

Head 152 — GOVERNMENT SECRETARIAT: COMMERCE, INDUSTRY AND TECHNOLOGY BUREAU (COMMERCE AND INDUSTRY BRANCH)

Controlling officer: the Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry) will account for expenditure under this Head.

Estimate 2004–05	\$531.4m
Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 115 non-directorate posts as at 31 March 2004 reducing by two posts to 113 posts as at 31 March 2005.....	\$44.5m
In addition there will be an estimated 11 directorate posts as at 31 March 2004 and as at 31 March 2005.	
Commitment balance	\$77.2m

Controlling Officer's Report

Programmes

Programme (1) Director of Bureau's Office	This programme contributes to Policy Area 27: Intra-Governmental Services (Secretary for Commerce, Industry and Technology).
Programme (2) Commerce and Industry Programme (3) Subvention: Hong Kong Trade Development Council	These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).

Detail

Programme (1): Director of Bureau's Office

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	—	6.6	6.6 (—)	6.6 (—)
				(or same as 2003–04 Original)

Aim

- 2 The aim is to ensure the smooth operation of the Office of the Secretary for Commerce, Industry and Technology.

Brief Description

3 The Office of the Secretary for Commerce, Industry and Technology is responsible for providing administrative support to the Secretary for Commerce, Industry and Technology in carrying out his duties. The work includes the planning, co-ordination and implementation of all arrangements for the Secretary's public, media and community functions.

Programme (2): Commerce and Industry

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision# (\$m)	129.2	188.0	165.7 (–11.9%)	170.1 (+2.7%)
				(or –9.5% on 2003–04 Original)

All the figures set out above include the provisions for the subscription to the World Trade Organization and subvention to the Hong Kong-Japan Business Co-operation Committee transferred from Head 106—Miscellaneous Services and the former Head 176—Subventions: Miscellaneous to Head 152 with effect from 2004–05. They exclude provisions attributed to the honoraria for members of the Review Body on Bid Challenges and subscriptions to the Asia-Pacific Economic Cooperation and the Pacific Economic Cooperation Council which are transferred to Head 181—Trade and Industry Department with effect from 2004–05.

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Aim

4 The aims are to encourage Hong Kong's trading partners, through multilateral, regional and bilateral means, to remove barriers to trade; to promote international business confidence in Hong Kong and facilitate business transactions; to develop Hong Kong as a competitive and knowledge-based economy by increasing the added value and productivity of Hong Kong's industries and enhancing the long-term competitiveness of small and medium enterprises (SMEs); to foster our trading and investment ties with the Mainland and support our businesses in seizing the opportunities created by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); to attract external direct investment to Hong Kong; to maintain a modern and comprehensive intellectual property protection regime which complies fully with international standards; and to initiate, co-ordinate and monitor activities under the Helping Business Programme and initiatives to promote and support Hong Kong's services industries.

Brief Description

5 The Commerce and Industry Branch's main responsibilities under this programme are to:

- enhance the mutually beneficial economic relationship between the HKSAR and the Mainland through CEPA;
- strive for the maximum market access for Hong Kong's products and services through active and constructive participation in the multilateral trading system, including the World Trade Organization (WTO) new round of trade negotiations;
- institute measures and arrangements to facilitate international trade and to gain market access for Hong Kong's products and services;
- formulate policies on trade promotion;
- formulate policies to attract more external direct investment to Hong Kong;
- formulate policies to support SMEs;
- provide greater support to local businesses operating in the Mainland, particularly those in Guangdong, with which we see a strategic partner relationship in trade and investment promotion;
- foster friendship and understanding between the business communities of Hong Kong and Japan through support to the Hong Kong-Japan Business Co-operation Committee;
- formulate policies on protection of intellectual property rights;
- oversee the implementation of the Helping Business Programme aiming to improve the business environment of Hong Kong; and
- administer the Professional Services Development Assistance Scheme to help enhance the external competitiveness and standard of professional services.

