

Head 181 — TRADE AND INDUSTRY DEPARTMENT

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

Estimate 2004–05	\$903.8m
Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 710 non-directorate posts as at 31 March 2004 reducing by 48 posts to 662 posts as at 31 March 2005.....	\$205.8m
In addition there will be an estimated 11 directorate posts as at 31 March 2004 and as at 31 March 2005.	
Commitment balance	\$7,103.1m

Controlling Officer's Report

Programmes

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

Detail

Programme (1): Commercial Relations

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)#	71.0	76.7	71.7 (–6.5%)	73.1 (+2.0%)
				(or –4.7% on 2003–04 Original)

All the figures set out above include the provisions for (a) the contribution to the International Textiles and Clothing Bureau transferred from Head 106—Miscellaneous Services; (b) the contributions 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 will take 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 2002 by the WTO. It came first in the 2004 Index of Economic Freedom published by the Heritage Foundation of the United States (US) in January 2004. 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 on the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). The Arrangement was concluded, with the main parts and six Annexes signed on 29 June 2003 and 29 September 2003 respectively.

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 2003, 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 review of the implementation of the Agreement on Textiles and Clothing (ATC); as well as the discussions on trade and investment, trade and competition policy, trade facilitation and transparency in government procurement;
- active and constructive participation in the new round of multilateral trade negotiations and work programme mandated by the Doha Ministerial Declaration, as well as by the Fifth WTO Ministerial Conference held in Cancun in September 2003. These include submission of proposals and papers to facilitate WTO members' ongoing deliberation on key negotiating areas such as services, non-agricultural market access, environment, etc. The department also played a key supporting role in the bid for hosting the Sixth Ministerial Conference in Hong Kong;
- 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 and constructive participation in the WTO negotiations on services which have entered the stage of discussing initial offers for specific commitments submitted by members;
- active participation in the 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. The department was actively involved in the discussion on the 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 the APEC's goal of free and open trade and investment. In addition, it participated constructively in the 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);
- continuation of negotiations for an investment promotion and protection agreement with Finland;
- consultation with the Mainland on the CEPA. The consultation covered three broad areas, namely trade in goods, trade in services, and trade and investment facilitation;
- negotiation with New Zealand on a Closer Economic Partnership (CEP) Agreement. The negotiation encompassed a wide 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 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 2004–05

8 During 2004-05, 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 the ATC. In particular, it will closely monitor the faithful implementation of the ATC to ensure the ultimate liberalisation of textiles and clothing trade by 1 January 2005;
- participate actively in the WTO work programme to help reinvigorate the new round of multilateral trade negotiations launched at the Doha Ministerial Conference in November 2001, which has been put on hold consequent to the setback at the Cancun Ministerial Conference. In doing so, Hong Kong will build alliance with like-minded WTO members to re-energise the WTO discussions while at the same time advancing Hong Kong's interests, particularly in the areas of non-agricultural market access and services;
- participate actively and constructively in the WTO negotiations on services, and consult the trade in formulating Hong Kong's negotiating positions;
- 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 the 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, trade and competition policy, trade and investment 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;
- in relation to Hong Kong, China's playing host to the Sixth WTO Ministerial Conference, actively get involved in its preparation, and in helping to stage a conference that is successful in both substantive and logistical terms;
- 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 provide inputs to the third major review on the implementation of the ATC, and 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 the 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;
- pursue consultation on the CEP with New Zealand with a view to bringing it to an early and successful conclusion;
- monitor the developments of regional economic integration and assessing their impact on Hong Kong, and exploring 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 the restrained 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 giving advice to local industries;
- monitor any changes in major trading partners' origin rules and reviewing domestic origin rules in consultation with local industries;
- monitor the developments in the new textiles trade regime in overseas markets after 2004 when quota restraints on textiles and clothing products will be eliminated under the ATC;

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- monitor any changes in major trading partners' trade laws and regulations and promptly providing information to traders as appropriate; and
- monitor the accession to the European Union (EU) by ten new member states (viz. Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia) scheduled for May 2004 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

	2002-03 (Actual)	2003-04 (Original)	2003-04 (Revised)	2004-05 (Estimate)
Financial provision (\$m)	187.5	197.1	189.3 (-4.0%)	190.4 (+0.6%)
				(or -3.4% on 2003-04 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;
 - enhance Hong Kong's role as a regional trading and distribution centre; and
 - enhance Hong Kong's status as a fashion hub of the Asia Pacific region.

