

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

Hong Kong Guangdong Cooperation Coordination Unit

PURPOSE

This paper briefs Members on the setting up of the Hong Kong Guangdong Cooperation Coordination Unit and its main areas of work.

BACKGROUND

2. Hong Kong's economy has undergone a remarkable transformation in the past two decades. The restructuring of the manufacturing sector, driven by business leadership and market forces, has seen local firms moving their low value-added work out of Hong Kong and concentrating on high-value, technology-based markets. This process of economic adjustment has resulted in a significant increase in trading activities between Hong Kong and other economies, particularly the Mainland. As a result, Hong Kong has been the dominant growth engine powering the rapid expansion of the Mainland economy, in particular that of the Pearl River Delta (PRD) region in the Guangdong Province, over the past decades.

3. With the increased flows of people, freight, capital and information between Hong Kong and Guangdong, a symbiotic relationship has resulted as the two economies become intertwined with one another. Currently, about 40,000 companies wholly or partly owned by Hong Kong concerns employ more than 5 million people in Guangdong. On an average day, 31,000

vehicles and 280,000 people cross the boundary between Hong Kong and Guangdong, making it the busiest checkpoint in the world. Apart from serving as our outward processing centre, Guangdong today is also our back-end service support centre, consumer market, popular tourist spot as well as a destination for work and residence. In the continuous opening up of the Mainland market, Hong Kong will assume an even more significant role as the gateway to China.

4. In the coming years, a number of global and regional developments would induce further changes to the economic relations between Hong Kong and Guangdong. They include the Mainland's accession to the World Trade Organization, continuous growth of the Mainland domestic market, implementation of the tenth "Five-Year Plan" and the eventual building up of "three links" between the two sides of the Taiwan Strait. These changes will on the one hand open up new business opportunities for Hong Kong, but at the same time expose Hong Kong further to fierce competition from outside. In order to better position ourselves for the change, and in anticipation of the increasing competition brought by the Shanghai-led cluster economy, we need to embark on a strategic cooperation with the PRD.

5. In fact, there has been much discussion in the business sector, academic circles and within the Administration on the means to foster closer links with the Mainland. Initiatives raised include, for example, the need for enhanced cross boundary passenger and cargo clearance, assistance to Hong Kong business sector to facilitate early penetration into the Mainland markets and better coordination in the regional planning of the PRD as a whole. These suggestions, covering a wide range of policy areas and operational issues, point

to the need for better coordination within the Administration and to work out an agreed action agenda for the Administration to follow up.

6. Against this background, the Hong Kong Guangdong Cooperation Coordination Unit (HKGCCU) was set up in August 2001 to coordinate and spearhead initiatives aimed to foster closer links between the two places and to facilitate joint development of the PRD region.

The Hong Kong Guangdong Cooperation Coordination Unit

7. Currently, there are many established channels governing communication between Hong Kong and Guangdong on different subjects. At the highest level is the Hong Kong Guangdong Cooperation Joint Conference (the Joint Conference) established in 1998. Furthermore, we have a number of committees, panels, expert and liaison groups working on areas ranging from infrastructure, marine channels, environment, town planning, cross boundary vehicles to information technology etc. Hence the subject of Hong Kong-Guangdong cooperation covers a wide spectrum of policy areas cutting across a large number of Bureaux and Departments.

8. As an illustration, the proposal to facilitate people and cargo flows between Hong Kong and the Mainland will not only affect the disciplined services manning the control points, but will also impact on tourism trade, land transport and shipping trade as well as other ancillary services. Similarly, when one talks about more and better coordinated infrastructure planning within the PRD, we will have to examine policy areas on transport, planning, security and environment. In view of the massiveness and manifold nature of

the subject, the Chief Secretary for Administration (CS) and the Financial Secretary (FS) will need a small dedicated unit to assist them in keeping an overview on the whole Hong Kong-Guangdong cooperation scene. The coordinating unit should also keep them abreast of the effectiveness of the coordination efforts on different fronts.

