

**立法會**  
**Legislative Council**

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**Report of the Panel on Commerce and Industry  
for submission to the Legislative Council**

**Purpose**

This report gives an account of the work of the Panel on Commerce and Industry during the 2015-2016 session of the Legislative Council. It will be tabled at the Council meeting of 13 July 2016 in accordance with Rule 77(14) of the Rules of Procedure.

**The Panel**

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000, 9 October 2002, 11 July 2007 and 2 July 2008 for the purpose of monitoring and examining Government policies and issues of public concern relating to commerce and industry. The terms of reference of the Panel are in **Appendix I**.

3. The Panel comprises 14 members. Hon WONG Ting-kwong and Hon Vincent FANG Kang were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is in **Appendix II**.

**Major work**

Trade and economic relations

*Trade relations between the Mainland and Hong Kong*

4. The Panel discussed the continued strengthening of Hong Kong's economic and trade cooperation with the Mainland. Some members called on the Administration to explore cooperation opportunities in regions

other than Southern Mainland which already had long trade relations with Hong Kong. In particular, members considered that the Administration should enhance the regional cooperation between Hong Kong and Northeast or Northwest Mainland where there were untapped opportunities.

5. The Administration advised that to further enhance the network of the Offices of the Government of the Hong Kong Special Administrative Region ("HKSAR") in the Mainland ("the Mainland Offices"), the 2016 Policy Address announced the setting up of six more liaison units ("LUs") to achieve the target of having two LUs under each Mainland Office. The six LUs planned to be established aimed to tap the business opportunities in regions which were relatively unexplored by Hong Kong enterprises and to provide more assistance to Hong Kong enterprises investing there. The Administration would continue to implement the \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales to provide funding support to eligible Hong Kong enterprises and non-profit-distributing organisations (e.g. trade and industrial organisations, professional bodies or research institutes), so as to assist enterprises in enhancing their competitiveness and furthering their business development in the Mainland.

#### *Trade and economic relations with Taiwan*

6. The Panel noted the latest developments of the trade cooperation between Hong Kong and Taiwan in various areas, including tourism, investment promotion, trade promotion, cooperation in testing and certification ("T&C"), exchanges and cooperation of creative industries. Members called for the establishment of a comprehensive and institutionalized economic and trade cooperation arrangement between the two places. The Administration advised that it had expressed the wish of establishing with Taiwan a cooperation framework similar to the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") or the Cross-Straits Economic Cooperation Framework Agreement to the Taiwan side on a number of occasions. The Administration would continue the discussion with the Taiwan side on forging a closer cooperation arrangement.

#### Mainland and Hong Kong Closer Economic Partnership Arrangement

7. The Panel was briefed on the Agreement on Trade in Services signed in November 2015 under the framework of CEPA between the HKSAR Government and the Ministry of Commerce to further open up the services market, thereby basically achieved liberalization of trade in services between the Mainland and Hong Kong.

8. Noting that the emerging economies along the Belt and Road would have an increasing demand for high-end professional services which Hong Kong had advantages, some members considered that the Administration should leverage on the advantages of the liberalisation measures under CEPA to help the professional services sector of Hong Kong grasp the business opportunities arising from the Belt and Road Initiative. Members also urged the Administration to study the possible synergy of the Belt and Road Initiative and CEPA in attracting business and trade corporations as well as financial institutions from the Belt and Road economies to set up their business in Hong Kong, so as to facilitate further economic development of Hong Kong.

9. The Administration advised that CEPA had provided for arrangement in respect of mutual recognition of professional qualifications between Mainland and Hong Kong to facilitate the professionals of Hong Kong to gain preferential access to the Mainland market. Under CEPA, Hong Kong professionals were allowed to take Mainland qualification examinations to obtain relevant professional qualifications in the Mainland in order to practise in the Mainland. The two sides had also reached agreements for mutual recognition of professional qualifications or made arrangements for mutual exemption of some examination papers under CEPA in the construction, securities and futures, accounting and real estate sectors.

