

**For information
on 18 June 2013**

Panel on Commerce and Industry

Economic and Trade relations between the Mainland and Hong Kong

Purpose

This paper briefs Members on the latest developments of the economic and trade relations between the Mainland and Hong Kong.

Background

2. Hong Kong maintains a very close economic and trade relationship with the Mainland. The Mainland is Hong Kong's largest trading partner. The value of merchandise trade between the two places was HK\$3,698.6 billion in 2012, accounting for 50.3% of the total merchandise trade value of Hong Kong during the same period. Hong Kong has been an important entrepot for the Mainland's merchandise. In 2012, the value of goods re-exported through Hong Kong to the Mainland was HK\$1,831.7 billion¹, while the value of Mainland goods re-exported through Hong Kong to other parts of the world amounted to HK\$1,207.3 billion. On the other hand, Hong Kong ranks second among the trading partners of the Mainland, after the US. In terms of investment, Hong Kong is the Mainland's largest source of realised direct foreign investment, accounting for 46.3% of the national total as at the end of 2012, with a cumulative value of realised direct investment at HK\$4,590.7 billion. At the same time, the Mainland is Hong Kong's biggest external investor. At the end of 2011², inward direct investment from the Mainland amounted to HK\$3,042.8 billion, accounting for

¹ Including goods originating from and re-exported back to the Mainland, and goods originated from other parts of the world and re-exported to the Mainland.

² In December every year, the Census and Statistics Department will release the statistical data on inward direct investment of Hong Kong for the previous year. The figures in 2012 will only be released by end of 2013.

36.3% of our total stock of inward direct foreign investment.³

National Five-Year Plan

3. Promulgated in March 2011, the National 12th Five-Year Plan has highlighted the Central Government's support to Hong Kong in various areas under the "One Country, Two Systems" principle, including consolidating and upgrading Hong Kong's status as an international centre for financial services, trade and shipping; nurturing emerging industries and developing industries which Hong Kong enjoys clear advantages; deepening economic co-operation between the Mainland and Hong Kong through continuing the implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement; and confirming the significant functions and positioning of Hong Kong's co-operation with Guangdong. The Central Government subsequently announced more than 30 policies and measures to support Hong Kong's further development and deepen co-operation between the Mainland and Hong Kong, including further opening up trade in services to Hong Kong; striving to basically achieve full liberalisation of trade in services to Hong Kong by the end of the 12th Five-Year Plan period; and supporting Hong Kong's active participation in multilateral and regional economic co-operation.

4. Implementation of the National 12th Five-Year Plan is a key area of work of the HKSAR Government. To consolidate and enhance Hong Kong's competitive edges and to enable us to make concrete contribution to the social and economic development of the Mainland, the Steering Committee on Co-operation with the Mainland chaired by the Chief Secretary for Administration will continue to provide the steer and follow up with the relevant policy bureaux on the implementation of the various support policy measures.

5. Under the "One Country, Two Systems" principle, the HKSAR Government will participate proactively in the development plans of our country. We have commenced early preparatory work to complement the preparation of the National 13th Five-Year Plan, so as to grasp the

³ The sources of the trade and investment information of the Mainland and Hong Kong include the websites of / information from the Census and Statistics Department, as well as the Ministry of Commerce and the General Administration of Customs of the Mainland.

opportunities brought about by the development of our country, with a view to expanding the economic hinterland of Hong Kong.

Key Areas of Economic and Trade Relations between the Mainland and Hong Kong

6. The economic and trade relations between the Mainland and Hong Kong cover a wide range of areas, including the Mainland and Hong Kong Closer Economic Partnership Arrangement; the restructuring and upgrading and the development of domestic sales of Hong Kong enterprises in the Mainland; promotion of investment; customs clearance of goods; innovation and technology and e-business; intellectual property rights; creative industries; and tourism, etc.

