

## Chapter 5

---

# Commerce and Industry

*As a place for doing business, Hong Kong is hard to beat. It has all the advantages for trade to flourish: low tax rates, modern infrastructure, rule of law, free flow of capital and information and, equally important, it is the world's freest economy and gateway to today's most sought-after market — the mainland of China.*

Hong Kong is a leading international trading and services hub as well as a high value-added manufacturing base. It is widely recognised as one of the freest economies in the world, and the gateway to the Mainland market.

Hong Kong's continuing economic success owes much to a simple tax structure and low tax rates, a versatile and industrious workforce, excellent infrastructure, free flow of capital and information, the rule of law, and the Government's firm commitment to free trade and free enterprise.

The Government sees its task as facilitating commerce and industry within the framework of a free market. It does not impose tariffs. Regulatory measures on international trade are kept to a minimum. Hong Kong also adopts an open and liberal investment policy and actively encourages inward investment.

The Government's industrial policy is designed to promote industrial development by creating a business-friendly environment and providing adequate support services and infrastructure. It promotes innovation and technological improvement to match Hong Kong industry's shift towards knowledge-based and high value-added activities. It aims to strengthen support for technology development and application, promote the wider use of design, develop a critical mass of fine scientists, engineers and designers, skilled technicians and venture capitalists, and encourage the development of a significant cluster of innovation and technology-based businesses.

### **Merchandise Trade Performance**

Hong Kong's external trade grew noticeably in 2007 in line with the economic expansion of both the Mainland and the world. Total merchandise trade rose to \$5,555.5 billion, an increase of 9.8 per cent over 2006. Domestic exports decreased

by 18.9 per cent to \$109.1 billion while re-exports rose by 10.8 per cent to \$2,578.4 billion compared with the previous year. Imports increased by 10.3 per cent to \$2,868.0 billion. (The appendices provide summary statistics of external trade.)

Hong Kong's largest trading partner in 2007 was the Mainland, followed by the United States (US) and Japan. In 2007, Hong Kong was the world's 12th largest trading entity in terms of value of merchandise trade.

### *Imports*

Electrical machinery, apparatus and appliances, and their electrical parts constituted the largest share of total imports in 2007 at \$740.1 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$385.4 billion) and office machines and automatic data processing machines (\$249.4 billion).

In 2007, the Mainland, Japan and Taiwan were Hong Kong's major suppliers, accounting for 46.4 per cent, 10.0 per cent and 7.2 per cent of the total value of imports respectively.

### *Domestic Exports*

Articles of apparel and clothing accessories continued to be the largest component of domestic exports, valued at \$38.9 billion or 35.6 per cent of the total value of domestic exports in 2007. Other major export items included electrical machinery, apparatus and appliances, and their electrical parts, telecommunications and sound recording and reproducing apparatus and equipment.

The Mainland, the US and the United Kingdom were Hong Kong's largest markets during the year, absorbing 37.2 per cent, 21.9 per cent and 5.4 per cent of the total value of domestic exports respectively.

### *Re-exports*

In 2007, electrical machinery, apparatus and appliances, and their electrical parts worth \$642.6 billion were the principal commodities re-exported (24.9 per cent of the total value of re-exports). This was followed by the re-exports of telecommunications and sound recording and reproducing apparatus and equipment, which amounted to \$428.1 billion (16.6 per cent of the total value of re-exports). The Mainland, Japan and Taiwan were the main origins of the re-exports, while the Mainland, the US and Japan were the main destinations.

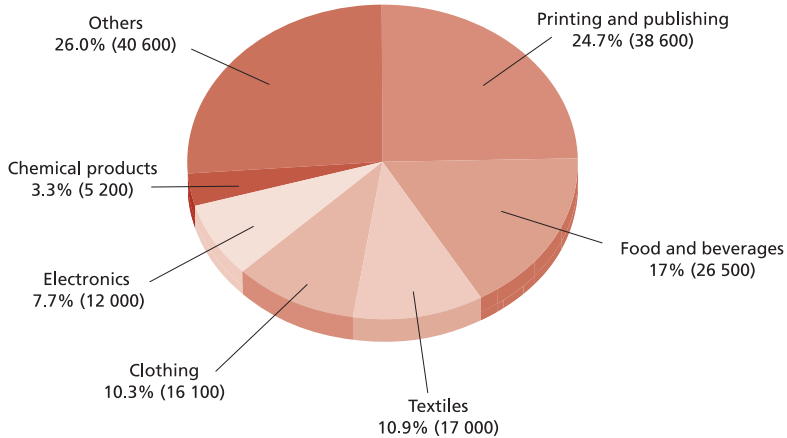
## **The Manufacturing Sector**

With the expansion of manufacturing activities offshore since the 1980s, Hong Kong has evolved into a strategic control centre with an increasingly globalised production network. In spite of Hong Kong's economic restructuring, the manufacturing sector remained an important sector of the economy, providing employment to 170 000 people (4.9 per cent of overall employment) in 2007.

The printing and publishing industry was the largest employer in the manufacturing sector as at December 2007, followed by the food and beverages

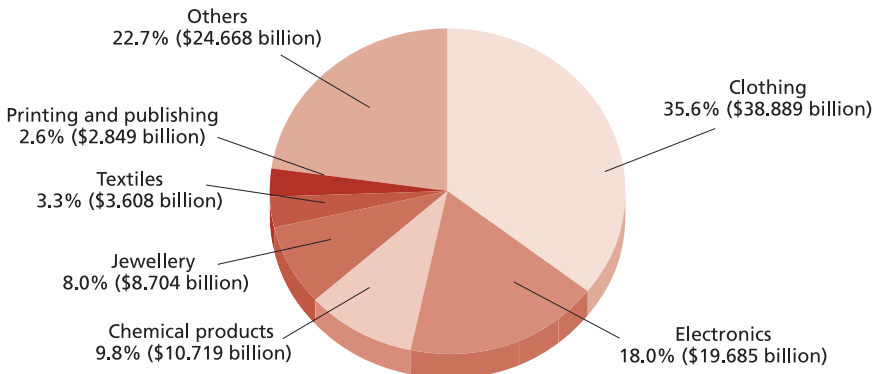
industry. *Chart 1* shows the breakdown of employment within the manufacturing sector as at December 2007.

**Chart 1**      **Number of Persons Employed by the Manufacturing Sector as at December 2007**



The manufacturing sector remains export-oriented and its excellent performance contributed to Hong Kong's ranking as one of the world's leading exporters of clothing, watches and clocks, toys, jewellery and textiles. Domestic exports amounted to \$109.1 billion in 2007 with clothing, electronics, chemical products, jewellery and textiles being the major export items. *Chart 2* shows the value breakdown of domestic exports in 2007.

**Chart 2**      **Value of Domestic Exports of the Manufacturing Sector in 2007**



## The Services Sector

The services sector has grown significantly in the past two decades. Its share of Hong Kong's Gross Domestic Product (GDP) rose from 71.3 per cent in 1987 to 91.2 per cent in 2006. In 2007, 86.6 per cent of total employment was in the services sector. Hong Kong has become one of the most service-oriented economies in the world. Much of this growth was fuelled by the demand for producer services by Hong Kong's globalised production network and the trend towards sourcing goods and services globally.

In 2007, Hong Kong's total services trade amounted to \$965.4 billion, making it the world's 16th largest trading entity in terms of value of services trade. In the same year, Hong Kong exported \$645.3 billion worth of services, contributing to 40.0 per cent of GDP. Hong Kong ranked fourth after Japan, the Mainland and India in the region in terms of absolute value of exports of services. In the global league table of exports of services, Hong Kong ranked 12th in 2007.

Hong Kong's exports of services comprise mainly merchanting and other trade-related services, transport and travel services, which accounted for 31 per cent, 29 per cent and 17 per cent respectively of the total value in 2007. The corresponding share for exports of financial services was 15 per cent, and that for exports of insurance and other services was 9 per cent. In addition to being a net exporter of services in overall terms, analysed by component of services trade, Hong Kong in 2007 recorded a surplus in merchanting and other trade-related services (\$177.6 billion) and transport services (\$85.0 billion) and financial services (\$75.9 billion).