10. To assist Hong Kong enterprises in tapping business opportunities in countries along the Belt and Road, the Administration added that it would be the focus of the work in the future to forge Free Trade Agreements ("FTAs") and Investment Promotion and Protection Agreements with countries along the Belt and Road to enhance economic and trade connections between the local industry and the relevant countries and to protect their investment therein. In respect of attracting overseas companies to set up business operation in Hong Kong, Invest Hong Kong ("InvestHK") had launched investment promotion work overseas, including those countries along the Belt and Road, to encourage companies to set up their operation or production base in Hong Kong to take advantage of the preferential arrangements provided by CEPA in entering the Mainland market.

## Strengthening the Economic and Trade Office network

### *Progress on the work of the overseas Hong Kong Economic and Trade Offices and the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland and Taiwan*

11. The Panel received an annual briefing on the work of the 11 overseas Hong Kong Economic and Trade Offices ("ETOs") and the Offices of the Government of the HKSAR in the Mainland and Taiwan on efforts in advancing Hong Kong's economic and trade interests in key markets, as well as promoting Hong Kong's image and cultural cooperation and exchanges.

12. Referring to the successful conclusion of the negotiations of the Trans-Pacific Partnership ("TPP") among 12 economies, including the United States and some of Hong Kong's major trading partners, some members expressed concern about the potential impact of TPP on Hong Kong, and called on the Administration to actively consider joining TPP as it would encourage the industrial sector to relocate their business and factories back to Hong Kong, and facilitate the export of Hong Kong products to the TPP economies, thereby diversifying Hong Kong's industries.

13. Referring to the Belt and Road Initiative announced by the Central People's Government, members urged the Administration to make the necessary preparations to actively lead and support Hong Kong's business and professional services sectors and various industries to seize the business opportunities arising from the Belt and Road Initiative, and to ensure timely dissemination of the latest information and relevant policies to Hong Kong enterprises. There was also a suggestion that a dedicated team be set up to better coordinate and take forward the relevant initiatives among the bureaux/departments concerned. Members called on the Administration to allocate additional resources for ETOs in the Belt and Road countries, and consider setting up new ETOs in the region.

14. The Administration advised that it supported further trade liberalization among various economies, and was open to exploring the possibility of entering into FTAs with other economies, such as the TPP, so long as they were in Hong Kong's interests and were consistent with the principles and provisions of the World Trade Organization ("WTO"). The Administration had commenced FTA negotiation with the Association of Southeast Asian Nations ("ASEAN"), which was progressing smoothly. On the need for setting up new ETOs in other emerging economies, the Administration would, taking into account Hong Kong's economic and

trade relations with these economies, review the geographical coverage of existing ETOs having regard to new demands from time to time and suitably deploy or increase resources when necessary to enhance the effectiveness of the ETOs.

15. Some members expressed concern whether media reports on the Occupy Movement and the voting down of the constitutional reform proposal by the Legislative Council would adversely affect the image of Hong Kong and arouse international community's concern about the social and political stability of Hong Kong, thereby discouraging foreign investment to Hong Kong. These members urged the overseas ETOs to step up efforts in briefing their interlocutors and overseas business communities on the latest situation of Hong Kong, and promoting Hong Kong as a free and safe society, and a prime location for investment and doing business.

*Establishment of a new Hong Kong Economic and Trade Office in Jakarta*

16. The 10 member countries<sup>1</sup> of the ASEAN are major economies along the Belt and Road and are Hong Kong's key emerging markets. In view of the significant trade relations between Hong Kong and ASEAN, the Panel supported the Administration's proposal for the establishment of a new ETO in Jakarta, Indonesia and the related reorganization of the ETO in Washington DC. The relevant staffing proposal was subsequently approved by the Finance Committee ("FC") in June 2016.

17. Some members urged the Administration to enhance the overseas ETO network in the Belt and Road region in the light of the huge business opportunities to be brought about by the Belt and Road Initiative.