6 During 2003–04, the branch:

- participated actively in consultations with the Mainland on the establishment of CEPA and liaised with the Mainland authorities to ensure the smooth implementation of CEPA;
- participated actively in the Asia-Pacific Economic Cooperation (APEC) for the implementation of action plans to achieve the goal of free and open trade and investment in the Asia Pacific region by the year 2020;
- participated actively in the WTO, including the new round of trade negotiations, with a view to gaining greater market access for Hong Kong's products and services;
- directed negotiations with New Zealand on a Closer Economic Partnership Agreement;
- participated actively in the Pacific Economic Cooperation Council (PECC) to promote economic growth and development in the Pacific region;
- supported a LegCo Bills Committee in scrutinising the Chemical Weapons (Convention) Bill which was enacted in July 2003, and prepared for the implementation of the Ordinance in Hong Kong;
- continued preparation for the establishment of a new exhibition and convention centre in Hong Kong;
- formulated and monitored the implementation of inward investment promotion policies, particularly in relation to promoting Hong Kong as part of the Greater Pearl River Delta Region;
- worked with Trade and Industry Department to introduce the enhanced SME Funding Schemes following review by the Small and Medium Enterprises Committee and in response to the needs of SMEs following the outbreak of Severe Acute Respiratory Syndrome (SARS);
- strengthened communication and co-operation with the Mainland authorities on trade and investment issues through the Mainland and HKSAR Joint Commission on Commerce and Trade and through more frequent contact with the trade and investment promotion agencies at the central and provincial/ municipal levels;

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- stepped up support for Hong Kong businesses in Guangdong through the work of the Guangdong Economic and Trade Office (ETO);
- commenced the operation of the Copyright (Amendment) Ordinance 2003 which removes the civil and criminal liabilities related to parallel importation of and subsequent dealing in computer software products under the Copyright Ordinance;
- commenced the new Trade Marks Ordinance and Trade Marks Rules which modernise our trade marks law regime;
- supported a LegCo Bills Committee in scrutinising the Copyright (Amendment) Bill 2003 which seeks to make it a long term arrangement that criminal liability for corporate end-user piracy exists only for computer program, movie, television drama and musical recording;
- completed more than ten studies and projects and identified over 60 initiatives with a view to streamlining government procedures, reducing government regulations, assessing impact of regulatory proposals, or improving government services under the Helping Business Programme;
- organised the “Soar Over Hong Kong” scheme, “Quality Customer Services” programme and other projects to promote understanding of Hong Kong’s services economy and awareness of the importance of quality services among the local community; and launched publicity to promote Hong Kong’s professional services in the Pearl River Delta area through the mass media there;
- implemented measures to improve the operation of the Professional Services Development Assistance Scheme;
- introduced the Import and Export (Facilitation) Bill 2003 which seeks to remove/relax the licensing requirements of nine categories of articles. The Bill was passed by the Legislative Council in October 2003;
- explored in depth proposals for electronic submission of cargo manifests for the road mode of transport and consulted stakeholders on the proposed options for developing the service;
- completed the implementation of the Container Security Initiative pilot scheme in respect of US-bound cargo;
- launched Electronic Data Interchange services for ocean, river, rail and air cargo manifests and the Textiles Trader Registration Scheme; and
- completed the preparations and introduced the new arrangements for the front-end electronic processing of certain official trade-related documents from 2004.

