

立法會
Legislative Council

LC Paper No. CB(1)575/07-08
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by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 November 2007, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon Vincent FANG Kang, JP (Chairman)
Hon WONG Ting-kwong, BBS (Deputy Chairman)
Dr Hon LUI Ming-wah, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon SIN Chung-kai, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon CHIM Pui-chung
Hon Ronny TONG Ka-wah, SC

Public officers attending : Agenda Item IV
Commerce and Economic Development Bureau
Mr Frederick MA
Secretary for Commerce and Economic Development
Miss Yvonne CHOI
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)
Mr Duncan PESCOD
Special Representative for Hong Kong Economic and
Trade Affairs to the European Communities, Brussels

Miss Margaret FONG
Commissioner for Economic and Trade Affairs, USA

Mr Martin GLASS
Permanent Representative of the Hong Kong Special
Administrative Region of China to the World Trade
Organization

Mrs Jennie CHOK
Principal Hong Kong Economic and Trade
Representative, Tokyo

Mr Stephen WONG
Director, Hong Kong Economic and Trade Affairs,
Berlin (Designate)

Miss Sarah WU
Director-General, Hong Kong Economic and Trade
Affairs, London

Ms Lorna WONG
Director, Hong Kong Economic and Trade Affairs,
Sydney

Ms Doris CHEUNG
Director, Hong Kong Economic and Trade Affairs, San
Francisco

Mr Eddie MAK
Director-General, Hong Kong Economic and Trade
Affairs, Washington

Mr K K LAM
Director, Hong Kong Economic and Trade Affairs,
Singapore

Ms Monica CHEN
Director, Hong Kong Economic and Trade Affairs,
New York

Mr Bassanio SO
Director, Hong Kong Economic and Trade Affairs,
Toronto

Constitutional and Mainland Affairs Bureau

Mr Howard CHAN
Deputy Secretary for Constitutional and Mainland

Affairs 2

Mr Thomas TSO
Director, Beijing Office

Mr Peter LEUNG
Director, Hong Kong Economic and Trade Affairs,
Guangdong

Mr Patrick CHAN
Director, Hong Kong Economic and Trade Affairs,
Shanghai

Mr Richard LUK
Director, Hong Kong Economic and Trade Affairs,
Chengdu

Agenda Item V

Commerce and Economic Development Bureau

Miss Yvonne CHOI Ying-pik
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Christopher WONG Kwok-bun
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)

Mrs Ivy LEE NG Wai-ming
Chief Executive Officer (Government Electronic
Trading Services)

Office of the Government Chief Information Officer

Ms Joyce MOK Kwai-ying
Chief Systems Manager (Programme Management and
Application Integration)

Agenda Item VI

Commerce and Economic Development Bureau

Ms Linda LAI
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)

Mr Howard LEE
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)

Customs and Excise Department

Mr CHAN Chong-yau
Principal Trade Controls Officer

Census and Statistics Department

Mr Thomas CHEUNG
Senior Statistician (Trade)

Clerk in attendance : Miss Erin TSANG
Chief Council Secretary (1)3

Staff in attendance : Ms YUE Tin-po
Senior Council Secretary (1)5

Ms Guy YIP
Council Secretary (1)1

Ms May LEUNG
Legislative Assistant (1)6

Action

- I. Confirmation of minutes of meeting**
(LC Paper No. CB(1)167/07-08 -- Minutes of meeting held on
11 October 2007)

The minutes of the meeting held on 11 October 2007 were confirmed.

- II. Information paper issued since last meeting**
(LC Paper No. CB(1)107/07-08(01) -- Referral from the Complaints
(Chinese version only) Division of the Legislative
Council Secretariat on issues
concerning the monitoring role
of the Administration over Hong
Kong Productivity Council)

2. Members noted that the above paper had been issued for the Panel's information.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)243/07-08(01) -- List of outstanding items for discussion

LC Paper No. CB(1)243/07-08(02) -- List of follow-up actions)

3. Members agreed that the Panel would discuss the following items at the next regular meeting to be held on 18 December 2007 –

- (a) Promotion of inward investment; and
- (b) Small and medium enterprise funding schemes.

(Post-meeting note: With the concurrence of the Chairman, two additional items, i.e. the "Proposed revision to fees and charges under Import and Export (Fees) Regulations and Chemical Weapons (Convention) Ordinance" and the "Hong Kong Special Administrative Region's participation in the World Exposition 2010 Shanghai" proposed by the Administration would be added to the agenda for discussion at the next meeting. Members had been duly informed of the above arrangement vide LC Paper No. CB(1)360/07-08 issued on 29 November 2007.)

