

立法會
Legislative Council

LC Paper No. CB(1)1166/18-19
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 16 April 2019, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon YIU Si-wing, BBS (Chairman)
Hon Alvin YEUNG (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WU Chi-wai, MH
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, 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 SHIU Ka-fai
Hon CHAN Chun-ying, JP
Hon LAU Kwok-fan, MH
- Members absent** : Hon WONG Ting-kwong, GBS, JP
Hon Steven HO Chun-yin, BBS
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, SBS, JP
- Public officers attending** : Agenda item IV
Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic
Development

Miss Eliza LEE, JP
Permanent Secretary for Commerce and
Economic Development (Commerce, Industry
and Tourism)

Ms Salina YAN, JP
Director-General of Trade and Industry

Miss Winky SO, JP
Deputy Director-General of Trade and Industry
(Multilateral Trade, Regional Cooperation &
Bilateral Trade)

Agenda item V

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

Ms Salina YAN, JP
Director-General of Trade and Industry

Ms Ophelia TSANG
Deputy Director-General of Trade and Industry
(Bilateral Trade, Controls & Industries
Support)

Ms Betty HO
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and
Industry)⁵

Ms Christine WAI
Assistant Director-General of Trade and Industry
(Industries Support)

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. Confirmation of minutes of meetings

(LC Paper No. CB(1)864/18-19 -- Minutes of meeting held on 19 February 2019)

The minutes of the meetings held on 19 February 2019 were confirmed.

II. Information papers issued since last meeting

(File Ref: CITB CR 95/53/1 -- Legislative Council Brief on United Nations Sanctions (Libya) Regulation 2019 and United Nations Sanctions (Libya) Regulation 2011 (Repeal) Regulation

File Ref: CITB CR 75/53/3 and CITB CR 102/53/1 -- Legislative Council Brief on United Nations Sanctions (Somalia) Regulation 2019, United Nations Sanctions (Somalia) Regulation (Repeal) Regulation and United Nations Sanctions (Eritrea) Regulation (Repeal) Regulation

LC Paper No. CB(1)843/18-19(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 September to 30 November 2018, and the annual report and audited financial statements of the Applied Research Council for 2018)

2. Members noted the above papers issued since the last meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)863/18-19(01) -- List of outstanding items for discussion

LC Paper No. CB(1)863/18-19(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 21 May 2019 at 2:30 pm to discuss the following items proposed by the Administration:

- (a) New measures to promote re-industrialization and the latest development of the Hong Kong Science Park and industrial estates; and
- (b) Promotion of inward investment.

(Post-meeting note: Members were informed under LC Paper No. CB(1)1046/18-19 on 14 May 2019 that the above item (a) had been revised as "New measures to promote re-industrialization" to allow sufficient time for members' discussion on the relevant financial proposals, while the part of "the latest development of the Hong Kong Science Park and Industrial Estates" had been separately scheduled for discussion at the July Panel meeting.)

IV. Hong Kong's free trade agreements

(LC Paper No. CB(1)863/18-19(03) -- Administration's paper on "Hong Kong's Free Trade Agreements"

LC Paper No. CB(1)863/18-19(04) -- Paper on Hong Kong's Free Trade Agreements and Investment Agreements and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership prepared by the Legislative Council Secretariat (background brief)

LC Paper No. CB(1)887/18-19(01) -- Administration's paper on Free Trade Agreement and Investment Agreement between Hong Kong and Australia (PowerPoint presentation material)
(Chinese version only, tabled at the meeting and subsequently issued on 16 April 2019)

Presentation by the Administration

4. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members that Hong Kong and Australia had just signed a Free Trade Agreement ("HK-Australia FTA") and an Investment Agreement ("IA") on 26 March 2019. SCED advised that the two agreements were comprehensive in scope, covering trade in goods, trade in services, investment, intellectual property, government procurement, competition and other related areas; and were modern and of a high standard. HK-Australia FTA was the fourth free trade agreement ("FTA") that the current term of Government had signed with its trading partners. With the aid of PowerPoint presentation, Deputy Director-General of Trade and Industry (Multilateral Trade, Regional Cooperation & Bilateral Trade) ("DDGTI") then briefed members on the salient points of the two agreements, details of which were set out in the Administration's papers (LC Paper Nos. CB(1)863/18-19(03) and CB(1)887/18-19(01)).

