active and constructive participation in the preparation for the Fourth WTO Ministerial Conference in Doha in November 2001 which successfully launched a new round of multilateral trade negotiations;
- active and constructive participation in the WTO negotiations on services which commenced in early 2000;
- organisation of the second WTO-related conference in Hong Kong to raise the interest and awareness of the local community in various facets of WTO's work. Over 200 representatives from local chambers of commerce, trade associations and professional bodies attended the conference in March 2001;
- active participation in various APEC fora, including the Economic Leaders Meeting, Ministerial Meetings and Senior Officials Meetings, and serving as Convenor of the Ad Hoc Task Force for Development of APEC Trade Facilitation Principles. The department was actively involved in the discussion on APEC's support for the launch of a new round of multilateral trade negotiations in the WTO and led an ad hoc task force in completing the development of a set of APEC Trade Facilitation Principles. The department also played an important role in formulating initiatives for achieving APEC's goal of free and open trade and investment, and in reviewing and improving the Individual Action Plans mechanism. In addition, the department participated constructively in APEC's work concerning economic and technical cooperation, support for small and medium enterprises (SMEs), electronic commerce, and development of the APEC Shanghai Accord and the e-APEC Strategy;
- contribution to a review of the investment promotion and protection agreement (IPPA) programme with a view to expanding its coverage to more economic partners of Hong Kong;
- negotiation with New Zealand on a Closer Economic Partnership (CEP) Agreement. The negotiation commenced in May 2001 and encompassed a wide-ranging scope with emphasis on trade and investment liberalisation and facilitation;
- working on the continuation of tariff preferences for Hong Kong's exports to Canada and Norway under their respective Generalised Systems of Preferences Scheme;
- advising local companies on importing countries' anti-dumping legislation and procedures, and making representations against any unfair and unjustifiable allegations and practices in anti-dumping cases. This included making representations to the European Commission in its expiry review investigation concerning the anti-dumping measures on 3.5" microdisks;
- close monitoring of, and advising the trade on, change of origin rules and other import regulations of our trading partners;
- cooperating with trading partners in a manner consistent with our domestic law to enhance the effectiveness in combating illegal textiles transshipment;
- close monitoring and liaison with relevant authorities of restrained markets regarding the preparation for implementation of Stage 3 Integration Programme under the WTO Agreement on Textiles and Clothing starting 1 January 2002;
- active participation in the Government's overall effort to lobby for the US' unconditional renewal of Normal Trade Relations trading status for the Mainland of China; 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 2002-03

7 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 and Agreement on Textiles and Clothing.

8 The department will participate actively in the WTO work programme and the new round of multilateral trade negotiations launched in Doha Ministerial Conference in November 2001. It will also build alliance with like-minded delegations in seeking to advance Hong Kong's interest. The department will organise conferences to deepen the understanding of global trade issues by the local community.

9 The department will continue to participate actively and constructively in the WTO negotiations on services, and consult the trade in formulating Hong Kong's negotiating objectives.

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10 The department will continue to monitor, and inform the trade of, the implementation of China's liberalisation commitments made on its entry into the WTO and the implications arising therefrom in the contexts of both our bilateral commercial relationship with the Mainland and participation in multilateral fora.

11 The department will continue to 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.

12 The department will continue to monitor closely and participate actively in discussions on issues such as electronic commerce, trade and environment, trade and labour standards, trade and competition policy, and trade and investment to safeguard Hong Kong's trade and economic interests and to uphold the integrity of the multilateral trading system.

13 The department will continue its active participation in APEC, and 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 cooperation.

14 The department will continue to 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 OECD is an important forum for the formulation of trade policy initiatives of developed countries. To reaffirm our commitment to a long term relationship with the organisation, the department will host an OECD Global Forum for Trade workshop in June 2002.

