

立法會
Legislative Council

LC Paper No. CB(1)2519/09-10
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 18 May 2010, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon Vincent FANG Kang, SBS, JP (Chairman)
Dr Hon LAM Tai-fai, BBS, JP (Deputy Chairman)
Hon Fred LI Wah-ming, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
- Member attending** : Hon Miriam LAU Kin-ye, GBS, JP
- Members absent** : Hon Timothy FOK Tsun-ting, GBS, JP
Hon CHIM Pui-chung
Hon Starry LEE Wai-king
- Public officers attending** : Agenda items IV and V
Miss Yvonne CHOI, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Ms Linda SO, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry) (3)

Mr Howard CHAN, JP
Deputy Secretary for Constitutional and Mainland
Affairs (2)

Mr Nicholas CHAN
Assistant Commissioner for Innovation and Technology
(Policy and Development)

Ms Joyce MOK
Chief Systems Manager (Digital Economy Facilitation)
Office of the Government Chief Information Officer

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1681/09-10 -- Minutes of meeting held on
16 March 2010)

The minutes of the meeting held on 16 March 2010 were confirmed.

II. Information papers issued since last meeting

(LC Paper Nos. -- Administration's papers on
CB(1)1791/09-10(01), (02) and (03) United Nations Sanctions (Côte
d'Ivoire) Regulation 2010, United
Nations Sanctions (Democratic
Republic of the Congo)
Regulation 2010, United Nations
Sanctions (Liberia) Regulation
2010 and United Nations
Sanctions (Liberia) Regulation
2009 (Repeal) Regulation

LC Paper No. CB(1)1877/09-10(01) -- Information paper on launching of the electronic Road Cargo System)

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

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1875/09-10(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1875/09-10(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 15 June 2010 at 2:30 pm to discuss the following item:

(a) Reports on the work of the Hong Kong Economic and Trade Offices and Beijing Office; and

(b) Annual progress report of the Research and Development Centres.

IV. Framework Agreement on Hong Kong/Guangdong Co-operation in relation to trade and industry between the two places and Hong Kong/Shenzhen Co-operation Meeting in relation to trade and industry between the two places

(LC Paper No. CB(1)1875/09-10(03) -- Administration's paper on relations between the Mainland and Hong Kong on industry and trade fronts

LC Paper No. CB(1)1559/09-10(01) -- Information paper on Framework Agreement on Hong Kong/Guangdong Co-operation

LC Paper No. CB(1)1875/09-10(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)1233/09-10(01) -- Submission on the effect of the new Postal Law of the Mainland on Hong Kong small and medium enterprises in the courier service industry operating on the Mainland from Hong Kong (Chinese version only)

Courier Association

- LC Paper No. CB(1)1341/09-10(01) -- Letter from Dr Hon LAM Tai-fai concerning difficulties (Chinese version only) encountered by Hong Kong processing trade operating on the Mainland
- LC Paper No. CB(1)1373/09-10(01) -- Submission from Mr Martin OEI concerning the effect of the new Postal Law of the Mainland on Hong Kong courier enterprises operating on the Mainland (Chinese version only)
- (LC Paper No. CB(1)1875/09-10(03) -- Administration's paper on relations between the Mainland and Hong Kong on industry and trade fronts
- LC Paper No. CB(1)633/09-10(01) -- Information paper on the 2009 Hong Kong/Shenzhen Co-operation Meeting
- LC Paper No. CB(1)1875/09-10(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

4. At the Chairman's invitation, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the developments relating to industries, trade and technological co-operation between the Mainland and Hong Kong, so as to facilitate discussion on "Framework Agreement on Hong Kong/Guangdong Co-operation in relation to trade and industry between the two places" (Framework Agreement) and "Hong Kong/Shenzhen Co-operation Meeting in relation to trade and industry between the two places", as set out in the Administration's paper (LC Paper No. CB(1)633/09-10(01), CB(1)1559/09-10(01) and CB(1)1875/09-10(03)).

Discussion

Consultation on the Framework Agreement

5. In response to Ms Emily LAU's remark that there was little consultation during the formulation of the Framework Agreement, PSCIT advised that the

National Development and Reform Commission (NDRC) promulgated in early 2009 the "Outline of the Plan for the Reform and Development of the Pearl River Delta (PRD)" (the Outline) provided the basis for the development of the Framework Agreement. In the past year, Hong Kong and Guangdong had been actively formulating the Framework Agreement. Bureaux and departments of the HKSAR Government and the Guangdong Provincial Government had held several rounds of discussions on the draft document, taking into account suggestions from various sectors on the deepening of Hong Kong/Guangdong co-operation and the implementation of the Outline. Views had also been sought from the concerned Mainland ministries. PSCIT added that the Administration reported to the Panel regularly on the work of Hong Kong/Guangdong co-operation.

