*立法會*
*Legislative Council*

LC Paper No. CB(1)1100/17-18
(These minutes have been seen by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of meeting**
**held on Tuesday, 10 April 2018, at 4:30 pm**
**in Conference Room 1 of the Legislative Council Complex**

**Members present** : Hon WU Chi-wai, MH (Chairman)
Hon SHIU Ka-fai (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, 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
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Hon CHAN Chun-ying
Hon LAU Kwok-fan, MH

**Member absent** : Hon Tanya CHAN

**Public officers attending** : Agenda item III

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP
Under Secretary for Commerce and Economic Development

Mr Gary POON
Deputy Secretary for Commerce and Economic Development (Commerce and Industry) 2

Ms Ivy CHAN
Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry) 4

Agenda item IV

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP
Under Secretary for Commerce and Economic Development

Ms Vivian SUM, JP
Deputy Secretary for Commerce and Economic Development (Commerce and Industry) 1

Ms Leona LAW
Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry) 2

**Clerk in attendance** : Mr Desmond LAM
Chief Council Secretary (1)3

**Staff in attendance** : Mr Joey LO
Senior Council Secretary (1)8

Mr Terence LAM
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

Action

**I. Information papers issued since last meeting**

(LC Paper No. CB(1)751/17-18(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 September to 30 November 2017, and the annual report and audited financial statements of the Applied Research Council for 2017

LC Paper No. CB(1)772/17-18(01) *(Chinese version only)* -- Joint letter dated 6 April 2018 from Hon Dennis KWOK, Hon Alvin YEUNG and Hon Jeremy TAM extending their suggestion of holding a joint meeting of Panel on Commerce and Industry, Panel on Economic Development and Panel on Financial Affairs to discuss the issues relating to the impact of a possible trade war between China and the United States on Hong Kong's economy)

Members noted the above papers issued since the last meeting.

Joint letter from Hon Dennis KWOK, Hon Alvin YEUNG and Hon Jeremy TAM

2. The Chairman drew members' attention to the joint letter dated 6 April 2018 from Hon Dennis KWOK, Hon Alvin YEUNG and Hon Jeremy TAM extending their suggestion of holding a joint meeting of Panel on Commerce and Industry ("the Panel"), Panel on Economic Development ("EDEV Panel") and Panel on Financial Affairs ("FA Panel") to discuss the issues relating to the impact of a possible trade war between China and the United States on Hong Kong's economy. Members agreed to the suggestion of the above three Members and to invite the Financial Secretary and other Secretaries of relevant bureau to attend the joint meeting and brief members on the Administration's measures to mitigate the impact of the above on Hong Kong's economy. Members noted that the

Chairman of FA Panel raised no objection to the proposed joint meeting. The Clerk would consult the Chairman of EDEV Panel on the proposed joint meeting, and would inform members of further developments as and when necessary. Members agreed.

(*Post-meeting note*: As informed by the Clerk to EDEV Panel on 13 April 2018, Chairman of EDEV Panel agreed to hold the proposed joint meeting with the Panel and FA Panel on the above subject.)

**II. Date of next meeting and items for discussion**

(LC Paper No. CB(1)750/17-18(01) -- List of outstanding items for discussion

LC Paper No. CB(1)750/17-18(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 15 May 2018 at 2:30 pm to discuss the following items proposed by the Administration –

(a) Progress of the development of Trade Single Window and launch of Phase 1;

(b) Measures to support the Hong Kong Science and Technology Parks Corporation and the establishment of technology research clusters; and creation of an Assistant Commissioner post in the Innovation and Technology Commission; and

(c) Implementation of a technology talent admission scheme.

4. As there would be three discussion items for the next meeting, the Chairman suggested and members agreed that the duration of the next meeting be extended for 30 minutes, i.e. from 2:30 pm to 5:00 pm.

Impact of the Administration's proposal to strengthen the regulation of person-to-person telemarketing calls on the business operation of various industries

5. The Deputy Chairman suggested that the Administration be invited to discuss with the Panel the impact of the Administration's proposal to strengthen the regulation of person-to-person ("P2P") telemarketing calls on the business operation of various industries. He noted that when the Panel on Information Technology and Broadcasting ("ITB Panel") discussed the findings of the public consultation on strengthening the regulation of P2P telemarketing calls on 9 April

2018, some members of ITB Panel expressed concern about the widespread repercussions on various industries and hindrances to their business operation if a statutory do-not-call register was set up, and cast doubt on the definition of cold calls vis-à-vis warm calls. He suggested that the Administration should be invited to the Panel and discuss the impact of the above on the conduct of business by various industries, especially for small and medium enterprises. Members agreed that the issue be put in the list of outstanding items for discussion with the Administration.