Matters Requiring Special Attention in 2004–05

7 During 2004–05, the branch will:

- continue to promote a free, open and non-discriminatory multilateral trading system through active participation in the work of the WTO;
- participate actively and constructively in the new round of multilateral trade negotiations;
- prepare for the holding of the sixth WTO Ministerial Conference in Hong Kong;
- continue to work together with the Mainland authorities to ensure the smooth and effective implementation of CEPA;
- engage the Mainland authorities in discussion of further liberalisation and greater market access for Hong Kong products and services into the Mainland market in the second phase of CEPA consultations;
- continue to work towards the APEC goal of free and open trade and investment in the Asia Pacific region by 2020;
- continue to monitor the development of regional economic integration, and explore with trading partners possible ways of enhancing economic co-operation;
- continue to promote economic growth and development in the Pacific region through active participation in the PECC;
- monitor the implementation of the international certification scheme for rough diamonds;
- monitor the implementation of the Chemical Weapons Convention in Hong Kong;
- continue to formulate policies and monitor programmes on inward investment promotion, especially in relation to positioning Hong Kong as part of the Greater Pearl River Delta Region;
- continue to monitor the implementation of SME support measures, including the SME Funding Schemes;
- strengthen communication and co-operation with the Mainland authorities on trade and investment through the framework of CEPA and through more frequent contact with the Mainland authorities concerned at both the central and provincial/municipal levels;
- facilitate the dissemination of information from the Mainland authorities to Hong Kong businessmen, and promote exchanges and contacts between them;

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- continue to enhance support for Hong Kong businesses in Guangdong through the Guangdong ETO and enhance the synergy between the Hong Kong and Guangdong economies;
- continue to pursue the enactment of the Copyright (Amendment) Bill 2003;
- continue with the preparation of legislative amendments to implement proposals arising from the public consultation exercise in 2002 on Review of Certain Provisions of Copyright Ordinance;
- continue the modernisation of the Intellectual Property Department's computer system;
- continue to take forward the Helping Business Programme with a view to maintaining Hong Kong as the best place in the world to do business;
- continue to engender a helping business culture and cultivate the right mindset in the civil service by organising helping business seminars and publicity events, and distributing publications among civil servants;
- continue to promote Hong Kong's services including professional services;
- continue to administer the Professional Services Development Assistance Scheme to help raise the external competitiveness and standard of professional services;
- continue to develop the system for electronic submission of cargo manifests for the road mode of transport and to prepare for the introduction of the necessary legislative amendments;
- continue the implementation of the Container Security Initiative in respect of US-bound cargo;
- work with the trading and cargo handling sectors to minimise the disruption to business arising from the implementation of the Advance Commercial Information Initiative by Canada which requires carriers to provide data on Canada-bound cargo at least 24 hours before such cargo is laden at a foreign port; and
- complete the review on trade-related documents which will be affected by the removal of textiles quotas in 2005 and assess its impact on the corresponding front-end processing arrangements.

Programme (3): Subvention: Hong Kong Trade Development Council

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision# (\$m)	374.3	368.2	368.2 (—)	354.7 (–3.7%)
				(or –3.7% on 2003–04 Original)

The provision for the subvention to the Hong Kong Trade Development Council is transferred from the former Head 177—Subventions: Non-Departmental Public Bodies and reflected under Head 152 with effect from 2004–05.

Aim

- 8 The aim is to promote Hong Kong's external trade, particularly exports.

Brief Description

9 The Hong Kong Trade Development Council (HKTDC) is the statutory organisation that promotes Hong Kong's external trade. With a global network of 42 offices in 27 countries and regions, HKTDC:

- creates global marketing and sales opportunities for Hong Kong's merchandise and services industries through its international trade promotion events, staging of trade fairs in Hong Kong and publication of product/service magazines;
- connects Hong Kong companies with their potential buyers and sellers around the world through its databank and business-matching services, including the HKTDC cyber-marketplace (hkenterprise.com);
- provides business information and market intelligence through a wide range of services, including the internet portal (tdctrade.com);
- enhances and promotes the capability of Hong Kong industries through a comprehensive development/training programme, international image/brand name promotion activities and the running of a Design Gallery to showcase innovative Hong Kong products; and
- reinforces Hong Kong as a global marketplace in the Asia-Pacific region through corporate relations and business promotion activities around the world, including support for four bilateral committees and 29 Hong Kong business associations.