15 The department will commence negotiations on new IPPAs.

16 The department will continue its efforts in:

- monitoring the developments of regional economic integration and assessing their impact on Hong Kong, and exploring with interested trading partners possible means of enhancing economic cooperation;
- defending Hong Kong's trade interest against any potential discriminatory import measures imposed by the restrained markets on Hong Kong's textiles and clothing exports;
- strengthening Hong Kong's ties with trade authorities of the Mainland of China at the central government and provincial levels;
- supporting activities to be conducted by the Mainland and HKSAR Joint Commission on Commerce and Trade;
- defending Hong Kong's interests against anti-dumping actions through bilateral and multilateral means and giving advice to local industries involved;
- monitoring any changes in major trading partners' origin rules and reviewing domestic origin rules in consultation with local industries;
- monitoring any changes in major trading partners' trade laws and regulations and promptly providing information to traders as appropriate; and
- monitoring the accession negotiations between the European Union (EU) and certain European countries (including Cyprus, Hungary, Poland, Estonia, the Czech Republic, Slovenia, Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia) and 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

	2000-01 (Actual)	2001-02 (Approved)	2001-02 (Revised)	2002-03 (Estimate)
Financial provision (\$m)	195.5	206.5 (+5.6%)	191.3 (-7.4%)	197.0 (+3.0%)

Aim

17 The aim is to:

- fulfil Hong Kong's international obligations under 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

18 The Systems Division, the Strategic Trade Controls Branch of the Americas Division, and the Computers and General Licensing Branch of the Asia Division provide various licensing facilities and certification services, including by electronic means, for different commodities such as textiles and clothing, strategic commodities and reserved

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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.

19 Following the introduction of full Electronic Data Interchange (EDI) service for sending Restrained Textiles Export Licence applications as from January 1999, Production Notification as from February 2000 and Certificate of Origin applications as from September 2000, EDI service for sending manifests is scheduled to be launched in 2002.

20 The department met its performance targets in 2001. The department is fully committed to maintaining high-quality and efficient services while adapting to changes in the trading environment.

21 The key performance measures are:

Targets

	Target Working Days or as Specified	2000 (Actual)	2001 (Actual)	2002 (Plan)
textiles import licence	2	2	2	2
textiles re-export licence	2	2	2	2
textiles export licence to all markets (except those for samples and personal effects) (Note 1).....	2	2	2	2
textiles export licence for samples and personal effects to all markets (Note 2).....	25 mins	25 mins	25 mins	25 mins
special export licence (textiles) Form 8a under the Special Export and Import Licensing (Textiles) Scheme	1	1	1	1
special import/export licence (textiles) Forms 8b, 8c, 8d and 8e under the Special Export and Import Licensing (Textiles) Scheme (Note 3).....	30 mins	30 mins	30 mins	30 mins
amendment and cancellation of textiles licence for import, re-export and export to non-restrained markets				
• amendment@	30 mins	1	1	30 mins
• cancellation.....	15 mins	20 mins	15 mins	15 mins
amendment and cancellation of other textiles licence (Note 1).....	2	2	2	2
expeditious issue of textiles licence	24 hrs	24 hrs	24 hrs	24 hrs
transfer of quota (Note 4).....	5	6	5	5
enquiry on quota balance (Note 5)	3	4	3	3
certificate of registration for Textiles Trader Registration.....	3	3	3	3
amendment of textiles notification under the Textiles Trader Registration Scheme	1	1	1	1
Textiles Controls Registration	25 mins	25 mins	25 mins	25 mins
registration of local appointed agent (Note 6)#.....	1	3	3	1
replacement licence for import customs clearance.....	1	1	1	1
enquiry on classification of textiles products				
• restrained markets (Note 7)	5	5	5	5
• non-restrained markets	30 mins	30 mins	30 mins	30 mins
certificate of origin and certificate of origin-processing	1.5	2	1.5	1.5
certificate of origin (Form A).....	2	2	2	2
expeditious issue of certificate of origin/ Form A	24 hrs	24 hrs	24 hrs	24 hrs
production notification for cut and sewn garments	1.5	2	1.5	1.5
enquiry on production notification: permissible limits for component parts				
• simple enquiry	1	N.A.§	1	1
• complicated enquiry	4	N.A.§	4	4
factory registration (Note 8).....	14	14	14	14
local sub-contracting arrangement registration.....	1	1	1	1