6. Deputy Secretary for Constitutional and Mainland Affairs (2) (DSCMA) supplemented that a motion on "Actively implementing complementary policies for the Outline of the Plan for the Reform and Development of the Pearl River Delta" was carried at the Council meeting on 4 March 2009. A motion debate on "Promoting cooperation between Hong Kong and Shenzhen" was also carried at the Council meeting on 17 June 2009. The House Committee also discussed the subject of "Economic co-operation with Guangdong" at its special meeting on 7 January 2010. Views expressed by Members at these meetings had been taken into account in the development of the Framework Agreement. The Administration had also organized trade delegations to visit the nine PRD cities and conducted a forum in mid-2009 to gather the views of the business and professional sectors on how best to implement the Outline. Meanwhile, the Greater Pearl River Delta Business Council published in September 2009 a study report on the implementation of the Outline after consultation with the various stakeholders and the Administration had taken into account the recommendations of the report when developing the Framework Agreement. The Administration welcomed members to continue providing their views on the implementation of the Framework Agreement.

7. In response to Ms Emily LAU's enquiry about the Chief Secretary for Administration's remarks made at the House Committee meeting on 14 May 2010, DSCMA advised that the Framework Agreement set out policies at a macro level, and an annual detailed work plan was worked out on the basis of the Framework Agreement. Such work plan translated the Framework Agreement into concrete and mature policies which were designated as priority issues ready to be pursued in the coming year or so.

Assisting small and medium enterprises

8. In response to Mr Andrew LEUNG's enquiry about the difficulties envisaged by the Administration to be encountered in the implementation of the Framework Agreement and the assistance to be provided to small and medium enterprises (SMEs), PSCIT advised that the Administration would continue its communication with the industry to implement the various measures under the Framework Agreement. On assistance to SMEs, the SME Development Fund

(SDF) aimed at providing financial support to projects that could enhance the competitiveness of SMEs, including projects that assisted SMEs in developing their own brands for entry into the Mainland market. In 2008-2009, the SDF allocated over \$3.4 million for branding related projects. Meanwhile, the Administration was also exploring with the Mainland authorities ways to facilitate Hong Kong enterprises' participation in the China Import and Export Fair (Canton Fair).

9. On assisting the courier industry under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), PSCIT advised that the Administration had actively relayed to the Mainland authorities the concerns of the courier industry over the effect of the new Postal Law on their operation in the Mainland, and had explored with the Mainland authorities various options for liberalization under CEPA. PSCIT clarified that under the new Postal Law, foreign companies (including Hong Kong enterprises) were prohibited from investing in and operating express delivery service for letters only within the Mainland. Apart from that restriction, Hong Kong enterprises were allowed to operate express delivery service for letters between the Mainland and any places outside the Mainland (including Hong Kong), express delivery service for parcels within the Mainland and cross-border express delivery service for parcels. In response to Ms Emily LAU's enquiry on whether Hong Kong companies, as distinguished from foreign companies registered in Hong Kong, should be allowed to tap the Mainland domestic market through CEPA, PSCIT advised that it would run against the established policy if the Administration were to draw a distinction between different enterprises established in Hong Kong.

10. In response to Mr WONG Ting-kwong's enquiry, PSCIT advised that the reorganization of expert groups or the formation of new expert groups in individual areas would depend on whether there was a need for such in the specific areas concerned. To illustrate, in 2007, the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade had been set up under the Hong Kong/Guangdong Co-operation Joint Conference to assist Hong Kong-owned processing enterprises in upgrading and restructuring in face of the challenges brought about by adjustments of Mainland policies on processing trade. DSCMA supplemented that there would be a comprehensive review of the implementation of the Framework Agreement at the annual Plenary Session of the Hong Kong/Guangdong Co-operation Joint Conference. Meanwhile, regular high-level meetings would be held outside the Joint Conference as necessary. The Administration would update the Panel regularly on the implementation of the Framework Agreement.

Depreciation allowances in the Inland Revenue Ordinance

11. Dr LAM Tai-fai pointed out that enterprises were deterred from upgrading and restructuring due to the broad-brush policy adopted by the Administration in the Inland Revenue Ordinance (IRO) for granting depreciation allowances to Hong Kong enterprises in respect of their machinery or plants used in import processing operations in the Mainland, as such a policy had rendered some local enterprises

unable to claim such allowances, and hence paying more taxes. In this connection, he enquired about the concrete policies to be implemented under the Framework Agreement to assist the enterprises to upgrade and restructure.

12. Sharing a similar view, the Chairman noted that many enterprises which had restructured into import processing operations was plagued by the taxation problem when they were struggling to establish their brands in the Mainland domestic market. Some of them had even indicated the intention to switch back due to the inhospitable policy adopted by the Administration. He strongly urged the Administration to discuss with the industry and implement its policies with flexibility to address the long-standing issue as a matter of urgency, so that Hong Kong enterprises would be willing to upgrade and restructure in line with the national policy.