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

7. CEPA was signed between the Mainland and Hong Kong in 2003. Since then, nine supplements to CEPA have been concluded. By now, there are more than 1 750 Hong Kong origin products that can enjoy zero tariff on importation to the Mainland. Including the measures in Supplement IX which was signed in June 2012, a total of 338 measures have been announced in 48 service sectors under CEPA. Hong Kong service suppliers can now enjoy preferential treatment in 48 service sectors in the Mainland market, in the forms of relaxation in equity share restrictions, as well as relaxation in restrictions over geographical location and business scope, etc. There are a number of early and pilot measures under CEPA for implementation in individual provinces and municipalities (including Guangdong, Beijing and Shanghai, etc.), encompassing various sectors including construction, insurance and tourism.

8. We will continue to maintain close co-operation with the Mainland to strengthen the promotion and effective implementation of CEPA. The HKSAR Government and the Mainland authorities at both central and provincial levels co-organise CEPA forums from time to time with a view to deepening the trade's understanding on CEPA and promoting the effective implementation of CEPA. In 2013, we organised sector-specific seminars in Hong Kong. For example, the Hong Kong Council for Testing and Certification, Trade and Industry Department (TID), Hong Kong Accreditation Service and Hong Kong Productivity Council (HKPC) jointly organised a sector-specific CEPA

seminar and invited Mainland officials to introduce the relevant liberalisation measures and implementation arrangements. During the “Hong Kong Week” held in Xiamen of Fujian Province by our office in the Mainland, we also co-organised a CEPA seminar with the relevant Mainland authorities, and invited Mainland officials to introduce the latest situation relating to the implementation of CEPA measures in the province.

9. The HKSAR Government will, taking into account the needs of the trade, further the liberalisation of trade in services and expand the scope of co-operation through CEPA, with a view to promoting the sustainable development of the two economies. We will also continue to maintain close liaison with the trade in order to understand their concerns, actively follow up on the problems encountered by the trade in using CEPA benefits, and through the new Joint Working Group help those sectors which have encountered relatively more CEPA implementation problems in individual provinces or municipalities.

Assisting Hong Kong-funded enterprises in restructuring and upgrading their business and exploring domestic sales in the Mainland

10. To capitalise on the opportunities arising from the National 12th Five-Year Plan and contribute to the long-term development of the Hong Kong economy, the HKSAR Government encourages Hong Kong enterprises to enhance their competitiveness and develop their business in the Mainland through developing brands, upgrading and restructuring their operations and promoting domestic sales in the Mainland.

11. The HKSAR Government has been maintaining close dialogue with the trade through the Task Force to Support the Processing Trade and other channels, so as to understand the trade’s concerns and views regarding their operations in the Mainland; and maintaining close liaison with the Mainland authorities at various levels (including through the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade) to relay to them the trade’s views and to discuss with them measures to support the trade. The TID and our offices in the Mainland also disseminate information to Hong Kong enterprises by means of circulars and newsletters, and organise activities such as symposiums and seminars so as to enhance the trade’s understanding of the Mainland’s latest policies, regulations and business environment.

12. We provide Hong Kong enterprises with support services on

technological upgrading, management improvement, branding and market development, etc., as well as Mainland market information through the Hong Kong Trade Development Council (TDC) and HKPC, etc. The TDC also organises promotional activities and trade fairs, as well as delegations to visit the Mainland, with a view to enhancing the trade's understanding of the latest policies and market development of the Mainland.

13. With regard to financial support, we assist small and medium enterprises (SMEs) through the on-going "SME Funding Schemes" in areas such as market promotion, acquisition of equipment, upgrading of operational and technical skills, and business restructuring or relocation. We also introduced the \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales on 25 June 2012, which comprises the "Enterprise Support Programme" (the "ESP") and the "Organisation Support Programme" (the "OSP"), to provide funding support to eligible Hong Kong enterprises and non-profit-distributing organisations (e.g. trade and industrial organisations, professional bodies or research institutes), so as to assist enterprises in enhancing their competitiveness and furthering their business development in the Mainland. As at the end of May 2013, we have processed the first three batches of applications, comprising 519 applications under the ESP and 54 applications under the OSP, amongst which 123 applications were approved, with a total funding amount of \$114.77 million.