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 Pursuant to the conclusion of the CEPA, the Mainland Division has implemented the Certification Scheme of Hong Kong Service Supplier (HKSS) as from 2 October 2003 for the telecommunications sector and as from 17 November 2003 for the remaining service sectors under the CEPA. It also handles general enquiries on the CEPA and disseminates the CEPA-related information, including application procedures for provision of services in the Mainland under the CEPA, through the department's CEPA website. In order to promote the business opportunities offered by the CEPA and to facilitate traders and service suppliers to understand the implementation details of the CEPA, the department also participates in various promotional and publicity activities.

12 Following the introduction of full electronic 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, 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 2003, 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 Following the signing of the main text and the Annexes of the CEPA on 29 June 2003 and 29 September 2003 respectively, the Mainland will apply zero import tariff for imported goods of Hong Kong origin by phases. In the first phase, starting from 1 January 2004, goods in 374 Mainland 2004 tariff codes can enjoy such tariff preference and the department has implemented the Certificate of Hong Kong Origin - CEPA (CO(CEPA)) System.

15 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.

16 To safeguard the interests of traders in rough diamonds in Hong Kong, the department has implemented the Kimberley Process Certification Scheme for rough diamonds as from 2 January 2003. 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.

17 The department has been working towards launching a system for electronic submission of strategic commodities licence applications to further facilitate trade in strategic commodities.

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18 The department continued to underpin the work of the Steering Committee on the Development of Fashion Industry in formulating strategies to enhance the development of Hong Kong into a fashion hub of the Asia Pacific region; and in co-ordinating the efforts of various agencies in the implementation of measures identified.

19 The department met all of its performance targets in 2003.

20 The key performance measures are:

Targets

	Target processing time (working days or as specified)	2002 (Actual)	2003 (Actual)	2004 (Plan)
textiles import licence	1 ^(a)	2	1	1
textiles re-export licence	1 ^(a)	2	1	1
textiles export licence to all restrained markets (except those for samples and personal effects)	2 ^(b)	2	2	2
textiles export licence to all non- restrained markets (except those for samples and personal effects)	1 ^(a)	2	1	1
textiles export licence for samples and personal effects to all markets	20 mins ^(c)	25 mins	25 mins	20 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	30 mins ^(d)	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	30 mins	30 mins	30 mins
cancellation	15 mins	15 mins	15 mins	15 mins
amendment and cancellation of other				
textiles licence	2 ^(b)	2	2	2
expeditious issue of textiles licence	24 hrs	24 hrs	24 hrs	24 hrs
transfer of quota	5 ^(e)	5	5	5
enquiry on quota balance	2 ^(a)	3	2	2
certificate of registration for Textiles Trader Registration	3 ^(f)	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	1	1	1	1
replacement licence for import customs clearance	1	1	1	1
enquiry on classification of textiles products				
restrained markets	5 ^(g)	5	5	5
non-restrained markets	30 mins	30 mins	30 mins	30 mins
certificate of Hong Kong origin, certificate of origin-processing and CO(CEPA) ^(h)	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/CO(CEPA) ^(h) /Form A	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				
simple enquiry	1	N.A. ⁽ⁱ⁾	1	1
complicated enquiry	4	N.A. ⁽ⁱ⁾	4	4
enquiry on PN: permissible limits for component parts				
simple enquiry	1	1	1	1
complicated enquiry	4	4	4	4
application for factory registration	14	14	14	14