## External Investment

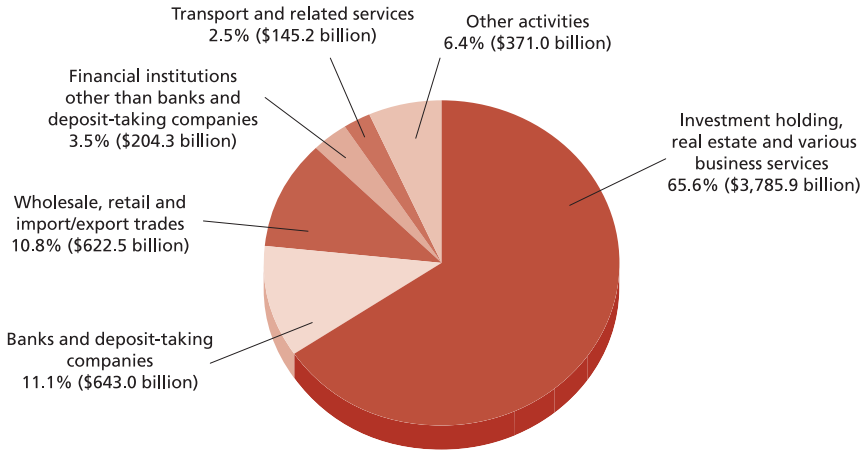
Hong Kong's attraction as a place to do business is evident from the inflow of foreign direct investment (FDI) and the number of regional headquarters and regional offices in Hong Kong set up by companies outside Hong Kong.

Census and Statistics Department data show that Hong Kong's FDI inflow in 2006 amounted to US\$45.1 billion. According to the 'World Investment Report 2007' released by the United Nations Conference on Trade and Development, Hong Kong was the second largest recipient of FDI in Asia in 2006.

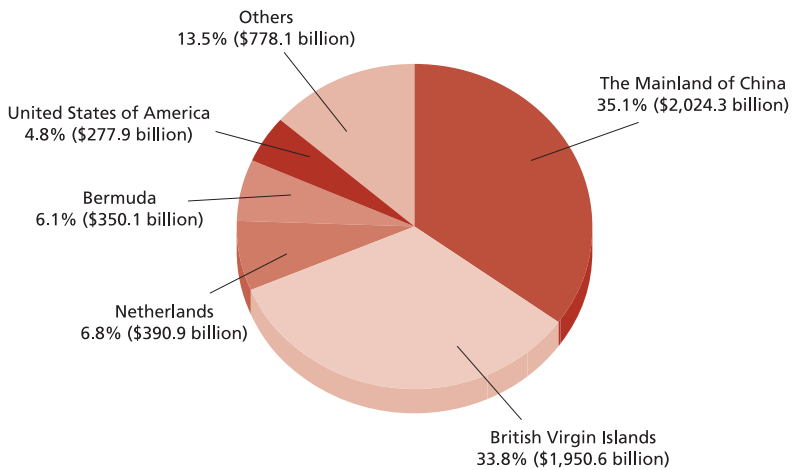
Hong Kong had 9 712 enterprise groups<sup>1</sup> with inward direct investment in 2006, comprising 326 in the manufacturing sector and 9 386 in the non-manufacturing sectors. The market value of the stock of inward direct investment amounted to \$5,771.9 billion. *Chart 3* shows the major economic activities of these enterprise groups while *Chart 4* shows source countries/territories of the inward direct investment. Regarding employment, 62 per cent of it was from enterprise groups employing fewer than 20 persons each (*Chart 5*).

<sup>1</sup> An enterprise group may consist of a parent company, its subsidiaries, associates and branches.

**Chart 3 Position of Inward Direct Investment in Hong Kong at Market Value by Major Economic Activity of Hong Kong Enterprise Group at end-2006**

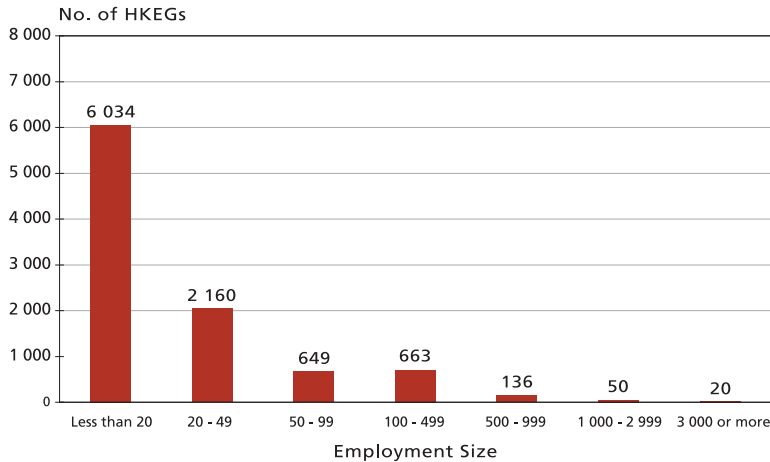


**Chart 4 Position of Inward Direct Investment in Hong Kong at Market Value by Major Investor Country/Territory at end-2006**



Note: British Virgin Islands and Bermuda are important offshore financial centres commonly used by investors to channel inward direct investment funds to Hong Kong

**Chart 5**      **Number of Hong Kong Enterprise Groups (HKEGs) with Inward Direct Investment by Employment Size in end-2006**



According to the Census and Statistics Department, as at June 1, 2007, there were 6 440 regional headquarters and regional offices in Hong Kong set up by companies outside Hong Kong compared to 6 354 in 2006.

## The Institutional Framework

### *Commerce, Industry and Tourism Branch*

The Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau (CEDB) is responsible for the formulation and coordination of policies and strategies in relation to Hong Kong's external commercial relations, the Closer Economic Partnership Arrangement (CEPA), tourism, investment promotion, convention and exhibition services, intellectual property protection, industry support, trade facilitation, consumer protection, competition, postal services and meteorological services.

It also oversees the development of policies and programmes for the industrial and trade sectors, including small and medium enterprises (SMEs), as well as the promotion of services industries. The branch is assisted by a number of departments, namely the Trade and Industry Department, the Invest Hong Kong, the Customs and Excise Department, the Intellectual Property Department, the Post Office and the Hong Kong Observatory. It is also supported by a network of overseas Economic and Trade Offices outside Hong Kong.

### *Trade and Industry Department*

The Trade and Industry Department is responsible for handling the commercial relations of the Hong Kong Special Administrative Region (HKSAR) with its trading partners, and for protecting Hong Kong's rights and trade interests. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade. The department plays an active part in the Asia-Pacific Economic Cooperation (APEC) forum, whose members account for some 80 per cent of Hong Kong's total external trade.

As a founding member of the World Trade Organisation (WTO), Hong Kong participates actively in the organisation's work. The Trade and Industry Department plays a key role in monitoring and evaluating the implementation of the Uruguay Round agreements. It also contributes to the new round of multilateral trade negotiations, the Doha Development Agenda, particularly in the negotiations on trade in services. The department also monitors the implementation of accession commitments by recently acceded WTO members.

Also on the international front, the department coordinates the drafting and negotiation of regional trade agreements between Hong Kong and other economies. It is also responsible for the negotiation of bilateral investment promotion and protection agreements with Hong Kong's trading partners.

Locally, the department provides a range of services to locally based trade and industry organisations and to local businesses, including issuing certificates of origin, export and import licences and certificates of Hong Kong service suppliers. It also administers a number of schemes that are aimed at providing general support services for the industrial sector, in particular small- and medium-sized enterprises.

In addition, the department advises local enterprises on changes in the import regulations of Hong Kong's trading partners, and provides advice on legislation and procedures related to anti-dumping measures in importing economies.

One other key area in which the department is closely involved is the promotion of understanding of CEPA liberalisation and implementation measures. In this context the department conducts regular discussions with Mainland authorities on further trade liberalisation and facilitation measures, while also consulting local trade organisations and reflecting their views to the Mainland. The department also ensures that up-to-date information on CEPA matters is disseminated to the trade in a timely manner.

### *Invest Hong Kong*

Invest Hong Kong is responsible for spearheading the Government's efforts to attract inward investment. Its head office in Hong Kong works closely with the Economic and Trade Offices (ETOs) and consultants engaged overseas to offer solution-oriented investment promotion, facilitation and after-care services to ensure that foreign companies have the support required to establish or expand their operations in the HKSAR, and on the Mainland and in the Asia-Pacific region through Hong Kong. Invest Hong Kong also provides information to help companies make

informed investment decisions on setting up regional headquarters and regional offices in Hong Kong.

During the year, Invest Hong Kong assisted a record 253 foreign, Mainland and Taiwan companies to set up or expand operations in Hong Kong. The total amount of investment involved exceeded \$8.3 billion. A total of 3 130 new jobs were created in 2007 while these companies expect to create an additional 5 004 jobs in the next two years.