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	Target Working Days or as Specified	2000 (Actual)	2001 (Actual)	2002 (Plan)
outward processing arrangement				
registration	3	3	3	3
enquiry on outward processing arrangement: manufacturing processes allowed to be subcontracted outside Hong Kong				
• simple enquiry	1	N.A.§	1	1
• complicated enquiry	4	N.A.§	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	3	2.5	2.5
import licence for radioactive substances and irradiating apparatus	1	1	1	1
certified true copy	1	1	1	1
registration for Transshipment Cargo Exemption Scheme#	14	1 month	1 month	14
other written enquiries	10	10	10	10

Note 1: EDI licence for restrained market will be made available, on a best endeavour basis, at 3:30 p.m. of the day preceding the pledged issuing day.

Note 2: 90% of the applications can be handled in 20 minutes.

Note 3: 90% of the applications can be handled in 25 minutes.

Note 4: 80% of the applications can be handled in 4 days.

Note 5: 80% of the enquiries can be handled in 2 days starting from 2002.

Note 6: 90% of the applications can be handled in 2 days in 2000 and 2001.

Note 7: 50% of the enquiries can be handled in 4 days.

Note 8: 5 days starting from 2002 if factory inspection is not necessary for amendment of factory registration particulars.

@ Pledge with processing time shortened from 1 day to 30 minutes in 2002.

Pledge with processing time shortened in 2002.

§ Not applicable since these targets were introduced in 2001.

Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
<i>Licence issued</i>			
textiles export licence (restrained) (<i>Note 9</i>)	536 472	479 625	373 809
textiles export licence (non-restrained) (<i>Note 9</i>)	374 358	340 456	349 804
textiles import licence	40 540	34 631	33 128
exports notification I	745 840	791 780	791 780
exports notification II	3 074 840	3 297 680	3 297 680
exports notification III	158 840	185 960	185 960
exports notification IV	137 680	155 800	155 800
import notification	3 017 620	2 994 560	2 994 560
transshipment notification	349 640	393 440	393 440
textiles trader registration	21 731	20 693	20 436
certificate of origin and certificate of origin processing	2 802	2 425	2 425
certificate of origin (Form A) (<i>Note 10</i>)	177	39	39
factory registration	4 163	3 302	3 300
outward processing arrangement registration	1 426	1 214	1 200
local sub-contracting arrangement registration	841	573	570
production notification for cut and sewn garments	360 782	263 417	263 000
statutory declarations of antique	59	44	44
reserved commodities licence (<i>Note 11</i>)	81 952	4 983	5 633
registration of reserved commodity stockholder (<i>Note 11</i>)	705	55	55
ozone depleting substances licence	894	551	462
strategic commodities licence	33 791	38 565	46 278
delivery verification certificate	51	38	38
international import certificate	33	25	25
other non-textiles licence	57 594	57 384	56 629

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	2000 (Actual)	2001 (Actual)	2002 (Estimate)
<i>Textiles export quota utilisation (%)</i> †			
US	85.9	80.9	80.2
Canada	48.1	45.8	35.0
EU	56.7	50.8	53.0

Note 9: The anticipated decrease in restrained textiles export licences in 2002 is due to the removal of quotas for some textiles products under Stage III Integration Programme of the WTO Agreement on Textiles and Clothing. Exports of de-restrained items will be covered by non-restrained textiles export licences starting 1 January 2002.

Note 10: The decrease in Certificate of Origin (Form A) is due to Hong Kong's graduation from Japan's Generalised Systems of Preferences Scheme since April 2000.

Note 11: The decrease in reserved commodities licence and registration of reserved commodity stockholder is due to removal of chilled or frozen meat and frozen poultry from the list of reserved commodities with effect from 1 August 2000.