IV. Reports on the work of the Hong Kong Economic and Trade Offices and Beijing Office

(LC Paper No. CB(1)243/07-08(03) -- Reports on the work of the overseas Hong Kong Economic and Trade Offices provided by the Commerce and Economic Development Bureau

LC Paper No. CB(1)243/07-08(04) -- Report on the work of Hong Kong Special Administrative Region's Offices in the Mainland provided by the Mainland Liaison Affairs Office, Constitutional and Mainland Affairs Bureau)

4. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) said that the Economic and Trade Offices (ETOs) of the Hong Kong Special Administrative Region (HKSAR), with the exception of the Geneva ETO whose main function was to represent the HKSAR as a member of the World Trade Organization (WTO), performed the major function of promoting Hong Kong's economic and trade interests, and strengthening economic ties and cooperation between Hong Kong and its trading partners. The ETOs also

sought to promote Hong Kong's image as an international city, a vibrant and free economy. In addition, the ETOs monitored the political and economic developments in the countries/places which fell within their respective purviews, and maintained close network of contacts with the governments, legislative bodies, business communities, the media, think-tanks and academia. In conjunction with Invest Hong Kong, the ETOs helped to attract more inward investment into Hong Kong and overseas business entities to set up their regional offices or headquarters in Hong Kong. He further said that it had been an ongoing practice for the various Heads of ETOs to report their work to the Panel on an annual basis. Referring to the full set of reports in respect of the work of all ETOs and the HKSAR's offices in the Mainland which had been provided to Panel members (vide LC Paper No. CB(1)243/07-08(03) and (04)), he highlighted that respective ETOs and the Office of the Government of the HKSAR in Beijing (BJO) had organized a series of events to celebrate the 10th Anniversary of the establishment of the HKSAR so as to give ETOs and BJO a unique opportunity to promote Hong Kong and showcase Hong Kong's vibrancy as well as its competitive edges, thereby enhancing its position as the Asia's major international city.

Discussion

Doha Development Agenda (DDA) of WTO

5. In response to Mr Andrew LEUNG's enquiry about the latest development of the multilateral trade negotiations under DDA of WTO, the Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization advised that the Geneva ETO had been working closely with other exporting developing members of textiles and clothing products in the International Textiles and Clothing Bureau to defend Hong Kong's exporting interests against persistent protectionist pressures, largely in the contexts of preferential, regional and bilateral free trade agreements. However, the main focus of the Geneva ETO was to defend and promote the importance of multilateral trade under DDA. Since September 2007, slow and steady progress on draft modalities texts had been made in the agriculture and the non-agricultural market access negotiations. Major differences remained over these issues between the developed and developing economy Members. Nevertheless, he assured members that Hong Kong would continue to participate actively as a middleman so as to facilitate the early resolution of the DDA negotiations.

Textile agreements under the EU-China and the US-China

6. Noting that the textile agreements under the EU-China and the US-China would expire on 31 December 2007 and 31 December 2008 respectively, Mr Andrew LEUNG sought information on the latest development of the issue which had an impact on Hong Kong enterprises concerned.

7. The Special Representative for Hong Kong Economic and Trade Affairs to the European Communities, Brussels (SREC) responded that as announced by the European Commission (EC), a "double checking system" on eight categories of textiles and clothing products (namely, T-shirts, pullovers, men's trousers, dresses, blouses, brassieres, bed linen and flax yarn) from China would commence operation for one year with effect from January 2008 with a view to having a review being conducted in mid 2008. The system aimed to track the issue of export licences from China and the imports of goods into EU. While the textile importation would continue, the system would replace the quota system set up under the existing EU-China textile agreement upon its expiry by end of 2007. The Brussels ETO would continue to monitor the situation closely and maintain its dialogue with the EC and report back to Hong Kong to ensure that companies were kept fully abreast of any developments in a timely manner.

8. In further response to Mr Andrew LEUNG's enquiry, the Commissioner for Economic and Trade Affairs, USA (C, USA) advised that the textile and clothing industry of the US had not raised any particular requests so far as the expiration of the textile agreement was still 13 months away. The US textile sector would watch closely developments in the EU and might well raise the issue in the context of the 2008 presidential elections. The Washington ETO would continue to monitor the situation, maintain close contact with US trade associations and Members of Congress and would keep Hong Kong updated.

Product safety issues

9. Mr Jeffrey LAM opined that the overseas media had not truthfully covered the whole issue on recalls of Chinese toy products which had aroused public concern in some countries. As such, he sought information on measures taken by relevant ETOs in helping to address the issue concerned so as to clarify the misunderstanding to dispel public worry, as well as to regain consumers' confidence in buying those products for the forthcoming festive season.

