

## Message

The Trade and Industry Bureau is committed to providing maximum support for Hong Kong's manufacturing and services industries.

With the weight of our economy shifting towards knowledge-based and higher value-added production, it is imperative to upgrade our infrastructure and strengthen our support for promoting innovation and technological improvement in our manufacturing and service industries. To this end, we will launch a range of new initiatives including the establishment of an Innovation and Technology Fund and a publicly-funded applied science and technology research institute. These new initiatives will help fulfil our vision of making Hong Kong a centre of innovation and technology in the 21st century.

Small and medium enterprises (SMEs) are the backbone of Hong Kong's economy, making a significant contribution towards our economic growth as well as offering employment opportunities. The Government is fully committed to providing a conducive business environment and the necessary support for the development of this important sector of business in Hong Kong. We therefore propose the setting up of a Small and Medium Enterprise Office in the Industry Department to help SMEs gain better access to the various support services provided to them.



(Chau Tak Hay)

Secretary for Trade and Industry

# High Value-added and Competitive Industries

Our Policy Objective is to enable Hong Kong to be one of the most competitive economies in the world by increasing the added value and productivity of Hong Kong's manufacturing and service industries.

## Key Result Areas (KRAs)

To ensure that this Policy Objective can be achieved, we must deliver results in a number of key areas, that is, we must –

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The following sections of this booklet explain the importance of these KRAs, describe the broad thrust of our efforts, and outline the indicators which we use to assess progress. Each section lists the new key initiatives being taken to achieve our objectives and pinpoints the agency accountable for each initiative and the specific targets which we intend to meet.

# I

## Promote innovation and improved technology in manufacturing and service industries

Innovation and technology are powerful drivers of the long-term growth of an economy. They are essential for increasing the added value, productivity and competitiveness of our manufacturing and service industries in the knowledge-based global economy of the 21st century.

Innovation includes both improved technology and better methods of doing things. It may be manifested in new products or services; improved quality; new ways of production, packaging, marketing or distribution; new markets; new supply sources; new organisations or systems; and other areas.

Improved technology is a powerful force for innovation, and is needed not just in the “high-tech” segments of the economy, but in all economic sectors. Improvements to technology may be applied to all aspects of the value-adding chain, including the way in which a product or service is designed, produced, marketed and delivered.

We aim to increase the capacity of our businesses to innovate, as well as to stimulate improvements in technology throughout the economy. We will focus on sustaining and expanding our existing industries and spawning new industries that match our current and future competitive strengths. Our vision is to make Hong Kong a centre of innovation and technology in the 21st century.

In March 1998, the Chief Executive appointed a Chief Executive’s Commission on Innovation and Technology to study and advise on the measures and institutional arrangements necessary to realise our vision. The Commission submitted a First Report to the Chief Executive in September 1998 and will complete its tasks by the middle of 1999.

## Indicators

Progress in this area is manifested by the extent to which businesses undertake innovative activities and enhance their products, services, processes or systems through technology.

## Initiatives

## Targets

To establish an Innovation and Technology Fund to finance innovation and technology related programmes relevant to commerce and industry

*(Trade and Industry Bureau (TIB))\**

To establish the fund in the sum of \$5 billion in 1999

To establish programmes which will promote university-business collaboration, e.g., matching grants for –

- collaborative research projects
- recent higher-degree research graduates or students undertaking research and development in private companies
- private companies funding research initiatives in universities

*(Industry Department (ID))*

To launch the new programmes in 1999

\* the brackets denote the agency with lead responsibility for the initiative

Initiatives	Targets
<p>To establish an applied science and technology research institute to support mid-stream research and development <i>(TIB)</i></p>	<p>To begin the consultancy study for planning of the institute in 1999</p>
<p>To launch new programmes which will promote and facilitate collaboration between the business sector and technological institutions on the Mainland, e.g., an electronic database of Mainland technological resources; liaison meetings between relevant bodies in Hong Kong and Mainland counterparts <i>(Industry Department (ID))</i></p>	<p>To start discussing with technology-related authorities in the Mainland on the database and the liaison mechanism in 1999</p>
<p>To examine the case for the development of an Institute for Chinese Medicine, which would undertake research, industry support work and promote commercialisation of medicinal products <i>(TIB)</i></p>	<p>To set up a planning committee in 1999</p>

Initiatives	Targets
<p>To encourage relevant bodies to foster closer co-operation with Mainland bodies in the area of technological support infrastructure, including</p> <ul style="list-style-type: none"> <li>● encouraging joint-research between Hong Kong and Mainland institutions</li> <li>● encouraging technology exchanges between the two places to foster cross-fertilisation of ideas</li> <li>● co-operation between the future Hong Kong Science Park and proposed applied science and technology research institute and their counterparts as well as research institutions on the Mainland</li> </ul> <p>(ID)</p>	<ul style="list-style-type: none"> <li>● To strengthen our support for joint-research projects between Hong Kong and Mainland institutions under Government funding schemes</li> <li>● To encourage such exchanges between local and Mainland institutions and companies using Government funding schemes and specifically, to support cross-visits, seminars, conferences and training programmes etc.</li> <li>● To initiate discussion at the Provisional Hong Kong Science Park Co Ltd the issue of co-operation with Mainland institutes/ science parks in 1999</li> </ul>

Initiatives	Targets
<p>To promote a culture conducive to technology ventures through a professionally managed Applied Research Fund (ID)</p>	<ul style="list-style-type: none"> <li>● To engage at least two venture capital firms for the management of the Applied Research Fund in 1998-1999</li> <li>● To achieve a significant proportion of private investment in funded projects of the Applied Research Fund</li> </ul>
<p>To continue to help sustain and expand our existing support for the services industry through the Services Support Fund (ID)</p>	<p>To secure additional resources for the Services Support Fund for 1999-2000</p>

## II

### Maximise Hong Kong's access to high-tech products

High-tech products, such as high performance computers, electronic equipment and tele-communication devices, are essential to our banking, finance, and high value-added manufacturing sectors. Free and full access to these products helps to maintain Hong Kong as an international business and financial centre, and stimulates the process of technological upgrading in Hong Kong.