† Quota utilisation for a particular year may be subject to minor adjustments in the first three months of the following year. The 2000 figures have been revised to reflect the changes, while the 2001 figures are best estimates based on the information on hand.

22 In 2001, the department continued to vigilantly maintain the integrity of the Textiles Export Control System (TECS). Revised quota allocation rules and enhanced administrative actions have been introduced since 1998 to impose greater deterrence against origin malpractice. The department also worked closely with the Customs and Excise Department in combating textiles frauds and malpractice.

23 Rice is subject to import quota to ensure that an adequate reserve stock is in place. Only registered rice stockholders may import rice for local consumption; they are required to maintain at all times a reserve stock which has been reduced by phases from a total of 40 000 tonnes in January 1998 to 13 500 tonnes as from January 2002. To introduce more competition among rice stockholders, as from the fourth quarter of 1997, an optional quota system has been implemented under which rice stockholders are allowed to opt to vary their original import entitlements. The system has increased the flexibility for stockholders to determine their own import quantities.

Matters Requiring Special Attention in 2002–03

24 The department will continue its efforts to safeguard the integrity and credibility of Hong Kong's TECS by maintaining close cooperation with the Customs and Excise Department to implement an integrated and targeted approach of inspections and investigations, reviewing constantly the TECS especially its effectiveness in deterring textiles frauds and malpractice, and applying legal and administrative actions promptly against companies involved in textiles frauds and malpractice.

25 The department will closely monitor the implementation of the WTO Agreement on Textiles and Clothing and make necessary adjustments to the TECS to ensure that our textiles and clothing exports can enjoy continued access to the world market.

26 The department will continue to review textiles licensing and certification procedures and requirements with a view to removing unnecessary formalities and introducing further electronic delivery services. To further facilitate the trading community, the department is actively considering extending EDI service to the submission of textiles notifications under the Textiles Trader Registration Scheme in 2002.

27 To improve Hong Kong's competitiveness and to facilitate its development into a high technology centre, the department is committed to ensuring Hong Kong's access to high technology goods by maintaining a credible strategic commodity control system and continuing to improve the efficiency of our licensing services.

28 The department will work towards the full liberalisation of the rice trade by removing import quota restraint by 2003.

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

	2000–01‡ (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	15.5	21.5 (+38.7%)	102.5 (+376.7%)	764.7 (+646.0%)

‡ As a result of the reorganisation of the trade and industry group of departments, the SME and industrial support functions of the former Industry Department were transferred to the Trade and Industry Department on 1 July 2000. The actual expenditure for 2000–01 represents the expenditure for the nine months from 1 July 2000 to 31 March 2001.

Aim

29 The aim is to support and facilitate the development of Hong Kong's SMEs and the development of manufacturing and service industries.

Brief Description

30 The Industrial Support Division develops policy initiatives and implements programmes of services to enhance the competitiveness of SMEs and their long term development. It co-ordinates the efforts of the public sector and industrial support organisations in supporting the development of SMEs and meeting their needs. The Division provides information and advisory services for SMEs through its Support and Consultation Centre for SMEs. 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 APEC.

31 In support of the development of Hong Kong's manufacturing and service industries, the Division maintains liaison with local industries and trade and industrial organisations, collects information on Hong Kong's industrial development, conducts studies on local manufacturing and service industries, as well as disseminates information relating to local industries to the public. It also participates actively in the formulation and implementation of policies by other government bureaux and departments which impinge on industrial development in Hong Kong. It sits on the governing bodies of various support organisations whose work has an impact on industrial development. These organisations include the Hong Kong Productivity Council, the Vocational Training Council and the Clothing Industry Training Authority. To promote industrial excellence, it organises the annual Hong Kong Awards for Industry: Quality, and provides steer on how the Hong Kong Awards for Industry (HKAI) and Hong Kong Awards for Services (HKAS) should be run.