14. Our offices in the Mainland also collaborate with trade associations and other organisations to organise "Hong Kong Week" promotional events in the Mainland to promote Hong Kong products and services and to assist Hong Kong enterprises in building up their brand image and exploring the domestic market. The latest "Hong Kong Week" event was held in Xiamen of Fujian Province from end April to early May 2013.

15. To offer platforms for Hong Kong enterprises, especially SMEs, to showcase their products and to build up greater awareness of Hong Kong brands in the Mainland, the TDC will set up more Design Gallery shops in Mainland cities other than Beijing and Guangzhou. "Shops-in-shop" located in department stores in Shanghai and Wuhan were opened in March and April 2013 respectively. It is expected that eight more "shops-in-shop" will be opened in Beijing, Wuhan, Shenyang and Harbin from September 2013 to early 2014. Design Gallery shops located in Qingdao and Chengdu are expected to open in August 2013 and mid 2014 respectively.

Promotion of investment

16. InvestHK will continue to strengthen its investment promotion efforts in the Mainland and will work closely with the Ministry of Commerce and the Commercial Office, Economic Affairs Department of the Liaison Office of the Central People's Government in the HKSAR in organising more seminars in the high-growth cities in the Mainland. Since January 2013, InvestHK has organised investment promotion seminars in Zhengzhou, Wuxi, Tianjin, Xiamen, Wuhan, Haikou and Nanning. InvestHK plans to organise investment promotion activities in cities including Beijing, Guangzhou, Guiyang, Changchun, Dalian, Harbin and Changsha to introduce the business advantages of Hong Kong, and highlight Hong Kong as an ideal platform for Mainland companies to go global.

17. Apart from organising seminars in the Mainland, InvestHK organised a “Going Global” seminar in Hong Kong in collaboration with the Ministry of Commerce, the Commercial Office, Economic Affairs Department of the Liaison Office of the Central People’s Government in the HKSAR, as well as the Consulates of UK, US, Australia, Canada and New Zealand in August 2012, to highlight the advantages of setting up businesses in Hong Kong and promote Hong Kong’s role as a platform for Mainland companies to expand their overseas market. The seminar provided networking opportunities for Mainland and Hong Kong companies, and enabled Mainland companies to understand how they could make use of Hong Kong’s well-developed service industries and rich international marketing experience to enhance their competitiveness in exploring the overseas market.

18. InvestHK also works closely with other organisations in Hong Kong, such as the TDC, in participating in various forums and trade fairs held in the Mainland. These include the Central China Investment and Trade Expo in Zhengzhou of Henan Province and the China (Beijing) International Fair for Trade in Services in Beijing held in May 2013, as well as the China International Fair for Investment & Trade in Xiamen and the Pan-Pearl River Delta Region Co-operation and Development Forum in Guiyang to be held in September 2013, so as to promote the business environment of Hong Kong as well as the services provided by InvestHK.

19. Since 2002, InvestHK has been conducting joint investment promotion seminars in key overseas markets in collaboration with

Guangdong province and its cities to promote the combined advantages offered by Hong Kong and the Mainland, in particular the Pearl River Delta Region. In 2013, InvestHK plans to organise joint overseas promotion seminars in partnership with Zhaoqing in Taipei, Guangzhou in Auckland, Fujian in Vladivostok, and Guangdong in Berlin.

20. InvestHK will also organise seminars in Hong Kong this year, in order to provide networking opportunities between companies in the Mainland and in Hong Kong, with the objective of encouraging more Mainland companies to leverage on Hong Kong's well-developed service industries and rich international marketing experience to enhance their capabilities in going global.

