

E X T R A C T

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*Legislative Council*

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**Panel on Commerce and Industry**

**Minutes of meeting**

**held on Tuesday, 18 June 2013, at 2:30 pm**

**in Conference Room 3 of the Legislative Council Complex**

- Members present** : Dr Hon CHIANG Lai-wan, JP (Deputy Chairman)  
Hon Emily LAU Wai-hing, JP  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Hon WONG Ting-kwong, SBS, JP  
Dr Hon LAM Tai-fai, SBS, JP  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK  
Hon Dennis KWOK  
Hon Christopher CHEUNG Wah-fung, JP  
Hon SIN Chung-kai, SBS, JP  
Hon Martin LIAO Cheung-kong, JP  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP  
Hon CHUNG Kwok-pan
- Members absent** : Hon Vincent FANG Kang, SBS, JP (Chairman)  
Hon Steven HO Chun-yin

**Public officers  
attending**

: Agenda item IV

Commerce and Economic Development Bureau

Mr Andrew H Y WONG, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Mrs Alice CHEUNG, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry) 3

Mr Johann WONG  
Deputy Commissioner for Innovation and  
Technology

Constitutional and Mainland Affairs Bureau

Ms CHANG King-yiu, JP  
Permanent Secretary for Constitutional and  
Mainland Affairs

Mr Daniel CHENG Chung-wai, JP  
Deputy Secretary for Constitutional and Mainland  
Affairs (3)

Agenda item V

Miss Janet WONG, JP  
Commissioner for Innovation and Technology

Mr Johann WONG  
Deputy Commissioner for Innovation and  
Technology

Mr Frank TSANG  
Assistant Commissioner for Innovation and  
Technology (Funding Schemes)

**Attendance by invitation**

: Agenda Item V

Hong Kong Applied Science and Technology Research Institute

Dr CHEUNG Nim-kwan  
Chief Executive Officer

Hong Kong Research Institute of Textiles and Apparel

Mr Edwin KEH  
Chief Executive Officer

Nano and Advanced Materials Institute

Professor NG Ka-ming  
Chief Executive Officer

Automotive Parts and Accessory Systems R&D Centre

Mr Joseph POON Wing-sang  
Acting General Manager

Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies

Mr Simon WONG Kwong-yeung  
Chief Executive Officer

**Clerk in attendance** : Ms Annette LAM  
Chief Council Secretary (1)3

**Staff in attendance** : Miss Rita YUNG  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

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**IV. Trade relations between the Mainland and Hong Kong**

(LC Paper No. CB(1)1282/12-13(03) -- Administration's paper on economic and trade relations between the Mainland and Hong Kong

LC Paper No. CB(1)1282/12-13(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

At the invitation of the Deputy Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) and Permanent Secretary for Constitutional and Mainland Affairs (PSCMA) briefed members on the latest developments in economic and trade relations between the Mainland and Hong Kong, covering a wide range of areas including the Mainland and Hong Kong Closer Economic Partnership Arrangement; the restructuring and upgrading and the development of domestic sales of Hong Kong enterprises in the Mainland; promotion of investment; customs clearance of goods; innovation and technology and e-business; intellectual property rights; creative industries; and tourism, etc. PSCMA highlighted that the key areas of work for the Constitutional and Mainland Affairs Bureau in the coming year were to implement a series of new initiatives in the 2013 Policy Address including enhancing the functions of the offices of the Government of the Hong Kong Special Administrative Region in the Mainland (the Mainland Offices) and setting up a new Economic and Trade Office in Wuhan. Details of the latest developments were set out in the Administration's paper (LC Paper No. CB(1)1282/12-13(03)).

Discussion

*Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)*

2. Noting that the Mainland and Taiwan had signed the Cross-Straits Economic Co-operation Framework Agreement (ECFA), Mr SIN Chung-kai asked how the liberalization measures for Taiwan under ECFA compared with those for Hong Kong under CEPA.

3. PSCIT responded that the ECFA signed in June 2010 provided for tariff concession for trade in goods as well as services liberalization for trade in services. The Mainland and Taiwan were in the process of concluding a new services agreement under ECFA. The Government of the Hong Kong Special Administrative Region (HKSARG) would keep in view the latest development of ECFA. PSCIT added that the Mainland authorities had reassured that CEPA would remain the most preferential free trade agreement signed by the Mainland. Taking into account the needs of the Hong Kong's business sectors, the HKSARG would strive to incorporate any CEPA-plus measures in ECFA as well as further liberalization of trade in services in CEPA. The Administration would update members on CEPA-plus measures in ECFA and any significant developments in CEPA in due course.