32 On 27 June 2001, the SMEC submitted to the Chief Executive *A Report on Support Measures for Small and Medium Enterprises*, which contains over 30 recommendations to assist SMEs in six areas, viz. business environment, financing, corporate governance and culture, human resources, technology application and market expansion. The key recommendations are to set up four funding schemes to help SMEs raise capital for purchasing business installations and equipment, expand markets outside Hong Kong, improve human resources and enhance their overall competitiveness. It was announced in the 2001 Policy Address that the government accepted the recommendations in full and would inject \$1.9 billion to set up the four funding schemes. The necessary funding was approved by the Finance Committee of the Legislative Council in November 2001. Apart from the SME Training Fund which started accepting applications in January 2002, the other three schemes were launched in December 2001.

33 The Division expanded and upgraded its SME Information Centre into the Support and Consultation Centre for SMEs in November 2001. On top of various one-stop information services, the expanded centre provides a new Business Advisory Services to business starters and SMEs, and organises regular seminars to enhance SMEs' capability and competitiveness. It also runs a bigger library. The Division updated the SME Development Support Plan which sets out the support programmes and services offered by government departments and major industry-support organisations for SMEs. It also helped monitor the implementation of the Special Finance Scheme for SMEs. The Pilot Mentorship Programme for SMEs, under which small business starters are given free advisory service by entrepreneurs, business executives and professionals, has been operating in full swing. The Division also hosted the organisation of the twelfth meeting of the APEC SME Working Group, and participated in the eighth meeting of APEC SME Ministers.

34 The key performance measures are:

Targets

	Target Percentage	2000 (Actual)	2001 (Actual)	2002 (Plan)
Support and Consultation Centre for SMEs (<i>Note 12</i>)				
confirmation of joint consultation meeting with applicants of Business Advisory Service within 10 working days@	100	N.A.§	N.A.§	100
replies to simple enquiries on business licence requirements within 1 working day (%)	100	99.3	100	100
replies to complicated enquiries on business licence requirements within 3 working days (%).....	100	98.6	100	100
replies to simple enquiries on SME support services and facilities within 1 working day (%)	100	99.7	100	100
replies to complicated enquiries on SME support services and facilities within 3 working days (%)	100	99.6	100	100

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	Target Percentage	2000 (Actual)	2001 (Actual)	2002 (Plan)
SME Business Installations and Equipment Loan Guarantee Scheme (Note 13)@ processing applications for guarantee within 3 working days (after receipt of applications from participating lending institutions) (%).....	100	N.A.§	N.A.§	100
SME Development Fund (Note 13)@ processing applications for grant within 50 working days (after closing date for submission of applications) (%)	100	N.A.§	N.A.§	100
SME Export Marketing Fund (Note 13)@ processing applications for grant within 7 working days (%)	100	N.A.§	N.A.§	100
reimbursement of grant within 30 working days (%)	100	N.A.§	N.A.§	100
SME Training Fund (Note 14)@ processing applications for grant within 12 working days (%)	100	N.A.§	N.A.§	100
reimbursement of grant within 30 working days (%)	100	N.A.§	N.A.§	100

Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
Support and Consultation Centre for SMEs (Note 12) no. of enquiries (Note 12)	9 015	8 846	10 000
no. of visitors to the physical and virtual centres (Note 12).....	105 345	124 005	130 000
no. of visitors to the web site of Business Licence Information Service	117 393	143 903	150 000
SME Business Installations and Equipment Loan Guarantee Scheme (Note 13) amount of government guarantees issued (\$m).....	N.A.§	N.A.§	6,600
SME Export Marketing Fund (Note 13) no. of applications received and processed.....	N.A.§	N.A.§	18 600
SME Development Fund (Note 13) no. of applications received and processed.....	N.A.§	N.A.§	350
SME Training Fund (Note 14) no. of applications received and processed.....	N.A.§	N.A.§	48 000
Special Finance Scheme for SMEs (Note 15) amount of government guarantees issued (\$m).....	1,928	—	—
SME seminars (Note 16)	N.A.§	8	9
Publications to disseminate information relating to local industries and SMEs	4	5	7
Processing recommendations of Techno-Economic and Market Research Studies (TESs) (cumulative)			
1998/99 TES on electronics industry (%)	—	10	50
1999/2000 TES on plastics industry (%)	N.A.§	30	70
1999/2000 TES on textiles, clothing and footwear industries (%)	N.A.§	30	70

Note 12: The SME Information Centre was expanded and renamed as the Support and Consultation Centre for SMEs in November 2001.