Customs clearance of goods

21. To promote Hong Kong's competitiveness in cargo flow, the Customs and Excise Department (C&ED) has been pursuing various facilitation measures. The electronic Road Cargo System (ROCARS) has been fully implemented since November 2011 to enable seamless clearance of road cargoes to and from Guangdong⁴. For ROCARS users, the C&ED also introduced the Intermodal Transshipment Facilitation Scheme (ITFS) whereby eligible cargoes with specified equipment⁵ would only be subject to customs inspection (if selected) at the entry or exit points when they pass through Hong Kong. Since November 2012, the C&ED and Guangdong authorities have rolled out a pilot scheme of linking the ITFS with similar arrangements among customs areas within Guangdong Province. In that way, goods shipped through Hong Kong can reach their destinations in the Guangdong Province or ports in Hong Kong non-stop. The two sides will review the operation of the pilot scheme.

22. For other goods, the customs authorities of Hong Kong and Guangdong have all along been co-operating closely in facilitating their clearance. The two sides make reference to the inspection outcome of each other as appropriate. This reduces duplicated examination on the same shipment, and increases the speed of cargo flow. In 2011, this

⁴ With the implementation of ROCARS, all immigration and goods clearance procedures can be completed at the inspection kiosks jointly operated by the Immigration Department and the C&ED. Clearance is much more efficient and takes only 20 seconds. ROCARS also enables risk assessment for the goods in advance, strengthening the C&ED's enforcement capability.

⁵ The equipment includes global positioning system and electronic lock.

arrangement was expanded to cover 88 customs control premises⁶ and all river ports in the Guangdong Province. The arrangement has been running smoothly so far. The customs authorities of both sides will constantly review if there is any need to further streamline the operational flow.

Innovation and technology and e-business

23. Hong Kong will continue to strengthen collaboration with the Mainland in the area of science and technology to enable better synergy between Hong Kong's science and technology sector and the national innovation system. The Ministry of Science and Technology approved the setting up of a Hong Kong branch of the Chinese National Engineering and Research Centre (CNERC) in June 2012, where the Hong Kong Applied Science and Technology Research Institute partnered with the Southeast University in Nanjing. Starting from 2013-14, funding support up to a ceiling of \$5 million each year, initially for three years, will be provided to each Hong Kong Branch of CNERC to enhance their research and development capabilities and collaboration with the Mainland. On Guangdong/Hong Kong collaboration, Hong Kong Science Park signed a memorandum of understanding on co-operation with the Government of the Nanhai district in Foshan in February 2012 to promote science and technology co-operation and co-development of international emerging industry clusters. With regard to Shenzhen/Hong Kong collaboration, the two sides signed the "Intent on Co-operation in Innovation and Entrepreneurship Base for the Youth in Shenzhen and Hong Kong" at the Hong Kong/Shenzhen Co-operation Meeting held in January 2013. The Shenzhen side is following up on the setting up of the base, and the Hong Kong side will facilitate the promotion of the base in Hong Kong, so as to strengthen the exchange and cooperation of youth on both sides and seize the opportunities under the National 12th Five-Year Plan, with a view to actively promoting the development of information technology and development of innovative ideas on the two sides.

24. With regard to information technology, the Office of the Government Chief Information Officer (OGCIO) co-operates with the Mainland in the three areas of "Mutual Recognition of Electronic

⁶ Customs control premises include ports, vehicle inspection yards, customs inspection yards in Free Trade Zones, river trade terminals, logistic centres, and express cargo supervision centres, etc.

Signature Certificates issued by Hong Kong and Guangdong” (“Mutual Recognition”), technology collaboration and technology exchanges.

25. The pilot projects of “Mutual Recognition” under CEPA and the Framework Agreement on Hong Kong/Guangdong Co-operation are in progress. With reference to the experience gained from the pilot projects and the result of consultancy studies, the “Guangdong-Hong Kong Working Group on Pilot Applications of Mutual Recognition of Electronic Signature Certificates”⁷ established the “Arrangement for Mutual Recognition of Electronic Signature Certificates Issued by Hong Kong and Guangdong” and made this a standing arrangement with its announcement in August 2012. Recognised certification authorities in the two places can apply to issue electronic signature certificates with mutual recognition status. The Mutual Recognition of Electronic Signature Certificates issued by Hong Kong and Guangdong will help enhance the security and reliability of electronic information exchange between Hong Kong and Guangdong. This can further the development of secure e-commerce and cross-boundary trade.