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	Target processing time (working days or as specified)	2002 (Actual)	2003 (Actual)	2004 (Plan)
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	N.A. ^(j)	20 mins	20 mins
Kimberley Process Certificate (Export) for rough diamonds	24 hrs	N.A. ^(j)	24 hrs	24 hrs
registration for rough diamond traders.....	1	N.A. ^(j)	1	1
certified true copy	1	1	1	1
registration for Transshipment Cargo Exemption Scheme.....	14	14	14	14
certificate of HKSS.....	14	N.A. ^(k)	14	14
other written enquiries	10	10	10	10

- (a) The target processing time has been shortened with effect from 2003.
- (b) 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.
- (c) The target processing time has been shortened from 25 minutes to 20 minutes for 100% of the applications starting from 2004.
- (d) 90% of the applications can be handled in 25 minutes.
- (e) 80% of the applications can be handled in four days.
- (f) 70% of the applications can be handled in two days starting from 2003.
- (g) 50% of the enquiries can be handled in four days.
- (h) The CO(CEPA) was introduced on 30 December 2003.
- (i) The target was introduced in early 2003.
- (j) The department started to implement the registration for rough diamond traders and Kimberley Process Certification Scheme for rough diamonds on 2 January 2003.
- (k) The department started to implement the Certification Scheme of HKSS on 2 October 2003.

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
Licences issued			
textiles export licence (restrained).....	450 304	445 955	442 000
textiles export licence (non-restrained)	329 911	308 902	289 000
textiles import licence	37 839	38 202	38 569
exports notification I	730 360	694 780	660 940
exports notification II.....	3 445 620	3 583 960	3 727 680
exports notification III.....	173 480	139 860	112 760
exports notification IV.....	150 780	130 980	113 780
import notification.....	2 918 680	2 781 440	2 650 720
transshipment notification.....	381 380	397 160	413 600
textiles trader registration.....	20 367	19 923	19 292
textiles controls registration	5 465	5 282	4 379 ^(l)

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	2002 (Actual)	2003 (Actual)	2004 (Estimate)
certificate of Hong Kong origin, certificate of origin - processing and CO(CEPA) ^(hi)	2 279	2 940	3 500
certificate of origin (Form A)	4	2	3
factory registration	2 733	2 702	2 700
OPA registration.....	960	966	950
local sub-contracting arrangement registration.....	480	445	450
PN	220 242	219 581	219 000
statutory declarations of antique.....	27	19	20
reserved commodities licence.....	5 484	5 782	6 096
registration of reserved commodity stockholder.....	52	83	91
ozone depleting substances licence	516	440	332 ^(m)
strategic commodities licence.....	43 061	69 380 ⁽ⁿ⁾	69 380
delivery verification certificate.....	31	24	24
international import certificate	24	30	30
other non-textiles licence.....	45 118	2 673 ^(o)	2 806
Kimberley Process Certificate	N.A. ^(j)	5 068	5 068
registration of rough diamond traders	N.A. ^(j)	240	60 ^(p)
certificate of HKSS	N.A. ^(k)	32	800 ^(q)
Textiles export quota utilisation (%) ^(r)			
US.....	76.1	67.3	67.3
Canada.....	33.3	29.0	29.0
EU	59.8	62.2	62.2
Enquiries on CEPA			
enquiries	N.A.	6 064 ^(s)	24 300
visitors to the department's CEPA website	N.A.	422 601 ^(s)	1 700 000

- (l) In view of the phasing out of textiles quotas by 1 January 2005, it is anticipated that only 80% of the registrants would renew their registrations, and that the number of fresh applications would drop substantially.
- (m) With the introduction of a new combined "import and export licence" for transshipment of ozone depleting substances in January 2004 to replace the existing import and export licences, it is envisaged that the number of ozone depleting substances licences to be issued in 2004 would further decrease.
- (n) The increase in strategic commodities licences is mainly due to the increase in applications covering electronics and telecommunication products.
- (o) The decrease in other non-textiles licences is due to the transfer of the licensing duties for pharmaceutical products and medicines to the Department of Health since 16 September 2002.
- (p) Under the biennial registration system introduced on 2 January 2003, renewal of registrations will only take place in 2005. The estimate for 2004 includes only new registrations.
- (q) The department has implemented the Certification Scheme of HKSS for the telecommunications sector as from 2 October 2003 and for the remaining service sectors as from 17 November 2003.
- (r) Quota utilisation for a particular year may be subject to minor adjustments in the first three months of the following year. The 2002 figures have been revised to reflect the changes, while the 2003 figures are best estimates based on the information on hand.
- (s) Only include enquiries received after the signing of the Annexes of the CEPA on 29 September 2003.

