

**Motion Debate on
“Developing co-operative relationship with the Mainland”
at the Legislative Council Meeting
on 12 July 2007**

Progress Report

Background

At the Legislative Council Meeting on 12 July 2007, the motion on “Developing co-operative relationship with the Mainland” moved by Hon TSANG Yok-sing as amended by Hon Audrey EU was carried. The motion reads as follows :

“That, as Hong Kong's relationship with the Mainland is increasingly close since its reunification with the motherland, and experience has proved that enhancing co-operation between the two places can bring about a mutually beneficial and win-win effect, this Council urges the Government to continue to develop its co-operative relationship with the Mainland on all fronts, especially on issues concerning immigration policies, environment, air quality and food safety, and to set up a co-operation mechanism which is permanent and efficient, covering more areas and levels, to undertake overall planning, co-ordination and policy formulation on important issues concerning co-operative development.”

2. At the meeting, the Secretary for Commerce and Economic Development had already responded to the motion on “Developing co-operative relationship with the Mainland” covering both the mechanism and the scope of co-operation on many major areas as discussed by the Members. This report further elaborates on the latest development in several major areas where Members have expressed keen interest regarding the development of a co-operative relationship with the Mainland.

Economic co-operation

Upgrading, restructuring and relocating of enterprises

3. To assist Hong Kong enterprises to respond to the Mainland's adjustments on processing trade policies, the HKSAR Government set up a “Task Force to Support the Processing Trade” at the end of July to

help study and assess the impact of the adjustments to the industry, propose feasible supporting measures, and relay feedback from the industry to the relevant Mainland authorities. The Task Force is led by the Commerce and Economic Development Bureau and its members include representatives from Hong Kong's commerce and industry associations, industry support organizations and relevant policy bureaux and departments. The HKSAR Government has already relayed the views and proposals of the Task Force to the relevant Mainland authorities. Moreover, the HKSAR and Guangdong Provincial Governments have set up the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade under the framework of the Hong Kong/Guangdong Co-operation Joint Conference to study ways to help Hong Kong enterprises to upgrade and restructure.

4. During their respective visits to Beijing in August, the Financial Secretary and the Secretary for Commerce and Economic Development reflected Hong Kong businessmen's views and suggestions to relevant departments, such as permitting enterprises to pay standing book deposit by bank guarantees, letters of credit or insurance policies, as well as permitting Hong Kong banks (i.e. not limited to Bank of China) with renminbi business to provide such services. On 5 September, the Ministry of Commerce, General Administration of Customs and China Banking Regulatory Commission issued an announcement stating that enterprises are allowed to pay standing book deposit by various means including bank guarantees. This will be immensely helpful to Hong Kong enterprises to adapt to the recent policy adjustment.

Professional services' entry into Mainland market

5. As at August 2007, the Mainland and Hong Kong have already signed 10 agreements and arrangements on mutual recognition of professional qualification¹. Under the Supplement IV to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) signed on 29 June 2007, both parties agreed that competent authorities or professional bodies would commence exchanges on the mutual recognition of qualifications of registered electrical exploration & design engineers and registered public facility exploration & design engineers.

¹ The professionals include estate surveyors, securities and futures industry practitioners, architects; insurance intermediaries, patent agents, structural engineers, accountants, planners, quantity surveyors, and engineering consultants in the Mainland and building surveyors of Hong Kong.

6. Regarding medical services, besides lowering the total amount of investment required for Hong Kong practitioners to set up medical institutions in the form of equity joint venture or contractual joint venture in the Mainland, Hong Kong practitioners who have obtained a “medical practitioner’s qualification certificate” of the Mainland are allowed to open solo clinics in the Mainland and follow the same conditions as are applicable to Mainland practitioners. This facilitates Hong Kong’s medical professionals to develop medical services in the Mainland. The details on implementation are being prepared by relevant Mainland departments.

Financial Services

7. In recent years, Hong Kong and the Mainland have achieved fruitful results through co-operation in the financial services sector. For example, since its launch in Hong Kong in 2004, the renminbi business has been developing in an orderly manner. In June 2007, the first renminbi-denominated bond was issued in Hong Kong. Under Supplement IV to CEPA, further measures beneficial to co-operation in the fields of banking, insurance and accounting services have been introduced.

8. The China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission have, in recent months, announced the further expansion of the investment scope of Qualified Domestic Institutional Investors Scheme (QDII) to allow commercial banks, securities companies, fund management companies and insurance companies of the Mainland to invest in products such as stocks and funds outside the Mainland. Besides, the State Administration of Foreign Exchange announced in August a pilot scheme for Mainland individuals to invest directly in securities listed in Hong Kong. Under the Scheme, individual investors in the Mainland can invest in securities listed on the Hong Kong Stock Exchange through specific channels. These new measures have greatly facilitated the orderly outflow of capital from the Mainland, and the development of asset management business in Hong Kong.

Tourism

9. Since the launch of the “Individual Visit Scheme” in four Mainland cities in July 2003, 49 Mainland cities have so far joined the

Scheme. At the end of July 2007, more than 21 million Mainland residents have visited Hong Kong under the Scheme.

10. Two Hong Kong travel agencies have applied to the Guangdong Tourism Bureau for the provision of Hong Kong and Macao tour services for Guangdong permanent residents under the relevant provisions of CEPA Supplement III.