26. On technology collaboration, the HKSAR Government encourages Hong Kong experts and industry members to collaborate closely with the Mainland and contribute to the development of cloud computing service specifications and standards when opportunity arises. In July 2012, the OGCIO and the Economic and Information Commission of Guangdong Province (GDEI) jointly established the “Hong Kong/Guangdong Expert Committee on Cloud Computing Services and Standards”, so as to promote the adoption and development of cloud computing services and standards, as well as to nurture cloud computing talents of the two places. In addition, Cyberport has joined the Guangdong Cloud Computing Industry Alliance, which seeks to unite the industry, academia, research institutes and end-users for promoting exchanges among stakeholders in the cloud computing industry chain in the Guangdong Province, researches in core technologies, and formulation of industry standards, and provides industry application solutions and technology consulting services.

27. Regarding technology exchanges, the HKSAR Government collaborates with the Ministry of Industry and Information Technology

⁷ The tripartite “Guangdong-Hong Kong Working Group on Pilot Applications of Mutual Recognition of Electronic Signature Certificates” was established under CEPA by the Ministry of Industry and Information Technology, the Department of Information Industry of Guangdong Province and OGCIO.

and relevant organisations to organise expert forums. In April 2013, the OGCIO and the GDEI co-organised the HK-GD Cloud Industry Collaboration Forum in Hong Kong. In May 2013, OGCIO participated in the 17th International Soft China Expo held in Beijing. In June 2013, the Permanent Secretary for Commerce and Economic Development (Communications and Technology) and the Government Chief Information Officer will lead a delegation to participate in the 11th China International Software and Information Service Fair held in Dalian, at which a Hong Kong Pavilion will be set up and a Hong Kong / Mainland IT Development and Exchange Forum will be organised.

Intellectual property rights (IPR)

28. We have liaised with the Mainland authorities to protect intellectual property (IP) through education and publicity and enforcement. On the education and publicity front, the Intellectual Property Department (IPD) organised various events to meet the needs of the business sector. These include the “Trademark and Brand Protection Training Programme”, co-organised by the IPD and the Guangdong Province Administration for Industry & Commerce (GDAIC) under the framework of “Guangdong/Hong Kong Expert Group on the Protection of Intellectual Property Rights” in December 2012 to encourage experience sharing in brand building and brand management in Guangdong Province and Hong Kong; exchange programmes under the theme of “Copyright Management and IP Trading” co-organised by the IPD and the Copyright Bureau of Guangdong Province in March and April 2013. The programmes provided a platform for the publishing industries from both sides to deepen their communication, understanding and cooperation. Moreover, the IPD assisted Hong Kong candidates in sitting for the “National Qualification Examination for Patent Agents” held in Guangdong Province and provided information about the preparatory courses organised by the Guangdong side. In the coming months, the two sides are going to organise the “Seminar on IP and Development of Small and Medium Enterprises” in Qingyuan, and the “Mainland, Hong Kong SAR and Macao SAR Intellectual Property Symposium” in Macao. Targeting our young generation, the IPD and the C&ED jointly organized with the Guangdong Copyright Bureau exchange programmes on copyright knowledge and protection for the youngsters in Hong Kong and Guangdong.

