

LCQ1: Impacts on Hong Kong of report by United States-China Economic and Security Review Commission

Following is a question by the Hon Wu Chi-wai and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (December 5):

Question:

The United States-China Economic and Security Review Commission, created by the United States (US) Congress, has alleged in a report published last month that the Central Authorities have been running counter to the promise of implementing "one country, two systems" and "a high degree of autonomy" in the Hong Kong Special Administrative Region (SAR). The Commission has therefore recommended that the Congress direct the Department of Commerce and other relevant government agencies to prepare a report to examine and assess the adequacy of the US export control policy for dual-use technology as it relates to the treatment of Hong Kong and China as two customs areas. Moreover, it has been reported that the Mainland authorities are building a nationwide video surveillance network called "Skynet", and some countries in Europe and America have recently ceased issuing licences for exporting components critical for the network to Hong Kong for re-export to the Mainland. In this connection, will the Government inform this Council:

(1) whether it has gained an understanding if the coverage of the aforesaid dual-use technology includes the items listed in the two lists as set out in Schedule 1 to the Import and Export (Strategic Commodities) Regulations, components related to Skynet, as well as the software and data necessary for the development of a smart city;

(2) whether it has assessed, in the event that the US authorities tighten the control on export to Hong Kong, cease to treat Hong Kong as a separate customs area or repeal the Hong Kong Policy Act, the impacts of these three changes of different levels on Hong Kong in those aspects such as its development of innovation and technology as well as into a smart city, and the immigration treatments for Hong Kong residents when entering the US for visits or studies; of the Government's measures to mitigate such impacts; and

(3) whether it will request the Central People's Government to once again instruct the offices set up in Hong Kong by the Central Authorities to strictly comply with the stipulation that they may not interfere in the affairs which SAR administers on its own as provided under Article 22 of the Basic Law, with a view to making the US authorities believe that the Central Authorities have all along honoured its promise of implementing "one country, two systems" and "a high degree of autonomy" in SAR, and thus continue to treat Hong Kong as a separate customs area, such that Hong Kong can leverage

its distinctive edge in the Guangdong-Hong Kong-Macao Bay Area which has a condition of "one country, two systems and three customs areas"?

Reply:

President,

Thank you for the question raised by the Hon Wu Chi-wai. Since the return to the Motherland, the Hong Kong Special Administrative Region (HKSAR) has been exercising "Hong Kong people administering Hong Kong" and a high degree of autonomy in strict accordance with the Basic Law. The "one country, two systems" principle has been fully and successfully implemented.

Article 116 of the Basic Law provides that the HKSAR is a separate customs territory. Pursuant to Article 151 of the Basic Law, Hong Kong may, using the name "Hong Kong, China", participate in international organisations, such as the World Trade Organization (WTO) and the Asia-Pacific Economic Cooperation, as a separate member and maintain economic and trade relationships with the other 163 members of the WTO. Hong Kong's unique status and advantages under the "one country, two systems", a right conferred to the SAR by the Motherland through the Basic Law, have all along been widely recognised and respected by the international community, allowing Hong Kong to establish mutually beneficial collaboration relationship with economies around the world at bilateral and multilateral international trade and economic levels. Following the forging of a free trade agreement (FTA) and an investment agreement between Hong Kong and the 10 Member States of the Association of Southeast Asian Nations last November, the recent conclusion of our negotiations on an FTA and an investment agreement with Australia on November 15 this year is another testimony of the successful implementation of "one country, two systems".

Through substantive bilateral relations, officials' mutual visits and participation in international conferences, as well as the efforts of the overseas Economic and Trade Offices, the HKSAR Government has been explaining to countries around the world the successful implementation of the "one country, two systems" since our return to the Motherland, promoting Hong Kong's unique status under the Basic Law and "one country, two systems" as well as our own various advantages, and exploring room for mutual collaboration. For example, I led a delegation to visit Washington DC, the United States (US) this September, during which I met with the US government officials, members of the Congress, think tanks as well as the business community, and explained clearly Hong Kong's unique status under the Basic Law, as well as Hong Kong's important role in helping our global trading partners in developing markets.

The United States-China Economic and Security Review Commission (USCC) mentioned in the Hon Wu's question is appointed by the bipartisan leaders of the US Congress and does not comprise members of the US Congress. As its name suggests, the aim of the USCC is to monitor and investigate on the national security implications of the bilateral trade and economic relationship between the US and China. The USCC has been submitting annual reports to the

US Congress since 2000. As I understand, the USCC report is not a report by the Congress or the US Administration. Its contents do not reflect the position of the US Congress or the US Administration but the views of the USCC members who are not members of the Congress.

In addition to comments on US-China relations, the USCC report published last month also mentions the situation in Hong Kong. In respect of the paragraph on trade control, the Commission points out that Hong Kong is an important partner of the US in ensuring robust protection against unauthorised shipments of controlled US items to the Mainland. Indeed, Hong Kong has always been enforcing import and export trade controls according to the laws of Hong Kong, and such efforts have been recognised and respected by our trading partners. Hong Kong will continue to maintain our robust trade control system in accordance with the law and continue to work closely with the US and other trading partners.

Hong Kong's trade and economic relationship with the US is mutually beneficial. Since Hong Kong's return to the Motherland, the US has continued to maintain and expand economic and trade ties with Hong Kong based on our unique status.

Counting on the basis of individual economies, in 2017 the US was Hong Kong's second largest merchandise trading partner in the world, while Hong Kong was the US' ninth largest export market. According to US statistics, the US has been enjoying the highest trade surplus with Hong Kong among its global trading partners, valued at US\$34.5 billion in 2017. I firmly believe that it is in the US and Hong Kong's mutual interest to maintain and promote our bilateral relations. The HKSAR Government will continue to enhance Hong Kong's economic and trade ties with the US.

President, I must stress that Hong Kong implements "one country, two systems" in accordance with the Basic Law in order to safeguard the rights of our country and the SAR. It is also the important cornerstone of the successful economic and trade development in the SAR since our return to the Motherland. The HKSAR Government will, as always, respect, abide by and uphold "one country, two systems".

Thank you President.