Investment promotion activities included sponsoring and participating in major international conferences or business events to raise Hong Kong's profile among key target markets and to identify new prospective investors in Hong Kong. In 2007, these included Forbes Fabulous 50 Awards Dinner, Asia Pacific Capital Markets Congress, Pan-Pearl River Delta Economic and Trade Cooperation Fair, Air Freight Asia, Hedge Funds World Asia, the Cable and Satellite Broadcasting Association of Asia (CASBAA) Annual Convention, and the Mobility World Congress.

In 2007, Invest Hong Kong organised 12 joint investment promotion activities with major Mainland provinces and cities, including Fujian, Shenzhen, Huizhou, Dongguan, Zhaoqing, Foshan and Jiangmen. These promotions targeted prospective investors in Washington, DC, Melbourne, Brisbane, Dallas, Toronto, Amsterdam, Osaka, Tokyo, Santa Clara, Phoenix, Seoul and Incheon. All of these seminars were well received.

Invest Hong Kong continued to draw the attention of Mainland enterprises to Hong Kong's unique advantages as a springboard to expand overseas. During the year, it arranged 28 seminars in 20 Mainland cities. In June 2007, Invest Hong Kong launched a three-year major nationwide marketing campaign, called 'On Your Marks, Get-set, Go!', which focuses on seven key provinces — Zhejiang, Shandong, Fujian, Sichuan, Jiangsu, Liaoning and Guangdong — and aims to provide privately-owned enterprises (POEs) with the information and tools to expand internationally using Hong Kong as their gateway. The first seminar of the campaign was held in Hangzhou, Zhejiang province in August 2007, and three workshops were held in Yiwu in September and Wenzhou and Ningbo in October respectively.

In March 2007, 'Invest Hong Kong Day' events were held to mark the establishment of Invest Hong Kong Service Centres in Shanghai and Chengdu ETOs respectively.

### *Customs and Excise Department*

The Customs and Excise Department enforces various trade controls systems covering those concerning the issue of certificates of origin (including those under the CEPA), the import and export of textiles strategic commodities, reserved commodities, rough diamonds and other prohibited goods, as well as compliance with the Chemical Weapons Convention, to prevent and detect abuses of these systems. The department is also tasked with collecting import and export declarations, declaration charges and clothing levies, and to enforce the relevant statutory controls on these systems.



The department also enforces the criminal laws that protect copyright and trade marks, and consumer protection legislation relating to the safety of various commodities, the integrity of weights and measures and the marking of precious metals.

### *Intellectual Property Department*

The Intellectual Property Department runs the registries of the trade marks, patents, designs and copyright licensing bodies, advises on policy and legislation related to intellectual property protection, provides civil intellectual property legal advice to the Government, and promotes public awareness of and respect for intellectual property rights.

### *Overseas Hong Kong Economic and Trade Offices*

There are 10 overseas Hong Kong Economic and Trade Offices (ETOs) located in Geneva, Brussels, London, Washington, New York, San Francisco, Singapore, Sydney, Tokyo and Toronto.

With the exception of the Geneva office which represents Hong Kong, China, as a member of the World Trade Organisation, and as an observer on the Trade Committee of the Organisation for Economic Cooperation and Development, the other nine ETOs help promote Hong Kong's economic and trade interests by enhancing understanding of Hong Kong among opinion-formers; closely monitoring developments that might affect Hong Kong's economic and trade interests; and liaising closely with the business and commercial sectors, politicians, think tanks and the news media. They also organise events to promote Hong Kong's image. In addition, most of these offices try to attract direct investment into Hong Kong.

The Brussels office takes up a leading role in representing Hong Kong on matters relating to Hong Kong's economic and trade interests in Europe, in particular in dealings with the European Union, European Commission and European Parliament. It also promotes bilateral relations in 17 European countries.

The purview of the London office spans over nine European countries, including the United Kingdom, Russia, four Nordic countries and three Baltic countries. Hong Kong's representative to the International Maritime Organisation is also based in the London office.

The Washington office represents Hong Kong's interests in the capital of the United States of America (USA). It focuses on monitoring and liaising closely with the US Administration, US Congress and think tanks on government policies and new legislations that may have implications for Hong Kong's trade with the US. The New York office is responsible for promoting economic and trade interests in 31 states in the East Coast region of the US and the San Francisco office in 19 states on the West Coast.

The offices in Sydney, Tokyo and Toronto are responsible for bilateral economic and trade relations in their host countries. In addition, the Sydney office covers New Zealand and the Tokyo office covers the Republic of Korea. The Singapore office looks

after Hong Kong's economic and trade relations with the member states of the Association of Southeast Asian Nations (ASEAN).

## **External Commercial Relations**

### *Hong Kong's Participation in the World Trade Organisation*

The HKSAR is a founding member of the WTO and has continued its separate membership in the WTO since July 1, 1997 under the name of 'Hong Kong, China'. Hong Kong's participation in the WTO is guided by two objectives, namely to sustain the momentum of trade liberalisation, especially in areas of interest to the HKSAR, such as tariffs and services, and to strengthen the multilateral rules-based trading system so that it remains an effective framework to promote trade expansion and liberalisation; as well as to protect the HKSAR against any arbitrary and discriminatory actions taken by its trading partners.

The HKSAR participates actively in the current round of multilateral trade negotiations launched at the WTO's Fourth Ministerial Conference in Doha, Qatar, in November 2001. Its priority in this round is to seek greater market access for its services sectors and industrial goods. In December 2005, the HKSAR hosted the WTO Sixth Ministerial Conference which provided a launching pad for the multilateral trade negotiations to enter the final phase in 2006. Although the negotiations, once suspended due to persistence of different positions of major players, were resumed across the board in February 2007, WTO members were unable to reach consensus and were still working to converge views on the negotiation process as well as the substance. The HKSAR will continue to play an active and constructive role in the intensified negotiations and push for its timely and successful conclusion.

### *Regional Economic Cooperation*

As an important services, financial and trading centre as well as an integral part of the Asia-Pacific economy, Hong Kong continued to play an active role in enhancing regional economic cooperation. In 2007, some 84 per cent of Hong Kong's external trade was conducted with the other 20 member economies of Asia-Pacific Economic Cooperation (APEC). Hong Kong participates as a full and separate member in APEC under the name of 'Hong Kong, China'.

APEC is a regional forum for high-level government-to-government dialogue and cooperation on trade and economic issues. In September 2007, the Chief Executive represented Hong Kong at the 15th APEC Economic Leaders' Meeting held in Sydney. The meeting was preceded by the 19th APEC Ministerial Meeting, where Hong Kong was represented by the Secretary for Commerce and Economic Development.

APEC pursues its goal of free and open trade and investment by 2010 for industrialised economies and 2020 for developing economies through work in trade and investment liberalisation, business facilitation, and economic and technical cooperation. Hong Kong participates actively in all three areas. The Pacific Economic Cooperation Council (PECC) is a non-governmental regional forum comprising government officials, business leaders and academics working on policy issues to

enhance trade, investment and economic development in the Pacific region. The Hong Kong Committee for Pacific Economic Cooperation, which advises on and coordinates HKSAR's participation in the PECC process, continues to play an active role in PECC's activities.

### *Organisation for Economic Cooperation and Development*

Hong Kong is an observer on the Trade Committee and the Committee on Financial Markets of the Paris-based Organisation for Economic Cooperation and Development, which are important forums for discussions on policy matters in respect of trade and financial services. Ideas introduced in these committees are often followed up in other international organisations such as the WTO and eventually translated into binding multilateral agreements or codes.

### *Regional Trade Agreements*

The Government is committed to the primacy of the multilateral trading system under the WTO. That notwithstanding, in response to new trends in world trade, the Government will seek to enter into more economic and trade arrangements with trading partners so long as they are in Hong Kong's interests, consistent with WTO provisions, contributive to multilateral trade liberalisation, and can allow more favourable access to overseas markets for Hong Kong goods and services.

### *Mainland and Hong Kong Closer Economic Partnership Arrangement*

The Central People's Government (CPG) and the HKSAR Government signed Supplement IV to the CEPA on June 29, 2007.

On trade in goods, the Mainland has applied zero tariff to all imported goods of Hong Kong origin since January 1, 2006, upon application by local manufacturers and upon the CEPA rules of origin (ROOs) being agreed and met. By end-2007, a cumulative total of over 1 480 products had their CEPA ROOs agreed. For trade in services, Supplement IV to CEPA introduced a total of 40 new liberalisation measures in 28 service areas, bringing the total number of CEPA service areas to 38<sup>2</sup>. These new liberalisation measures will take effect from January 1, 2008. The progressive liberalisation of trade and investment measures under CEPA continues to provide impetus to the development of the Hong Kong economy and the economic integration between the two places.