AREAS OF WORK

9. The HKGCCU currently plans to work on three priority areas. First, the HKGCCU assists the CS and the FS to monitor the implementation of the initiatives endorsed at the Joint Conference. Major initiatives being considered or implemented include the facilitation of passenger and cargo flows at boundary control points, development of Nansha, feasibility of cooperation between the Hong Kong International Airport and the Zhuhai Airport, cooperation on environmental protection front, monitoring of Dongjiang water quality and Hong Kong-Guangdong electronic link. Some of these items, such as the development of Nansha, would have wide and longer-term economic implications for Hong Kong, and require policy coordination among the Bureaux overseeing logistics, land/sea transport and hi-tech cooperation. There is hence the need for a coordinator within the Administration to keep an overview of these discussions and seek policy steer directly from the CS and the FS to ensure optimal results from the joint efforts across Bureaux and Departments.

10. The next immediate task of the Unit is to review the cross boundary policies and arrangements for passengers and freight of all transport modes and to explore, in consultation with the relevant Bureaux and

Departments, short, medium and long-term measures targeted at raising the levels of throughput that will adequately meet growing traffic demands. Given that the PRD is one of the world's largest manufacturing centres and that it is Hong Kong's main production base, it is our primary task to facilitate easy movement of people and goods which we believe will in turn facilitate trade and spur other economic activities.

11. The HKGCCU will work with the relevant Bureaux and Departments to devise action plans to tackle potential bottlenecks until the longer-term solutions are available, e.g. the launch of the Smart Identity Card in 2003 and the completion of new cross-boundary transport infrastructural facilities by 2007. We will examine the physical capacity constraints of boundary control points, staff manning levels, automation plans as well as the scope for further process re-engineering in the control procedures. At the same time, the Unit will also work with Departments concerned to examine if there are any constraints limiting the cargo flow at our land, sea and air control points.

12. This task of formulating agreed action plans to facilitate people and cargo flows will form the focus of the HKGCCU's work in the next six to nine months. Measures being considered or implemented to increase **people flow** include extending the operating hours of Lo Wu and Lok Ma Chau, physical expansion/improvements at major control points, redeploying additional staff to operate the control points during long holidays, improvement of service standards at control points, increasing the carrying capacity of the shuttle bus plying between Lok Ma Chau and Huanggang, and facilitating Mainland residents to visit Hong Kong, etc.

13. On **cargo flow**, measures being considered or implemented include the launching of the pilot scheme of “one-stop-clearance” for speedy clearance at Lok Ma Chau, physical works at Lok Ma Chau to address the weaving problem of goods and passenger vehicles, plans to facilitate pre-clearance of land and sea cargoes moving across the land and sea boundary of Guangdong, and the review of how licensing and reporting requirements for transshipment cargoes between Hong Kong and the Mainland could be reduced or streamlined.

14. The third task of the HKGCCU, to commence immediately following the review of the cross boundary arrangements, is to coordinate efforts within the Administration to map out an action agenda, at both policy and operational levels, to facilitate further cooperation between Hong Kong and Guangdong to enable Hong Kong to reap the full benefits from economic development in the PRD region. As we see it, potential areas of cooperation include technology cooperation, trade facilitation, financial cooperation, infrastructure coordination, human resources development, environmental protection etc. We will emphasize a coordinated approach for concerned bureaux and departments to reach out to different sectors of the community, including local and international enterprises, academia, social service groups, chambers of commerce and professional bodies to tap their thinking on ways and means to further enhance Hong Kong-Guangdong cooperation.