29. On enforcement, under the framework of the co-ordination mechanism for IP-related cases of the Guangdong/Hong Kong Expert Group on Protection of IPR, the C&ED and the Guangdong enforcement

agencies of IPR have maintained close liaison to combat infringement activities. To step up enforcement against cross-boundary infringement activities and syndicates, the customs authorities of Hong Kong and Guangdong have appointed their respective designated IPR liaison officer in August 2012 to strengthen intelligence exchange. In addition, the C&ED and the Hong Kong Federation of Industries co-hosted a seminar on “IRP Protection in Guangdong Province”. Representatives from the relevant Guangdong authorities delivered presentations about the IPR recordation, trademark registration and copyright protection mechanism in Guangdong. The seminar has provided our business sector with information on enforcement and protection of their brands in the Mainland.

Creative industries

30. CEPA has facilitated the access of Hong Kong’s creative industries to the Mainland market. For example, motion pictures co-produced by Hong Kong and the Mainland are treated as Mainland motion pictures for the purpose of distribution on the Mainland. With the implementation of CEPA, the Hong Kong-Mainland co-productions have grown in number and scale of production. The number of co-productions produced each year has increased from about 10 titles before 2004 to about 30 titles in 2012. In 2012, seven out of the top ten Chinese language movies in the Mainland were Hong Kong-Mainland co-productions. Hong Kong service suppliers are also allowed to operate cinema theatres on a wholly-owned or equity joint venture basis. These theatres have achieved remarkable results.

31. Create Hong Kong (CreateHK) as the dedicated agency to promote the development of creative industries has been committed to assisting local creative sectors in exploring the Mainland market, and provides funding support to various programmes, including exhibitions, seminars, investment fairs, business matching activities and other exchange programmes, with a view to promoting the creative industries of Hong Kong. For example, the well-received “Creativity in Business” programmes have over the past few years supported the Mainland enterprises’ drive to upgrade and innovate by promoting Hong Kong’s design and branding services to Mainland enterprises. Riding on the success of the previous editions, the event will be expanded to Shaoxing of Zhejiang Province in July 2013 and Qingdao of Shandong Province in 2014 for the first time. In addition, CreateHK will sponsor Hong Kong’s publishing sector to participate in the South China Book Fair in the format of a Hong Kong pavilion for the first time in August 2013.

Hong Kong pavilion has been set up in the Beijing International Book Fair every year since 2011, and the participation in another Mainland book fair in a similar format could help further promote Hong Kong's publishing and printing sectors. In the meantime, CreateHK will continue to work with the trade in organising programmes such as film festivals, business matching activities, etc., with a view to strengthening co-operation of creative industries between the Mainland and Hong Kong, promoting exchanges and creating more business opportunities.

Tourism

32. The Mainland is Hong Kong's largest source market and a close partner in the tourism industry. To promote stable market development, the Tourism Commission maintains close communication and co-operation with the China National Tourism Administration (CNTA), and holds annual meetings with the latter to discuss matters relating to the strengthening of market regulation, as well as the implementation and expansion of CEPA liberalisation measures.

33. Hong Kong has also maintained close liaison with the tourism authorities of various Mainland provinces and cities, including Beijing, Shanghai, Guangdong and Shenzhen. Hong Kong and the Mainland tourism authorities concerned have been working closely to promote the "Individual Visit Scheme" and "Quality and Honest Hong Kong Tours". Joint efforts have also been made to promote tourism products such as the "multi-destination" itineraries including Hong Kong.

34. On the expansion of CEPA liberalisation measures, Supplement IX to CEPA signed in June 2012 allowed one qualified Mainland-Hong Kong joint venture travel agent to operate outbound group tours for Mainland residents on a pilot basis to destinations beyond Hong Kong and Macao (excluding Taiwan). It also allowed Hong Kong travel agents established on a wholly-owned or joint venture basis in the Mainland to apply for the operation of group tours to Hong Kong and Macao for residents registered with permanent residence of the original provinces, autonomous regions, directly governed city regions. The measures are introduced in response to the long-standing request from the trade. In March 2013, the CNTA announced that Hong Thai Travel Services (Shenzhen) Limited obtained the approval to be the first Mainland-Hong Kong joint venture travel agent which can operate outbound group tours for Mainland residents on a pilot basis. We will continue to monitor closely the implementation of the facilitation measures under CEPA and maintain close communication with the

CNTA.