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10 The key performance measures in respect of promoting Hong Kong's external trade are:

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
trade & services promotion			
events.....	248	259	300
companies participating.....	19 406	21 879	24 650
local fairs			
no. of overseas buyers	149 494	155 643	167 090
no. of fairs	20	22	24
trade enquiries			
no. of enquiries worldwide	3 988 693	9 176 236@	10 093 860
average no. of trade enquiries processed per minute	36.7	84.4	92.8
trade publications			
worldwide circulation (m)	2.15	2.25	2.28
no. of advertisements.....	38 413	39 669	40 000
no. of issues	90	102	106

@ The number of trade enquiries surged during the SARS period, and the momentum continues unabated. Use of the internet to obtain information is increasing. These factors account for the surge in the number of enquiries in 2003.

Matters Requiring Special Attention in 2004–05

11 During 2004–05, HKTDC will:

- harness CEPA to accelerate Hong Kong-based companies' access into Mainland markets by enhancing the image of Hong Kong's branded products through the "Style Hong Kong" marketing concept, establishing year-round physical and on-line business platforms for Hong Kong's service industries, creating greater awareness and understanding of Hong Kong's services in the Mainland and promoting them through sector-to-sector partnerships, and enhancing Hong Kong companies' awareness of CEPA-related opportunities;
- inspire global enthusiasm for Hong Kong by marketing the combined advantages of Hong Kong and the Pearl River Delta through Greater Pearl River Delta road shows targeting SMEs in mature economies and development of sector-specific business-matching programmes with relevant overseas trade associations, in collaboration with other members of the Hong Kong "family" and selected Pearl River Delta municipalities;
- expand Hong Kong companies' reach into emerging markets, prioritising the Middle East, Eastern Europe, India and Southeast Asia, heightening awareness of Hong Kong's products and services in these markets by encouraging Hong Kong companies to develop appropriate brands and labels and collaborating with local trade associations and overseas trade representatives based in Hong Kong to develop effective promotional programmes;
- establish Hong Kong as a one-stop business development platform and trade fair capital for global SMEs by expanding the critical mass of overseas and mainland SMEs using Hong Kong's business and trade services, and taking advantage of the Mainland Individual Visit Scheme to entice Mainland buyers and business people to Hong Kong;
- augment Hong Kong SMEs' competitiveness through e-commerce by developing tdctrade.com and Hong Kong as Asia's preferred virtual trade platform and business information hub, promoting the use of the internet and e-commerce among Hong Kong's SMEs and using HKTDC's trade portal to replicate, enhance and re-engineer HKTDC's services in cyber-space; and
- provide the best marketing support for Hong Kong's SMEs by strengthening HKTDC as a marketing and customer-oriented organisation, improving performance measurement and customer feedback mechanisms, enhancing the mix and capabilities of HKTDC's marketing and support staff, and making the most effective use possible of our limited resources.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
(1) Director of Bureau's Office	—	6.6	6.6	6.6
(2) Commerce and Industry	129.2	188.0	165.7	170.1
(3) Subvention: Hong Kong Trade Development Council	374.3	368.2	368.2	354.7
	503.5	562.8	540.5 (-4.0%)	531.4 (-1.7%)
				(or -5.6% on 2003-04 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2004-05 is the same as the revised estimate for 2003-04.

Programme (2)

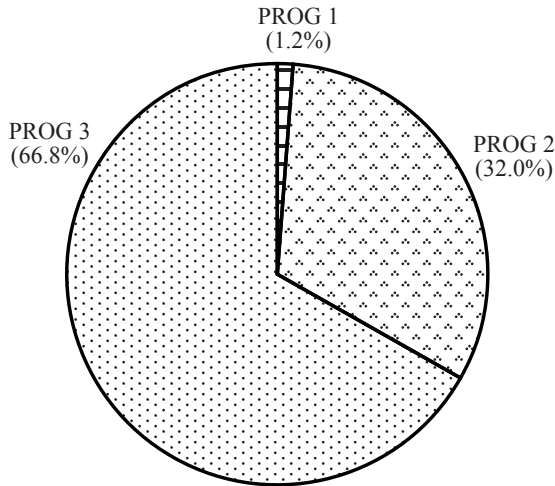
Provision for 2004-05 is \$4.4 million (2.7%) higher than the revised estimate for 2003-04. This is mainly due to the increased requirement for the subscription to WTO and additional cashflow requirement for the minor studies related to the Helping Business Programme, partly offset by the effect of the 2004 and 2005 civil service pay cut, reduced operating expenses to achieve efficiency savings and deletion of two posts.