18. The Administration advised that taking in view that ASEAN was Hong Kong's second largest partner in merchandise trade, it was considered a top priority to set up the proposed new ETO in Jakarta to enhance liaison and exchanges between Hong Kong and ASEAN. Given that there were over 60 countries situated along the Belt and Road, the Administration would keep in view the regional economic developments and consider setting up new ETOs in other Belt and Road countries in the future having regard to demand from time to time. The Administration also considered that it was effective to leverage on the overseas ETO network in promoting Hong Kong economic and trade interests in overseas countries and to engage local consultants to perform relevant functions in countries not

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<sup>1</sup> The 10 ASEAN member countries are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

covered by the ETO network.

19. The Panel also urged the Administration to strive for early conclusion of the ASEAN-Hong Kong FTA to secure better access for Hong Kong's goods and services to the ASEAN market. The Administration advised that it would endeavour to conclude the negotiation by 2016. On the basis of the ASEAN-Hong Kong FTA and with the establishment of the new ETO in Jakarta in addition to the Singapore ETO in Southeast Asia, the trade ties between Hong Kong and ASEAN would be further strengthened.

20. Some members were of the view that given the large number of Indonesian foreign domestic helpers ("FDHs") employed in Hong Kong and their substantial contribution to the economy, the new ETO in Jakarta should also be tasked to deal with issues relating to Indonesian FDHs in Hong Kong. The Administration advised that the ETO in Jakarta would be responsible for deepening and widening the scope of bilateral ties between Hong Kong and Indonesia, which would include FDH issues if they were brought up.

#### Strengthening the co-operation relation between the Mainland and Hong Kong

21. Members discussed the strengthening of the co-operation relation between the Mainland and Hong Kong, and supported in principle the Administration's proposal to convert one supernumerary post of Administrative Officer Staff Grade C (AOSGC) (D2) post, in the Constitutional and Mainland Affairs Bureau into a permanent post with effect from 1 July 2016 to continue to provide support for Hong Kong residents and enterprises in the Mainland, foster and strengthen co-operation relations between the Mainland and Hong Kong. The relevant staffing proposal was approved by the Finance Committee in May 2016.

22. Some members expressed concern about the effectiveness of the Mainland Offices on promoting exchanges between the Mainland and Hong Kong in respect of arts and culture, as well as the creative industries. There was also a view that the Administration should assign designated official(s) in the Mainland Offices to be responsible for cultural promotion work to enhance mutual exchanges. Some members called on the Administration to strengthen the role of the Mainland Offices in dissemination of information on the laws and regulations of the Mainland which might have an impact on the relevant sectors of Hong Kong.

23. The Administration advised that promoting exchanges in respect of arts and culture between Hong Kong and the Mainland was one of the key duties of work for the five Mainland Offices and the five LUs of HKSAR in the Mainland. The Mainland Offices also closely monitored the policies, laws and regulations relating to Hong Kong enterprises at the national level and in provinces/municipalities under their respective coverage, and provided timely updates and news to relevant Government bureaux and departments to facilitate their follow up with industry stakeholders where necessary.

24. On complementing the national plan of building the Belt and Road Initiative, as well as the development of the Beijing-Tianjin-Hebei Coordinated Development Programme and the Yangtze River Economic Belt ("Three Supporting Belts"), the Panel called on the Administration to improve the network of Mainland Offices and put in place necessary policy measures to help Hong Kong enterprises and people better grasp the opportunities arising from the aforesaid development strategies of the Mainland.

25. The Administration advised that the existing network of the Mainland Offices and their LUs generally covered major provinces and municipalities relevant to the development of the Belt and Road Initiative. While the development of the Three Supporting Belts was still at a preliminary planning stage, the Mainland Offices would focus on the collection and dissemination of information on relevant policies and maintain communication with the governments of the concerned provinces and municipalities to enable the HKSAR Government to grasp the development trend. Promoting Hong Kong professional services, such as legal services, including arbitration and mediation services, during the development of the Three Support Belts was the key area of work of the Government.