Discussion

Trade in goods

5. The Chairman noted that under HK-Australia FTA, Hong Kong and Australia had committed to eliminating all tariffs on goods originating from each other immediately upon the entry into force of the FTA, and that Australia's commitments would roughly result in an annual tariff savings for Hong Kong of about HK\$16 million. He sought details of the annual tariff savings for Australia and enquired the reasons for reaching such FTA if the annual tariff savings for both sides were not on par with each other. He also asked whether Australia had taken into consideration Hong Kong's unique position as the gateway to the Mainland market when offering Hong Kong its best treatment Australia had extended to its other FTA partners.

6. SCED replied that in terms of tariff savings, Hong Kong would, as always, have more savings than any other FTA partners since Hong Kong did not impose any tariff on import or export of goods. Goods originating from any economy could be exported to Hong Kong tariff-free with or without an FTA. That said, many economies were eager to enter into FTAs with Hong Kong because, in addition to tariff savings, FTAs served to give legal certainty to more favourable market access and treatment to one another. Against the prevailing uncertainties in the global economy, HK-Australia FTA provided enhanced transparency and predictability for trade and investment and contributed to the rules-based trading system.

7. Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) ("PSCIT") added that the FTA signed between Australia and China had entered into force in 2015. Pursuant to Article 151 of the Basic Law, Hong Kong could negotiate and forge agreements with foreign states and regions and participate in relevant international organizations in the appropriate fields on its own, the terms and conditions of which would suit Hong Kong's unique needs and circumstances and would not be the same as those of Mainland China.

Trade in services

8. Ir Dr LO Wai-kwok welcomed the signing of HK-Australia FTA and IA with Australia and was pleased to note that Australia would be committed to liberalizing full range of its arbitration, conciliation and mediation services and certain rail transport services, which Australia had not offered to its other FTA partners (except New Zealand). Ir Dr LO considered that the Administration should make good use of the preferential treatment and capitalize on the opportunities arising from the Belt and Road Initiative by promoting Hong Kong's strength in arbitration services as it would benefit different professions. He asked whether the Administration would negotiate for similar commitments in future FTAs to seek more favourable market access for Hong Kong's arbitration, conciliation and mediation services in other economies.

9. SCED advised that the Administration would continue its efforts to promote Hong Kong's arbitration, conciliation and mediation services. It was believed that Hong Kong's professional services such as legal and arbitration services could fully demonstrate their strengths in the context of the implementation of the Belt and Road Initiative which involved many cross-boundary infrastructure developments. Improvement on market access for Hong Kong's arbitration, conciliation and mediation services could be one of the target areas for FTA negotiations in the future, particularly for negotiations with economically developed countries and countries along the Belt and Road.

10. In response to the Chairman's enquiry on whether Australia had made any commitments relating to tourism and air transport services, Director-General of Trade and Industry ("DGTI") and DDGTI advised that Australia had committed to more favourable market access and treatment for air transport services, hotel services and for tourism operators.

Non-discriminatory treatment in compensation for investment losses owing to armed conflict or civil strife

11. As investment losses owing to armed conflict or civil strife were one of the

major concerns of Hong Kong's investors doing businesses overseas, Ir Dr LO Wai-kwok asked the Administration to further elaborate on the provisions in relation to the non-discriminatory treatment in compensation for investment losses owing to armed conflict or civil strife in accordance with the IA with Australia.

12. DDGTI advised that the IA had incorporated specific provisions in relation to the treatment in the case of armed conflict or civil strife. Each of the contracting parties of the IA (i.e. Hong Kong and Australia) was required to accord to investors of the other contracting party with respect to measures it adopted relating to losses suffered by investments in its area owing to armed conflict or civil strife, treatment no less favourable than that it accorded to its own investors and their investments, or to investors of any non-contracting party and their investments. In addition, if an investor of a contracting party suffered a loss in the area of the other contracting party resulting from (a) requisitioning of its investment by the latter contracting party's forces/authorities; or (b) destruction of its investment by the latter contracting party's forces/authorities which was not required by the necessity of the situation, the latter contracting party would be required to provide the investor restitution, compensation or both for that loss. Under the IA, the compensation so payable should be fully realizable and freely transferable. The contracting parties would permit all transfers relating to an investment to be made freely and without delay into and out of their respective areas.

Expanding Hong Kong's network of Free Trade Agreements

13. Noting that HK-Australia FTA was comprehensive in scope and of high standard, the Chairman enquired whether the Administration would consider signing new FTAs of high standards comparable to the one with Australia, and if so, whether the FTA negotiations would be lengthened. The Deputy Chairman urged the Administration to make use of the established trade relations between Hong Kong and its FTA partners to enhance the existing FTAs.