## III. Proposed amendment to the Import and Export (Registration) Regulations (Cap. 60E) for setting a cap on import and export declaration charges

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| (LC Paper No. CB(1)750/17-18(03) | -- | Administration's paper on "Proposed Amendment to the Import and Export (Registration) Regulations (Cap. 60E) for Setting a Cap on Import and Export Declaration Charges" |
| LC Paper No. CB(1)750/17-18(04) | -- | Paper on Import and Export Declaration Charges prepared by the Legislative Council Secretariat (background brief)) |

Presentation by the Administration

6. At the invitation of the Chairman, Under Secretary for Commerce and Economic Development ("USCED") briefed members on the proposal as announced in the 2018-2019 Budget of setting a $200 cap on the import and export declaration ("TDEC") charges with a view to lowering the cost of importing and exporting high-value goods to and from Hong Kong. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)750/17-18(03)).

Discussion

*Proposed $200 cap on the import and export declaration charges*

7. Mr Martin LIAO supported the proposed $200 cap on TDEC charges. He enquired about the justifications for setting the proposed cap on TDEC charges at $200, and the impact of the proposed cap on trade and logistics industries and Hong Kong's economy as a whole. He noted that the main objective of TDEC charge was no longer to raise additional revenue to fund Hong Kong's trade

promotion activities and support the work of the Hong Kong Trade Development Council ("HKTDC"), which would now be allocated subvention directly from the Government. For example, a total of $250 million additional funding would be allocated to HKTDC for five financial years starting from 2018-2019 (i.e. $50 million in each financial year). In the light of the above, Mr LIAO enquired whether the Administration would consider waiving TDEC charges by way of legislative amendments. Mr WONG Ting-kwong shared a similar view.

8. USCED advised that TDEC charges provided a source of public revenue, and data collected from TDECs would be used for compiling merchandise trade statistics and figures for Gross Domestic Product of Hong Kong. Although TDEC charges constituted only a very small percentage of the trading community's business cost, the payment of charges could play a role in encouraging the traders to report accurately the values of their goods and, coupled with the penalties against under-reporting of such values, could help ensure the accuracy of the data collected via TDECs. Capping TDEC charges at $200 would lower the cost of importing and exporting high-value goods into and from Hong Kong, and enhance Hong Kong's advantage as a trading hub, in furtherance of the Government's strategic objective to develop Hong Kong into a trading, storage, logistics and distribution hub for high-value goods as announced in the 2018-2019 Budget. Setting the cap at the proposed $200 level was appropriate having balanced different considerations. The cap was expected to save the trade $458 million per year (or 48% in TDEC charges) and benefit about 900 000 TDEC cases involving goods valued above $1.644 million (about 4.5% of TDEC cases).

9. Noting that accurate trade data were vital for statistical analysis, Mr CHAN Chun-ying asked whether the Administration would consider raising the penalty to deter traders from under-reporting the values of the goods declared. USCED advised that the Administration considered the current extra charge arrangement and penalty levels appropriate, and had no plans to make adjustment for the time being.

10. In response to Mr CHAN Chun-ying's enquiry about the industries and/or types of goods (e.g. durable goods, consumer goods, daily necessities or cosmetics, etc.) which would benefit from the proposed $200 cap on TDEC charges, USCED advised that, as air imports and exports usually involved high-value goods, they were expected to benefit more from the proposed $200 cap on TDEC charges. Deputy Secretary for Commerce and Economic Development (Commerce and Industry) 2 ("DSCED(C&I)2") said that the proposed cap could cover a wide range of high-value goods and, at the Chairman's request, agreed to provide a breakdown by industry and/or type of goods of the TDEC cases which would benefit from the proposed cap on TDEC charges.

(*Post-meeting note*: The relevant information was provided in paragraph 3 and the Annex to the Administration's response dated 2 May 2018, which was circulated to members on 3 May 2018 (LC Paper No. CB(1)904/17-18(01)).)