#### Promotion of inward investment

26. The Panel was briefed on the investment promotion work and major achievements of InvestHK in 2015 and the way forward for 2016. Some members suggested that InvestHK should attract well-established multinational enterprises to set up research and development ("R&D") offices in Hong Kong like other Asian economies, and to analyze the nature of jobs for a comprehensive assessment of InvestHK's effectiveness in enhancing employment opportunities. The Administration advised that it would try to include more information on the employment opportunities brought about by companies which had set up or expanded their business operations in Hong Kong such as the number and types of jobs created, in

the next report of the work of InvestHK to the Panel.

27. The Panel noted that InvestHK had been working closely with Cyberport and Hong Kong Science and Technology Parks Corporation ("HKSTPC") to attract overseas enterprises to set up high value-added R&D offices in Hong Kong, and successful examples included the setting up of the first R&D centre of Huawei Technologies Investment Company Limited in Hong Kong Science Park ("HKSP") where both local and overseas talents were employed.

28. To maintain Hong Kong's competitive edges, some members suggested that the Administration should consider introducing measures such as tax deduction to attract and retain high value-added technology companies to expand their business in Hong Kong. The Administration advised that it had all along maintained an open and level playing field for business investment, and the principle of equality attracted investors in a wide range of industries to set up their operation base in Hong Kong. The various Government funding schemes to promote information technology ("IT") and R&D development were also open to eligible overseas companies operating in Hong Kong.

29. To give a full assessment of InvestHK's efforts of attracting investment, members suggested that InvestHK should follow up on companies under completed projects beyond the first year they established in Hong Kong to observe whether the businesses were sustainable or had expanded in Hong Kong. The Administration advised that InvestHK had stepped up its effort in 2013 by requiring staff to conduct follow up contacts with companies assisted within 12 to 18 months, and within 30 to 36 months, after project completion. In 2015, InvestHK contacted 331 companies from the 1 008 projects completed between 2012 and 2014. Out of these 331 companies, 288 were found to be still operating in Hong Kong and had hired more employees compared to the first year of operation.

30. Members saw the importance of the future economic strategy and positioning for Hong Kong. The Administration advised that promotion efforts were made to maintain Hong Kong's leading position in Asia-Pacific region in new industries such as innovation and technology ("I&T"), as well as the three sectors where Hong Kong enjoyed a competitive edge traditionally, namely financial services, transport and logistics, as well as IT. To capitalize on the rising trend of start-ups and build Hong Kong into a start-up hub, the Administration had held the StartmeupHK Festival in January 2016 to showcase Hong Kong's strengths in this respect.



### Promotion of innovation and technology

31. The Panel discussed a series of new initiatives under the Innovation and Technology Fund ("ITF") to foster adoption of new technologies, the devotion of more focus and investment on R&D, and to encourage young graduates to the I&T workforce.

32. The Panel supported the injection of additional \$2 billion into ITF for launching a Midstream Research Programme for Universities funded by the University Grants Committee ("MRP") to encourage universities to conduct more theme-based midstream research in focused technology areas. The funding proposal was subsequently approved by FC in June 2016.

33. While the \$2 billion-injection would serve as endowment capital for generating investment income to fund projects under MRP, some members noted with concern about the stability of the funding given the fluctuations in investment returns. The Administration advised that the \$2 billion-injection would share the same investment return from the fiscal reserves held under the Operating and Capital Reserves (i.e. outside the Future Fund). Taking into account the recent performance of the financial market, it was estimated that the annual investment return would be in the range of 2.6% to 3.5%, which was equivalent to around \$52 million to \$70 million from the \$2 billion principal.

34. Some members were concerned that MRP might overlap with some other funding currently provided by the University Grants Committee and the Research Grants Council, and that the emphasis being shifted to midstream R&D projects as advocated by MRP might affect the basic research work of local universities. The Administration responded that currently, local universities were not provided with sufficient funding to conduct midstream research projects. MRP aimed to enable local universities to conduct theme-based research in key technology areas independently, thus encouraging these institutions to attach importance to commercialization of R&D results.