### *Liaison with the Mainland*

The Mainland's rapid economic and trade growth has helped boost Hong Kong's external trade and intermediary services. Not only does CEPA provide a window of

---

<sup>2</sup> These service areas are: accounting, advertising, air transport, audiovisual, banking, building-cleaning, computer and related services, convention and exhibition, cultural, distribution, environmental, freight forwarding agency, individually owned store, information technology, insurance, job intermediary, job referral agency, legal, logistics, management consulting, market research, medical and dental, patent agency, photographic, printing, professional qualification examinations, public utility, real estate and construction, securities and futures, services related to management consulting, social service for the elderly, sporting, storage and warehousing, telecommunications, tourism, trade mark agency, translation and interpretation, transport (including road freight/passenger transportation and maritime transport).

opportunity for Hong Kong businesses to gain greater access to the Mainland market, the various preferential treatments under CEPA also enhance the attractiveness of Hong Kong to overseas investors. Hong Kong's external trade and intermediary services have benefited from the rapid economic development of the Mainland. In addition, Hong Kong also serves as a springboard for Mainland enterprises to reach out to the global market.

The Government is committed to helping the business community tap the Mainland market, with emphasis on the opportunities brought about by CEPA. It maintains close liaison with the Mainland authorities at different levels through various government bureaux and departments, the Beijing Office of the HKSAR Government, and the three Hong Kong ETOs on the Mainland and quasi-government bodies like the Hong Kong Trade Development Council (TDC) to ensure the smooth implementation of CEPA. Regular high-level communication is also achieved through mechanisms such as the Hong Kong/Guangdong Cooperation Joint Conference and the CEPA Joint Steering Committee.

### *Bilateral Investment Promotion and Protection Agreements*

To assure overseas investors that their investments in Hong Kong are adequately protected, and to enable Hong Kong investors to enjoy similar protection overseas, Hong Kong has concluded investment promotion and protection agreements (IPPAs) with 15 economies. In addition, Hong Kong initialled an IPPA text with Bahrain and Kuwait in 2005 and 2006 respectively, and concluded negotiation with Finland in 2007.

### *Trade in Textiles*

The global elimination of textiles quotas since January 1, 2005 has helped Hong Kong's import and export trade in textiles by creating an environment that encourages it to continue to leverage its expertise and immense potential to develop into a world-class logistics and sourcing hub for textiles. At the same time, Hong Kong continues to maintain highly effective origin control measures to prevent abuse and to safeguard the interest of Hong Kong's textiles trade.

Hong Kong continues to join hands with other WTO members and the International Textiles and Clothing Bureau to monitor closely the global textiles trade to ensure that it is fully and truly liberalised, and that it comes under the same multilateral trading discipline of the WTO as other sectors.

In 2007, the Customs and Excise Department carried out 79 808 factory and consignment inspections and 1 110 investigations to combat false declarations about the origin and value of goods and illegal transshipment of textiles. The department also conducted 1 090 'blitz' check operations on textile consignments at various import and export control points. It successfully prosecuted 672 companies and individual offenders, resulting in the imposition of fines amounting to \$11.13 million. It operates a monetary reward scheme to elicit information on textiles origin fraud.

### *Trade in Strategic Commodities*

The Trade and Industry Department maintains a comprehensive import and export control licensing system to monitor the flows of strategic commodities through Hong Kong. The system ensures that while Hong Kong has access to advanced products and technologies to sustain its economic development, it is not used as a conduit for the illicit diversion of strategic commodities. The department also administers a permit system to monitor activities involving sensitive chemicals as required by the Chemical Weapons Convention. Hong Kong maintains close cooperation with its trading partners to keep abreast of developments in the international arena on strategic trade control matters, and to make sure that its control arrangement is complementary to those of its trading partners.

In 2007, the Customs and Excise Department investigated 238 cases of unlicensed import and export of strategic commodities and prosecuted 38 offenders, resulting in fines amounting to \$1 million. Goods valued at \$150,000 were confiscated.

### *Trade Facilitation and Promotion*

To support the development of Hong Kong as a logistic hub and gold trading centre, the Government has amended the legislation to exempt the import and export declaration charges on imports, exports and re-exports of gold bars of a fineness of 995 or above. The exemption, which took effect from February 9, 2007, helps to enhance Hong Kong's competitiveness in the international gold market by reducing the relevant transaction costs and puts Hong Kong on a par with other major gold trading centres.

To support the 2008 Olympic and Paralympic Equestrian Events to be held in Hong Kong, the Customs and Excise Department has put in place special arrangements for trade declarations lodged by eligible participants for articles imported or exported for the purpose of or in connection with the events. These articles will be exempted from declaration and service charges.

### *Customs Cooperation*

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and the Sub-committee on Customs Procedures of APEC. The department also maintains close liaison with the WCO Regional Intelligence Liaison Office for Asia and the Pacific (RILO A/P) in Beijing. An officer of the department has been seconded to the liaison office to enhance the regional intelligence network in the Asia-Pacific Region.

Hong Kong is taking positive steps to implement the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade, which is a set of principles and standards adopted by the WCO for enhancing supply chain security and facilitating international trade. The Customs and Excise Department is working out a roadmap for the implementation of the relevant SAFE standards in Hong Kong.

The department has concluded a number of bilateral customs cooperative arrangements with other customs administrations and maintains a good working

relationship and close liaison with the customs attachés and representatives of other law enforcement agencies in Hong Kong. Regular bilateral meetings are held with the Mainland and other customs administrations to build up a strong network for exchanging intelligence of cross-boundary customs crimes.

The Pan-Pearl River Delta (Pan-PRD) Customs Trade Facilitation Forum cum Regional Customs Commissioners' Joint Conference co-organised by the department and the General Administration of Customs of the People's Republic of China was held on May 10-11, 2007 in Hong Kong with the participation of over 1 200 representatives from the customs administrations, commercial and trade, maritime, logistics and academic sectors of the Mainland, Hong Kong and Macao. At the conclusion of the event, customs administrations of the three places issued a joint declaration which aims at strengthening customs cooperation and speeding up cross-boundary clearance to support economic development in the Pan-PRD region.

Agreement was also reached on eight cooperation projects relating to cross-boundary express clearance, Shenzhen-Macao shipping routes, enhanced customs cooperation in anti-smuggling operations, protection of intellectual property rights and training of customs personnel.

### **Small and Medium Enterprises**

Small and medium enterprises (SMEs) refer to those manufacturing businesses in Hong Kong employing less than 100 people, or non-manufacturing businesses with less than 50. They are the driving force of economic growth. There are about 263 000 SMEs in Hong Kong, representing over 98 per cent of all local enterprises and employing more than 1.2 million people. To provide assistance to SMEs, three SME funding schemes — the Loan Guarantee Scheme, the Export Marketing Fund and the Development Fund — have been set up to help SMEs secure loans from financial institutions, expand overseas markets and enhance overall competitiveness. Since their establishment in 2001/2002, over 48 500 SMEs have benefited from these funding schemes, involving over \$10.6 billion worth of guarantees and grants. During the year, the Government also enhanced the schemes to provide more support to the SMEs.

The Support and Consultation Centre for SMEs (SUCCESS) of the Trade and Industry Department continues to provide free business information and consultation services for SMEs. Through SUCCESS' Business Advisory Service and SME Mentorship Programme, SMEs can obtain free advice on business operation.

### **Promotion of Innovation and Technology**

#### *Innovation and Technology Commission*

The Innovation and Technology Commission (ITC) is responsible for spearheading Hong Kong's drive to become a world-class, knowledge-based economy. The commission, which is under the Communications and Technology Branch of the Commerce and Economic Development Bureau, formulates and implements policies and measures to promote innovation and technology; supports applied research and development (R&D); supports technology transfer and applications; promotes

technological entrepreneurship; promotes the wider use of design; facilitates the provision of innovation and technology infrastructure and development of human resources; and promotes internationally accepted standards and conformity assessment services to underpin technological development and international trade. The commission works closely with its partners in the Government, industry, business, tertiary education institutions and industrial support organisations.

To make Hong Kong a regional centre for innovation and technology, the Government has been implementing various initiatives to drive forward innovation and technology. It offers a range of infrastructure and funding support for applied R&D activities and design-related projects.

### *Innovation and Technology Fund*

A \$5 billion Innovation and Technology Fund was established in 1999. It supports projects that will help upgrade the level of technology and promote innovation in the manufacturing and service industries. By year-end, the fund had provided \$3.19 billion to support 1 076 projects undertaken by research institutes and the industry.