Programme (3)

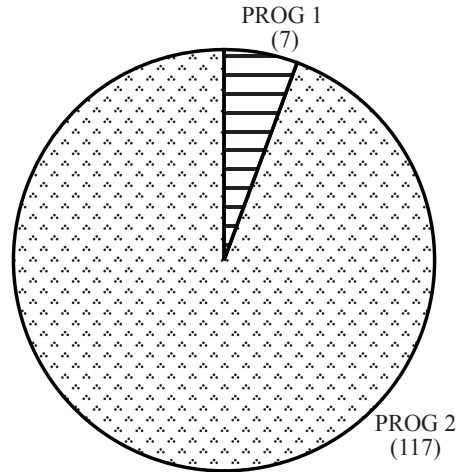
Provision for 2004-05 is \$13.5 million (3.7%) lower than the revised estimate for 2003-04. In view of the Government's fiscal constraints, the Government agreed with HKTDC in 2002 to suspend the funding arrangement agreed in 2001 under which annual subvention for HKTDC is set at 60% of the total amount of the trade declaration charge on imports, domestic exports and re-exports received in the preceding financial year. The subvention to HKTDC in 2004-05 will be \$354.7 million, or 3.7% lower than the revised estimate for 2003-04, in order to enable the Government to achieve additional savings. This amount is less than what HKTDC would have otherwise obtained under the agreed funding arrangement.

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Allocation of provision to programmes (2004-05)

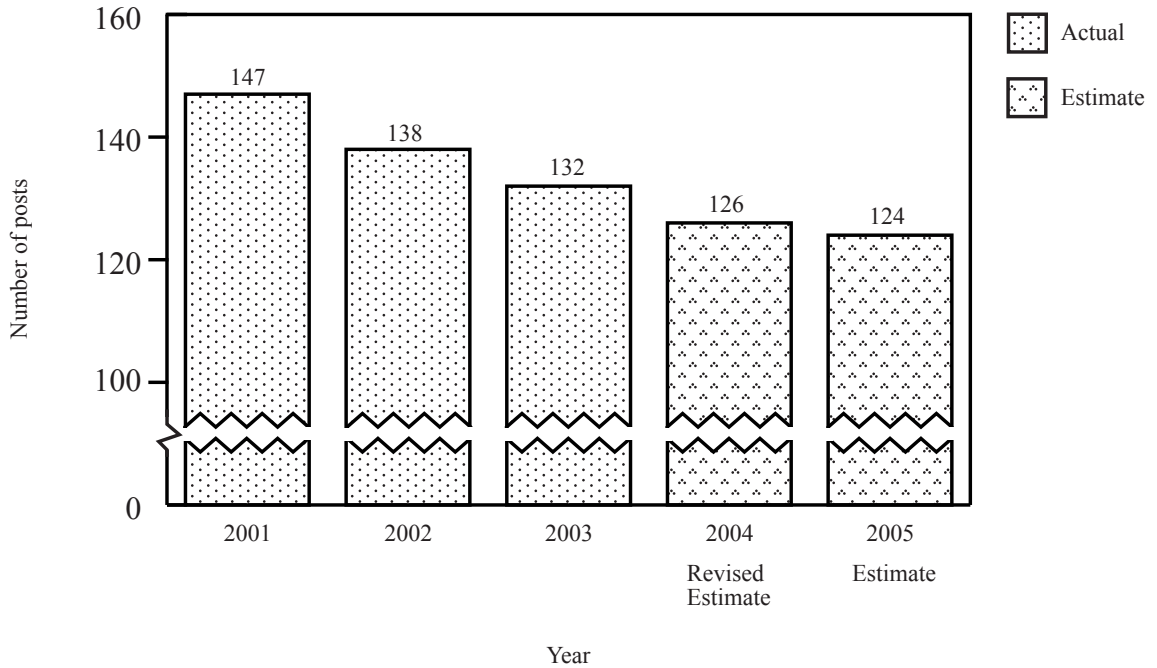


Staff by programme (as at 31 March 2005)