14. SCED replied that during the negotiations for new FTAs, the parties might make reference to the commitments made by different economies as FTAs signed were made public. It would however be desirable to develop the negotiation strategy and come up with a wishlist on a case-by-case basis to suit the needs and circumstances of the economies under negotiation. The most-favoured-nation treatment under HK-Australia FTA enabled service providers of each side to enjoy the other side's additional service commitments in its future FTAs, except for certain services specified in their respective lists of reservations. In other words, except for reservations already specified under HK-Australia FTA, Hong Kong service providers could enjoy any additional liberalization measures which Australia might offer to other economies under its future FTAs. The IA just signed between Hong Kong and Australia would improve the existing Investment

Promotion and Protection Agreement between the two parties.

15. SCED added that of the eight FTAs signed by Hong Kong, the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") had been updated most frequently. Following the signing of CEPA in 2003, the Mainland and Hong Kong had broadened and enriched the content of CEPA by signing 10 Supplements and a number of subsidiary agreements, the most recent one being the Agreement on Trade in Goods signed in December 2018.

16. Mr CHAN Chun-ying referred to the 2018 Policy Address that the Administration had been exploring an FTA with the Pacific Alliance and had planned to seek accession to the Regional Comprehensive Economic Partnership ("RCEP"). As Hong Kong's trade with the RCEP economies accounted for 74% of Hong Kong's total trade, Mr CHAN considered it important to conclude the FTA with RCEP as soon as possible and asked about the progress of such negotiations. He also enquired about the estimated time for completing the FTA negotiations with the Pacific Alliance and the trade relationship between Hong Kong and the Pacific Alliance.

17. SCED advised that upon the signing of the FTA between Hong Kong and the Association of Southeast Asian Nations ("ASEAN"), the Administration had planned to seek accession to RCEP. Further progress was however pending the conclusion of negotiations of the FTA by ASEAN with the RCEP economies. The Pacific Alliance was now focused on its ongoing negotiations with other parties, and would give consideration to the assessment of new FTA partners upon conclusion of their current negotiations.

18. PSCIT added that the four members of the Pacific Alliance, namely Chile, Colombia, Mexico and Peru, accounted for nearly 40% of the gross domestic product of Latin America and were Hong Kong's major trading partners in that part of the world. Chile, Colombia, Mexico and Peru were respectively the 34th, 45th, 22th and 49th largest trading partners of Hong Kong, accounting for 0.17%, 0.08%, 0.47% and 0.06% of Hong Kong's total trade.

19. Mr CHAN Chun-ying enquired about to what extent Hong Kong had fulfilled the standard and the requirements of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP"), which had a very extensive coverage. The Deputy Chairman considered that Hong Kong's accession to CPTPP had a symbolic meaning and would be conducive to Hong Kong's international standing. He urged the Administration to try its best to seek accession to CPTPP as soon as possible.

20. SCED said that the Administration had an open mind on the accession to

CPTPP as stated in the Administration's paper submitted to the Panel for discussion at today's meeting. The Administration would continue to forge bilateral and multilateral FTAs which would bring economic benefits to Hong Kong and on the condition that they were consistent with the World Trade Organization ("WTO") rules. As Hong Kong was widely recognized as a liberal economy, a free trade practitioner and a staunch supporter of the multilateral trading system, the Administration did not consider the symbolic value of its accession to CPTPP was essential to Hong Kong's international standing.

21. The Deputy Chairman appreciated the efforts made by the Commerce and Economic Development Bureau and the Trade and Industry Department ("TID") in concluding the FTA and the IA with Australia. He suggested that the Administration publicize the time spent and the obstacles overcome in reaching a deal with Hong Kong's FTA partners so as to facilitate the public to better understand the efforts made by the Administration in expanding Hong Kong's network of FTAs and IAs.

22. PSCIT said that the duration of FTA negotiations varied among different economies. The FTA negotiations with the 10 ASEAN Member States ("AMS") took more than three years and were more complex given the number of economies involved. The agreements with Australia, which were much more complicated in structure, took six formal rounds of negotiations and numerous intersessional exchanges to conclude, but given the intensity of the talks, the whole duration lasted for about 18 months. The outcome would depend very much on the willingness of all the concerned parties. During the recent FTA negotiations with Australia, both Hong Kong and Australia shared the aspiration of pursuing a comprehensive and high-quality FTA. The overall commitments went far beyond those undertaken by Hong Kong and Australia respectively under WTO.

23. PSCIT added that HK-Australia FTA was the fourth one signed after the current term Government took office in July 2017. Looking ahead, as Hong Kong had forged FTAs with 13 of the 16 economies of RCEP, it was hoped that the FTA negotiations with RCEP would become smoother. As for the Pacific Alliance, Hong Kong had so far forged FTA with only one of the four members.