### *Promoting Technological Entrepreneurship*

Major efforts have been made to promote technological entrepreneurship. Under the Innovation and Technology Fund, a scheme, called the 'Small Entrepreneur Research Assistance Programme', provides dollar-for-dollar matching grants of up to \$2 million per project to help small start-up companies to carry out R&D to turn innovative technological ideas into commercially viable products, processes or services. By year-end, \$268 million in financial support had been provided to 264 projects.

A \$750 million Applied Research Fund was established in 1993. By year-end, \$410 million in financial support had been provided to 25 companies through private venture capital firms. After March 2005, the fund had ceased making new investments, but it will have a role in overseeing existing investments and their exits.

### *DesignSmart Initiative*

A \$250 million DesignSmart Initiative was launched in June 2004 to strengthen support for design and innovation, and to promote the wider use of design and innovation in industries to help them move up the value chain.

Under it, a 'Design Support Programme' has been set up to support projects in four categories — design research, design/business collaboration, professional continuing education in design and promoting a design culture. By year-end, 121 projects had received financial support worth some \$78 million. Another measure under the initiative is the InnoCentre, which was set up jointly by the Hong Kong Science and Technology Parks Corporation and the Hong Kong Design Centre. Officially opened in November 2006, this one-stop shop aims to create and sustain a cluster of high value-added design activities, including the provision of an incubation programme for design start-ups.

### *Hong Kong Applied Science and Technology Research Institute Company Limited*

The publicly funded Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) was set up in January 2000. It performs relevant and high quality research and development for transfer to industry for commercialisation with a view to elevating the technology level of Hong Kong's industry and to stimulating the growth of technology-based industries in Hong Kong. In April 2006, ASTRI launched the R&D Centre for Information and Communications Technologies which focuses on four technology areas, namely, communications technologies, consumer electronics, integrated circuit design and opto-electronics.

### *Hong Kong Jockey Club Institute of Chinese Medicine Limited*

The Hong Kong Jockey Club Institute of Chinese Medicine Limited was established in May 2001 as a subsidiary company of ASTRI. The Hong Kong Jockey Club Charities Trust has pledged to donate \$500 million to support the institute's research and development programmes. Its mission is to promote and support the modernisation and further development of Chinese medicine in Hong Kong through coordination of related activities and strategic support for scientific and evidence-based development programmes.

### *Hong Kong Design Centre*

The Hong Kong Design Centre was established in May 2001 as a multi-disciplinary organisation dedicated to the promotion of design as a value-added activity in business. Apart from running programmes at the InnoCentre, it also organised major activities like the Business of Design Week.

### *Hong Kong Research and Development Centres*

After a comprehensive review and public consultation, the Government decided to adopt a highly focused approach to promote applied R&D and support technology upgrading in industry. In April 2006, the Government set up five R&D centres covering the following technology focus areas:

- automotive parts and accessory systems;
- information and communications technologies;
- logistics and supply chain management enabling technologies;
- nanotechnology and advanced materials; and
- textiles and clothing.

The centres aim to develop core competencies in their respective technology areas and become the focal points of applied R&D and technology transfer. In line with the market-driven, demand-led approach of the new strategy, the centres have been working closely with the industry in drawing up their R&D directions, defining their technology development roadmaps, and facilitating the commercialisation of R&D results.



### *Technology Cooperation with the Mainland*

The Mainland and Hong Kong Science and Technology Cooperation Committee was formed in 2004 by the State Ministry of Science and Technology (MOST) and the then Commerce, Industry and Technology Bureau (CITB) to formulate and coordinate technology cooperation and exchange programmes between Hong Kong and the Mainland. The committee has formed working groups to enhance cooperation in six technology areas: automotive parts and accessory systems, Chinese medicine, integrated circuit design, radio frequency identification technologies, nanotechnology, and energy saving and environmental protection.

In 2007, the committee agreed to invite ITC to coordinate applications from local universities to set up state key laboratories in Hong Kong. ITC also nominated entries for the State Technological Invention Award and the State Scientific and Technological Progress Award, which are two award categories of the prestigious State Science and Technology Awards. To promote regional technology cooperation, MOST and the then CITB jointly organised the 'Joining Hands in Building an Innovative Nation Forum' on May 21, 2007 in Hong Kong. The forum was attended by over 500 representatives from the Mainland, Hong Kong, Taiwan and Macao.

Moreover, the then CITB signed a cooperation agreement with the State Ministry of Information Industry in April 2007 to encourage Hong Kong experts to participate in the formulation of national standards relating to the information industry, and enhance technology cooperation in various focus areas of the information industry, including mobile communication, technologies relating to consumer electronic products and digital TV.

The ITC and the Guangdong Provincial Department of Science and Technology have been running the Guangdong-Hong Kong Technology Cooperation Funding Scheme (TCFS) since 2004 to support applied R&D projects in technology areas of common interest. Under the 2007 TCFS, both sides received about 700 applications.

In May 2007, the Shenzhen Municipal Government and the then CITB signed an agreement to foster closer technology cooperation between the two cities and promote the establishment of the 'Shenzhen-Hong Kong Innovation Circle'. After signing the agreement, the two sides launched the 'Shenzhen-Hong Kong Technology Cooperation Funding Scheme' under the 2007 TCFS and set up the 'Shenzhen-Hong Kong Production Foundation' to promote R&D collaborations and share technology resources.

### *Publicity and Promotional Events*

The ITC organised the Innovation Festival 07 which ran from August to November to foster an innovation and technology culture in the community, particularly among young people. Under the theme of 'Let's Innovate ... For a New Era', the festival comprised a series of activities, including an Innovation Expo, a design exhibition, roadshows in three popular shopping malls, 20 thematic seminars, and 140 technology and design workshops, which attracted over 80 000 participants. With the support of the Hong Kong Federation of Youth Groups, the ITC established the Hong Kong Youth Innovation Club in October 2006 and organised the annual

Hong Kong Student Science Project Competition to nurture a new generation of young innovators.

### Protection of Intellectual Property Rights

Hong Kong is committed to maintaining a robust regime for protecting intellectual property rights. With its comprehensive legislation, convenient registration, vigorous enforcement and imaginative public education, Hong Kong has gained a well-earned reputation for effective protection of intellectual property.

#### Registration

The Intellectual Property Department has provided various electronic services in respect of registration of trade marks, patents and designs since 2003. The registrar of trade marks, patents and designs are all maintained in electronic format, enabling searching of Hong Kong’s trade mark, patent and design records in Chinese or English through the Internet, at any time, free of charge (<http://ipsearch.ipd.gov.hk>). The electronic filing system also provides a secure and user-friendly environment for intellectual property owners or agents to file their applications electronically on a 24-hours-a-day, seven-days-a-week basis.

With the implementation of interactive services completed in 2006, the public can directly make changes to particulars of owners and agents of trade marks, patents and designs, extension of time of trade mark applications and registration of assignments and assents for registered trademarks and trademark applications via the electronic filing system if the information provided meets the validation rules of the system. These changes are updated in the registries’ records instantly.

The electronic filing services have been well received. In 2007, the proportion of trademark applications submitted in electronic format rose to 58 per cent, an 11 per cent increase compared to the figure in 2006. For patent and design applications, the proportions of electronic filings were 38 per cent and 42 per cent respectively.

#### Trade Marks

The Trade Marks Registry is responsible for the registration of trademarks. In 2007, a total of 23 529 applications were received, comprising 14 869 single-class applications and 8 660 multiple-class applications. During the period, 19 395 marks were registered, an increase of 8.3 per cent compared with 17 907 in 2006. Ninety-two countries and places filed applications. The ones that filed the most were:

HK, China	7 926	Switzerland	743
US	3 563	United Kingdom	690
Mainland China	3 185	France	609
Japan	1 601	Taiwan, province of China	491
Germany	810	Italy	491

The register had a total of 217 692 marks by the end of the year.

### *Patents*

The Patents Ordinance provides for the grant of standard patents based on patents granted in the State Intellectual Property Office of China, the United Kingdom Patent Office or the European Patent Office (in respect of patents designating the United Kingdom). It also provides for the grant of short-term patents, which may be registered following local formality examination procedures. In 2007, the Patents Registry received 13 766 standard patent applications and 4 839 were granted. There were also 599 short-term patent applications and 492 were granted.

### *Registered Designs*

The Registered Designs Ordinance provides for the registration of designs in the HKSAR. In 2007, the Designs Registry received 3 254 applications for the registration of 5 568 designs, including 2 515 single-design applications and 739 multiple-design applications. During the year, 5 804 designs were registered.