(No government staff under PROG 3)

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



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Sub-head (Code)	Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	Estimate 2004-05	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	—	116,344	114,100	501,621
	Salaries	63,928	—	—	—
	Allowances	3,294	—	—	—
	Job-related allowances	6	—	—	—
	Honoraria for members of committees	7	—	—	—
	General departmental expenses	14,212	—	—	—
	Subscription to the Asia-Pacific Economic Cooperation	717	—	—	—
	Subscription to the Pacific Economic Cooperation Council	128	—	—	—
	Total, Recurrent	82,292	116,344	114,100	501,621
Non-Recurrent					
700	General non-recurrent.....	10,833	33,657	19,000	19,814
838	Minor consultancy studies (block vote).....	6,426	15,600	9,000	10,000
	Total, Non-Recurrent	17,259	49,257	28,000	29,814
	Total, Operating Account.....	99,551	165,601	142,100	531,435
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	Total Expenditure.....	99,551	165,601	142,100	531,435

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Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Commerce and Industry Branch is \$531,435,000. This represents an increase of \$389,335,000 over the revised estimate for 2003–04 and of \$431,884,000 over actual expenditure in 2002–03.

Operating Account

Recurrent

2 Provision of \$501,621,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Commerce and Industry Branch. The increase of \$387,521,000 (339.6%) over the revised estimate for 2003–04 is mainly due to the transfer of provisions for the subvention to HKTDC, subvention to the Hong Kong-Japan Business Co-operation Committee and subscription to WTO from the former Head 177—Subventions: Non-Departmental Public Bodies, former Head 176—Subventions: Miscellaneous and Head 106—Miscellaneous Services respectively. It is partly offset by the effect of the 2004 and 2005 civil service pay cut, transfer of provisions attributed to the honoraria for members of the Review Body on Bid Challenges, subscription to the Asia-Pacific Economic Cooperation and the subscription to the Pacific Economic Cooperation Council to Head 181—Trade and Industry Department, reduced operating expenses to achieve efficiency savings and deletion of two posts.

3 The establishment as at 31 March 2004 will be 126 permanent posts. It is expected that two posts will be deleted in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$44,461,000.

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

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	63,928	65,317	64,150	62,070
- Allowances.....	3,294	3,432	2,400	1,679
- Job-related allowances.....	6	7	2	4
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	71	60	48
- Disturbance allowance.....	—	—	—	241
Departmental Expenses				
- Honoraria for members of committees.....	7	300	1,088	—
- General departmental expenses.....	14,212	46,317	45,500	44,884
Other Charges				
- Subscription to the Asia-Pacific Economic Cooperation.....	717	750	750	—
- Subscription to the World Trade Organization.....	—	—	—	34,347
- Subscription to the Pacific Economic Cooperation Council.....	128	150	150	—
Subventions				
- Hong Kong-Japan Business Co-operation Committee.....	—	—	—	3,610
- Hong Kong Trade Development Council.....	—	—	—	354,738
	82,292	116,344	114,100	501,621

Non-Recurrent

5 Provision of \$10,000,000 under *Subhead 838 Minor consultancy studies (block vote)* is for the Business and Services Promotion Unit to conduct minor studies each costing above \$100,000 but not exceeding \$3,000,000 related to the Helping Business Programme. The increase of \$1,000,000 (11.1%) over the revised estimate for 2003–04 is due to increased cashflow requirements for existing studies and a number of minor studies to be commissioned in 2004–05.

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2003	Revised estimated expenditure for 2003-04	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	012	Professional Services Development Assistance Scheme.....	100,000	4,595	19,000	76,405
	685	Development of Hong Kong's assessment capabilities for the operation of strategic trade controls...	4,000	3,186	—	814
		Total.....	<u>104,000</u>	<u>7,781</u>	<u>19,000</u>	<u>77,219</u>