File Ref. : CR EIC 110/10/2/19

LEGISLATIVE COUNCIL BRIEF

Import and Export Ordinance
(Chapter 60)

Import and Export (General) Regulations
(Amendment of Schedules) Order 2014

and

Import and Export (Fees) (Amendment) (No. 2) Regulation 2014

INTRODUCTION

Under regulation 7 of the Import and Export (General) Regulations (Cap. 60 sub. leg. A) ("the General Regulations"), the Director-General of Trade and Industry has made the Import and Export (General) Regulations (Amendment of Schedules) Order 2014 ("the Amendment Order") at **Annex A** for the purpose of removing the licensing, notification and Production Notification ("PN") requirements in relation to import and export of textiles into and from Hong Kong.

A

2. Section 31(1)(x) of the Import and Export Ordinance (Cap. 60) provides that the Chief Executive in Council may make regulation for prescribing fees to be collected by the Director-General of Trade and Industry in respect of any matter arising under that Ordinance. Section 29A of the Interpretation and General Clauses Ordinance (Cap. 1) provides that the Financial Secretary[1] may vary fees which have previously been set by subsidiary legislation made by the Chief Executive in Council. By virtue of this provision, the Secretary for Financial Services and the Treasury has made the Import and Export (Fees) (Amendment) (No. 2) Regulation 2014 ("the Amendment Regulation") at **Annex B** to revise the fees payable for textiles-related services as specified in the Schedule to the Import and Export (Fees) Regulations

B

[1] By virtue of section 3 of Cap. 1, Financial Secretary also means the Secretary for Financial Services and the Treasury.

(Cap. 60 sub. leg. B) ("the Fees Regulations").

BACKGROUND AND JUSTIFICATION

Textiles Control System

3. Since the global elimination of textiles quotas in 2005, it has been the objective of the Administration to progressively liberalize the Textiles Control System ("TCS") while maintaining the necessary control to ensure access of Hong Kong's textiles exports to world markets. We relaxed the TCS in 2009 and in 2011, in tune with evolving changes to global textiles-related trade rules. The TCS currently comprises the following measures –

(a) **Licensing and Notification Requirements** – textiles exports to the United States ("US"), and imports from or exports to the Mainland of China ("the Mainland") require either a consignment-specific textiles licence, or a notification lodged by the trader concerned if the trader is registered under the Textiles Trader Registration Scheme ("TTRS")[2]; and

(b) **PN Requirement**[3] – manufacturers producing cut-and-sewn garments in Hong Kong for export to the US are required to lodge PN.

Further Liberalization

4. In line with the objective to progressively liberalize the TCS, the Administration will further liberalize the TCS by –

(a) ceasing the licensing and notification requirements for all textiles imports and exports; and

(b) ceasing the PN requirement for all cut-and-sewn garments.

However, we will retain the framework provisions for the TCS embedded

---

[2] The TTRS is a voluntary arrangement for trade facilitation whereby textiles traders registered under the scheme may lodge notifications to cover their textiles imports/exports in lieu of import/export licences.

[3] Manufacturers are required to lodge PN on the day of or within three working days prior to the commencement of the major assembly work in Hong Kong, to enable the authorities to verify the carrying out of the principal manufacturing processes in Hong Kong as necessary.

in the Import and Export Ordinance (Cap. 60) (and its subsidiary legislation) instead of repealing them. We will also maintain the voluntary TTRS[4] for an initial period of three years, and streamline its operation.

Considerations

5. The current TCS measures are maintained to cater for possible risks that World Trade Organization ("WTO") members, particularly the US, might apply product-specific safeguard measures on Mainland textiles exports, and the resulting need to guard against possible transhipment of Mainland exports through Hong Kong to circumvent such measures. Under China's Accession Protocol to the WTO, WTO members were allowed to apply such safeguard measures on Mainland exports, including textiles, if it was determined that increased imports of such products had caused or threatened to cause market disruption or serious injury to the WTO member's domestic industry. The right of WTO members to apply such safeguard measures expired on 10 December 2013.

6. In view of the expiry of WTO members' right as set out in paragraph 5 above, the control requirements in paragraphs 3(a) and (b) above are no longer necessary.

7. Nonetheless, the threat of protectionism against textiles trade cannot be completely ruled out amid persistent global economic uncertainties. Some countries have been pursuing various means to protect their domestic industry against Mainland textiles exports. The import and export of textiles also remain a controversial issue in international trade negotiations. As textiles trade constitutes a notable portion of our total trade and the textiles industry is a key manufacturing industry in Hong Kong, there is a need for Hong Kong to be well prepared to respond to protectionist developments in textiles trading, by retaining an ability to promptly reinstate the TCS as circumstances require, so that we can provide immediate facilitation to the trade.

8. Retaining the statutory framework for the TCS would enable the Administration to promptly reinstate the TCS through straightforward amendments to subsidiary legislation, obviating the need to re-enact relevant provisions in the Ordinance.