10. In response, C, USA advised that the Washington ETO had been closely following up the matter with the US Department of Commerce, the Consumer Product Safety Commission (CPSC) and Members of Congress, including those from the Senate and House sitting on relevant committees and sub-committees with jurisdiction over commerce, trade and consumer protection, to reflect the concern of Hong Kong enterprises and to underline Hong Kong's commitment to product safety. In addition, SCED had just paid a visit to Washington DC and met with representatives of CPSC and Members of Congress to reflect the same concern. Given Hong Kong's generally positive bilateral trade relations with the US and Hong Kong's proven track record, the US Administration and Members of Congress had confidence in goods produced by Hong Kong manufacturers after they were briefed on actions taken by Hong Kong manufacturers in ensuring product safety in their operation. She further said that in view of the concern of the Congress over inadequate regulation and enforcement by the concerned authorities on product safety at both the exporting and importing ends, the

lawmakers had swiftly introduced 16 pieces of new legislation to tighten the relevant rules and strengthen the power of the authorities, including CPSC, with the allocation of more resources to enhance their work. The Washington ETO had reflected to the US Administration and the Congress that Hong Kong was supportive of the principle to enhance product safety and indicated its willingness to disseminate to Hong Kong manufacturers information provided by the US authorities in relation to any new rules or regulations. In this connection, the Trade Development Council had conducted a number of meetings in Hong Kong inviting the relevant authorities of the US to provide briefings to Hong Kong enterprises on this front.

11. On issue related to product safety, the Director, Hong Kong Economic and Trade Affairs, Guangdong (D, Guangdong) added that the Guangdong ETO (GDETO) had arranged representatives of Hong Kong Toys Council to meet with officials of Guangdong Entry-exit Inspection and Quarantine Bureau (GEIQB) regarding the concern of toy manufacturing industry on toy products exported to the US. As far as GDETO was aware, representatives of GEIQB had recently paid a visit to Hong Kong to exchange views with the relevant industry in this respect.

12. SREC also advised that while the Brussels ETO worked closely with EC and EU Member states, it also monitored carefully new initiatives introduced by the European Parliament (EP). He said that EP had approved the regulations concerning the "Registration, Evaluation, Authorization and Restriction of Chemicals", which came into force on 1 June 2007. The Brussels ETO had been assessing the implication of the issue on Hong Kong's manufacturing industry and would work closely with the Trade and Industry Department (TID) to ensure that Hong Kong manufacturers would be well aware of the requirements of the new regulations.

13. Pointing out that there was wide media coverage about the recall of substandard Chinese products exported to the US, Dr LUI Ming-wah expressed concern on whether the business community in the US had the intention to pick on manufacturers and exporters of China bearing in mind that recalls of substandard products imported from countries of South East Asia had also been taken place in the US. He also sought information on measures taken by ETOs in the US in helping Mainland enterprises other than Hong Kong enterprises to address the issue concerned.

14. In response, C, USA said that the US media had been focusing on issues related to the growing US trade deficit, in particular her record trade imbalance with China. That probably explained why the initial recalls of Chinese products found to be substandard attracted wide media coverage. In fact, the US federal agencies had stated publicly that substandard products recalled by the US authorities came from territories worldwide. While stressing that the major role of respective ETOs in the US was to represent Hong Kong's interests in the US, this also extended to Hong Kong's business investment in the Mainland. As regards

Mainland enterprises, she understood that the Economic and Commercial Section of the Chinese Embassy in the US had also been following up with the US Administration, Congress and the media on product safety issues.

15. In this connection, SCED advised in response to the Chairman's enquiry that respective ETOs had maintained contacts with the Chinese Embassy/Consulate in respective places on issues of mutual concern. He had also met with them during his visit to these places. However, he stressed that the HKSAR Government had to be vigilant in adhering to the principle of "one country, two systems" when discussing with representatives of overseas governments on issues related to the bilateral trade relationship between the respective country and China.

16. Noting that there was wide media coverage about complaints relating to Chinese food products exported to the US, the Chairman opined that US politicians might have been making use of the opportunity to politicize the whole issue and to single out China for criticism in view of the growing trade deficit and the development of the 2008 presidential election in the US.

17. In response, C, USA said that the issue had attracted much attention in Congress, especially among Members who were champions of consumer protection and leading candidates in the presidential race. Whilst fully recognizing the importance of product safety, the Washington ETO, in its outreach to Members of Congress, always stressed the need to approach the matter in a fair and reasonable manner given that the US-China bilateral trade relationship was critical not only to Hong Kong but would also have implications worldwide. She noted though that China might easily become a target for Congress given her growing trade imbalance with the US. Trade issues aside, security and energy issues might also feature in the broader debate on US-China relations in the context of the 2008 presidential election. In this connection, C, USA pointed out that the Chinese Embassy in the US had been maintaining close communication with the US Administration on issues pertinent to the bilateral relations. The Washington ETO would continue to maintain close contact with the US Administration and Members of Congress and monitor developments on the US-China political and trade fronts that might affect the interests of Hong Kong business enterprises. It would also continue to report on significant developments to LegCo Members in this respect.