Matters Requiring Special Attention in 2004-05

21 During 2004-05, 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, and applying legal and administrative actions against offending parties;
- monitor closely the elimination of textiles quotas by 1 January 2005 under the ATC and the development of the future textiles trade regime in overseas markets after 2004. Necessary adjustments to the textiles control arrangements will be made to ensure 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 the CEPA, as well as prepare for further consultations with the Mainland authorities on goods to be covered in the second phase of tariff preference under the CEPA;

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- implement a permit system for operators of facilities involved in specified activities of chemicals listed in the Schedules to the Chemical Weapons (Convention) Ordinance;
- 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;
- monitor closely the implementation of the Certification Scheme of HKSS and liaise with other relevant bureaux/departments to facilitate the service suppliers in Hong Kong to gain the greatest benefits from the CEPA. It will also continue to strengthen the public's understanding on the implementation details of the CEPA through the provision of user-friendly enquiry services as well as active organisation of or participation in various promotional and publicity activities; and
- continue to implement the initiatives formulated by the Steering Committee on the Development of Fashion Industry.

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

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	103.4	483.6	369.6 (–23.6%)	640.3 (+73.2%)
				(or +32.4% on 2003–04 Original)

Aim

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

Brief Description

23 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.

24 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 promote best practices in manufacturing and servicing industries, it organises the annual Hong Kong Awards for Industry (HKAI): Quality, and provides steer on how the HKAI and Hong Kong Awards for Services (HKAS) should be run.

25 Following a comprehensive review of the four SME funding schemes, various improvement measures were introduced to the SME Loan Guarantee Scheme, SME Training Fund (STF), and SME Export Marketing Fund (EMF) in February and March 2003. Further improvement measures were introduced to the STF and EMF in June 2003 to help SMEs further enhance their competitiveness in the aftermath of the outbreak of the Severe Acute Respiratory Syndrome. The revised schemes provide SMEs with higher funding ceilings, higher subsidy level and/or greater flexibility.

26 Through partnership with various government departments, licensing authorities, trade and industry associations, support organisations and professional bodies, the SUCCESS provides SMEs with a comprehensive range of information and advice under one roof. One of the centre's most popular services is the free business advisory service for SMEs or business starters to seek advice from experts on aspects relating to starting, running and expanding businesses. Facilities in the SUCCESS include a reference library and computer workstations which provide free access to the internet and electronic databases. To help SMEs keep pace with the ever changing business environment, the SUCCESS organises seminars and publishes an SME newsletter, known as the "Pulse" on a half-yearly basis.

27 Following very positive feedback from mentees, mentors and co-organisers, the department launched the recruitment campaign for the 2003/04 Mentorship Programme for SMEs during October to December 2003. The Programme is jointly organised by the department and 42 trade and industrial organisations. By providing SME proprietors with an opportunity to learn from and be guided by accomplished businessmen through one-on-one free counselling during a nine-month mentorship period, the programme aims to help SME entrepreneurs build entrepreneurship and leadership skills.

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28 The Division also participated in the sixteenth and seventeenth meetings of the APEC SME Working Group, tenth meeting of APEC SME Ministers and various seminars/fora organised by other APEC economies. Also, we worked 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.