11. In response to Dr CHIANG Lai-wan's enquiry about the policy objectives of the proposed $200 cap, USCED advised that, while the rate of TDEC charges was kept at low levels, the TDEC charges for high-value goods could still be quite substantial. To encourage the trading and logistics industry to move up the value chain, the Administration had proposed to cap TDEC charges to lower the cost of importing and exporting high-value goods into and from Hong Kong, so as to support the Government's strategic objective to develop Hong Kong as a trading, storage, logistics and distribution hub for high-value goods. USCED added that, unlike some other jurisdictions, Hong Kong as a free port did not levy tariffs, and did not levy taxes such as goods and services tax ("GST") or value-added taxes ("VAT"). As such, and TDEC was an important means for collecting trade data for statistical purposes.

12. The Deputy Chairman supported the proposal for a $200 cap on TDEC charges. He considered that the proposed cap was reasonable and would not create substantial burden on the enterprises concerned.

*Scope for waiving the import and export declaration charges*

13. Mr Christopher CHEUNG supported the proposal of setting a $200 cap on TDEC charges, which was a swift response to his question raised at the Council meeting of 7 February 2018 relaying calls from the refining and precious metals industries for reducing or waiving the TDEC charges on imports and exports of other precious metals (such as gold and silver bullions). Noting that the declaration charges on imports and exports of gold bars of 995.0 fineness or above had been exempted in Hong Kong since 2007, and that some members of the Association of Southeast Asian Nations had abolished the declaration charges on imports and exports of precious metals, Mr CHEUNG asked whether the Administration would consider waiving the declaration charges on imports and exports of other precious metals, including gold and silver bullions, so as to reduce the operating costs of the relevant trades and enhance the competitiveness of Hong Kong in the international trade of precious metals. The Deputy Chairman shared a similar view.

14. DSCED(C&I)2 advised that the Administration amended the law in 2007 to exempt the TDEC charge for the imports and exports of gold bars of 995.0 fineness or above, as an exceptional measure in view of the proposal of the

Airport Authority Hong Kong ("AA") at that time to establish a gold depository at the Hong Kong International Airport. For all other import and export items, payment of declaration charges were all along required when the traders made TDEC for their imports and exports. The rate of declaration charges had been maintained at a very low level, and the Administration had no plans to further waive the declaration charges on imports and exports of other precious metals. The Administration's proposal of setting a $200 cap on TDEC charges would also lower the declaration charges on imports and exports of these other precious metals. DSCED(C&I)2 added that Mr Christopher CHEUNG's view would be relayed to the relevant policy bureau for consideration.

15. In response to the Deputy Chairman's enquiry, DSCED(C&I)2 supplemented that a direct comparison between TDEC charges of Hong Kong and corresponding charges in other jurisdictions might not be appropriate because other jurisdictions might levy tariff on individual types of goods or other taxes on products and services such as GST or VAT. Hong Kong's rate of TDEC charges would become more competitive after the imposition of the proposed cap.

*Supporting measures*

16. The Chairman expressed support for the proposed cap on TDEC charges. He enquired about the measures to be taken to help achieve Administration's strategic objective to develop Hong Kong into a trading, storage, logistics and distribution hub for high-value goods, and to attract relevant enterprises to set up their bases in Hong Kong.

17. USCED advised that the Administration would be more proactive in strengthening and consolidating Hong Kong's competitive edge as a trading and logistics hub. The Administration would actively enhance the supporting infrastructure to increase the handling capacity of air cargo, which accounted for about 1.6 per cent of total cargo volume by weight, but 40 per cent of imports and exports by value, with a view to moving the trading and logistics industry up the value chain. In response to the Chairman's further enquiry, DSCED(C&I)2 added that AA made available in December 2017 a site of around 5.3 hectares at the South Cargo Precinct of the Airport Island to develop a modern air cargo logistics centre. The Administration was also actively considering the redevelopment of the Air Mail Centre at HKIA, which had been in operation for 20 years. The new Air Mail Centre would be equipped with modern facilities to significantly enhance its efficiency and capacity.

18. Mr WONG Ting-kwong said that although the rate of TDEC charge was kept at a low level, payment of the charge and the filling and submission of declaration forms would still constitute some burden on small and micro

enterprises. He suggested that the Administration provide facilitation services to small and micro enterprises in this regard by developing electronic trade declaration services and mobile applications for such purposes.

19. USCED advised that in order to maintain Hong Kong's competitiveness in the global business community, the Administration had been promoting a wider adoption of electronic commerce in the trading community. Currently, three service providers were engaged under the Government Electronic Trading Services ("GETS") to provide front-end services for the electronic submission and processing of a number of Business-to-Government trade-related documents (including TDECs). They also provided paper-to-electronic conversion services to traders who might not have the capability to submit trade-related documents electronically to Government.