18. In response to Mr WONG Ting-kwong's enquiry as to whether tainted and substandard imports from China had been widely publicized in overseas countries other than the US and the EU, the Principal Hong Kong Economic and Trade Representative, Tokyo advised that the issue had been reported but did not appear to have aroused serious concern in Japan, as the media had adopted a pragmatic attitude to cover the matter. In fact, in her conversations with interlocutors, some of them had pointed out that the problem of product and food safety did not come only from China. The Director of Hong Kong Economic and Trade Affairs, Sydney advised that a tainted toy product (namely, Bindeez) with toxic substance had recently attracted public attention and concern in Australia as the item posed health risk to children. According to her observation, there was no indication that

the matter had been politicized, and the media treated this very much as an isolated incident. In this connection, Mr WONG Ting-kwong said that overseas ETOs should be forward-looking in keeping local enterprises and Hong Kong-owned enterprises in the Mainland abreast of such relevant information as soon as practicable so that they could take preventive measures to solve the related problem in a timely manner, thus minimizing the negative impact on the overall image of local enterprises and the economic development in Hong Kong.

Pricing of exporting goods

19. Mr Jeffrey LAM was dissatisfied that the overseas trading partners had been accusing China, including Hong Kong, of selling exporting goods at a low price, leading to tremendous loss of manufacturing jobs in their countries. In this respect, he pointed out that overseas business enterprises had, in fact, been pressing Mainland and Hong Kong manufacturers to reduce the prices of exporting goods in order to maintain retailers' competitive edges. He also pointed out that outsourcing of jobs overseas by multinational corporations was the major factor causing job losses in the US as the wages of overseas places, such as the Mainland, Taiwan, Japan and South Korea, were comparatively lower than those of the US. In fact, US enterprises had started to set up their production base in the Mainland since 1980's. In this connection, he urged the ETOs concerned to truly reflect the above situation to the overseas governments and business enterprises.

20. Sharing Mr Jeffrey LAM's view, Mrs Sophie LEUNG considered that overseas business enterprises should stop pressing for the reduction in price of Mainland and Hong Kong products and that respective ETOs should put forward manufacturers' concern to overseas trades and consumer organizations.

Assistance to Hong Kong-owned enterprises in adjusting to changes in the Mainland's policy on processing trade

21. Mr Jeffrey LAM remarked that the recent changes in the Mainland's policy, such as those on processing trade and provisional tax rates on some export and import commodities, had an impact on Hong Kong-owned enterprises in respect of export of goods, operation, pricing and tax rebate. He was of the view that the GDETO should assist in enhancing information exchange between the relevant trade associations and the Mainland authorities on this front.

22. In response, D. Guangdong advised that the Commerce and Economic Development Bureau had been maintaining close contacts with the four major local trade associations in reflecting to the Central People's Government (CPG) difficulties faced by enterprises involving in the processing trade. As a result, CPG had allowed enterprises to pay standing book deposit by various means including cash and bank guarantees. On the tax front, the GDETO and other ETOs in the Mainland had all along conducted briefing sessions to enhance Hong Kong enterprises' understanding of the policy changes. In fact, representatives of the Guangdong authority would have a meeting with the local trade associations in

Hong Kong in the forthcoming week to brief them on tax policy adjustment in the Mainland, particularly on tax on land and mine. The GDETO was also planning to organize seminars in the Mainland/Hong Kong inviting representatives of the Mainland authorities to brief local businessmen on the Mainland's Labour Contract Law which would take effect from 1 January 2008. To foster communication, the weekly Guangdong ETO Newsletters issued on each Friday had been provided to 250 local trade associations for onward transmission to their members so as to keep them abreast of the latest information on economic and trade-related development as well as major activities in GDETO's service boundary.

23. Noting that SCED had joined a Hong Kong business delegation for a study tour to Chenzhou of Hunan Province in relation to the industrial restructuring and implementation of new measures on processing trade in the Mainland, Mr Jeffrey LAM enquired about the Administration's plan in assisting Hong Kong-owned enterprises to relocate their production operation and in strengthening its efforts in collating and disseminating information to local SMEs in relation to the policy on processing trade in the coming year.

24. In response, SCED advised that a business delegation led by him would pay a visit to Ganzhou of Jiangxi Province on 12 December 2007. As more than 1 000 Hong Kong-owned enterprises had already set up their operation in Ganzhou, the visit would keep SMEs abreast of the operating environment with a view to assisting the enterprises concerned to relocate their production operation to this place. He added that this was his second visit arising from the implementation of new measures on processing trade in the Mainland. In the coming year, the Administration would continue to provide every possible assistance to those enterprises in respect of industrial upgrading, restructuring and relocation.

Assistance to Hong Kong residents in the Mainland

25. The Chairman informed members that Mr SIN Chung-kai had recently written to him requesting the Panel to conduct a public hearing on protection of interests of Hong Kong businessmen operating in the Mainland. He said that since Mr SIN had been out of town when the last meeting was held, he had subsequently issued him a reply advising that as the Panel would only discuss issues involving policy matter and that officials of the HKSAR's offices in the Mainland would attend today's meeting, Mr SIN could raise his concern direct at this meeting. In this connection, Mr SIN Chung-kai sought information on assistance provided to Hong Kong residents (HKRs) encountering problems in areas within the purview of the GDETO, BJO and the two respective ETOs in the Mainland.