Note 13: The scheme was launched in December 2001.

Note 14: The scheme was launched in January 2002.

Note 15: The scheme was launched on 24 August 1998. As the scheme is of an interim nature, the Government ceased to accept new applications with effect from 8 April 2000. Processing of all outstanding applications were completed in October 2000.

Note 16: SME seminars have been organised regularly starting from January 2001.

@ New pledges introduced in 2002.

§ Not applicable.

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Matters Requiring Special Attention in 2002–03

35 During 2002–03, the department will:

- continue to implement the four funding schemes for SMEs;
- work closely with the SMEC to implement other new support measures recommended by the SMEC, and review their effectiveness;
- continue to develop and strengthen the services of the Support and Consultation Centre for SMEs and the Virtual SME Information Centre on the Internet to provide better support to SMEs;
- expand and monitor the Mentorship Programme for SMEs if the review on the existing pilot scheme confirms its effectiveness;
- continue to monitor the Special Finance Scheme for SMEs;
- update the SME Development Support Plan;
- continue to organise seminars for SMEs;
- continue to monitor Hong Kong's industrial development and maintain liaison with industries and related organisations; and
- continue to organise the HKAI: Quality and provide steer on how to run the HKAI and HKAS.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2000-01 (Actual) (\$m)	2001-02 (Approved) (\$m)	2001-02 (Revised) (\$m)	2002-03 (Estimate) (\$m)
(1) Commercial Relations.....	68.2	72.8	80.2	79.2
(2) Trade Support and Facilitation.....	195.5	206.5	191.3	197.0
(3) Support for Small and Medium Enterprises and Industries	15.5	21.5	102.5	764.7
	279.2	300.8 (+7.7%)	374.0 (+24.3%)	1,040.9 (+178.3%)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2002-03 is \$1.0 million (1.2%) lower than the revised estimate for 2001-02. This is mainly due to reduced expenditure upon the completion of the HKSAR Delegation to the Western Region project in 2001-02, partly offset by the salary increments for staff, full-year provision for vacancies filled in 2001-02 and increased requirements for consultancy services.

Programme (2)

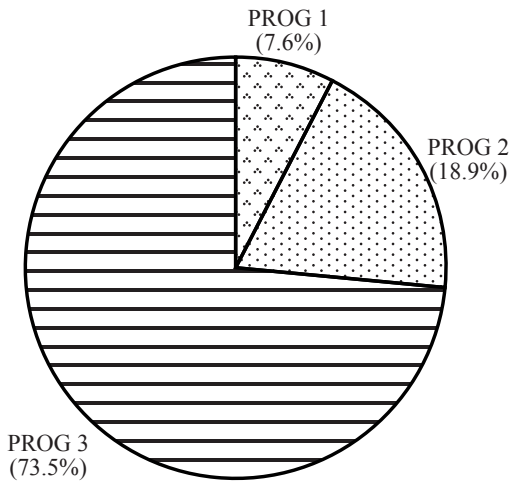
Provision for 2002-03 is \$5.7 million (3.0%) higher than the revised estimate for 2001-02. This is mainly due to salary increments for staff, full-year provision for vacancies filled in 2001-02 and increased requirements for the maintenance of computer systems, partly offset by the full-year savings for posts deleted in 2001-02 and saving arising from the deletion of 11 posts in 2002-03.