### *Copyright*

The Copyright Ordinance provides protection for literary, dramatic, musical and artistic works, typographical arrangements of published editions, sound recordings, films, broadcasts, cable programmes and performers' performances irrespective of the domicile of the copyright owners. In line with international standards, there is no requirement to register copyright.

Public consultation on 'Copyright Protection in the Digital Environment' ended in April. Issues covered in the consultation included legal liability for unauthorised uploading and downloading of copyright works, protection of copyright works transmitted to the public via all forms of communication technology, the role of online service providers in relation to combating online piracy, how best to facilitate copyright owners in taking civil actions against online infringement, whether or not to introduce statutory damages for copyright infringement, and copyright exemption for temporary reproduction of copyright works. The Government is taking forward the review with a view to releasing the preliminary proposals in 2008.

In June, the Copyright (Amendment) Ordinance 2007 was passed by the Legislative Council. The amendment ordinance introduced measures, which came into force in July, for improving the copyright exemption regime, and further relaxing the use of parallel imports of copyright works. The amendment ordinance also introduced other provisions which would come into force in a phased manner. They included new business end-user criminal liability for copyright infringement, prohibitions against circumvention of technological measures that protect copyright works and performances and rental rights for films and comic books.

### *Enforcement*

The Customs and Excise Department is responsible for enforcing criminal sanctions for the protection of intellectual property rights. It investigates reports of copyright infringement and trade mark counterfeiting, and takes action against the manufacture, distribution, sale, import and export of pirated and counterfeit goods and possession for business use of certain copyrighted works.

The following is an account of the department's enforcement actions in 2007:

	<i>Copyright cases</i>	<i>Trade descriptions cases</i>
Cases effected	9 200	970
Persons arrested	1 225	763
Seizure value	\$117 million	\$175 million

The department maintains stringent licensing control on all optical disc and stamper factories to prevent them from engaging in copyright piracy activities.

The department takes sustained enforcement actions against business end-user piracy cases. The enforcement result since the introduction of the end-user liabilities in 2001 is as follows:

	<i>Corporate software piracy</i>	<i>Use of infringing music videos in karaoke</i>
Cases effected	97	49
Persons arrested	210	118
Seizure value	\$4.93 million	\$2.59 million

The department carries out repeated and focused raids on retail outlet black spots and tracked down their storage and manufacturing facilities for illicit optical discs. As a result of the department's sustained and vigorous enforcement actions, large-scale production of illicit optical discs has been driven out of Hong Kong. The piracy activities are now confined to low-level sales activities and replication of a limited sale.

In May 2007, the Court of Final Appeal upheld the ruling of the lower courts in the first-ever successful enforcement action against illegal peer-to-peer activities on the Internet in 2005, and such infringement activities have been substantially reduced. The department has established two dedicated teams for fighting internet piracy. The teams have achieved the following since their inception:

	<i>Copyright cases</i>	<i>Trade descriptions cases</i>
Cases effected	58	39
Persons arrested	92	47
Seizure value	\$3.6 million	\$2.3 million

The department also carries out raids on known black spots for selling of counterfeit goods, which resulted in a significant reduction in such illegal activities. In order to evade customs detection, the counterfeiters have to operate for short periods at irregular hours. Some of them only display photographs/catalogues of counterfeit goods to potential customers who are then taken to hidden showrooms. In 2007, the department cracked down on 85 such showrooms.

A close working relationship with the intellectual property rights industry contributes to the effective enforcement against infringement of copyright and trade marks. The department has in collaboration with the industry established the Intellectual Property Rights Protection Alliance and successfully launched various campaigns such as the Fast Action Scheme and the Youth Ambassador Against Internet Piracy Scheme with encouraging results.

The Intellectual Property Rights Enforcement Museum was set up in October 2007 to showcase the department's endeavours and achievement in intellectual property rights protection and provide a scenario-based training venue for frontline investigators. Schools are also invited to visit the museum in a bid to promote awareness of the importance of intellectual property rights among youngsters.

### *Public Education*

In 2007, the Intellectual Property Department continued to roll out territory-wide campaigns such as the 'No Fake' and 'I Pledge' campaigns, and produced Announcements in the Public Interest to promote awareness of the importance of intellectual property rights. Its primary and secondary school visits programme promoting respect for intellectual property rights was run for the 11th year in 2007, covering 84 schools and 28 453 students.

To strengthen intellectual property compliance among the business community, the Intellectual Property Department, Business Software Alliance and other associations launched the Software Asset Management (SAM) Consultancy Programme in October. Under this programme, the participating organisations will be offered free SAM consultancy service and training so as to assist them to implement SAM effectively.

### *Cooperation with Mainland Counterparts*

The Intellectual Property Department continued to work closely with its Mainland counterparts in promoting protection of intellectual property rights at various levels. The department organised the 'Mainland, Hong Kong Special Administrative Region and Macao Special Administrative Region Intellectual Property Symposium 2007' in collaboration with the State Intellectual Property Office (SIPO) and the Macao Economic Services. The department also assisted SIPO in facilitating Hong Kong residents to take the National Qualification Examination for Patent Agents 2007. At the regional level, a programme for civil servants was arranged for further exchange of experience and information on intellectual property protection under the Pan-Pearl River Delta Intellectual Property Cooperation framework. As for cooperation under the Guangdong/Hong Kong Expert Group on the Protection of Intellectual Property Rights, a seminar on 'Intellectual Property and Small and Medium Enterprises Development' was held in Guangdong province to encourage SMEs to manage properly their intellectual property rights. To further strengthen cooperation between Guangdong and Hong Kong, the Guangdong/Hong Kong Expert Group signed the '2007-2008 Agreement on Guangdong/Hong Kong Cooperation in the Protection of Intellectual Property Rights'. The agreed cooperation items include continued efforts to organise seminars on intellectual property protection and management, exchange

programmes for officials in both places and intensive promotion of 'No Fakes Pledge' Scheme. In 2007, Hong Kong Customs continued to have close cooperation with its counterparts on the Mainland in exchanging experience in the enforcement of intellectual property-related offences. Liaison meetings, training seminars, visits and information exchange between the two sides were conducted regularly. Hong Kong Customs also carried out joint operations with the Guangdong Customs on a regular basis for combating the smuggling of infringing goods across boundaries.

### *Participation in International Organisations*

To keep abreast of international developments in intellectual property protection, the Intellectual Property Department continued to participate in various international forums, including the activities of the WTO Council for Trade-related Aspects of Intellectual Property Rights and conferences at the World Intellectual Property Organisation (WIPO). The department also represented Hong Kong, China, at other international and regional intellectual property symposiums and conferences, including the 24th meeting of the APEC Intellectual Property Experts Group held in Canberra, Australia, in January and the 25th meeting held in Chinese Taipei in June.

To celebrate the 10th Anniversary of the Establishment of the Hong Kong Special Administrative Region, a cultural exhibition — 'Hong Kong Creativity — Intellectual Property in Hong Kong, China' was held at the WIPO in Geneva, Switzerland, from September 24 to October 12. The exhibition showcased Hong Kong's creative strength to over 1 000 delegates to the WIPO Assemblies.

### **Professional Services Development Assistance Scheme**

The \$100 million Professional Services Development Assistance Scheme was launched in 2002 to provide funding support, on an equal matching basis, for professional service sectors to organise projects to enhance their external competitiveness and standard. Projects funded include capacity building programmes, such as international conferences and training courses, market research, promotional activities, roadshows and exhibitions. Of the 159 projects that were rolled out, about 49 per cent related to enhancing the competitiveness of the local professional service sector in the Mainland market.

### **Business Facilitation**

The Government has pledged to cut red tape and simplify regulations to facilitate and sustain a vibrant business environment in Hong Kong. The business facilitation initiatives are taken forward under the overall steer of the Business Facilitation Advisory Committee (BFAC) set up in January 2006. The BFAC is made up of representatives from the political, business, academic and professional sectors and senior government officials from the relevant bureaux. Industry representatives provide their input through participation in the business facilitation task forces. Under the guidance of the BFAC and its task forces, regulatory reviews were conducted and measures were initiated to make government regulations and procedures more business-friendly and reduce compliance costs to business. In 2007, 23 studies and projects, focusing mainly on the regulations governing the construction, real estate,

retail, and food business sectors, were completed or initiated, and about 80 recommendations for improvements were completed.

In February 2007, the Government launched the 'Be the Smart Regulator' Programme to further improve Hong Kong's business licensing processes and business environment. The programme aims to enhance the efficiency, transparency and customer-friendliness of licensing services provided by bureaux/departments concerned and to reduce compliance cost on business.