26. In response, D, Guangdong advised that the Immigration Division (ID) of the GDETO had received 187 in-distress cases related to HKRs who had lost their identity documents in the Mainland or traffic accidents involving victims of HKRs. Other than those concerning personal safety, a total of 94 cases on economic and trade-related issues (e.g. enquiries with the relevant Mainland authorities on matters

relating to export/import items) and 86 cases about real estate and land compensation issues (e.g. difficulties in obtaining occupation permits for acquired properties and disputes on property rights) were also handled by the GDETO.

27. The Director, Beijing Office advised that the number of cases received by BJO was almost the same as those received by the GDETO. These included cases on personal safety, traffic accidents involving victims of HKRs and economic and trade-related matters, such as commercial dispute which was subject to judicial proceeding. He said that BJO was previously responsible for providing assistance to HKRs in distress in all areas in the Mainland. Since 2006, the capacity of the GDETO had been expanded with deployment of staff from ID to handle requests for assistance from HKRs in the Guangdong Province.

28. The Director, Hong Kong Economic and Trade Affairs, Shanghai advised that since its establishment in September 2006, the Shanghai ETO had handled 53 cases, some of which were referred by BJO. Among these cases, 15 were related to economic and trade-related matters. He said that the number of Hong Kong companies and Hong Kong people in the areas within the purview of the Shanghai ETO was relatively smaller as compared with those covered by BJO and the GDETO.

29. The Director, Hong Kong Economic and Trade Affairs, Chengdu advised that the Chengdu ETO had also handled in-distress cases and those concerning economic and trade-related matters. As immigration teams had not been set up in the office, requests for assistance concerning immigration related matters would be referred to BJO for follow-up. He said that the number of HKRs in distress was comparatively smaller insofar as the midwest regions were concerned.

30. Mr SIN Chung-kai suggested that the number of cases on economic and trade-related matters with a breakdown by nature, cases relating to real estate and land compensation issues, and cases of which assistance had been provided to Hong Kong residents in distress, as well as the outcome of actions taken on all cases in areas within the coverage of BJO and respective ETOs in the Mainland should be included in the future reports for members' information. In view of Mr SIN's concern, the Administration undertook to provide the requisite information after the meeting and in the future reports.

Admin

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)453/07-08 on 14 December 2007.)

Other issues

31. Mr CHAN Kam-lam pointed out that HKRs holding valid HKSAR passports could enjoy visa-free access to 138 countries, including Japan for a stay of not more than 90 days. He was of the view that in addition to promoting Hong Kong's economic and trade interests, ETOs concerned should liaise with the

Admin relevant government representatives of the US and Australia for similar visa-free access for greater convenience to HKRs. SCED undertook to relay Mr CHAN's concern to the Security Bureau for follow-up.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)450/07-08 on 14 December 2007.)

32. Pointing out that Hong Kong would be hosting the 2009 East Asian Games for the first time, Mr Timothy FOK was of the view that Hong Kong should make use of the opportunities in hosting some of the sporting events arising from the 2010 Asian Games in Guangzhou. This would enhance business opportunities for local enterprises apart from strengthening the support for sports development in Hong Kong. SCED noted and agreed to Mr FOK's view. In this connection, Mr Timothy FOK also urged the Administration to pursue with the relevant Mainland authorities with respect to Hong Kong's participation in the 2010 Asian Games in Guangzhou.

33. Mr WONG Ting-kwong enquired whether overseas ETOs had assisted the Tourism Board (TB) in promoting the 2008 Olympic and Paralympic Equestrian Events (Events) with a view to attracting overseas tourists to visit Hong Kong. In response, SCED advised that TB's representative offices had been set up in overseas places, such as Russia, to promote the tourism of Hong Kong. In fact, some of the overseas offices of TB were actually set up within the office premises of ETO, such as the one in Sydney. He affirmed members that overseas ETOs had, on many occasions, strived to do their best to promote the 2008 Olympic Games and the Events.

34. Mrs Sophie LEUNG was of the view that overseas ETOs should continue to enhance Hong Kong's prestige and profile in international trade, as well as to promote Hong Kong's comparative advantages in hosting international mega events (e.g. sports events), to reinvigorate the "Brand Hong Kong" message and to widely publicize the successful implementation of "One Country, Two Systems".

35. In response to Mr Andrew LEUNG's view that the Administration should strengthen the work of respective ETOs in providing assistance to delegations of LegCo Panels to facilitate their overseas duty visits, SCED explained that ETOs might have difficulty in receiving and providing assistance to delegations if there were no ETOs stationed in those places to be visited by those Panels. Nevertheless, he assured members that the Administration and ETOs would continue to maintain close communication with the LegCo Secretariat with a view to providing all possible assistance to facilitate Members' overseas duty visits in future.