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13. PSCIT responded that the Administration was aware of the problems faced by enterprises through close dialogue with the trade through various channels, including the Task Force to Support the Processing Trade, this Panel, LegCo Members and business associations. The Administration had endeavoured to work with the Mainland authorities to put in place measures to encourage and facilitate the trade to upgrade and restructure. Indeed, many supportive measures had been rolled out which were welcomed by the trade. She noted that the issue on depreciation allowances remained unsolved, the Commerce and Economic Development Bureau would pursue it with the Financial Services and Treasury Bureau and report back to the Panel.

14. In response to Mr Jeffrey LAM's enquiry about the interim measures taken to assist processing trade enterprises in the process of restructuring to enable them to tap the Mainland domestic market during the transitional period, PSCIT advised that various kinds of support were provided to Hong Kong enterprises to facilitate their restructuring, including "restructuring without stopping production" and "carrying forward without appraising the value". Information on the Mainland domestic market was also provided to SMEs by the Hong Kong Trade Development Council (TDC), the Trade and Industry Department (TID) and the Economic and Trade Offices (ETOs) in the Mainland. Mr Jeffrey LAM urged the Administration to pursue the matter on mutual recognition of testing and certification results by Hong Kong and the Mainland so as to lower the costs of local enterprises operating in the Mainland.

New standard for product coatings

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15. Noting the mandatory standard GB 24613-2009 on harmful substances in product coatings implemented by the China National Paints and Pigments Standardization Technical Committee which would be effective from 1 October 2010, Mr Jeffrey LAM relayed the industry's request for deferring the effective date for one year of the new standard to allow more time for the industry to make the transitional arrangements. PSCIT agreed to follow up the matter with the relevant authorities.

Mutual recognition of electronic signature certificates

16. Mrs Regina IP urged the Administration to enhance coordination amongst the various bureaux and department in taking forward the pilot run of applications of mutual recognition of electronic signature certificates issued by Guangdong and Hong Kong authorities. In response, Chief Systems Manager (Digital Economy Facilitation) Office of the Government Chief Information Officer advised that the above trade and investment facilitation measure had been included in Supplement V to CEPA signed in 2008. This was one of the liberalization measures proposed under the supplement and for early and pilot implementation in Guangdong as well. To facilitate the pilot run of applications for mutual recognition of electronic signature certificates, OGCIO, the Department of Information Security Co-ordination of the Ministry of Industry and Information Technology (MIIT), and the Department of Information Industry of Guangdong Province (GDIID) established the "Guangdong-Hong Kong Working Group on Pilot Applications of Mutual Recognition of Electronic Signature Certificates" (Working Group) in October 2008. In June 2009, the three parties, in consultation with the Recognized Certification Authorities, signed the "Suggestions on the Framework for the Mutual Recognition of Electronic Signature Certificates". In April 2010, the Working Group announced the "Application Procedure for Pilot Project on Mutual Recognition of Electronic Signature Certificates Issued by Hong Kong and Guangdong", launched a dedicated website (www.gdhkxr.gd.gov.cn) and commenced accepting applications. .

Development of Qianhai

17. In response to Ms Emily LAU's enquiry on the development of Qianhai, PSCIT advised that the focus of development in Qianhai would be the development of modern service industries, based on the principle of promoting the mutual benefits of Hong Kong and Shenzhen. DSCMA supplemented that the "Outline of the Plan for the Reform and Development of the Pearl River Delta" had laid down the foundation for the development of Qianhai as a centre of modern service industries. The Hong Kong and Shenzhen authorities would cooperate in the development of Qianhai for mutual benefit. Hong Kong and Shenzhen had signed a Letter of Intent in August 2009, aiming to reflect the overall intention of both sides in promoting development of modern service industries in Qianhai, as well as the mutual wish of jointly exploring opportunities for co-operation. This would be done under the framework of the Outline, "One Country, Two Systems" and Hong Kong/Guangdong co-operation. According to the Letter of Intent, Hong Kong and Shenzhen had set up an expert group under the frameworks of Hong Kong/Guangdong co-operation and Hong Kong/Shenzhen co-operation to discuss the overall direction and details of co-operation. The objectives included leveraging on Hong Kong's advantages as an international financial, trading and shipping centre to develop the Mainland market for Hong Kong's service industries with a view to gaining greater access to the Greater PRD market and supporting the development of Hong Kong's service industries in the region; and jointly explore

markets for modern service industries under the principle of enhancing complementarities and mutual benefits, and on the existing basis of CEPA. PSCIT assured members that the Panel would be updated on the matter when there were new developments.

Summing up

18. The Chairman concluded that the Panel fully supported the implementation of the Framework Agreement and CEPA, and urged the Administration to take forward the various issues raised by members as soon as possible.

V. Any other business

19. There being no other business, the meeting ended at 4:10 pm.

Council Business Division 1
Legislative Council Secretariat
12 July 2010