35. On tourism co-operation between Guangdong, Hong Kong and Macao, the relevant authorities are working together to draw up the “Guangdong-Hong Kong-Macao Regional Tourism Development Plan” with a view to strengthening co-operation between the three places on the development of the regional tourism market, tourism product development, quality control, joint promotion, information exchange and entry convenience, etc.

36. As regards cooperation on cruise tourism, the Central Government announced in late June 2012 that Mainland tour groups taking cruise from Hong Kong to Taiwan can visit Japan or Korea in the same cruise journey before returning to the Mainland. We will continue to liaise closely with the CNTA to explore how to implement the measure. Moreover, to complement the future tourism development of the two places, the Tourism Commission and the CNTA launched in end 2012 the first work exchange programme between tourism organisations of the two places and the first training course for Mainland tourism practitioners, covering the basic knowledge of cruise business and the skills in selling cruise holiday packages.

Enhancing the functions of the offices of the HKSAR Government in the Mainland

37. The Chief Executive announced in the Policy Address that the functions of the offices of the HKSAR Government in the Mainland (the Mainland Offices) would be enhanced to better support Hong Kong residents and enterprises in the Mainland. The relevant work includes strengthening liaison with Hong Kong residents and enterprises in the Mainland and providing them with information and assistance as far as possible; setting up a new Immigration Division in the Hong Kong Economic and Trade Office (ETO) in Chengdu; stepping up efforts in conducting researches to analyse the opportunities and challenges for Hong Kong residents and enterprises arising from national policies, collecting and disseminating information on significant development and investment projects of provinces/municipalities, and gathering data related to Hong Kong residents in the Mainland to better gauge their situation and service needs; and enhancing communication and publicity targeted at different sectors in the Mainland. Since 2013-14, we have allocated additional provisions to the Mainland Offices (involving a full year recurrent provision of around \$28 million).

Setting up more Mainland Offices

38. The Policy Address also proposed setting up a new ETO in Wuhan. We are actively taking forward the related preparatory work with a view to establishing the Wuhan ETO in 2014 to help Hong Kong residents and enterprises capture the development opportunities in the Central Region of the Mainland. We will, at the appropriate juncture, consult this Panel on the proposal to set up the Wuhan ETO, including the possible creation of directorate civil service post.

Regional Economic and Trade Co-operation

39. We have been actively pursuing regional co-operation with the Pan-Pearl River Delta (PPRD) Region⁸, Guangdong, Shenzhen, Shanghai and Beijing via G2G co-operation mechanisms with the provinces/municipalities concerned. In the past year, the two sides convened the following conferences to exchange views on various co-operation areas, including the future directions of further economic and trade co-operation –

- (i) The Chief Executive, Mr C Y Leung, and the Governor of Guangdong Province, Mr Zhu Xiaodan, co-chaired the 15th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference (HKGDCJC) in Guangzhou on 14 September 2012. At the meeting, the two sides reviewed the progress of Hong Kong/Guangdong co-operation over the past year and set the directions for co-operation and the key areas of work in the coming year. The two sides were satisfied that the implementation of the co-operation items under the 2012 Work Plan had made good progress. The conference discussed key co-operation areas, including promoting early achievement of liberalisation of trade in services between Hong Kong and Guangdong, expediting the implementation of the Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement), commerce and trade co-operation and measures for early and pilot implementation in Guangdong, financial development, innovation and technology co-operation, cross-boundary infrastructure, travel facilitation, cross-boundary clearance, co-operation on

⁸ Including nine provinces i.e. Fujian, Jiangxi, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, Yunnan, and the Hong Kong and Macao SARs.

environmental protection, education co-operation, cultural co-operation, key co-operation areas and regional co-operation plans. The two sides witnessed the signing of seven letters of intent and co-operation documents at the signing ceremony held after the meeting;