Way forward

36. Members appreciated the services rendered by ETOs and BJO and their assistance provided to HKRs and trade, particularly in keeping the local commercial and industrial sectors abreast of the latest information on the political and economic developments in the respective countries/places and updating the overseas business communities on the policy changes in relation to the enhancement of the business environment of Hong Kong, such as the abolition of estate duty and reduction in duty on alcoholic beverages.

37. In this connection, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) assured members that the overseas ETOs and those in the Mainland would from time to time keep the Government, LegCo Members and the local media as well as trade associations abreast of issues of concern. The Administration would continue to strengthen the connection with the local business enterprises on the trade front, say, by issuing notifications on the Mainland's new policy on processing trade via TID's website, maintaining close contacts with local trade associations and LegCo Members representing the relevant trades, as well as conducting briefing sessions for the trade.

38. On behalf of Panel members, the Chairman commended the ETOs and BJO for their efforts and thanked SCED, representatives of the Administration, the ETOs and BJO for attending the meeting.

V. Government Electronic Trading Services

(LC Paper No. CB(1)243/07-08(05) -- Paper provided by the Administration

LC Paper No. CB(1)243/07-08(06) -- Background brief prepared by the Legislative Council Secretariat

LC Paper No. CB(1)303/07-08 -- Administration's paper on
(*tabled at the meeting and subsequently issued via email on 21 November 2007*) Government Electronic Trading Services (power-point presentation materials))

Briefing by the Administration

39. At the invitation of the Chairman, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the proposed arrangements for the provision of Government Electronic Trading Services (GETS) after the expiry of the current service contracts between the Government and the two incumbent service providers in December 2009. In gist, PSCIT said that having regard to the policy objectives of upholding the "Big

Market and Small Government" principle, maintaining a reliable and sustainable service and ensuring fair and effective competition, the Administration considered the current business model which allowed the participation of multiple private service providers should continue for the next contract period. In examining the future development of GETS and before drawing up the improvement measures, the Administration had gauged the views of industry stakeholders in such areas as user experience, the business model of private service providers and the provision of value added services. She indicated that improvement measures, in particular the standardization and harmonization of trade data, would be introduced in the new contracts with a view to minimizing traders' data input efforts. Under this measure, the format of data fields among the most commonly used documents would be standardized by making reference to the Customs Data Model of the World Customs Organization. First priority would be given to enhancing data inheritance between import and export declaration (TDEC) under GETS and road cargo information under the electronic advance cargo information system for customs clearance of road cargoes (ROCARS). As the proposal on standardization of data format might have an impact on the modus operandi of industry stakeholders, the Administration had organized briefing sessions to consult major Chambers of Commerce as well as associations of shippers and logistics service providers. Subject to members' views on the improvement measures outlined in paragraph 10 of the Administration's paper (LC Paper No. CB(1)243/07-08(05)), the Administration would debrief the key stakeholders concerned on the whole package of improvement measures in due course. An open tender would be invited in early 2008, with a view to appointing the service providers in mid 2008. This would allow about 18 months for them to modify existing systems or build new systems in accordance with the technical requirements to be prescribed in the tender document.

40. With the aid of power-point presentation, the Deputy Secretary for Commerce and Economic Development (Commerce and Industry)2 (DSCI2) briefed members on the existing operation of GETS and elaborated on the way forward, including the considerations underlying the improvement measures to be introduced in the future GETS market.

Discussion

Standardization and harmonization of trade data

41. Mr Andrew LEUNG said that the business sector was supportive of the Government's migration to electronic services as the move was conducive to creating a viable business environment. He, however, expressed concern that the existing services and that in the pipeline, namely GETS, the Digital Trade and Transportation Network (DTTN) and ROCARS, were and would be provided on different platforms utilizing different softwares. Despite the Administration's plan to standardize and harmonize data format of TDEC and ROCARS, he urged the Administration to provide a unified e-platform for these services to facilitate users.

42. In reply, PSCIT explained that GETS, ROCARS and DTTN were provided on different platforms to serve different purposes. GETS were the front-end electronic services to facilitate the trading and logistics communities for the submission of six trade-related official documents and to cater for the needs of the small and medium-sized enterprises (SMEs). ROCARS was an electronic advance cargo information system to facilitate the Customs and Excise Department to conduct computer-assisted risk profiling of cross-boundary road cargo so as to enhance seamless clearance at the customs boundary, whereas DTTN aimed to provide a platform for information exchange and integration of business processes for the trade and logistic industries. Nevertheless, the Administration had taken on board members' views expressed at previous Panel meeting on enhancement of data inheritance, and had proposed to standardize the data format among the most commonly used documents by making reference to the Customs Data Model of the World Customs Organization. Since the measure would affect the operation of traders, the Administration would first standardize the data format of TDEC with those of ROCARS. In the long run, the Administration would strive to standardize the data format of all the six GETS documents.