4. Dr LAM Tai-fai enquired about the progress of work of the Joint Working Group established to enhance the existing mechanism for implementation of CEPA as announced in the 2013 Policy Address. He also enquired about the division of work between the Joint Working Group and the Steering Committee on Co-operation with the Mainland chaired by the Chief Secretary for Administration (CS).

5. In response, PSCIT advised that the Joint Working Group was led, on the Mainland side, by the Department of Taiwan, Hong Kong and Macao Affairs of the Ministry of Commerce, which would invite relevant central ministries and municipal governments to take part in meetings. The Trade and Industry Department was the co-ordinating department on the Hong Kong side and relevant HKSARG departments were invited to join meetings as necessary. The Joint Working Group was targeted at sectors that had encountered relatively more implementation problems in individual provinces and municipalities. PSCIT further advised that the Joint Working Group held its first meeting on 18 June 2013, focusing on CEPA implementation issues in Guangdong. As relatively more CEPA's early and pilot liberalization measures had been launched in Guangdong than in any other provinces, the effective implementation of CEPA in Guangdong would set a good example for other parts of the Mainland. Relevant HKSARG bureaux and departments would maintain close liaison and follow up with their Mainland counterparts after the meeting, as well as liaise closely with the trade in Hong Kong, explaining to them the follow-up actions and outcomes.

6. PSCMA advised that the Steering Committee on Co-operation with the Mainland chaired by CS was responsible for providing steer on matters relating to co-operation with the Mainland, including implementation of the Mainland-related initiatives under the 2013 Policy Address, regional co-operation with relevant provinces/municipalities, implementation of the relevant supporting measures under the National 12th Five-Year Plan and

work to complement the preparation of the National 13th Five-Year Plan under the "One Country, Two Systems" principle.

*Assisting Hong Kong enterprises in restructuring and upgrading their business and exploring domestic sales in the Mainland*

7. Mr WONG Ting-kwong urged the Administration to set up show-and-sales centres in major Mainland provinces/cities through quasi-government organizations (e.g. the Hong Kong Trade Development Council (HKTDC)) to provide promotion and sales outlets for Hong Kong products on a long-term basis. He considered that these centres could facilitate small and medium enterprises (SMEs) in Hong Kong to explore the domestic market as one-stop-services would be provided to help SMEs liaise with the Mainland authorities to resolve their problem regarding taxation and meeting commerce-related procedures. Echoing Mr WONG Ting-kwong's views, Mr CHUNG Kwok-pan remarked that the Chief Executive had pledged in his Election Manifesto to set up permanent exhibition venues in major Mainland cities for Hong Kong product display. Mr Jeffrey LAM pointed out that accurate market information was a critical success factor for SMEs to explore and develop the Mainland market. He called on the Administration to step up the provision of market information to Hong Kong enterprises, particularly information on second-tier and third-tier cities in the Mainland.

8. PSCIT responded that while the Administration supported Hong Kong trade associations in establishing sales and promotion venues in the Mainland for building the Hong Kong brand, the Administration had reservations about setting up show-and-sales centres by HKSARG in the Mainland. The Mainland Offices had collaborated with trade associations and other organizations to organize "Hong Kong Week" in the Mainland to promote Hong Kong products and services. To offer additional platforms for Hong Kong enterprises, especially SMEs, to showcase their products and to enhance awareness of Hong Kong brands in the Mainland, the HKTDC would set up more Design Gallery shops and "shops-in-shop" located in department stores in Mainland cities. Upon members' request, PSCIT undertook to provide information on the locations of the Design Gallery shops and "shops-in-shop" already in operation and those being set up, and also information on the participating Hong Kong enterprises, as well as how Hong Kong enterprises could obtain information on and join in the Design Gallery shops and "shop-in-shop".

*Promotion of investment*

9. Mr Jeffrey LAM said that he had met up with many United States (US) businessmen at an HKTDC trade promotion event held in the US the week before, and was pleased to note the immense interest of US enterprises in exploring the business opportunities in the Mainland and Asia markets. Mr LAM called on the Administration to step up the efforts in promoting Hong Kong's position as the gateway to Asia, particularly to the Mainland.