[4] The current requirements for registration under the TTRS will be maintained. At present, registration will be valid for one year and may be renewed.

9. At present, most textiles traders (around 13 400 registrants as at end 2013) have voluntarily registered under the TTRS to make use of the licensing exemption provided for under the TTRS, and over 99% of textiles shipments that are subject to control in Hong Kong are covered by notifications instead of licences. It is prudent, at least in the initial stage post-liberalization, to maintain the TTRS and encourage textiles traders to remain registered. This will enable us to reduce the lead time to process a massive influx of registration applications to make use of the licensing exemption under the TTRS if textiles licensing is reinstated. We will review the TTRS and consider if it should continue after about three years, taking into account developments in the international and local textiles trading scenes.

Fees and Charges

C

10. With the further liberalization of the TCS, textiles-related fees (**Annex C)** will no longer be applicable, except for the annual registration fee for the TTRS. Based on a costing review, the post-liberalization TTRS annual registration fee will be reduced from the current level of \$349 to \$61 (i.e. - 82.5%). The revised fee is set to recover the full cost of providing the streamlined TTRS registration service. Detailed cost computation is set out at **Annex D**. The other textiles-related fees for services to be discontinued will be substituted with "no fee" in the Schedule to the Fees Regulations.

D

THE AMENDMENT ORDER

11. The Amendment Order amends the General Regulations as set out below –

(a) **Schedules 1 and 2** – repeal 'textiles' from the list of prohibited articles in the two Schedules such that 'textiles' are no longer subject to import and export licensing requirements; and

(b) **Part 1 of Schedule 5** – repeal specified textiles products (i.e. cut-and-sewn garments) and their associated processes and export places from Part 1 of the Schedule such that cut-and-sewn garments are no longer subject to PN requirement.

THE AMENDMENT REGULATION

12. The Amendment Regulation amends the Schedule to the Fees Regulations to effect the adjustments required for the textiles-related fees as set out in paragraph 10 above.

LEGISLATIVE TIMETABLE

13. The legislative timetable is as follows –

Publication in the Gazette	13 June 2014
Tabling at the Legislative Council	18 June 2014
Commencement	21 November 2014

EFFICIENCY INITIATIVES

14. The Trade and Industry Department ("TID") has reviewed and will streamline the work procedures for TTRS registration. Efficiency savings have been reflected in the adjustment to the TTRS annual registration fee.

IMPLICATIONS

15. The proposal has economic, financial and civil service
E implications as set out in **Annex E**. The proposal is in conformity with the Basic Law, including the provisions concerning human rights and is consistent with Hong Kong's international rights and obligations under the WTO Agreement. It will not affect the binding effect of the existing provisions of the Import and Export Ordinance (Cap. 60) (and its subsidiary legislation).

16. The proposal has no implication on productivity, environment, sustainability, and family.

PUBLIC CONSULTATION

17. We have consulted the Textiles Advisory Board and the Legislative Council Panel on Commerce and Industry. Both of them

support the further liberalization measures.

PUBLICITY

18. A press release will be issued when the Amendment Order and the Amendment Regulation are published in the Gazette. TID will publicise the liberalization of the TCS through trade circulars and its web portal. A spokesperson will be available for answering media enquiries.

ENQUIRY

19. For any enquiries on this brief, please contact the Assistant Director-General (Trade and Industry) (Systems) on 2398 5138.

Trade and Industry Department
Commerce and Economic Development Bureau
June 2014

Import and Export (General) Regulations (Amendment of Schedules) Order 2014

(Made by the Director-General of Trade and Industry under regulation 7 of the Import and Export (General) Regulations (Cap. 60 sub. leg. A))

1. Commencement

This Order comes into operation on 21 November 2014.

2. Import and Export (General) Regulations amended

The Import and Export (General) Regulations (Cap. 60 sub. leg. A) are amended as set out in sections 3, 4 and 5.

3. Schedule 1 amended

Schedule 1, Part 1—

Repeal item 3.

4. Schedule 2 amended

Schedule 2, Part 1—

Repeal item 1.

5. Schedule 5 amended

Schedule 5, Part 1—

Repeal item 1.

Kenneth Mak

Director-General of Trade and Industry

23 May 2014

Explanatory Note

The Import and Export Ordinance (Cap. 60) and the Import and Export (General) Regulations (Cap. 60 sub. leg. A) provide for 2 control measures to regulate the import and export of textiles in Hong Kong, namely—

(a) the licensing requirement (which includes an arrangement of notification in lieu of licence); and

(b) the production notification requirement.

2. The licensing requirement currently applies to the import of textiles from the Mainland, and the export of textiles to the Mainland or the United States of America. The production notification requirement currently applies to cut-and-sewn garments produced in Hong Kong for export to the United States of America.

3. This Order amends the Regulations to discontinue the control measures by removing the subject matters being regulated from the relevant Schedules to the Regulations.