29 The key performance measures are:

Targets

	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
	%	%	%	%
SUCCESS				
confirmation of consultation meeting with applicants of Business Advisory Service within ten working days	100	98.7	98.3	99
replies to simple enquiries on licensing requirements within one working day	100	100	100	100
replies to complicated enquiries on licensing requirements within three working days	100	99.8	100	100
replies to simple enquiries on SME support services and facilities within one working day	100	100	100	100
replies to complicated enquiries on SME support services and facilities within three working days	100	99.9	100	100
SME Loan Guarantee Scheme (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	99.8	99.8
SME Development Fund				
processing applications for grant within 70 working days (after closing date for submission of applications) ⁽ⁱ⁾	100	100	100	100
SME Export Marketing Fund				
processing applications for grant within seven working days	100	100	94	100
reimbursement of grant within 30 working days	100	100	90	100
SME Training Fund				
processing applications for grant within 12 working days	100	98.5	94	100
reimbursement of grant within 30 working days	100	90.3	82	100

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
SUCCESS			
enquiries	11 163	12 446	13 000
visitors to the physical and virtual centres	217 739	316 634	460 000
visitors to the web site of Business Licence Information Service	116 323	133 352	152 000
SME Loan Guarantee Scheme (previously known as SME Business Installations and Equipment Loan Guarantee Scheme)			
amount of government guarantees issued (\$m)	1,108	2,002	2,327

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	2002 (Actual)	2003 (Actual)	2004 (Estimate)
SME Export Marketing Fund			
applications received and processed.....	3 612	12 548	15 000
SME Development Fund			
applications received and processed.....	399	73	160
SME Training Fund			
applications received and processed.....	11 201	24 611	35 000
SME seminars and other activities	8	105 ^(u)	100
publications relating to local industries and SMEs.....	4	1	2
processing recommendations of Techno-Economic and Market Research Studies (TESs) (cumulative) ^(v)			
1998/99 TES on electronics industry (%)	100	N.A.	N.A.
1999/2000 TES on plastics industry (%).....	100	N.A.	N.A.
1999/2000 TES on textiles, clothing and footwear industries (%).....	100	N.A.	N.A.

(t) 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.

(u) As from 2003, this indicator has included other activities such as workshops, experience sharing sessions and visits.

(v) The processing of the recommendations of the TESs was completed in 2002.

Matters Requiring Special Attention in 2004–05

30 During 2004–05, the department will continue to:

- implement the four SME funding schemes and closely monitor the effectiveness of the schemes;
- work closely with the SMEC to facilitate the development of SMEs;
- develop and strengthen the services of the SUCCESS and Virtual SME Information Centre on the internet;
- run the Mentorship Programme for SMEs and introduce new features to the Programme as appropriate;
- issue the SME newsletter on a half-yearly basis;
- monitor Hong Kong's industrial development and maintain liaison with industries and related organisations;
- organise the HKAI: Quality and provide steer on how to run the HKAI and HKAS;
- participate in the APEC SME Working Group meetings, Ministerial Meeting and seminars/fora organised by other APEC economies; and
- work closely with Ireland and the Mainland to foster co-operation on support for SMEs, and facilitate exchanges between each other's SMEs.

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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) Commercial Relations.....	71.0	76.7	71.7	73.1
(2) Trade Support and Facilitation	187.5	197.1	189.3	190.4
(3) Support for Small and Medium Enterprises and Industries.....	103.4	483.6	369.6	640.3
	361.9	757.4	630.6 (-16.7%)	903.8 (+43.3%)
				(or +19.3% on 2003-04 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2004-05 is \$1.4 million (2.0%) higher than the revised estimate for 2003-04. This is mainly due to the provision for filling vacancies, increased cashflow requirement for consultancy services, increased departmental expenses relating to overseas duty visits, partly offset by the effect of the 2004 and 2005 civil service pay cut. Three posts will be deleted in 2004-05.

Programme (2)

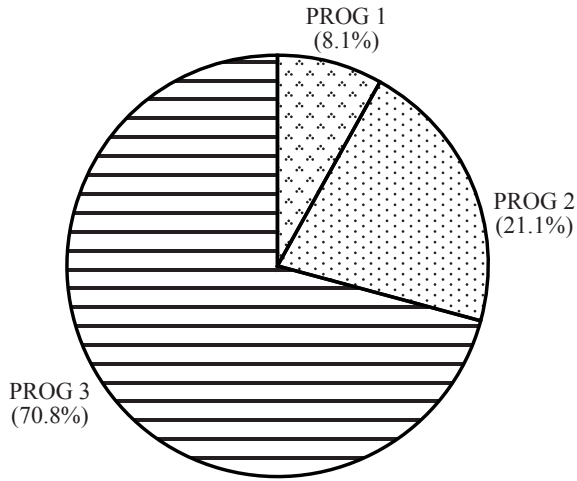
Provision for 2004-05 is \$1.1 million (0.6%) higher than the revised estimate for 2003-04. This is mainly due to the provision for filling vacancies, increased requirement for CEPA implementation and increased requirement for maintenance of computer systems, partly offset by the effect of the 2004 and 2005 civil service pay cut and a net deletion of 44 posts.