10. In response, PSCIT advised that the HKTDC trade promotion event "Think Asia, Think Hong Kong" held recently in the US comprised a trade symposium and a series of business seminars and business-matching meetings that highlighted Hong Kong advantage for US companies seeking business opportunities in Asia, particularly the Mainland. PSCIT further advised that Invest Hong Kong (InvestHK) also strived to promote Hong Kong's unique position as a springboard to the Mainland market. Another focus of InvestHK was to assist overseas companies to tap the opportunities in the Mainland and across Asia by setting up offices or expanding their business operations in Hong Kong.

*Cultural and creative industries*

11. Mr MA Fung-kwok called on the Administration to strive for further liberalization under CEPA to improve the access of Hong Kong's cultural and creative industries, such as the movie industry, publishing, and performing arts groups, to the Mainland market. Mr MA called on the Mainland Offices to step up their efforts in promoting Hong Kong's cultural achievements with a view to strengthening co-operation of the cultural and creative industries between the Mainland and Hong Kong, promoting exchanges, and creating more business opportunities.

12. PSCIT responded that the Administration had taken note of the industry's call for further liberalization measures under CEPA. HKSARG would continue to communicate with the Mainland authorities to further the liberalization in various service sectors under CEPA. The Commerce and Economic Development Bureau was responsible for overseeing the efforts in furthering market liberalization under CEPA and would consult the Home Affairs Bureau on liberalization measures in arts and cultural sectors. PSCMA said that the Mainland Offices had been actively promoting Hong Kong's arts and culture in the Mainland through organizing or sponsoring a range of cultural activities, such as film festivals, concerts, performances, exhibitions, etc. The Mainland Offices would continue to step up efforts in this respect.

*Tourism*

13. Mr WONG Ting-kwong pointed out that the tourism boom, in particular the surge in the number of Mainland visitors to Hong Kong, had put pressure on Hong Kong in various aspects. Mr WONG enquired about the progress and result of the Administration's assessment on Hong Kong's overall capacity to receive tourists. PSCIT responded that the Administration's internal assessment on Hong Kong's overall capacity to receive tourists was still in the progress. The Administration would continue to monitor the number of tourist arrivals in Hong Kong and report the findings of the assessment to the Legislative Council in due course.

*Development in Qianhai*

14. Referring to the suggestion and recommendation of The Law Society of Hong Kong in its "Study Report on the Development of the Legal Profession in Qianhai" issued in November 2012, Mr Dennis KWOK called on the Administration to strive for the application of Hong Kong law in respect of commercial contracts in Qianhai, including the setting up of a special tribunal adopting Hong Kong law to deal with commercial disputes. Mr KWOK said that the application of Hong Kong law in Qianhai would facilitate Hong Kong business sectors to invest in Qianhai, as well as provide development opportunities for the Hong Kong legal services in Qianhai.

15. In response, PSCMA advised that the suggestion involved complicated legal and policy considerations. This notwithstanding, the State Council announced the Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area (the Plan) in August 2010, designating Qianhai as a Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone. The Plan provided that the Shenzhen Special Economic Zone might fully utilize the legislative power conferred by the Standing Committee of the National People's Congress to implement pilot measures and innovative regimes, with a view to creating a favourable legal environment for opening up and developing the service industries. The HKSARG would actively complement the Shenzhen authorities' efforts to lobby for other favourable policies to be implemented in Qianhai. .

*Cargo flow between Shenzhen and Hong Kong*

16. Mr Martin LIAO and Mr CHUNG Kwok-pan noted with concern recent media reports on "bogus trade of goods" between Shenzhen and Hong Kong by Mainland and Hong Kong enterprises, involving repeated trucking of the same load of goods between Shenzhen and Hong Kong within the



same day, thus creating "bogus" value of merchandise trade between the two places to facilitate the application of credit facilities from banks. Mr LIAO enquired whether the Administration would evaluate the impact of such activities on Hong Kong's banking and financial system and how it could distort the compilation of statistics on merchandise trade and inward direct investment between Shenzhen and Hong Kong.

17. PSCIT advised that the Customs and Excise Department attached great importance to the protection and facilitation of legitimate trade and to the integrity of Hong Kong's status as a trading hub. Risk management was employed on the selection of cargo for examination to ensure customs intervention at control points was kept to the necessary minimum. Regarding "bogus trade", PSCIT responded that generally speaking such transport of goods in and out of Hong Kong was itself not illegal insofar as customs clearance was concerned, provided that accurate and complete import/export declarations were lodged. PSCIT further advised that statistics on merchandise trade and inward direct investment between Shenzhen and Hong Kong were compiled in accordance with international practice. The Administration undertook to provide a written response to address members' concern.

Admin

Council Business Division 1  
Legislative Council Secretariat  
15 July 2013