4. However, the statutory framework for the control measures is retained in order to enable prompt resumption of the control measures if the circumstances require. Certain provisions in the Ordinance and its subsidiary legislation that constitute part of the statutory framework are therefore retained although they will cease to have any effect in practice when this Order comes into operation.

Import and Export (Fees) (Amendment) (No. 2) Regulation 2014

(Made by the Secretary for Financial Services and the Treasury under section 29A of the Interpretation and General Clauses Ordinance (Cap. 1) by virtue of section 31 of the Import and Export Ordinance (Cap. 60))

1. Commencement

This Regulation comes into operation on 21 November 2014.

2. Import and Export (Fees) Regulations amended

The Import and Export (Fees) Regulations (Cap. 60 sub. leg. B) are amended as set out in section 3.

3. Schedule amended (scale of fees)

(1) The Schedule, item 1(c)(i)—

Repeal

"44"

Substitute

"No fee".

(2) The Schedule, item 1(c)(vii)—

Repeal

"45"

Substitute

"No fee".

(3) The Schedule, item 13—

Repeal

"349"

Substitute

"61".

(4) The Schedule, item 13A—

Repeal

"2.90"

Substitute

"No fee".

(5) The Schedule, item 14(a)—

Repeal

"66"

Substitute

"No fee".

(6) The Schedule, item 14(b)—

Repeal

"47"

Substitute

"No fee".

Secretary for Financial Services and the Treasury

6 June 2014

Explanatory Note

The Import and Export Ordinance (Cap. 60) and the Import and Export (General) Regulations (Cap. 60 sub. leg. A) (***General Regulations***) provide for 2 control measures to regulate the import and export of textiles in Hong Kong, namely—

(a) the licensing requirement (which includes an arrangement of notification in lieu of licence); and

(b) the production notification requirement.

2. The Import and Export (Fees) Regulations (Cap. 60 sub. leg. B) (***Fees Regulations***) fix the fees payable for the control measures.

3. The Import and Export (General) Regulations (Amendment of Schedules) Order 2014 amends the General Regulations to discontinue the control measures.

4. However, the statutory framework for the control measures is retained in order to enable prompt resumption of the control measures if the circumstances require. Certain provisions in the Ordinance and its subsidiary legislation that constitute part of the statutory framework are therefore retained although they will cease to have any effect in practice when the Order comes into operation.

5. This Regulation amends the Fees Regulations to set a nil fee for certain matters relating to the control measures. This is to facilitate the prompt resumption of the control measures.

6. This Regulation also adjusts the annual fee for registration as a textiles trader under the General Regulations.

Annex C
(1 page)

Existing textiles-related fees prescribed under Import and Export (Fees) Regulations (Cap. 60 sub. leg. B)

		Existing Fee $
(1)	TTRS - Annual Registration Fee	349
(2)	Application for issue of consignment-specific export licence (Form 4)	44
(3)	Application for issue of consignment-specific import licence (Form 7)	45
(4)	Import or Export Notification lodged on paper under TTRS	2.90
(5)	PN for cut-and-sewn garments (submitted electronically through a service provider)	47
(6)	PN for cut-and-sewn garments (submitted on paper)	66

Annex D
(1 page)

COST COMPUTATION

Fee under Import and Export (Fees) Regulations (Cap. 60 sub. leg. B)

Cost at 2014-15 Prices
(for processing one application of TTRS Annual Registration)

	$
Staff Costs	42
Accommodation Costs	5
Departmental Expenses	3
Depreciation	7
Central Administrative Overheads	4
Total Unit Cost	61
Existing Fee	349
Proposed Fee	61

Annex E
(1 page)

Import and Export (General) Regulations
(Amendment of Schedules) Order 2014

and

Import and Export (Fees) (Amendment) (No. 2) Regulation 2014

ECONOMIC IMPLICATIONS

The liberalization of the TCS will remove administrative burden and compliance costs arising from the licensing and notification requirements for textiles imports and exports and the notification requirement for production of cut-and-sewn garments. It would have positive business impact on Hong Kong's textiles traders. The continual operation of a streamlined TTRS as contingency will help protect the textiles trade's interest post-liberalization to cater for the scenario where control requirements need to be reinstated.

FINANCIAL AND CIVIL SERVICE IMPLICATIONS

2. All textiles licensing and notification services, except for the TTRS registration, will cease upon the further liberalization of the TCS. The liberalization will result in a reduction of annual revenue of about $2.3 million based on the actual revenue collected for licensing and notification services during 2013. The reduction of post-liberalization TTRS annual registration fee will result in a net decrease of around $3.9 million in revenue per annum.

3. The liberalization is expected to give rise to manpower savings of about 37 posts, amounting to $15 million in annual staff cost, in the TID and the Customs and Excise Department. The manpower saved will be internally redeployed by phases within the two departments.