Some high-tech products are also capable of military use, therefore our trading partners, in line with international practices, control exports of these products. To ensure that our trading partners can have confidence in exporting these goods to Hong Kong without fear that they will contribute towards proliferation activities, we must maintain an effective control system as regards the transfer and use of these goods.

The Trade Department maintains an effective computerised licensing control system with regard to the import, export and use of strategic commodities which cover high-tech goods capable of military use. The system is supported by vigorous enforcement action by the Customs and Excise Department. The effectiveness of our system is well recognised by our trading partners, and we accordingly have good access to high-tech products. We aim to maintain and enhance our system and enforcement capability so as to ensure the uninterrupted supply of the highest levels of technology to our industries.

#### Indicator

Our main indicator in this area is the extent to which local business can continue to import the maximum range of high-technology products for legitimate use from our major trading partners.

Initiatives	Targets
<p>To implement fully the Chemical Weapons Convention in Hong Kong Special Administrative Region so as to achieve the highest recognised standard of control of chemical products</p> <p><i>(Trade Department, Customs and Excise Department (C&amp;ED) and Government Laboratory)</i></p>	<p>To enact legislation and put in place related administrative arrangements in 1999-2000</p>
<p>To maintain and improve the effectiveness of enforcement action in combating the unlicensed import and export of strategic commodities</p> <p><i>(C&amp;ED)</i></p>	<p>To maintain a high level of surveillance with additional resources being made available in the year 1998-1999</p>



## **Develop a world class support infrastructure for manufacturing and service industries**

The Government is committed to providing a business environment conducive to the development of our manufacturing and service industries. Accordingly, we invest heavily in infrastructural facilities to support and facilitate the development of our industries. We have also set up industrial support organisations to provide services which meet our industries' needs.

Companies investing in new or improved processes and products which cannot operate efficiently in multi-storey buildings can obtain developed land in the industrial estates at development costs through the Hong Kong Industrial Estates Corporation. The Hong Kong Industrial Technology Centre Corporation provides accommodation and support services to promote technology transfer and to nurture technology companies. The Hong Kong Productivity Council provides professional and consultancy services in order to promote productivity and to enhance the value-added content of products and services. In addition, the Industry Department's Standards & Calibration Laboratory and the Hong Kong Laboratory Accreditation Service provide professional support and services for quality assurance.

Our industrial base is moving from low-wage and labour-intensive production to high value-added and knowledge-based activities. We therefore aim to provide a support infrastructure which will promote the further development of high value-added and technology-based industries.

## Indicators

The indicators we will use to measure progress in this area are –

- the extent to which financial and human resources are provided by the Government for major infrastructure projects in support of our manufacturing and service industries
- the amount of fully serviced industrial land supplied to cater for the changing needs of the industrial sector
- user satisfaction with existing major purpose-built infrastructure (e.g., the industrial estates and industrial technology centre)

## Initiatives

## Targets

To plan for and provide new industrial infrastructure, viz –

- the Science Park
- the second industrial technology centre
- the fourth industrial estate  
(*Industry Department*)

To complete the construction of new industrial infrastructure on schedule, i.e., to

- bring Phase One of the Science Park on stream in 2001
- complete construction of the second industrial technology centre in 2001
- make available the first batch of fully serviced land in the fourth industrial estate by 2001, with a view to completing the whole project in 2004

Initiatives	Targets
To conduct a consultancy on the need for a business park <i>(Trade and Industry Bureau)</i>	To work closely with the consultant in completing Stage One of the Study by mid-1999 to establish the need or otherwise for a business park in Hong Kong

# IV

## Provide support for small and medium enterprises

There are some 290 000 small and medium enterprises (SMEs) in Hong Kong. They comprise over 98% of businesses in Hong Kong and employ about 60% of the working population. The Government is committed to providing a business environment conducive to the development of this sector.

Currently, a variety of services are provided by the Government and industrial and trade organisations to support SMEs. For example, the Industry Department's Business Licence Information Centre provides one-stop information services on licensing requirements. The Hong Kong Productivity Council and the Hong Kong Trade Development Council provide support and consultancy services specifically targetted at SMEs. An SME Committee advises the Government on issues affecting the development of SMEs. We launched a \$2.5 billion Special Finance Scheme in August 1998 to help SMEs gain better access to bank financing in view of the liquidity crunch problem.

Given their limited resources and size, SMEs have constraints in meeting the challenge of an increasingly competitive market. We therefore aim to strengthen the Government's support for them.

### Indicator

Our indicator of progress in this area is the extent to which SMEs show satisfaction with the levels of support we provide.

### Initiative

### Target

The Industry Department to establish a Small and Medium Enterprise Office within the Department to help SMEs gain access to services

*(Industry Department)*

To achieve 75% of user satisfaction