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**Panel on Commerce and Industry**

**Meeting on 21 December 2010**

**Background brief on adjustments to the  
Hong Kong textiles control arrangements**

**Purpose**

This paper gives an account of the adjustments to the Hong Kong textiles control arrangements since 2004 and provides previous views expressed by the Panel on Commerce and Industry (the Panel) in 2004.

**Background**

2. Before 1 January 2005, Hong Kong's textiles and clothing (T&C) exports to Canada, the European Union (EU) and the United States (US) were subject to certain quantitative restrictions. To ensure that Hong Kong fully discharged its obligations under the bilateral textiles agreements, the Trade and Industry Department had been operating a textiles export control system comprising quota administration and a licensing system.

3. The Administration informed the Panel on 12 July 2004 that upon elimination of quota restrictions on textiles and clothing products on 1 January 2005 under the World Trade Organization Agreement on Textiles and Clothing, exports of Hong Kong T&C products would enjoy quota-free access to all markets thereafter. The Administration was required to modify the existing textiles control system and to introduce certain consequential amendments to the relevant existing legislation.

4. Under the post-2004 system, all quota related operations would cease and all Restrained Textiles Export Licences to the US, the EU and Canada

would be dispensed with. Nevertheless, cut-and-sewn garments destined for the US that had applied safeguard actions on T&C products of the Mainland would be subject to the Production Notification requirement<sup>1</sup>. Licences for non-commercial shipments would no longer be required, whereas licensing requirements for commercial shipments of textiles import and export would be maintained to ensure that Hong Kong products would not be adversely affected by the application of Mainland-specific safeguard measures. Different licensing requirements would apply to "sensitive" and "non-sensitive" markets<sup>2</sup>. In particular, tighter licensing requirements would apply to commercial shipments of textiles imports from and/or exports to "sensitive" markets to guard against possible illegal transshipment activities and to preserve Hong Kong's legitimate trade interests.

### **Discussion at the Panel on Commerce and Industry**

5. When briefed on the post-2004 system on 12 July 2004, Panel members noted that would be more business friendly and trade facilitating, and its purpose was to ensure origin compliance of T&C products claiming Hong Kong origin and to protect the legitimate trade interest of Hong Kong. Panel members urged the Administration to keep track of the development in this regard. Some members also requested the Administration to take appropriate measures to sustain the growth of Hong Kong T&C exports and to enhance Hong Kong's production standard.

6. The Administration assured the Panel that it would closely monitor developments in the importing economies, and would inform members should there be further necessary changes to the textiles control system in the light of new developments in the importing economies.

### **Legislation introduced to give effect to adjustments to the textiles control system since 2004**

7. In October 2004, the Administration submitted the Import and Export (General) (Amendment) Regulation 2004 and the Import and Export (Fees)

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<sup>1</sup> Manufacturers would be required to lodge the Production Notification on the day of or within 3 working days prior to the commencement of the major assembly work in Hong Kong so as to ensure that the principal manufacturing process of the garments was carried out in Hong Kong.

<sup>2</sup> Textiles exports to the US and textiles imports from and exports to the Mainland (i.e. "sensitive markets") would be covered by either consignment-specific import/export licences issued by the Director-General of Trade and Industry (DGTI), or notifications lodged by registered traders under the Textiles Trader Registration Scheme (TTRS). Textiles imports and exports for "non-sensitive" markets would be covered by either consignment-specific import/export licences, or comprehensive import or export licences granted to traders to cover multiple shipments for a period of 12 months.

(Amendment) Regulation 2004 to the Legislative Council for the implementation of the post-2004 textiles control system. The Regulations came into effect on 1 January 2005.

8. Quantitative restrictions were imposed on ten categories of the Mainland's textiles exports to the EU as a result of the Memorandum of Understanding between the EU and the Mainland signed on 11 June 2005. To implement the modified control arrangements for Hong Kong's textiles exports to the EU, the Import and Export (General) Regulations (Amendment of Fourth and Fifth Schedules) Order 2006 was tabled at the Legislative Council in January 2006. According to the Administration, the arrangements were similar to those for textiles exports to the "sensitive" markets and essential for maintaining the effectiveness and credibility of Hong Kong's textiles control system against possible illegal transshipment activities. The 2006 Order came into effect on 15 March 2006.

9. Following the expiry of the EU's quantitative restrictions on ten categories of the Mainland textiles exports on 31 December 2007 and the cessation of the EU/Mainland joint surveillance system for monitoring eight categories of Mainland textiles exports to the EU on 31 December 2008, the EU had not put in place any other restrictive measures against a broad range of Mainland textiles exports. To facilitate Hong Kong textiles traders in conducting businesses and to simplify the control arrangements for Hong Kong's textile exports to the EU, the Administration tabled the Import and Export (General) Regulations (Amendment of Fourth and Fifth Schedules) Order 2009 in the Legislative Council in April 2009. According to the Administration, the licensing requirements for Hong Kong's textiles exports to the EU would be relaxed by reclassifying the EU as a "non-sensitive" market. This would also relieve the administrative and cost burdens of Hong Kong textile traders and enable them to realize the benefits derived from the liberalized trading environment of the EU market. The 2009 Order came into effect on 29 June 2009.

### **Latest position**

10. The Administration will update the Panel on 21 December 2010 on its plan to introduce further adjustments to the Hong Kong textiles control arrangements. These include the removal of the licensing requirement for textiles import from or export to "non-sensitive" markets, the licensing requirement for all textiles transshipment, and the consequential amendments to the relevant existing legislation.

**Relevant papers**

Information paper provided by the Administration for the Commerce and Industry Panel meeting on 12 July 2004

<http://www.legco.gov.hk/yr03-04/english/panels/ci/papers/ci0712cb1-2327-1e.pdf>

Minutes of the Commerce and Industry Panel meeting on 12 July 2004

<http://www.legco.gov.hk/yr03-04/english/panels/ci/minutes/ci040712.pdf>

Legislative Council Brief on Import and Export (General) (Amendment) Regulation 2004 and Import and Export (Fees) (Amendment) Regulation 2004

[http://www.legco.gov.hk/yr04-05/english/subleg/brief/155\\_156\\_brf.pdf](http://www.legco.gov.hk/yr04-05/english/subleg/brief/155_156_brf.pdf)

Legislative Council Brief on Import and Export (General) Regulations (Amendment of Fourth and Fifth Schedules) Order 2006

[http://www.legco.gov.hk/yr05-06/english/subleg/brief/4\\_brf.pdf](http://www.legco.gov.hk/yr05-06/english/subleg/brief/4_brf.pdf)

Legislative Council Brief on Import and Export (General) Regulations (Amendment of Fourth and Fifth Schedules) Order 2009

[http://www.legco.gov.hk/yr08-09/english/subleg/brief/68\\_brf.pdf](http://www.legco.gov.hk/yr08-09/english/subleg/brief/68_brf.pdf)

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