The Business Facilitation Division of the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office coordinates and takes forward the Government's business facilitation efforts. The division also provides secretariat and other executive support to the BFAC and its task forces.

### **Trade Documentation**

As a free port, the HKSAR maintains optimal import and export documentation requirements to facilitate legitimate trade. Most products do not need licences to enter or leave Hong Kong. Licences or notifications are only required if the HKSAR needs to fulfil its international obligations, protect public health, safety, environment, or intellectual property rights, or ensure Hong Kong's unrestricted access to high technologies and hi-tech products.

The HKSAR also maintains a certification of origin system to facilitate its exports to overseas markets.

### *Government Electronic Trading Services*

To maintain Hong Kong's competitiveness as an international trading centre, the Government launched the Government Electronic Trading Services in 1997 to provide a platform for the trading community to submit certain trade related documents electronically, thereby discharging their statutory obligations in a cost-effective and environmentally friendly manner. The volume of electronic submissions has steadily increased from 16.1 million in 2000 to 22.4 million in 2007.

The Government is planning to introduce improvements to the services for implementation after 2009. These include enhancements to traders' input efforts through inheritance of data among the relevant trade-related documents, improving the openness and interoperability of the information technology infrastructure, and strengthening the regulatory framework.

### **Hong Kong Awards for Industries**

The Hong Kong Awards for Industries promotes and honours the pursuit of excellence by enterprises in both the industrial and services sectors. It comprises seven award categories, namely consumer product design, machinery and equipment design, customer service, environmental performance, innovation and creativity, productivity and quality, and technological achievement.

## Trade and Industrial Support Organisations

### *Hong Kong Trade Development Council*

The Hong Kong Trade Development Council (TDC), a statutory body established in 1966, is responsible for promoting and expanding Hong Kong's external trade in goods and services. With its global network of 40 offices, the TDC helps its customers, mainly local SMEs, develop marketing opportunities, trade contacts, market knowledge and competitive skills. One of its primary goals is to project and uphold Hong Kong as the international trade platform in Asia.

The TDC has helped position Hong Kong as the exhibition and convention centre of Asia. It organised more than 30 exhibitions during the year, seven of which represented the biggest international trade fairs in the region. These events attracted more than 27 000 exhibitors and 620 000 buyers.

The TDC continued to seek opportunities, particularly for SMEs, on the Mainland and in both established and emerging overseas markets. On the Mainland, the focus was on promoting Hong Kong as a professional, creative and financial services platform, a logistics hub, a partner for Mainland businesses seeking global opportunities and a prime supplier of fashionable and lifestyle products. In mature markets, the TDC stepped up efforts to differentiate Hong Kong merchandise by highlighting reliable quality, stylish designs and adherence to stringent green and safety standards. Targeting emerging markets, TDC's role focused primarily on pathfinding and image-building to identify business opportunities for Hong Kong's SMEs.

In 2007, the TDC maintained a global databank of more than 660 000 business contacts, facilitating worldwide users in locating business partners. It also published various trade magazines, research reports and practical guidebooks. Its online business newspaper Hong Kong Trader was sent regularly to more than 250 000 senior corporate executives and decision-makers. The online publication CEO Express, targeting Mainland senior management, also helped strengthen TDC's promotion of Hong Kong.

The TDC serviced six high-level bilateral business committees to help foster stronger economic ties between Hong Kong, the US, the European Union, Japan, the United Kingdom, France and Korea. To facilitate partnerships between Hong Kong and overseas SMEs, the TDC maintained close liaison with the Federation of Hong Kong Business Associations Worldwide, which provided more than 11 000 SMEs around the world with links to Hong Kong.

To achieve its goals, the TDC organises international exhibitions, seminars and workshops, sector-specific networking events as well as outreach programmes. It also provides information support and personalised business advisory services to the trade. In 2007, the TDC organised approximately 650 promotional events in and outside Hong Kong. In addition to its pathfinding efforts, TDC's website, [tdctrade.com](http://tdctrade.com), serves as a global trading platform for Hong Kong SMEs to facilitate business opportunities. The website offers insightful market information, multi-media broadcast content and



business tools. It also provides an online business matching platform for Hong Kong companies and overseas buyers.

### *Hong Kong Export Credit Insurance Corporation*

The Hong Kong Export Credit Insurance Corporation (ECIC) was created by statute in 1966 to provide export credit insurance facilities for Hong Kong exporters of goods and services against non-payment risks arising from commercial and political events. The ECIC is wholly owned by the HKSAR Government, which also guarantees its maximum contingent liability, currently standing at \$15 billion.

The ECIC provides a wide range of insurance facilities to Hong Kong exporters of goods and services for payments on credit terms. The Comprehensive Cover Policy, which covers exports, re-exports and external trade on credit terms up to 180 days, is the most widely used policy. Tailor-made facilities are also available to meet the needs of exporters in different sectors. The ECIC also provides support to the exporting community through enhancing exporters' understanding of risk management.

The ECIC's total insured business in 2007 amounted to \$41.9 billion, an 8.5 per cent increase over 2006. Gross premium income grew by 6.5 per cent to \$177.1 million.

### *Hong Kong Science and Technology Parks Corporation*

The Hong Kong Science and Technology Parks Corporation was established in 2001 to offer one-stop infrastructural support services to technology-based companies and activities in a synergetic manner, ranging from nurturing start-ups through incubation programmes, providing premises and services in the Science Park for applied research and development activities, creating and sustaining a design cluster in the InnoCentre, to offering land and premises in industrial estates for production.

The Science Park will occupy 22 hectares of land being developed in three phases. Phase 1 was officially opened in June 2002 and Phase 2 in September 2007, but construction of Phase 2 is still going on and is expected to be completed in stages between 2007 and 2010. The park provides an effective research and development environment and support services to facilitate collaboration and synergy among its tenants under four clusters — electronics, information technology and telecommunications, biotechnology and precision engineering.

The corporation operates three industrial estates in Tai Po, Yuen Long and Tseung Kwan O, which together sit on 217 hectares of land. Developed land is provided at cost to companies with new or improved technology and processes that cannot operate in multi-storey buildings. The industrial estates have helped broaden the industry base and upgrade the technology level in Hong Kong.

The corporation nurtures technology-based and design start-up companies through its incubation programme by providing low-cost accommodation and management, marketing, financial and technical assistance in their critical first years of operation. The corporation also implemented a Small Technology/Design Enterprise

Programme in 2006 which is still going on to provide support services and office premises to graduates of these programmes to help them become full-fledged tenants.

### *Hong Kong Productivity Council*

The Hong Kong Productivity Council promotes productivity excellence among Hong Kong enterprises, providing integrated support across the value chain to innovative and growth-oriented enterprises. The council's focus is on the manufacturing sector, particularly on Hong Kong's foundation industries, and related service activities in Hong Kong and the Pearl River Delta region.

During the year, the council continued to fulfil its mission in driving productivity excellence through focused endeavours in four complementary areas, namely, manufacturing technology, information technology, environmental technology and management systems. Through the provision of technology and process upgrading services, the council has geared resources to help Hong Kong manufacturers move up the value ladder. The council has spent great effort in promoting green production for Hong Kong industries, and has continued to introduce new technology solutions to assist manufacturers to fulfil the stringent environmental requirements in Hong Kong, the Mainland and other countries. The council continues to forge closer technological collaboration between Hong Kong and the Mainland with an aim to help innovative industries to capitalise on new business opportunities and to strengthen the competitiveness of Hong Kong's business and manufacturing sectors.

### *Other Trade and Industrial Organisations*

The Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong, the Hong Kong General Chamber of Commerce and the Chinese General Chamber of Commerce are among the oldest and the most influential trade and industrial associations in Hong Kong. They are cross sectoral and represent a broad spectrum of business interests. They promote the interests of and foster relationship among their members. They issue certificates of origin, organise trade promotion activities, and offer views to the Government on general economic issues and government policies relevant to their members' interests. There are numerous other associations representing specific sectors or interests and overseas chambers of commerce.

Established in 1960 by statute, the Federation of Hong Kong Industries has around 3 000 members, which are categorised into 27 groups. It operates a Q-Mark Product Scheme and a Q-Mark Service Scheme to enhance product and service standards. It also organises the annual Young Industrialist Awards of Hong Kong and the Industrialist of the Year Award.

Established in 1934, the Chinese Manufacturers' Association of Hong Kong has a membership of about 3 700. It organises the annual Hong Kong Brands and Products Expo, and helped establish the Hong Kong Brand Development Council which promotes brand building.

The Hong Kong General Chamber of Commerce is the oldest business association in Hong Kong. Established in 1861, it has around 4 000 corporate members. It founded both GS1 Hong Kong (the new name of Hong Kong Article Numbering Association) and the Hong Kong Coalition of Service Industries.

