

LCQ3: Uncertain prospects faced by import and export trade

Following is a question by the Hon Jimmy Ng and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 2):

Question:

Quite a number of Hong Kong businessmen have relayed that under a backdrop of the incessant conflicts on various fronts such as ideology and trade between China and western countries in recent years, the United States (US) have made a new requirement that goods imported from Hong Kong may no longer use "Made in Hong Kong" as the origin marking, and western enterprises have launched a campaign to boycott Xinjiang cotton, resulting in uncertain prospects faced by Hong Kong's import and export trade. In this connection, will the Government inform this Council:

(1) as the Government instituted in October last year the dispute settlement procedures of the World Trade Organization in respect of US' implementation of the aforesaid new requirement on origin marking, of the relevant progress; whether it has formulated corresponding plans to assist Hong Kong businessmen in coping with the situation where the outcome of the dispute adjudication is unfavourable to Hong Kong;

(2) as the complex and volatile international trade relations have resulted in Hong Kong businessmen not knowing what course to take, of the Government's new measures to help Hong Kong businessmen adapt to the new situations; and

(3) whether it will relay to the Central Authorities the concerns of Hong Kong businessmen, and seek the establishment of a standing mechanism for assisting Hong Kong businessmen in coping with disputes and uncertainties in international trade; if it will, of the details; if not, the reasons for that?

Reply:

President,

Thank you for the questions raised by the Hon Jimmy Ng. My consolidated reply to the three parts of the question is as follows:

Under "one country, two systems", the Basic Law confers to Hong Kong Special Administrative Region (HKSAR) a special status. Pursuant to the Basic Law, the Hong Kong Special Administrative Region is a separate customs territory and may, using the name "Hong Kong, China", participate in international organisations such as the World Trade Organization (WTO) and Asia-Pacific Economic Cooperation as a separate member. Hong Kong's special

status has been widely recognised and respected by the international community. Being a founding member of the WTO, Hong Kong's economic and trade status is on par with that of other WTO members, it will not be affected by the actions of an individual country, nor granted or revocable by an individual country unilaterally.

The United States (US) has imposed a new requirement on the origin marking of all products exported from Hong Kong to the US since November last year. This discriminates against goods of Hong Kong origin and attempts to weaken Hong Kong's status as a separate customs territory. It is also blatantly inconsistent with multiple WTO agreements. In accordance with the rules and spirit of the WTO, the HKSAR Government has been raising objection with justifications and fully safeguarding Hong Kong's interests.

We have also brought the dispute with the US to the WTO agenda. In February 2021, at Hong Kong's request, the WTO Dispute Settlement Body established a panel to consider the dispute raised by Hong Kong with respect to the violation of WTO rules by the US' requirement. Hong Kong filed the first written submission last Friday (May 28) according to procedures, setting out in detail to the panel Hong Kong's position and justifications, and explaining that the US' requirement unlawfully discriminates against goods of Hong Kong origin, and is inconsistent with multiple WTO covered agreements, including the Agreement on Rules of Origin, the Agreement on Technical Barriers to Trade, and the General Agreement on Tariffs and Trade 1994. We understand that a WTO panel would in general require six to nine months to consider a dispute and issue its findings. We will continue to participate in the process and we look forward to a fair and reasonable result.

In respect of the US' origin marking requirement and China-US trade conflict, the HKSAR Government has been maintaining close communication with our business community, in particular through local chambers of commerce, of which some are represented by the Hon Jimmy Ng, and members of the Trade and Industry Advisory Board, to understand and analyse the impact of the US' requirement on Hong Kong's economy and trade, to review the situation and formulate response.

To assist Hong Kong enterprises to develop markets and to reduce various uncertainties in external trade, the HKSAR Government has been establishing and maintaining close and stable economic and trade relations with trading partners in the world. In the past four years, Hong Kong has signed four free trade agreements (FTAs) with 13 economies, doubling the number of FTAs signed to eight, and increasing significantly the number of economies covered to 20. In the past four years, Hong Kong has also signed four investment agreements with 13 overseas economies, bringing the total number of investment agreements signed to 22 with 31 overseas economies. These agreements provide Hong Kong enterprises and investors with legal certainty and more favourable market access. It has been proven that these agreements have created more business opportunities for Hong Kong and enhanced further trade and investment flows. Despite the challenges brought by the epidemic, Hong Kong's foreign trade, in particular trade with partners with which we have signed

agreements, has been rising instead of falling, recording relatively significant growth.

In view of the rise of trade protectionism in recent years, we all the more value the certainty and protection for free trade that regional trade agreements offer. Among them, the Regional Comprehensive Economic Partnership (RCEP) signed in November last year was an important milestone for international economy and trade. The HKSAR Government has all along been striving to join the agreement early in order to strengthen the trade and investment ties between Hong Kong and member economies in the region and open up bigger and more stable markets in the region for the trade.

In addition to expanding overseas market, Hong Kong also attaches great importance to grasping the opportunities in the enormous Mainland market. Under the economic development of the National 14th Five-Year Plan and dual circulation development pattern, Hong Kong will not only further strengthen its role as a connection platform between the country and the rest of the world in the international circulation, but also focus on developing the Mainland market and assisting Hong Kong enterprises to grasp the opportunities brought by the country's domestic circulation strategy, in particular the enormous business opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). In this regard, the Government has provided additional funding to the Hong Kong Trade Development Council (HKTDC) for rolling out a range of measures, including the launch of a one-stop "GoGBA" digital platform and the establishment of the "HKTDC GBA Centre" in Shenzhen.

Based on the support throughout the years for small and medium-sized enterprises to expand externally, the Government will also launch a series of enhancement measures for the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) starting from July this year, including increasing the cumulative funding ceiling per enterprise and extending the geographical coverage, to support enterprises in developing more diversified markets. We have allocated \$1 billion from the Anti-epidemic Fund to support the convention and exhibition industry. When the epidemic situation improves and the convention and exhibition industry resumes, the subsidy will assist the trade to continue to develop business and strengthen marketing.

The HKSAR Government will continue to maintain close contacts and communication in the coming times with the Hong Kong business community to tackle all the challenges, including those arising from the trade disputes.