Implementation of the Free Trade Agreement between Hong Kong and the Association of Southeast Asian Nations

24. Noting that the FTA between Hong Kong and ASEAN was signed in 2017 but had not yet entered into force, Mr Jeffrey LAM enquired about the latest implementation progress of that FTA and the responses of major stakeholders. He also asked whether the Administration had devised any quantitative indicators to evaluate the benefits brought by the FTA.

25. SCED replied that as Hong Kong and four AMS had completed their respective internal procedures for the FTA between Hong Kong and ASEAN, the FTA would come in force for these five parties on 11 June 2019 (i.e. 60 days after the completion of the procedures by the fifth party as provided in the FTA). Although the FTA had yet to come into force in 2018, Hong Kong's total trade with ASEAN, in particular Hong Kong's top five trading partners among AMS, namely Singapore, Malaysia, Thailand, Vietnam and the Philippines, that year had recorded an increase compared with 2017. The total trade with Singapore and Malaysia, even grew up to 30% over the same period. The statistics reflected that the FTA had a stimulus effect on the trading activities between Hong Kong and ASEAN. TID and the Hong Kong Trade Development Council would continue to promote to the industry the benefits and opportunities brought by the FTA and the IA. Besides, since the implementation of the enhancement measures to the Dedicated Fund on Branding, Upgrading and Domestic Sales ("BUD Fund") on 1 August 2018, TID had received a total of 289 applications under the newly launched ASEAN Programme in eight months.

26. Mr Jeffrey LAM pointed out that the industry had started relocating their manufacturing lines to Vietnam and other AMS due to the trade conflicts between China and the United States. He asked whether the Administration had any plans to study the trend and destinations for relocation and accordingly set up additional Hong Kong Economic and Trade Offices ("ETOs") in other parts of ASEAN so as to better assist Hong Kong enterprises operating in ASEAN.

27. SCED replied that Hong Kong had established up to three ETOs in each of the regions where Hong Kong's trading partners located, including three ETOs each in the United States and the European region respectively. It was considered appropriate to have three ETOs in ASEAN serving the 10 AMS.

V. Progress of the implementation and enhancements of the Dedicated Fund on Branding, Upgrading and Domestic Sales

(LC Paper No. CB(1)863/18-19(05) -- Administration's paper on "Further Enhancements to the Dedicated Fund on Branding, Upgrading and Domestic Sales"

LC Paper No. CB(1)863/18-19(06) -- Paper on the Dedicated Fund on Branding, Upgrading and Domestic Sales prepared by the Legislative Council Secretariat (updated background brief))

28. The Chairman drew members' attention to Rule 83A of the Rules of

Procedure which provided that members should not speak on a matter in which they had a direct or indirect pecuniary interest, except where they disclosed the nature of that interest.

Presentation by the Administration

29. At the invitation of the Chairman, Under Secretary for Commerce and Economic Development ("USCED") briefed members on the implementation of the enhancement measures introduced in August 2018 to the BUD Fund, and sought members' support for the further enhancement measures of the BUD Fund as proposed in the 2019-2020 Budget, including a further injection of HK\$1 billion into the BUD Fund to support local enterprises in developing new markets and diversifying risks. Details were set out in the Administration's paper (LC Paper No. CB(1)863/18-19(05)).

Discussion

Success rate of applications

30. Mr Jimmy NG declared that he was a member of the Executive General Committee of the Chinese Manufacturers' Association of Hong Kong. ("CMA"). He said that the business sector in general welcomed the proposed enhancement measures for the BUD Fund, and in particular, CMA received funding from the BUD Fund every year to organize the Brands and Products Expo in different Mainland cities to promote Hong Kong products to the Mainland market. Noting that the Trade and Industrial Organisation Support Fund ("TSF") had only approved seven applications between the period from October 2018 to March 2019, Mr NG enquired whether the Administration had looked into the reasons for the low success rate given that there should be tens of thousands of such non-profit-distributing trade and industrial organizations, professional bodies and research institutes in Hong Kong. Sharing a similar view, Mr CHAN Chun-ying enquired whether the Administration would establish a platform for applicants to share their application-related experience which would help raise the success rate of the funding applications.

31. USCED advised that sharing sessions had been organized for applicants to share information on successful and unsuccessful applications so as to enhance understanding of the requirements of successful applications. In addition, the Administration had simplified the application procedures with a view to providing more flexibility and effective support to interested enterprises, including consolidating the various application tracks and application forms under the BUD Fund. As a result, the respective success rates of the various funding schemes for enterprises had been substantially improved to over 80%. The seemingly small number of applications approved under TSF could be attributed to the fact that a

number of applications were still being processed.