Sustainability of the GETS market

43. Mr Andrew LEUNG noted with concern that while the transaction volume of textile-related GETS documents would be reduced in future, additional improvement measures would be imposed on GETS service providers in its next contract period. In this regard, he cast doubt on the sustainability of the GETS market. He also enquired whether measures, such as mandating the submission of more trade documents under GETS, would be drawn up to help ensure the business viability of GETS service providers. Mrs Sophie LEUNG expressed similar concern and enquired if the Administration had any plan to enhance the business environment of the GETS market, say, by introducing new GETS documents or expanding GETS to cover other services already provided through separate electronic means, etc.

44. PSCIT replied that at present, TDEC had accounted for about 90% of the GETS market in terms of both transaction volume and revenue. Having duly reviewed the current situation, the Administration had concluded that no additional trade documents should be required for submission under GETS. She said that while the Administration would keep an open mind, bids would only be invited to provide GETS for the six trade documents already required for submission under GETS.

45. Mrs Sophie LEUNG then sought information on the market share between the two incumbent GETS service providers. As the GETS market might only have a limited demand due to the shrinking industry, she doubted if the proposed appointment of up to three service providers would be conducive to encouraging the successful bidders to provide quality services. In this connection, she also enquired whether it was possible for a GETS service provider to withdraw from providing GETS during the contract period due to the deteriorating business

environment.

46. PSCIT explained that the market share of the first service provider for the provision of GETS for all six types of trade documents was about 90%, whereas the second service provider, which started to provide GETS for three types of trade documents (namely TDEC, dutiable commodities permit and electronic manifest) and was building up its clientele since 2004, was about 10%. On the number of service providers to be appointed, she recalled that the appointment of up to three service providers was agreed at the Panel meeting held on 12 February 2001 with a view to providing a greater assurance of market competition. Subsequent to the tender exercise conducted in 2002, only one service provider in addition to the then sole service provider was appointed in the GETS market. She pointed out that the number of service providers to be appointed as a result of the upcoming tender exercise would be subject to various factors including the response from the market and the merits of bids, etc. During the contract period, any service providers might withdraw from providing GETS. The Administration would then review the situation to determine whether a new service provider should be appointed through another open tender.

47. While expressing his support for opening up the market for fair competition, Mr SIN Chung-kai shared members' concern about the sustainability of the service providers to be appointed for the provision of GETS from 2010. To promote the GETS market and encourage the wider use of electronic mode of service delivery in the Government, he suggested the Administration to draw up a blueprint setting out specific recommendations on enhancing the development potential of GETS market and actively gauge views from stakeholders on the blueprint before conducting the tender exercise.

48. In response, DSCI2 advised that apart from the six commonly used trade documents which had already been covered by GETS, there were about 90 other trade documents currently in use which were mainly related to the application for licences, such as those for importing or exporting pharmaceutical products and food, etc. While the low transaction volume pertaining to these documents was such that there did not appear to be a business case for including these trade documents for submission under GETS, the Administration had actively explored the feasibility of utilizing electronic mode of service delivery to enhance efficiency and effectiveness. ROCARS was a notable example which would be rolled out in 2009. Any party, including service providers of existing electronic services, could make a bid for the provision of this new system which would help produce a synergy effect. In this connection, PSCIT stressed that the Administration had all along been upholding the vision of developing Hong Kong into a leading digital city by promoting the wider use of electronic means to the public and SMEs. She cited the pilot e-Procurement programme as an example which was a new initiative to be rolled out in 2008-2009 in three departments to encourage e-commerce between the Government and suppliers.

49. Noting that the Government had downsized its shareholdings in Tradelink Electronic Commerce Limited (Tradelink), i.e. one of the GETS service providers, from 42.5% to 12.3%, the Chairman enquired whether the Government had any plan to further downsize its shareholdings in Tradelink so as to foster a level playing field for market players.

50. PSCIT advised that the Government's interests in Tradelink were under the purview of the Financial Services and the Treasury Bureau (FSTB). While she would convey the Chairman's question to FSTB for consideration, PSCIT remarked that as she understood, FSTB would explore suitable options for disposing of or otherwise the shareholdings in Tradelink taking into account the market situation, etc. As regards the policy to ensure fair competition, she pointed out that Government officials from FSTB, the then Commerce, Industry and Technology Bureau, and other concerned Government officials were previously appointed as Board members of Tradelink. Since 2004, i.e. the beginning of the current contracts between the Government and the two GETS service providers, only Government officials from FSTB were represented in Tradelink. The policy in respect of GETS was separately monitored by the Commerce and Economic Development Bureau.

51. Noting that the total transaction volume of GETS documents in 2006 amounted to about 22 million and the estimated revenue of GETS market was about \$300 million among which TDEC had accounted for 90%, the Chairman enquired whether there was room for reducing the government charges of TDEC in future. PSCIT replied that government charges of TDEC were determined by the Financial Secretary (FS) who was now preparing the 2008-2009 Budget. She undertook to convey the Chairman's view to FS for consideration.