35. Members welcomed the launching of a Pilot Technology Voucher Programme ("PTVP") under ITF to subsidize the use of technological services and solutions by local small and medium enterprises ("SMEs"). Members noted that PTVP would be implemented for an initial period of three years with \$500 million. The Administration would review the effectiveness and the modus operandi, such as the funding scope, funding amount and vetting procedures of PTVP after two years, or if the Administration foresaw full commitment of \$500 million. They were keen to ensure that PTVP could help SMEs improve productivity, and

upgrade, transform or re-tool their business processes, as well as create more business opportunities for SMEs of the IT sector. Some members called for simple application process so that there would not be too much hindrance to the SME applicants, and sufficient and clear guidelines on application should be provided. There was also a suggestion that the eligibility of applicant and exclusion items of PTVP should be further relaxed to include more projects.

36. Members also urged the Administration to encourage more young people to study science, technology, engineering and mathematics programmes in universities, and retain these students to pursue a career in the I&T sector. The Administration advised that the Internship Programme under ITF provided financial support to organizations undertaking ITF-funded R&D projects to recruit local university graduates as interns, thereby providing exposure and incentives to graduates to explore their interests and start a career in I&T. To step up the efforts in nurturing more I&T talents, the Administration proposed to extend the Internship Programme to cover the incubatees and SME tenants in HKSP and Cyberport, as well as start-ups funded by the proposed Innovation and Technology Venture Fund.

#### Progress of the implementation of the revised Industrial Estate Programme

37. The Panel was briefed on the background of the Revised Industrial Estate ("IE") Policy and the Administration's plan to develop two pilot projects, namely an Advanced Manufacturing Centre ("AMC") and a Data Technology Hub ("DT Hub") in Tseung Kwan O Industrial Estate ("TKOIE"). The Panel supported in principle the development plan and proposed financing arrangements for the two pilot projects. The funding proposal was subsequently approved by the FC in May 2016.

38. While supporting the Administration's plan to develop the two pilot projects, members were of the view that AMC and DT Hub should establish a clearer positioning by targeting enterprises in selected high value-added industries as tenants to avoid giving the impression that AMC and DT Hub were similar to HKSP. The Administration advised that both AMC and DT Hub had their specific positioning. AMC aimed to target selected high value-added manufacturing with extended activities including R&D, logistics support, prototyping and design, and DT Hub aimed to focus on data centre support and related R&D activities.

39. As the working population was expected to increase in TKOIE upon the completion of AMC and DT Hub, members urged the Administration to improve the transport to TKOIE and its adjacent area

expeditiously. In particular, members were also keen to ensure that car parking spaces would be sufficiently provided in the two pilot projects. The Administration advised that car parking spaces would be provided in the carpark building in AMC and the basement of DT Hub. General supporting facilities such as banking and catering services would also be provided in TKOIE under the two pilot projects.

40. Some members opined that the Administration should be flexible in implementing I&T-related policies to encourage and attract multi-national I&T enterprises to set up their data centres in Hong Kong instead of neighbouring economies. In response, the Administration considered that the development of data centres was best driven by the market while the Administration provided supporting services.

41. Members observed that some tenants of IEs in Hong Kong had moved the manufacturing process of their industries to the Mainland and used the IE premises they had rented as storerooms or offices. The Administration advised that IE premises should be used for manufacturing activities rather than as storerooms and offices. To ensure efficient utilization of IE land and to enforce the relevant leasing restrictions in the tenancy agreements, the Administration had been encouraging tenants that were not fully utilizing their sites to consider starting new projects, surrender the sites or assign under-utilized sites to new tenants.

#### Latest developments of the Hong Kong Science and Technology Parks Corporation

42. The Panel supported the Administration's plan to expand the existing HKSP by optimizing the use of the remaining vacant site and increasing the development parameters for the construction of new R&D facilities in three stages. Members also supported the financing arrangements for Stage 1 of the proposed Science Park Expansion Programme ("SPX1") which involved the development of two R&D buildings. The funding proposal was subsequently approved by FC in May 2016.