Established in 1900, the Chinese General Chamber of Commerce has around 6 000 members. It maintains close contacts with trade organisations on the Mainland and worldwide.

### **Standards and Conformance Services**

The Innovation and Technology Commission's services in the areas of metrology, documentary standards and accreditation provide the technical foundation for Hong Kong's standards and conformance infrastructure.

The Standards and Calibration Laboratory is the official custodian of Hong Kong's physical measurement reference standards. It provides a comprehensive calibration service traceable to the International System of Units. It is a signatory to the Mutual Recognition Arrangement of the International Committee for Weights and Measures and its calibration certificates are internationally recognised.

The Product Standards Information Bureau disseminates information relating to documentary standards. It operates a product standards library and provides sales of standards and free technical advice service on standards-related matters. The bureau represents the HKSAR in regional and international standardisation bodies, such as the International Organisation for Standardisation and encourages local experts to take part in international standardisation activities. It also coordinates Hong Kong's input to APEC on standards and conformance matters and acts as Hong Kong's Enquiry Point and Notification Authority under the WTO Agreement on Technical Barriers to Trade.

Through granting accreditation, the Hong Kong Accreditation Service (HKAS) upgrades the standard of local conformity assessment services to provide reliable support to social, economical and technical activities. Accreditation is also an official recognition to facilitate users in identifying and using competent service providers. The service operates in accordance with international standard and is active in international and regional accreditation communities. Through its mutual recognition arrangements, the results of tests, calibrations, certifications and inspections provided by its accredited service providers are recognised worldwide, thus facilitating cross-border business and trading activities. The comprehensive service of the HKAS is provided under three voluntary accreditation schemes, namely, the Hong Kong Laboratory Accreditation Scheme (HOKLAS), the Hong Kong Certification Body Accreditation Scheme (HKCAS) and the Hong Kong Inspection Body Accreditation Scheme (HKIAS). More details about HKAS can be found at <http://www.itc.gov.hk/en/quality/hkas>.

## Human Resources, Technical Education and Industrial Training

Success in the knowledge-based economy of the 21st century depends heavily upon the availability of talent and skilled manpower at all levels. High-level education and training are provided by the tertiary education institutions. The Vocational Training Council provides vocational education, training and professional development. It also administers the New Technology Training Scheme which provides financial assistance to employers for training their staff in new technologies that are not yet widely applied locally but the absorption and application of which will benefit Hong Kong significantly. The Clothing Industry Training Authority runs two training centres for the clothing and footwear industries.

The Government oversees the Admission Scheme for Mainland Talents and Professionals. The scheme aims to attract talented people and professionals from the Mainland to work in Hong Kong to meet manpower needs and enhance Hong Kong's competitiveness in the world market.

## Consumer Protection

### *Consumer Council*

The Consumer Council is a statutory body established in 1974 to protect and promote the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property. The council comprises 22 members appointed by the Government from a wide spectrum of the community.

The council's key activities include testing and survey programmes, complaint and advice services, consumer policy studies, publications and consumer education initiatives.

The council's testing and survey programmes seek to provide consumers with objective and up-to-date information so that they can make informed choices. During the year, 42 product tests, 16 survey projects and 47 in-depth studies were completed, covering a wide range of product and service areas from dehumidifiers and air conditioners to food (trans fats content), cosmetics, as well as medical and financial services. Popular electronic products such as digital cameras, mobile phones and MP3 players were also regularly tested. Products were tested mainly for safety, performance, convenience, durability and environmental impact.

The council provides complaint and advisory services to the community through telephone hotlines, eight Consumer Advice Centres and the council's website. It acts as a mediator between consumers and the traders concerned. During the year, 38 521 consumer complaints and 168 850 consumer enquiries were received. Problems with telecommunications services and pay television services continued to top the list of consumer complaints.

The council also monitors trade practices and competition-related issues that may have implications for consumer welfare. During the year, it examined issues such as regulation of health maintenance organisations and implementation of digital terrestrial television broadcasting. It also made 23 submissions in response to public consultation on subjects such as maintaining Hong Kong's economic drive through

promoting competition and review of public service broadcasting in Hong Kong. The council's chief executive is also a member of the Government's Competition Policy Advisory Group.

To provide consumers with independent and impartial market information, the council publishes the findings of its product tests and surveys together with practical advice to the public through its monthly magazine, CHOICE, which offers broad, multi-media access available in print, on the Internet as well as through residential fixed-line and mobile phones. In 2007, the council continued to organise the Consumer Rights Reporting Awards for the media and the public vote on the Top Ten Consumer News for the Year of the Dog.

The eighth Consumer Culture Study Award organised during the year encouraged secondary school students to conduct their own studies of local consumer culture. In all, 700 teams, comprising more than 4 000 students from 106 secondary schools, participated in this programme.

The council continues to work closely with the Education Bureau on teachers' training. Six classes of the Professional Development Programme for Liberal Studies (LS): New Senior Secondary Independent Enquiry Studies in the LS Curriculum were conducted this year. Over 220 teachers completed this three-day training course. The Education Resource Kit on Project-based Learning was dispatched to all secondary schools to enhance the effectiveness of teaching and learning. A new web-based teacher training course, namely, 'Learning and Teaching of Personal, Social and Humanities Education Key Learning Area through Consumer Perspective', was also developed.

The council has continued to administer the Consumer Legal Action Fund, which enhances consumer access to legal remedies. In 2007, the fund considered six cases and granted assistance in one case. One case carried over from previous year was successful in its claim.

The council is an executive and council member of Consumers International, a federation of 220 consumer organisations in 115 countries and territories. It also maintains regular contact with counterparts overseas and on the Mainland, and exchanges information, handles consumer complaints by tourists and considers initiatives to pursue wider consumer interests.

With tourists from the Mainland topping the list of visitors to Hong Kong, the council has taken a proactive role in strengthening consumer protection for Mainland tourists. Memorandums of Understanding for Cooperation were signed with major Mainland cities/provinces. In September 2007, a new dedicated website to provide one-stop consumer service covering a broad range of topics of interest to Mainland tourists was set up and hyperlinked to the official websites of a number of consumer organisations in the Mainland.

### *Enforcement of Consumer Protection Legislation*

The Customs and Excise Department carries out spot checks and investigations to ensure that toys, children's products and consumer goods supplied in Hong Kong

are safe. It also has a responsibility to protect consumers from fraudulent traders who offer goods of deceptive weights and measures or products made of gold and platinum that have deceptive markings. In 2007, the department carried out 3 525 spot checks and 1 161 investigations.

The Government Laboratory provides analytical and advisory services to the Customs and Excise Department in the enforcement of the consumer protection legislation. In 2007, the laboratory carried out 26 365 tests on toys, children's products and consumer goods to determine whether they complied with relevant safety standards. The laboratory also determined the weight of retailed goods and conducted on-site verification of traders' balances in support of the enforcement of the Weights and Measures Ordinance. In 2007, the laboratory carried out about 5 000 tests to examine the fineness of gold articles and the represented composition of other commodities, most of which were related to the investigation of fraudulent trade practices under the Trade Descriptions Ordinance.

### *Review of Legislation on Consumer Protection*

During the year, a two-stage review on our consumer protection regime was carried out. The Stage I Review was undertaken by the Government in conjunction with the Consumer Council, Hong Kong Tourism Board and the Travel Industry Council. The review identified priority legislative amendments to combat false and misleading trade descriptions, which were introduced into the Legislative Council in early 2008. The Stage II Review was carried out by the Consumer Council. It was a comprehensive review on the consumer protection regulatory regime in Hong Kong.

### **Trade in Endangered Species**

The Protection of Endangered Species of Animals and Plants Ordinance implements the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). It regulates the import, introduction from the sea, export, re-export or possession of endangered species. The commercial import, export and re-export of highly endangered species are prohibited, and international trade in less endangered species is subject to licensing requirements.

The ordinance is administered by the Agriculture, Fisheries and Conservation Department, and enforced by both the department and the Customs and Excise Department. It provides for penalties of a maximum fine of \$5 million and imprisonment of up to two years. In 2007, a total of 24 439 licences and certificates were issued and 129 prosecutions were conducted.

### *Websites*

Commerce and Economic Development Bureau: [www.cedb.gov.hk](http://www.cedb.gov.hk)  
(links to related departments and agencies)

Hong Kong Consumer Council: [www.consumer.org.hk](http://www.consumer.org.hk)

Environment Bureau: [www.enb.gov.hk](http://www.enb.gov.hk)