Consultation with stakeholders

52. Mr Andrew LEUNG enquired whether the two incumbent GETS service providers had been/would be consulted before and after drawing up the current proposals to enhance GETS. PSCIT advised that the two existing GETS service providers had already been consulted. Subject to members' views on the proposed improvement measures, the key stakeholders concerned would be debriefed on the whole package of improvement measures.

53. Mr SIN Chung-kai commented that during the process of opening up the GETS market, extensive consultation should be conducted to solicit views from GETS service providers, users and other stakeholders on their aspirations of GETS before the tender exercise was conducted. Noting member's view, PSCIT undertook to consult the relevant stakeholders on the future scope of documents that might be covered by service providers to cater for the needs of their clients. Depending on the views received, the Administration would consider the way forward. As was the case in 2001, the Administration intended to allow room for appointing, subject to the response of the market, up to three service providers at the tender exercise to be conducted in 2008. She assured members that the

Administration would exercise due care when scrutinizing the bids so as to uphold the policy intent of striking a proper balance between ensuring fair and effective competition and maintaining a sustainable market.

54. Mr SIN Chung-kai reminded the Administration that in undertaking the consultation, not only the existing service providers, but also potential bidders, should be consulted with a view to including the business opportunities proposed by respondents in the tender documents for a meaningful evaluation of the bids. In this connection, he suggested the Administration to openly invite proposals to enhance the GETS market via the Internet.

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55. While stressing that the Administration had all along conducted thorough consultation covering existing service providers, major Chambers of Commerce and the trading and logistics industries, etc., PSCIT undertook to invite views from IT companies which were potential bidders. Nevertheless, in order not to delay the implementation of the proposed improvement measures in the next contract period, the tender would be issued in early 2008, as scheduled. The Chairman remarked that, in principle, the tender exercise should be conducted as scheduled.

VI. Proposed amendments to the Import and Export (Registration) Regulations (Cap. 60E)

(LC Paper No. CB(1)243/07-08(07) -- Paper provided by the Administration)

56. At the invitation of the Chairman, the Deputy Secretary for Commerce and Economic Development (Commerce and Industry)1 (DSCI1) briefed members on the legislative proposal to clarify an ambiguity concerning exemptions of import/export declaration charges for specified items identified in regulation 8 of the Import and Export (Registration) Regulations (Cap. 60 Sub. Leg. E) ("the Regulations"). In gist, DSCI1 said that under regulations 4 and 5 of the Regulations, a person who imported, exported or re-exported any article other than an exempted article was required to lodge with the Commissioner of Customs and Excise an import/export declaration and to pay a declaration charge relating to such article. The Administration's policy intent under regulations 8(3)(a) and (b) was that no import/export declaration charge of aircraft parts and accessories for the repair or maintenance of aircraft as well as the import declaration charge of the articles for the repair and maintenance of freight containers should be payable by the relevant airlines and transportation companies. She explained that the exemptions were introduced in 1976 primarily to provide parity of treatment to local-based airlines and transportation companies because similar exemptions had been given to foreign-based airlines and transportation companies to fulfill Hong Kong's international obligation. While exemptions provided in regulation 8(3) had generally remained the same since then, regulation 8(1) had been amended several times. Regulation 8(1)(c), to which regulation 8(3) referred, now imposed declaration charges only in respect of export declaration for articles for which the origin country code referred to the Hong Kong Special Administrative Region. It

had come to the Administration's attention that regulations 8(3)(a) and (b), as read in conjunction with regulation 8(1)(c), was ambiguous as to their scope of exemption. To better reflect the policy intent, the Administration proposed to amend regulation 8(3) to exempt the declaration charges payable in respect of the import and export of aircraft parts or accessories described in the existing regulation 8(3)(a) no matter whether they were of Hong Kong origin; and the declaration charges in respect of the import of the articles described in the existing regulation 8(3)(b).

57. Mr CHAN Kam-lam expressed his support, in principle, for the Administration's legislative proposal.

58. Noting the ambiguities of the relevant provisions, the Chairman enquired whether any parties had been affected and if so, the amount of declaration charges collected from them. DSCI1 replied that there was a lack of full record to help trace the affected parties partly because some records had already been discarded over the years and partly because it was not possible to verify whether articles were eligible for exemption when only simple descriptions were given in the import or export declaration. Nevertheless, according to the available information, it was estimated that a few airlines and helicopter service providers might have been affected. The declaration charges collected from them ranged from a few hundred to a few thousand dollars per year.

59. Summing up, the Chairman said that the Panel was, in principle, supportive of the legislative amendment which was technical in nature. Nevertheless, he reminded the Administration to guard against the recurrence of similar ambiguity in future. The Administration took note of the Chairman's comment.

VII. Any other business

60. There being no other business, the meeting ended at 4:50 pm.