Programme (3)

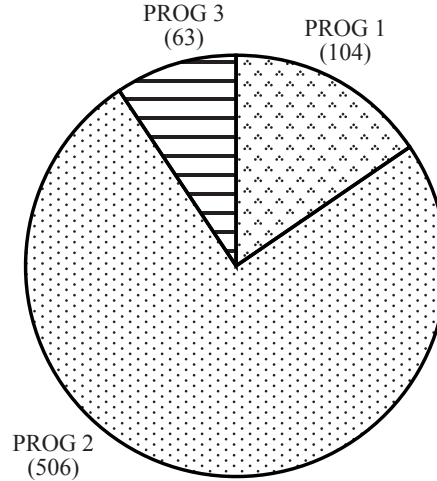
Provision for 2004-05 is \$270.7 million (73.2%) higher than the revised estimate for 2003-04. This is mainly due to the increased requirements for the implementation of the four SME funding schemes, partly offset by the effect of the 2004 and 2005 civil service pay cut. One post will be deleted in 2004-05.

Head 181 — TRADE AND INDUSTRY DEPARTMENT

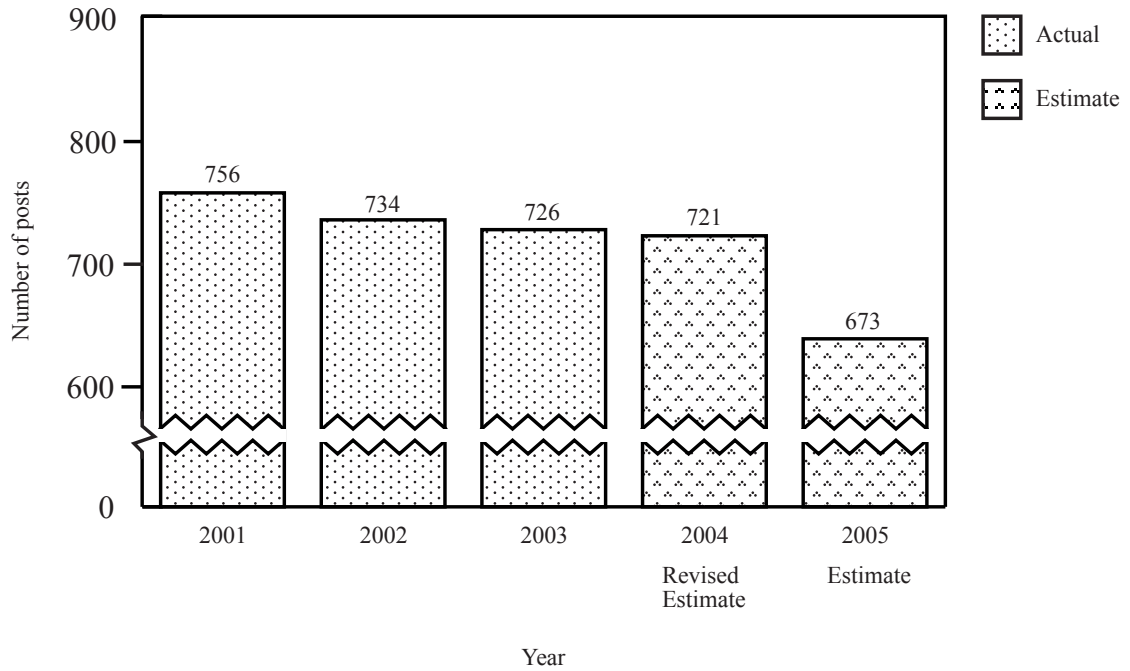
Allocation of provision to programmes (2004-05)