ESTABLISHMENT OF THE HKGCCU

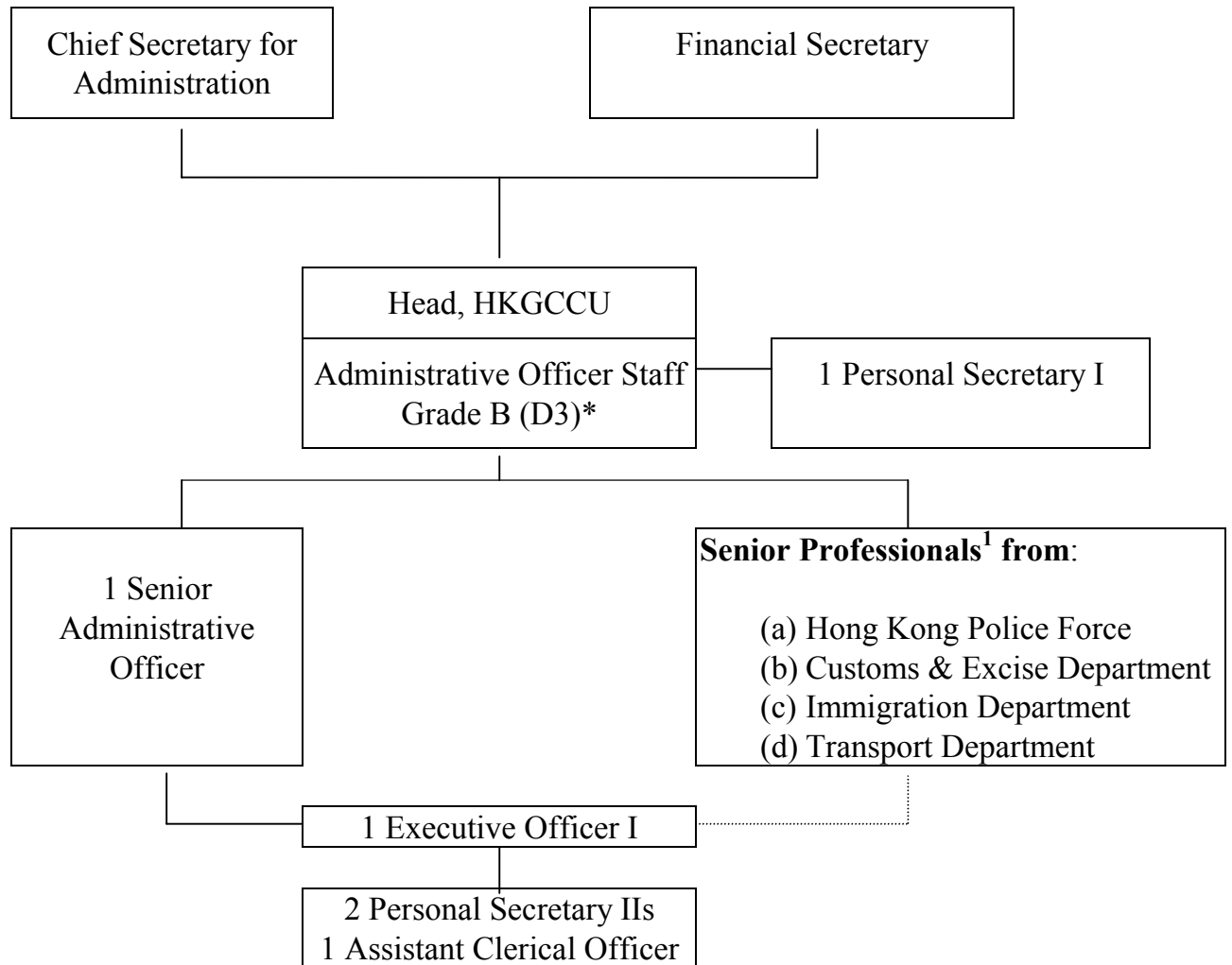
15. The HKGCCU is currently headed by an Administrative Officer Staff Grade B (AOSGB) who provides senior directorate inputs in assisting the CS and the FS to oversee the development of various policies on Hong Kong-Guangdong cooperation. A supernumerary post for six months was created under delegated authority in August 2001. The Head of the HKGCCU is assisted by five senior professional grade officers on secondment and five other supporting staff. These secondees include senior professionals from Police, Customs and Excise, Immigration and Transport Department who have rich experience in boundary control management since the HKGCCU works on the facilitation of people and cargo flows as its priority task. An organisation chart of the HKGCCU is at enclosure.

16. The plan is that the HKGCCU should be established formally with effect from February 2002 for two years under the Chief Secretary for Administration's Office. A review should be conducted in 18 months after its formal establishment to assess the need for the continued operation of the Unit. The Administration will seek the approval of the Establishment Sub-committee in November 2001 for the creation of the supernumerary AOSGB post for two years at a full annual average staff cost of \$2,696,000. We have sufficient provision in 2001-02 Estimates to support the operation of the Unit and will include the necessary provision in the 2002-03 Draft Estimates to meet the cost of the proposal.

Hong Kong Guangdong Cooperation Coordination Unit
November 2001

Enclosure

**Organization Chart of the
Hong Kong Guangdong Coordination Cooperation Unit**



* Post proposed to be created.

¹ The exact ranking of the four senior professionals are Senior Superintendent of Police, Senior Superintendent of Customs & Excise, Principal Immigration Officer and Chief Transport Officer.