

LCQ3: Revitalising local manufacturing industries

Following is an oral reply by the Secretary for Commerce and Economic Development, Mr Frederick Ma, to a question by the Hon Lui Ming-wah in the Legislative Council today (November 28):

Question:

While the economy of Hong Kong has been growing strongly in recent years with the year-on-year growth of Gross Domestic Product standing at around 6%, the unemployment rate is still around 4% with an increasing number of low-income earners, and the polarisation of the rich and the poor is increasingly serious. Regarding the development of the local manufacturing industries to ameliorate the aforesaid situation, will the Government inform this Council whether:

(a) it has formulated any plan to revitalise the local manufacturing industries to make it a renewed pillar industry, so as to provide more job opportunities; if not, of the reasons for that; and

(b) it has any plan to establish an independent industrial development council to spearhead and promote the development of the local manufacturing industries, provide services for the service industries operating outside Hong Kong, and to serve as an advisory body to be consulted by the Central Authorities on any enactment and amendment to legislation which concerns Hong Kong-owned factories on the Mainland; if not, of the reasons for that?

Reply:

Madam President,

Hon Lui Ming-wah asked whether the HKSAR Government will revitalise the local manufacturing industries. Let me explain one point – Hong Kong does have our own industries, including manufacturing industries. It is only that those labour-intensive factories back in the 70's no longer exist. On the two parts of the question, my reply is as follows:

(a) Given our basic fundamentals, low-skilled and low value-added production is no longer suitable for Hong Kong's current economic development. Over the past 20 years, many Hong Kong enterprises engaged in traditional industries have moved their operations to the Mainland. According to figures of the Guangdong Province, there are currently 56000 Hong Kong-owned factories operating in Guangdong

alone, hiring over ten million workers. From a macro perspective, this is an expansion of the coverage of Hong Kong's manufacturing industries. Although many enterprises have moved their production lines to the Mainland, they still keep their headquarters and support base in Hong Kong, thereby driving the growth of our services sector as well as the overall growth of the economy. The HKSAR Government will continue to provide support to these enterprises.

It is not possible for Hong Kong to backtrack. Local manufacturing industries must move towards high technology, high value-added and high intellectual property content. Accordingly, the HKSAR Government's industrial policy has been focusing on boosting the high value-added and knowledge-based industries. As a matter of fact, whether or not enterprises set up production plants in Hong Kong is entirely market-led. In the light of the zero-tariff preferential treatment under CEPA, and the market value of Hong Kong brands in the Mainland, there are manufacturers who set up production lines in Hong Kong to produce high-end brand name products. These include manufacturers of some well-known proprietary Chinese medicine and food products. The HKSAR Government will continue to provide support by maintaining an environment conducive to the development of high value-added and knowledge-based industries so that they could remain competitive in the market.

As regards employment, the services sector is now a major component of Hong Kong's economy, accounting for more than 90% of our Gross Domestic Product and employing some three million people. Apart from promoting financial services, creative industries and professional services, the HKSAR Government has also been capitalising on our existing strengths to develop smoke-free industries, tourism in particular, with a view to providing more employment opportunities, especially in the sectors of food and beverage, retail, and transportation, for the low-skilled group.

(b) To boost the development of local manufacturing and services industries, the Trade and Industry Department of the HKSAR Government is making every effort to support small and medium enterprises. A number of quasi-government organisations are also working on this front. For example, the Hong Kong Trade Development Council (HKTDC) assists Hong Kong companies to tap new market opportunities worldwide, and the Hong Kong Productivity Council (HKPC) provides comprehensive technical support across the value chain. The HKTDC and HKPC also conduct studies on individual manufacturing industries to explore development opportunities.

In addition, the HKSAR Government has been actively assisting Hong Kong enterprises which operate in the Mainland by providing them the latest information on Mainland laws and regulations related to commerce and trade, conducting related consultation, and reflecting to the Mainland authorities the views of the Hong Kong business community on the Mainland business environment. Through mechanisms such as the CEPA Joint Steering Committee and the Hong Kong/Guangdong Cooperation Joint Conference, as well as our economic and trade offices in the Mainland, the HKSAR Government maintains close contact with the relevant Mainland authorities at various levels to discuss economic and trade matters.

To help Hong Kong businessmen adapt to adjustments to the Mainland's policy on the processing trade, the HKSAR Government has set up the Task Force to Support the Processing Trade in July this year. The Task Force comprises representatives of industries and its terms of reference include relaying the industries' views and suggestions to the relevant Mainland authorities.

As the above organisations and advisory bodies can already provide different services, support and consultation channels for the manufacturing industries, and to avoid duplication of resources, the HKSAR Government has no intention to establish a separate industrial development council at the moment.

Nevertheless, I would like to emphasise that not establishing an industrial development council does not mean that the Government attaches no importance to industrial development. We believe that it is more important to build up effective communication channels with the industries and provide timely support that meets their needs. We already have mechanisms in place for such purposes and our efforts towards this end will continue.

Ends/Wednesday, November 28, 2007