- (ii) The Chief Executive, Mr CY Leung led the HKSAR delegation to attend the PPRD Region Co-operation and Development Forum in Hainan from 30 November to 1 December 2012. He also met with leaders of Hainan, Yunnan, Guangxi, Sichuan and Fujian. We aim to foster multilateral co-operation among the nine provinces and two SARs in the PPRD Region and further leverage the role of Hong Kong as a conduit of international capital, talents and technology in helping the PPRD provinces/region in their development strategy of encouraging two-way flow of investment;
- (iii) The Chief Secretary for Administration, Mrs Carrie Lam, and the Mayor of the Shenzhen Municipal Government, Mr Xu Qin, co-chaired the Hong Kong/Shenzhen Co-operation Meeting on 11 January 2013 in Shenzhen. The two sides agreed that the Mainland's current efforts in speeding up the transformation of its economic structure by developing and expanding the service sector and boosting domestic demand would present enormous opportunities for co-operation between Hong Kong and Shenzhen, and the two places would continue to deepen co-operation on all fronts for promoting economic development and upgrading the quality of life of the people of the two places. At the agreement signing ceremony held after the meeting, the two sides signed four agreements; and
- (iv) The Chief Secretary for Administration, Mrs Carrie Lam, and the Vice-Governor of Guangdong Province, Ms Zhao Yufang, co-chaired the 18th Working Meeting of the HKGDCJC on 15 March 2013 in Guangzhou. The meeting reviewed the progress of implementation of the 2012 Work Plan and compiled the 2013 Work Plan. A total of 84 co-operation items have been included in the 2013 Work Plan, which basically cover all areas of co-operation of the two places. The meeting reviewed various co-operation areas, including promoting early achievement of basic liberalisation of trade in

services between Hong Kong and Guangdong, financial co-operation, professional services, tourism co-operation, cultural and creative industries, upgrading and restructuring of Hong Kong enterprises, encouraging Guangdong enterprises to "go global" through Hong Kong, combating parallel trading activities, co-operation on environmental protection, medical services co-operation, cross-boundary infrastructure and key co-operation areas. The two sides signed the 2013 Work Plan of the Framework Agreement after the meeting.

Details of the abovementioned meetings and activities have been set out in relevant LegCo papers and press releases.

Development in Qianhai

40. On Qianhai, the State Council approved a total of 22 policies supporting the development of Qianhai in June 2012. These policies cover six major areas including finance, taxation, legal services, professional services, medical services and education, and telecommunication services. The National Development and Reform Commission also approved in March 2013 a Catalog of Industries for investments in Qianhai. By setting out clearly the opportunities arising from the development of Qianhai, these policy documents would facilitate Hong Kong business sectors to consider investing in Qianhai. The HKSAR Government will continue to maintain close ties with the relevant central ministries and Shenzhen authorities, and reflect the views of Hong Kong business sectors in a timely manner when the relevant authorities draw up other policies and detailed measures for implementing the Overall Development Plan of Qianhai. The HKSAR Government will also continue to actively complement the Shenzhen authorities in the related publicity and promotional work.

Development in Nansha

41. The State Council formally approved the Nansha Development Plan in September 2012 and designated Nansha as a demonstration zone of comprehensive co-operation between Guangdong, Hong Kong and Macao. Subsequently, at the Hong Kong / Guangzhou Co-operation Working Group held in January 2013, the two sides reached a consensus to strengthen co-operation and communication in the formulation of implementation details for the policies listed in the Nansha Development Plan. The HKSAR Government will maintain a close dialogue with relevant ministries and authorities in Guangdong and Guangzhou and

reflect the views of Hong Kong business sectors proactively.

Conclusion

42. The HKSAR Government will continue to strengthen liaison with the Mainland to deepen the economic and trade co-operation between two sides, and make good use of the platform of the various co-operation meetings with a view to enhancing the overall competitiveness of the two places.

Commerce and Economic Development Bureau
Constitutional and Mainland Affairs Bureau
June 2013