32. DGTI added that generally, TID had received over 10 applications of TSF every quarter. All such applications would be considered in batches at the meetings of the Vetting Committee which would normally be held trimonthly. The seven approved applications were those which were approved at the first meeting of the Vetting Committee held after the merger of the SME Development Fund ("SDF") and the Organisation Support Programme ("OSP") under the BUD Fund in October 2018. In fact, many applications had already been approved under the former SDF and OSP prior to the merger. The average amount of funding approved per project had increased from over HK\$1 million before the merger to over HK\$2 million after the merger. With a funding ceiling for each approved project of HK\$5 million under TSF, the approved funding amount for certain applications was as high as HK\$4 million.

Cumulative funding ceilings

33. Mr CHAN Chun-ying enquired about the rationale for maintaining the proposed cumulative funding ceiling per enterprise at HK\$1 million for the Mainland Programme whereas that for the FTA Programme would be increased by 100% from HK\$1 million to HK\$2 million.

34. USCED advised that under the FTA programme, the scope of the BUD Fund would be extended from the 10 AMS to include all economies with which Hong Kong had signed FTAs (8 FTAs covering 20 economies at present). Cross-region implementation of project measures within the geographical scope of the BUD Fund would also be allowed to provide flexibility to enterprises in devising measures that best suit their business plans. For example, an enterprise with production base located in the Mainland would be allowed to submit an application under the FTA programme and would enjoy the HK\$2 million cumulative funding ceiling if it planned to develop business in the ASEAN market or any other market under the FTA programme.

Eligibility criteria

35. The Chairman sought clarification on whether promotional and advertising expenses rather than substantial investment would be eligible for subsidy under the BUD Fund.

36. USCED advised that small and medium enterprises ("SMEs") could make use of the SME Export Marketing Fund to engage in export promotion activities including advertising on online platforms. The Administration noted that some SMEs, in particular start-ups, had been facing difficulties in opening bank accounts. The Administration had been in liaison with the banking industry and the Hong

Kong Monetary Authority ("HKMA") on measures to assist SMEs in this aspect. DGTI added that promotional and advertising expenses would be eligible for funding support under the BUD Fund.

Other support to small and medium enterprises

37. The Chairman enquired whether TID had, apart from financial support, offered any assistance to SMEs in resolving the problems they encountered in relation to the opening of bank accounts.

38. DGTI advised that in order to help SMEs overcome the difficulties in opening bank accounts, TID had, in collaboration with the Small and Medium Enterprises Committee, engaged HKMA and the banking industry through direct dialogue. HKMA had issued a circular to local banks emphasizing the need to adopt a "risk-based" rather than a "zero failure" approach in account-opening procedures, and to apply customer due diligence in a balanced manner.

Justifications for the further injection

39. The Chairman enquired whether the BUD Fund grantees would be required to meet certain quantitative performance requirements, and whether the Administration had compiled any data on the contributions of the BUD Fund to the economy or employment situation of Hong Kong in support of the further injection of HK\$1 billion into the BUD Fund.

40. USCED advised that according to the results of the project completion surveys and annual tracking surveys, an overwhelming majority (99%) of the responded grantees considered the BUD Fund useful in supporting their business development. The grantees generally considered that the funded projects had helped them in various areas such as recruitment and expanding their markets.

41. DGTI added that according to the results of the surveys up to March 2019, under the Mainland Programme, over 60% of the responded grantees indicated that they had hired new staff in Hong Kong or the Mainland during the project period, reflecting that the BUD Fund had contributed to increasing economic activities and employment opportunities. The grantees generally considered that the funded projects had enhanced their sales turnover and the awareness of their brands/products/services, including in the Guangdong-Hong Kong-Macao Greater Bay Area. Around 70% of the responded grantees indicated that the Fund was useful to the development of other industry sectors in Hong Kong.

42. The Chairman suggested that the Administration should provide more quantitative data on the contributions of the BUD Fund to the economy and/or employment situation of Hong Kong to substantiate the current financial proposals

when the proposals were to be discussed at the Finance Committee.

Summing up

43. The Chairman concluded that the Panel supported in principle the Administration's financial proposals on the further enhancement measures in the BUD Fund as proposed in the 2019-2020 Budget, which included a further injection of HK\$1 billion into the BUD Fund.

VI. Any other business

44. There being no other business, the meeting ended at 3:45 pm.

Council Business Division 1
Legislative Council Secretariat
19 June 2019