43. The Panel noted that in recent years, HKSTPC had been actively promoting the development of three technology clusters including biomedical technology, green technology, and material and precision engineering. The Panel considered that to help promote collaboration between Hong Kong and the international science and technology community, as well as groom local talents, the Administration should attract more international technology companies and science and research institutions to set up operations in HKSP. Members also suggested that

manufacturing of R&D deliverables in Hong Kong should also be encouraged so as to promote the development of the local industrial sector.

44. The Panel noted that the estimated development cost of SPX1 was \$4,428 million. The financing structure comprised Government equity, commercial loan guaranteed by the Government and HKSTPC's internal resources. The Panel also noted that the amount of equity injection from the Administration would be capped at \$2,878 million. Should the project cost of SPX1 eventually exceed the amount, the Administration would provide no further funding support and HKSTPC was expected to resort to its own means to identify project cost savings and seek extra funding means.

#### Promoting intellectual property trading in Hong Kong

45. The Panel was briefed on the latest progress of the implementation of the 28 measures recommended by the Working Group on Intellectual Property ("IP") Trading to position and promote Hong Kong as a premier IP trading hub in the region. Some members enquired about Hong Kong's position in the international IP trading company, and the economic benefits to be brought about to the business sector, in particular SMEs and to Hong Kong as a whole, by IP trading.

46. The Administration advised that Hong Kong was an international business and financial centre with the Mainland as its hinterland. Hong Kong had been positioned as the business, trading and services hub for the Mainland and the region as a whole, as well as a springboard for foreign investors seeking to tap the Mainland market. The rise of the Mainland as a major IP creator and consumer had created tremendous opportunities for IP professionals in Hong Kong to provide intermediary services for the Mainland's expanding IP market.

47. The Panel expressed concern that the legislative exercise of the Copyright (Amendment) Bill 2014 could not conclude, and the fact that the Administration might not pursue it further. They were concerned that if Hong Kong's copyright law could not keep pace with technological and international developments to enhance copyright protection in the digital environment, it would affect the Administration's objective to promote Hong Kong as a premier IP trading hub in the region. The Panel urged the Administration to continue to liaise with various stakeholders with a view to reaching a consensus on a fair balance between protecting the legitimate interests of copyright owners and other public interests, such as fair and reasonable use of copyright works and freedom of expression.

Latest developments in promoting technology transfer, realization and commercialization of research and development outcomes

48. The Panel noted the latest developments in promoting technology transfer, realization and commercialization of R&D outcomes by the Technology Transfer Offices ("TTOs") of local universities, as well as the R&D achievements and application of R&D results of Partner State Key Laboratories ("Partner SKLs") and Hong Kong Branches of Chinese National Engineering Research Centres ("CNERCs"). Members supported the continued funding support for TTOs of local universities, Partner SKLs and Hong Kong Branches of CNERCs through ITF for three years from 2016-2017 to 2018-2019.

49. Members noted that the funding scope for Partner SKLs and Hong Kong Branches of CNERCs would be extended from manpower and equipment to consumables, allowing a maximum of 30% of the funding to be used for consumables. This would better suit the needs of the Partner SKLs and Hong Kong Branches of CNERCs which had already passed the initial establishment stage and no longer need to purchase equipment every year.

50. Some members considered that proper control mechanism on the use of funding should be put in place. The Administration advised that the funding was provided through ITF on an annual reimbursement basis. Reimbursement of expenses would only be released following proper reporting and verification process.

51. As regards the funding support to the TTOs of local universities, members noted that the Administration would not require the universities to return the profit generated from commercialization of R&D results to the government. Since the funding to TTOs was public fund, members suggested that the Administration should issue guidelines for the TTOs regarding the use of the profit, for example, a certain portion of the profit should be invested back into R&D activities.