Programme (3)

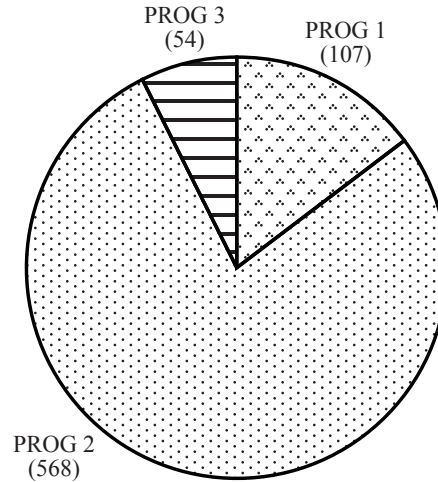
Provision for 2002-03 is \$662.2 million (646.0%) higher than the revised estimate for 2001-02. This is mainly due to increased cashflow requirement for the four SME funding schemes, and additional provisions required for the creation of three posts and 35 non-civil service posts for implementing support measures recommended by the SMEC.

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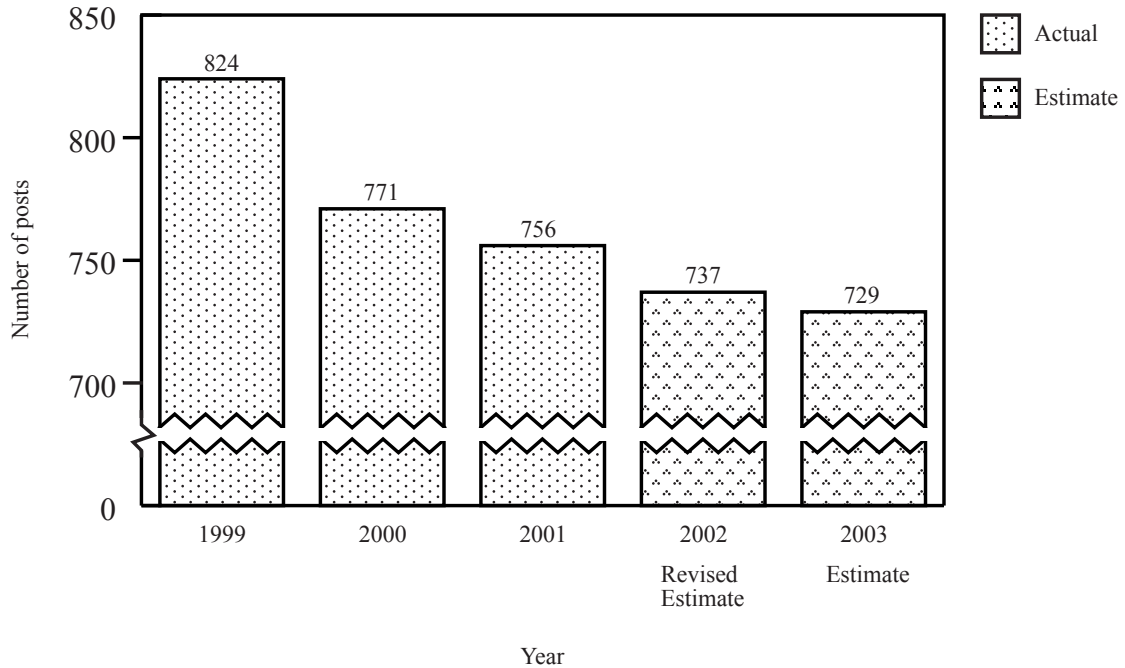
Allocation of provision to programmes (2002-03)



Staff by programme (as at 31 March 2003)



