

立法會 *Legislative Council*

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Subcommittee on Import and Export (General) (Amendment) Regulation 2013

Background brief prepared by the Legislative Council Secretariat

Purpose

This paper provides background information relating to the making of the Import and Export (General) (Amendment) Regulation 2013 ("the Amendment Regulation") and gives a brief account of the discussions by the Panel on Food Safety and Environmental Hygiene ("the Panel") on the Amendment Regulation which seeks to amend the Import and Export (General) Regulations (Cap. 60, subsidiary legislation A) ("the Regulations") to prohibit the export of powdered formula from Hong Kong.

Background

2. There was a run on certain brands of powdered formula in Hong Kong earlier this year, rendering them out of stock at the retail level. Despite repeated assurance from the suppliers of formula products that they had adequate supply of powdered formula in Hong Kong, many local parents still complained that they were unable to buy powdered formula for their babies and young children. According to the Administration, it has been closely monitoring the supply of powdered formula in the local market. The recent supply chain failure in relation to powdered formula is closely related to parallel trading activities, and the serious shortage of certain brands of powdered formula at the retail level is due to the huge demand of parallel traders.

3. To combat parallel trading activities, the Administration announced on 1 February 2013 a series of measures to stabilize supply of powdered formula in Hong Kong. These measures include setting up a 24-hour special hotline to provide assistance to local parents who are unable to purchase powdered formula in the market; strengthening enforcement efforts against parallel trading of daily commodities through joint operation by the Hong Kong Customs and Excise Department ("C&ED") and Shenzhen Customs; imposing more weight limit restrictions on passenger luggage along the East Rail Line by the Mass Transit Railway Corporation Limited; and introducing a legislative proposal to prohibit the export of powdered formula from Hong Kong except with a licence issued by the relevant authority.

The Amendment Regulation

4. The Amendment Regulation seeks to amend the Regulations to prohibit the export of powdered formula to all places outside Hong Kong, except under an export licence or an exemption. According to the Administration, the problem of parallel traders diverting large quantities of powdered formula away from the supply chain in Hong Kong is likely to re-emerge at least in the short to medium term. It is therefore necessary to regulate the export of powdered formula from Hong Kong. The Amendment Regulation will come into operation on 1 March 2013.

Discussion by the Panel

5. The Panel discussed at its meeting on 4 February 2013 a series of measures including the legislative proposal to amend the Regulations to stabilize supply of powdered formula in Hong Kong and received views of deputations at the meeting. The deliberations and concerns of members on the legislative proposal are summarized below.

Legislative proposal to combat parallel trading activities

6. Some members agreed that there was a need to step up enforcement efforts against parallel trading activities in order to ensure adequate supply of powdered formula for local parents and babies. Some other members, however, questioned the need to combat parallel trading activities as parallel trading

activities per se was not an offence. Holding the view that Hong Kong was a free market economy, they expressed objection to the Administration's proposal to impose export restrictions on powdered formula.

7. Members also noted that some deputations had strong reservations on the legislative proposal. The deputations were of the view that the proposed restriction on the export of powdered formula was not consistent with the free trade policy.

8. In the Administration's view, the recent supply chain failure in relation to powdered formula was closely related to parallel trading activities. In this connection, the legislative proposal was introduced with a view to combating the problem of parallel traders diverting large quantities of powdered formula away from the supply chain in Hong Kong. Having regard to the need of those leaving Hong Kong for powdered formula for personal use, the Administration had proposed that not more than a total net weight of 1.8 kilograms of powdered formula (equivalent to two cans of powdered formula) might be carried by each person.

9. Some members were concerned about the effectiveness of the legislative proposal to control the export of powdered formula as parallel traders might circumvent the control measure by hiring more people to carry small quantities of goods out of Hong Kong. They also expressed concern about the enforcement efforts to be taken by C&ED in examining passengers and goods at the boundary control points. To combat parallel trading activities, members considered that the Administration should enlist the support of the relevant Mainland authorities. They called on the Administration to enhance cooperation and enforcement operations with Shenzhen Customs.

10. According to the Administration, C&ED and Shenzhen Customs had further strengthened enforcement efforts against parallel traders. They had launched a joint anti-smuggling operation against daily commodities, targetting parallel trading of powdered formula.

11. Given that parallel trading activities had become increasingly frequent in recent years, some members pointed to the need to review the "multiple entry permits" arrangement.

Supply of powdered formula

12. While noting that the legislative proposal was introduced with a view to ensuring a safe and stable supply of powdered formula in Hong Kong, some members took the view that it should be the suppliers' responsibility to ensure sufficient and stable supply to meet both the local needs and the demand from the Mainland. They called on the Administration to maintain close liaison with the suppliers of powdered formula and urge them to improve their mode of supply and retail network.

Relevant papers

13. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
7 March 2013

**Relevant papers on proposed amendments to the
Import and Export (General) Regulation 2013**

Committee	Date of meeting	Paper
Panel on Food Safety and Environmental Hygiene	4.2.2013 (Item I)	<u>Agenda</u>

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