

## LCQ17: US policy towards Hong Kong

Following is a question by the Hon Wu Chi-wai and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 10):

Question:

On the 28th of last month, the National People's Congress decided that its Standing Committee be entrusted to formulate laws relating to establishing and improving the legal system and enforcement mechanisms for the Hong Kong Special Administrative Region (HKSAR) to safeguard national security. The Department of State of the United States (US) forthwith submitted a report to the US Congress stating that as the HKSAR had failed to maintain a high degree of autonomy, it did not warrant special treatment. The US President then announced the commencement of the process for revoking the special treatment for Hong Kong, e.g. statuses as a separate customs territory and as a separate travel territory, and exemptions from the US export controls on dual-use technologies. In this connection, will the Government inform this Council:

- (1) of the quantities and values of those high technology products which were exempted from the US export controls and imported from the US to the HKSAR in each of the past three years, with a tabulated breakdown by type of product; whether it has assessed, among such products, which types of products will require export licences in future before they may be imported into HKSAR;
- (2) whether the Government and the relevant public organisations (including the Hong Kong Science and Technology Parks Corporation and Hong Kong Cyberport Management Company Limited) have assessed the impacts of the US authorities' revocation of the exemptions granted to the HKSAR regarding technologies export controls on the development of the local innovation and technology industry, and what corresponding measures will be put in place;
- (3) whether it has assessed the impacts of the US authorities' revocation of HKSAR's statuses as a separate customs territory and as a separate travel territory on (i) the import, export and re-export trade of the HKSAR, and (ii) HKSAR residents' application for US visas;
- (4) whether it has assessed the impacts of the US authorities' revocation of the special treatment for the HKSAR on Hong Kong's overall economy, and what corresponding measures the Government will put in place; and
- (5) as the Ministry of Foreign Affairs has indicated earlier that if countries such as the US and the United Kingdom impose sanctions or other measures on the HKSAR, China will take all necessary countermeasures, whether the HKSAR Government (i) knows the details of such countermeasures, (ii) has to take actions to dovetail with the implementation of such countermeasures, and (iii) has assessed the impacts of such countermeasures on Hong Kong?

Reply:

President,

Having consulted the Innovation and Technology Bureau (ITB), our consolidated response to the question is as follows:

The US has gained much from the economic and trade activities with Hong Kong. In 2019, the total merchandise trade between Hong Kong and the US stood at HK\$517 billion (i.e. 6.2 per cent of Hong Kong's total merchandise trade), whereas Hong Kong's domestic exports to the US was HK\$3.7 billion, accounting for less than 2 per cent of local manufacturing output and less than 0.1 per cent of Hong Kong's total exports. But on the other hand, over the past decade (from 2010 to 2019), the aggregate merchandise trade surplus the US enjoyed over Hong Kong reached around US\$310 billion. In 2019 alone, the US enjoyed a merchandise trade surplus of over US\$26 billion with Hong Kong, the highest among its trading partners.

While the US said it would change its policy towards Hong Kong, we need to examine its actual actions before we can make a substantive assessment. Generally speaking, if the US is to take any unilateral actions, while the associated uncertainties may cause some disturbances to business sentiment in the near term, the Hong Kong economy, with its resilience and sound fundamentals, including the rule of law, an independent judiciary, free and open trade policies and a level-playing field, will be able to overcome the challenges and remain on track for sustainable development.

In recent years, the Government and the industry and commercial sectors have been doubling efforts in diversifying markets, including focusing more on the fast-growing Association of Southeast Asian Nations (ASEAN) economies, which taken as a whole is Hong Kong's second largest trading partner, and economies along the Belt and Road. Further to the Mainland and Hong Kong Closer Economic Partnership Arrangement, Hong Kong has signed seven free trade agreements (FTAs) with different economies, including New Zealand, the Member States of the European Free Trade Association, Chile, Macao, ASEAN, Georgia, and Australia. Since January 2020, the geographical scope coverage of the Dedicated Fund on Branding, Upgrading and Domestic Sales has been extended from the Mainland and ASEAN to cover other economies with which Hong Kong has signed FTAs, so as to provide funding support to Hong Kong enterprises in developing these markets. The Government will continue to expand the FTA network with a view to securing favourable conditions for Hong Kong's goods and services to enter other markets.

In respect of strategic commodities, according to the statistics published by the US Department of Commerce's Bureau of Industry and Security (BIS), US exports which are subject to export control and shipped to Hong Kong under BIS Licence Exception were about US\$400 to 500 million per year in 2016, 2017, and 2018, and they were mainly telecommunications and information security products and electronics. The impacts of these products in obtaining the US export authorisation will depend on the export control measures

eventually taken by the US Government. ITB assesses that while any policy changes may have certain impact on related industries in the short term, the impact on the long-term development of Hong Kong's innovation and technology (I&T) would be relatively limited. In recent years, various I&T stakeholders in Hong Kong have been sourcing equipment and technology products from around the world, or developing related products and technologies locally. Hence, any policies adopted by individual regions should not have material impact on Hong Kong's I&T development.