52. Members suggested that the Innovation and Technology Commission should coordinate promotion efforts and publicize the achievements of Partner SKLs, Hong Kong Branches of CNERCs and other research institutions beyond the younger generation to the general public, so as to increase public awareness and understanding of how science and technology would bring about socio-economic benefits, and to foster wider public support and participation in strengthening the R&D sector.

### Setting up of a Trade Single Window

53. The Panel welcomed the establishment of a full-fledged Trade Single Window ("SW") for the one-stop lodging of all documents from the trade to the Administration in relation to importing and exporting goods, thereby streamlining business processes and enhancing trade efficiency. Members also supported the creation of a supernumerary post of Administrative Officer Staff Grade C (D2) for an initial period of three years to head a new dedicated Project Management Office that would take forward the SW initiative. The proposed creation of the post was subsequently approved by FC in June 2016.

54. Some members considered that the design of the SW information technology infrastructure should be forward-looking so as to cater for future development, and that any new trade control requirements to be introduced in the future should be incorporated into the SW to facilitate the operation of the industry. In addition, the Administration should provide appropriate technical support for SME SW users in future. Some members called on the Administration to explore opportunities to connect Hong Kong's SW with that of the Mainland to enhance trade efficiency.

55. The Panel expressed concern about the future fee levels of the trade documents and submissions to be covered by the SW. Given that the introduction of the SW would create opportunities for the participating government agencies to streamline business processes and integrate computer systems, thus help saving manpower and resources, members considered that the fees to be charged by the SW should be lower than the existing fee levels, and that the existing free-of-charge services should be maintained.

56. Members noted the Administration's proposal of the new requirement for pre-shipment import and export declaration ("TDEC") and Cargo Reports to replace the existing post-shipment document, and considered it to be a paradigm shift from the existing position. Members were concerned about the feasibility of a pre-shipment TDEC scheme in Hong Kong as some information might not be available on time. They were also concerned about the legal liability for mis-reporting, as well as the time and costs required to make post-shipment amendments. The Panel called on the Administration to actively engage various industry stakeholders, including chambers of commerce, business associations and advisory bodies, and take into account their views when taking forward the SW project.

Progress of negotiations under the World Trade Organization and on Plurilateral Trade Agreements

57. Hong Kong is a founding member of the WTO. Hong Kong's separate membership, under the name of "Hong Kong, China" continues after reunification with the Mainland of China on 1 July 1997. Members were briefed on the progress made on negotiations in relation to the Doha Development Agenda ("DDA") of WTO and on plurilateral trade negotiations in which Hong Kong participated.

58. Members were concerned that the emergence of some regional FTAs, such as the TPP and the One Belt One Road strategy, might undermine the successful conclusion of the DDA negotiations. While expressing support for the Administration to continue to participate in the multilateral negotiations under DDA, members considered that Hong Kong should concurrently forge other trade agreements with its trading partners in the region.

59. The Administration advised that Hong Kong would continue to participate in DDA negotiation given its small and externally oriented economy that relied heavily on the multilateral trading system of WTO. Meanwhile, Hong Kong had also been participating in negotiations on some plurilateral agreements under the WTO framework, namely the Trade in Services Agreement, the Environmental Goods Agreement and the Information Technology Agreement ("ITA").

60. The Panel noted that while Hong Kong had a substantial trade interest in the IT sector, most of the IT products covered in Hong Kong's domestic export were not manufactured locally. The Panel called on the Administration to leverage on Hong Kong's role and scale in export trade of IT products to promote re-industrialization in the territory, thereby enhancing the share of local-manufactured IT products in Hong Kong's domestic exports.

61. The Administration advised that the IT-related products covered in Hong Kong's domestic export complied with the relevant requirements set out in the origin rules for designating Hong Kong as the place of origin. The substantial value of Hong Kong's re-export trade in relation to IT products was due to the wide range of products covered in the product list of ITA. Pursuant to the expanded scope of product coverage of ITA, 201 additional IT products, including those such as monitors, speakers and digital cameras which might not be regarded as IT products in a traditional sense, would be added to the new item list for tariff elimination.