*Implications on administrative costs*

20. In response to Dr CHIANG Lai-wan's enquiry about the rate of TDEC charge and the implications of the proposed cap on administrative costs, USCED advised that in 2016-2017, 70.3% of total TDECs were charged at or below $10, 25.2% were charged from above $10 to at or below $200 and 4.5% were charged at above $200. The proposed cap would have no implications on administrative costs.

*Implementation timetable*

21. As regards Mr Christopher CHEUNG's enquiry about the implementation timetable of the proposed cap on TDEC charges, DSCED(C&I)2 advised that in order to implement the proposed cap on TDEC charges, Cap. 60E would need to be amended. The Administration aimed to submit the amendment regulation to the Legislative Council ("LegCo") for approval in the second or third quarter of 2018.

*Summing up*

22. The Chairman concluded that members were in support of the Administration's proposal to impose a $200 cap on TDEC charges, and urged the Administration to take into account members' views and suggestions in preparing the discussion papers when submitting the amendment regulation to LegCo for consideration. In particular, the Administration should define the policy intent and strategies to achieve the policy objective of leveraging the proposed cap to attract enterprises and economic activities of the trading, storage, logistics and distribution industries to set up their bases in Hong Kong.

**IV. Proposed amendment to the United Nations Sanctions Ordinance (Cap. 537)**

(LC Paper No. CB(1)750/17-18(05) -- Administration's paper on "Proposed Amendment to the United Nations Sanctions Ordinance (Cap. 537)")

Presentation by the Administration

23. At the invitation of the Chairman, USCED briefed members on the proposed amendment to the United Nations Sanctions Ordinance (Cap. 537) ("UNSO") to enable regulations made under UNSO to implement sanctions against persons, groups, undertakings and entities, in addition to places, so as to enable the implementation of sanctions against terrorists groups as decided by the United Nations Security Council ("UNSC"). Details of the proposed amendment were set out in the Administration's paper (LC Paper No. CB(1)750/17-18(05)).

Discussion

*Risks of inadvertent contravention of UNSO*

24. Mr WONG Ting-kwong expressed support for the proposed amendment to UNSO to implement sanctions against terrorist groups to fulfill the international obligation of the People's Republic of China as a member state of the United Nations. Sharing a similar view, Ir Dr LO Wai-kwok expressed support for the legislative proposal. He enquired whether there were any terrorist activities going on in Hong Kong, and expressed concern about the risks of inadvertent contravention of UNSO by ordinary members of the public.

25. USCED advised that sanctions imposed by UNSC would mainly concern the import and export, transportation and logistics, and finance sectors and were of limited relevance to ordinary members of the public. It was unlikely that ordinary members of the public in Hong Kong would contravene the sanctions implemented under UNSO inadvertently. At this juncture, no Hong Kong residents had been designated by UNSC as persons associated with terrorist groups, and there was no cause for concern about the presence of any terrorist activities in Hong Kong.

*Measures to implement the legislative proposal*

26. Mr YIU Si-wing expressed support for the legislative proposal. He

enquired about the concrete measures to implement the legislative amendment and how the industries concerned would be informed of the latest UNSC sanctions.

27. USCED advised that the Administration would keep in view the latest UNSC sanctions and relay such information to the relevant industries in a timely manner. When UNSC sanction measures were implemented in Hong Kong, the Administration would inform the public through issuing press releases, and disseminate timely information on the scope and targets of the sanctions to the industries and stakeholders concerned through relevant bureaux and departments.

*Scope of associated individuals*

28. Mr YIU Si-wing enquired about the scope of "associated individuals" mentioned in the paper.

29. USCED advised that whether an individual was "associated" with terrorist groups would be determined by UNSC. The names of all individuals, groups, undertakings and entities associated with terrorist groups, as determined by UNSC, would be put on a sanctions list maintained by it. For example, when considering whether to allow the entry or transit through Hong Kong by certain persons, the Immigration Department would refer to the sanctions list. Any persons on the list would not be allowed to enter or transit through Hong Kong.

*Summing up*

30. The Chairman concluded that the Panel supported in principle the proposed legislative amendment to enable regulations made under UNSO to implement sanctions against persons, groups, undertakings and entities, in addition to places. He urged the Administration to take note of members' concerns when presenting the legislative proposal for approval by LegCo, in particular, those about the risks of inadvertent contravention of the UNSC sanctions by members of the public.

## V. Any other business

31. There being no other business, the meeting ended at 5:36 pm.

Council Business Division 1
Legislative Council Secretariat
13 June 2018