Staff by programme (as at 31 March 2005)



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



Head 181 — TRADE AND INDUSTRY DEPARTMENT

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.....	—	309,591	293,781	299,670
	Salaries	240,024	—	—	—
	Allowances	5,922	—	—	—
	Job-related allowances	48	—	—	—
	General departmental expenses	39,979	—	—	—
	Trade negotiations and associated activities.....	670	—	—	—
	Total, Recurrent	<u>286,643</u>	<u>309,591</u>	<u>293,781</u>	<u>299,670</u>
Non-Recurrent					
700	General non-recurrent.....	73,125	445,046	333,460	603,391
	Total, Non-Recurrent	<u>73,125</u>	<u>445,046</u>	<u>333,460</u>	<u>603,391</u>
	Total, Operating Account.....	<u>359,768</u>	<u>754,637</u>	<u>627,241</u>	<u>903,061</u>
Capital Account					
Plant, Equipment and Works					
603	Plant, vehicles and equipment	411	500	500	500
661	Minor plant, vehicles and equipment (block vote).....	—	—	—	250
	Total, Plant, Equipment and Works	<u>411</u>	<u>500</u>	<u>500</u>	<u>750</u>
	Total, Capital Account	<u>411</u>	<u>500</u>	<u>500</u>	<u>750</u>
	Total Expenditure.....	<u><u>360,179</u></u>	<u><u>755,137</u></u>	<u><u>627,741</u></u>	<u><u>903,811</u></u>

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Trade and Industry Department is \$903,811,000. This represents an increase of \$276,070,000 over the revised estimate for 2003–04 and of \$543,632,000 over actual expenditure in 2002–03.

Operating Account

Recurrent

2 Provision of \$299,670,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Trade and Industry Department.

3 The establishment as at 31 March 2004 will be 721 permanent posts. It is expected that there will be a net deletion of 48 posts 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 \$205,805,000.

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.....	240,024	249,553	240,978	239,252
- Allowances.....	5,922	7,293	7,168	7,031
- Job-related allowances	48	46	33	25
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	203	203	184
Departmental Expenses				
- General departmental expenses.....	39,979	50,296	44,027	50,022
Other Charges				
- Subscription to the Asia-Pacific Economic Cooperation	—	—	—	750
- Trade negotiations and associated activities.....	670	2,200	1,372	1,196
- Subscription to the Pacific Economic Cooperation Council	—	—	—	150
- Contribution to the International Textiles and Clothing Bureau	—	—	—	664
- Asian and Pacific Development Centre....	—	—	—	88
- United Nations Development Programme.....	—	—	—	308
	286,643	309,591	293,781	299,670

Capital Account

Plant, Equipment and Works

5 Provision of \$250,000 under *Subhead 661 minor plant, vehicles and equipment (block vote)* represents an increase of \$250,000 over the revised estimate for 2003-04. This is due to 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 31.3.2003	Revised estimated expenditure for 2003-04	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	515	Consultancy to provide advisory services on trade in goods and services	8,608	4,775	1,815	2,018
	517	Consultancy to provide advisory services on further broad-based multilateral negotiation	3,054	235	312	2,507
	519	Publicity programmes on the four funding schemes recommended by the SMEC to support SMEs.....	1,470	507	738	225
	520	SME Loan Guarantee Scheme.....	6,600,000	—	36,700	6,563,300
	524	SME Training, Export Marketing and Development Funds	900,000	73,665	293,895	532,440
			<u>7,513,132</u>	<u>79,182</u>	<u>333,460</u>	<u>7,100,490</u>
<i>Capital Account</i>						
603		<i>Plant, vehicles and equipment</i>				
	213	Replacement of Private Automatic Branch Exchange System.....	6,090	3,014	500	2,576
		Total.....	<u>7,519,222</u>	<u>82,196</u>	<u>333,960</u>	<u>7,103,066</u>