### Development of the testing and certification industry

62. The Panel had continued to monitor closely on the development of the T&C industry in Hong Kong. The Panel was briefed on the latest development of T&C, and generally welcomed the Administration's new measure to facilitate the operation of testing laboratories in industrial buildings by forgoing the waivers fees for issuing waivers to accommodate T&C uses in industrial buildings. The Panel noted that the relevant measure was implemented in the first quarter of 2016.

63. Members saw the food and drug safety an important livelihood-related issue, and urged the Administration to consider putting in place policy to enhance the testing of food and drugs. The Administration was also urged to consider mandating the testing of food sold in Hong Kong to be conducted by local accredited T&C establishments to enhance food safety and to drive the demand of food testing services. The Panel also called on the Administration to leverage on the strength of Hong Kong T&C services and enhance the collaboration of the concerned Government bureaux and departments in addressing the safety issue of food and drugs. The Administration advised that the role of the Hong Kong Accreditation Services ("HKAS") was to ensure the capability of local laboratories in providing the requisite testing services to the food and medicine trades pursuant to the relevant legislation. Food testing was conducted on a voluntary basis except for those subject to statutory requirements. The Hong Kong Council for Testing and Certification would study the ways in which the promotion of food testing services could be further enhanced.

64. Some members considered that the Administration should seek wider recognition of Hong Kong's T&C services in the international arena to enable Hong Kong's T&C industry to tap the overseas markets. The Administration was urged to secure opening up of the Mainland market to Hong Kong's T&C industry through CEPA given the huge demand for certification services in the Mainland. The Administration was also urged to support the grooming of the requisite talents to sustain the long-term development of the T&C industry.

65. The Administration advised that endorsed reports and accredited certificates issued by organizations accredited by HKAS were recognized by over 90 accreditation bodies in more than 70 economies, including all our major trading partners. HKAS would continue to seek wider acceptance of results from Hong Kong's accredited conformity assessment bodies at the international level. The Administration also advised that a number of new liberalization measures to facilitate Hong Kong T&C



establishments to tap the Mainland market had been introduced under the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalization of Trade in Services in Guangdong signed in December 2014 pursuant to the framework of CEPA.

#### Meetings held

66. From October 2015 to June 2016, the Panel held a total of 11 meetings, including one meeting held jointly with the Panel on Information Technology and Broadcasting to receive briefing on the work of the Innovation and Technology Bureau. At the meeting on 21 June 2016, the Panel discussed and supported in principle two financial proposals (i.e. the Innovation and Technology Venture Fund and the proposal for Professional Services Advancement Support Scheme), which were to be submitted to FC for approval in July 2016. Other topics discussed at the said meeting included the progress report on R&D Centres, R&D of Chinese medicines, and diversified development of industries in Hong Kong.

Council Business Division 1  
Legislative Council Secretariat  
4 July 2016

**Panel on Commerce and Industry**

**Terms of Reference**

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Panel on Commerce and Industry**

**Membership list for 2015 - 2016 session**

<b>Chairman</b>	Hon WONG Ting-kwong, SBS, JP
<b>Deputy Chairman</b>	Hon Vincent FANG Kang, GBS, JP
<b>Members</b>	Hon Emily LAU Wai-hing, JP Hon Jeffrey LAM Kin-fung, GBS, JP Hon Andrew LEUNG Kwan-yuen, GBS, JP Dr Hon LAM Tai-fai, SBS, JP Hon MA Fung-kwok, SBS, JP Hon Charles Peter MOK, JP Hon Dennis KWOK Hon SIN Chung-kai, SBS, JP Hon Martin LIAO Cheung-kong, SBS, JP Dr Hon CHIANG Lai-wan, JP Ir Dr Hon LO Wai-kwok, SBS, MH, JP Hon CHUNG Kwok-pan
	(Total : 14 members)
<b>Clerk</b>	Mr Desmond LAM
<b>Legal Adviser</b>	Ms Wendy KAN