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



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Sub-head (Code)	Actual expenditure 2000-01	Approved estimate 2001-02	Revised estimate 2001-02	Estimate 2002-03	
	\$'000	\$'000	\$'000	\$'000	
Recurrent Account					
I — Personal Emoluments					
001	Salaries	241,083	244,721	247,884	254,217
002	Allowances	6,561	8,706	8,502	8,648
007	Job-related allowances	56	69	68	70
	Total, Personal Emoluments	<u>247,700</u>	<u>253,496</u>	<u>256,454</u>	<u>262,935</u>
III — Departmental Expenses					
149	General departmental expenses	27,735	37,808	36,836	49,661
	Total, Departmental Expenses	<u>27,735</u>	<u>37,808</u>	<u>36,836</u>	<u>49,661</u>
IV — Other Charges					
186	Trade negotiations and associated activities.....	751	2,400	2,150	2,200
	Total, Other Charges	<u>751</u>	<u>2,400</u>	<u>2,150</u>	<u>2,200</u>
	Total, Recurrent Account	<u>276,186</u>	<u>293,704</u>	<u>295,440</u>	<u>314,796</u>
Capital Account					
I — Plant, Equipment and Works					
603	Plant, vehicles and equipment	388	2,867	2,867	1,843
	Total, Plant, Equipment and Works	<u>388</u>	<u>2,867</u>	<u>2,867</u>	<u>1,843</u>
II — Other Non-Recurrent					
700	General other non-recurrent	2,665	4,242	75,739	724,245
	Total, Other Non-Recurrent	<u>2,665</u>	<u>4,242</u>	<u>75,739</u>	<u>724,245</u>
	Total, Capital Account	<u>3,053</u>	<u>7,109</u>	<u>78,606</u>	<u>726,088</u>
	Total Expenditure.....	<u><u>279,239</u></u>	<u><u>300,813</u></u>	<u><u>374,046</u></u>	<u><u>1,040,884</u></u>

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Details of Expenditure by Subhead

The estimate of the amount required in 2002–03 for the salaries and expenses of the Trade and Industry Department is \$1,040,884,000. This represents an increase of \$666,838,000 over the revised estimate for 2001–02 and of \$761,645,000 over actual expenditure in 2000–01.

Recurrent Account

Personal Emoluments

2 Provision of \$262,935,000 for personal emoluments represents an increase of \$6,481,000 over the revised estimate for 2001–02.

3 The establishment as at 31 March 2002 will be 737 permanent posts. It is expected that a net eight permanent posts will be deleted during 2002–03.

4 Subject to certain condition, the controlling officer may under delegated powers create or delete non-directorate posts during 2002–03, but the notional annual mid-point salary value of all such posts must not exceed \$217,182,000.

5 Provision of \$8,648,000 under *Subhead 002 Allowances* is for standard allowances.

6 Provision of \$70,000 under *Subhead 007 Job-related allowances* is for standard job-related allowances.

Departmental Expenses

7 Provision of \$49,661,000 under *Subhead 149 General departmental expenses* represents an increase of \$12,825,000 (34.8%) over the revised estimate for 2001–02. This is mainly due to additional provision for the implementation of the support measures to SMEs recommended by the SMEC and maintenance of computer systems.

Other Charges

8 Provision of \$2,200,000 under *Subhead 186 Trade negotiations and associated activities* is for expenses relating to trade negotiations and associated activities in Hong Kong and overseas.

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2001	Revised estimated expenditure for 2001–02	Balance
			\$'000	\$'000	\$'000	\$'000
603	213	<i>Plant, vehicles and equipment</i> Replacement of Private Automatic Branch Exchange System	6,090	388	2,867	2,835
700	515	<i>General other non-recurrent</i> Consultancy to provide advisory services on trade in goods and services	8,608	3,682	1,495	3,431
	517	Consultancy to provide advisory services on further broad-based multilateral negotiation.....	3,054	166	107	2,781
	519	Publicity programmes on the four funding schemes recommended by the SMEC to support SMEs	1,470	—	—	1,470
	520	SME Business Installations and Equipment Loan Guarantee Scheme ..	6,600,000	—	—	6,600,000
	521	SME Training Fund	400,000	—	24,000	376,000
	522	SME Export Marketing Fund.....	300,000	—	46,500	253,500
	523	SME Development Fund.....	200,000	—	—	200,000
			<u>7,513,132</u>	<u>3,848</u>	<u>72,102</u>	<u>7,437,182</u>
		Total.....	<u><u>7,519,222</u></u>	<u><u>4,236</u></u>	<u><u>74,969</u></u>	<u><u>7,440,017</u></u>