11. The Administration has closely liaised with the National Tourism Administration regarding the measures that each adopts on “Honest and Quality Tourism” and other new situations arising in the tourism market. They have also joined hands to take effective enforcement measures, so that Mainland visitors can have a pleasant and fully enjoyable tourism experience in Hong Kong.

Infrastructure

Lok Ma Chau Spur Line

12. The Lok Ma Chau Spur Line has commenced operation since 15 August this year. The 7.4km-long Spur Line is the second cross-boundary rail link between Hong Kong and Shenzhen. It will help relieve congestion at other land boundary control points and handle the ever-increasing cross-boundary traveling needs.

Guangzhou-Shenzhen-Hong Kong Express Rail Link

13. The Chief Executive announced on 2 August this year that the Dedicated Corridor Option would be adopted for the Hong Kong Section. The Administration is studying the proposal put forward by the KCRC to finalize implementation details of the project. We are also actively discussing with relevant Mainland authorities issues like the connection of the Mainland Section with the Hong Kong Section.

Hong Kong-Zhuhai-Macao Bridge (HZMB)

14. The site selection of boundary crossing facilities (BCF) has achieved good progress. The selection of BCF sites in Zhuhai and Macao are nearly finalized, while the selection in Hong Kong is narrowed down to three options for further comparison and study. The remaining issue to be resolved mainly concerns financing arrangements of the project. The HZMB Advance Work Co-ordination Group (AWCG) set up by the governments of

Guangdong, Hong Kong and Macao has commissioned the China Highway Planning and Design Institute to carry out the concerned studies. Upon conclusion of the studies, the AWCG will organize an expert review and consider the report so that consensus on financing arrangement can be reached as soon as possible.

Boundary Crossing Facilities, Exit/Entry Arrangements and Drugs

15. The new Shenzhen Bay Control Point commenced operation on 1 July this year. The Shenzhen Bay Port adopts a pioneering co-location arrangement which provides convenient, quick and efficient services to cross-boundary vehicles and passengers. Cross-boundary coach passengers will only have to get on and off once instead of twice in going through clearance procedures of the two sides in the same boundary passenger terminal, thereby shortening the clearance time by five to ten minutes for each traveler.

16. The HKSAR Government and the Shenzhen Government started a joint preliminary planning study on Liantang/Heung Yuen Wai Control Point in December last year. The two sides have already reached consensus on the projection of future cross-boundary transportation development requirements and are now exploring preliminary planning options for the check point. The joint study is expected to conclude by the end of this year. On the Hong Kong side, we commenced a local study in January this year to examine the relevant planning, traffic, environmental and engineering issues within Hong Kong's territory relating to the proposed check point and connecting roads. Baseline analysis has been completed. Options on check point land use and connecting roads are being studied. The study is expected to be completed early next year.

17. The Immigration Department and the Mainland public security authorities have set up a notification mechanism, under which the Immigration Department may pass information on Mainland visitors convicted of criminal offences in Hong Kong to relevant Mainland authorities so that the Mainland authorities may scrutinize their future applications for exit endorsement for Hong Kong more closely.

18. The Administration has maintained close liaison with Mainland authorities on formulating strategies and co-operation arrangement to tackle the problems of cross-boundary drug abuse. Hong Kong and Mainland law enforcement agencies exchange information and intelligence on cross-boundary crimes including cross-boundary drug

abuse, and take joint actions to interdict drug trafficking activities. Law enforcement officers also visit and hold regular meetings with their counterparts to update each other on the latest drug abuse and drug trafficking situation in the region. The Administration has developed a tripartite co-operation framework with our Guangdong and Macao counterparts to promote exchanges and co-operation in anti-drug efforts among the three places. A sharing session on the ‘Guangdong, Hong Kong and Macao Tripartite Anti-drug Activity’ was held in July this year.

Environmental Protection

19. In order to strengthen co-operation in environmental protection, the HKSAR and the Guangdong Provincial Government set up ‘the Hong Kong – Guangdong Joint Working Group On Sustainable Development And Environmental Protection’ under the ‘Hong Kong Guangdong Co-operation Joint Conference’ in 2000 for the improvement of the environment of the Pearl River Delta Region.

20. The HKSAR Government reached a consensus with the Guangdong Provincial Government in April 2002 to reduce the emission of four major air pollutants in the region by 20% to 55% by 2010, using 1997 as the base year. Both governments are implementing the Pearl River Delta Regional Air Quality Management Plan to meet the reduction targets. A mid-term review is being conducted by the environmental protection departments of both sides to assess the effectiveness of various emission reduction measures. It is hoped that a report can be made to the Joint Working Group On Sustainable Development And Environmental Protection in late 2007.

21. Hong Kong and Guangdong set up the Pearl River Delta Regional Air Quality Monitoring Network in November 2005. The network has 16 monitoring points and covers the whole Pearl River Delta Region, and releases air quality index of the region to the residents of both sides everyday. Starting from October 2006, data collected by the monitoring network has been released in detail at 6-month intervals. The measure enables the residents in the two places to have a better understanding of the air quality of the Pearl River Delta Region.

22. On 30 January 2007, the two governments announced the implementation framework of the “Emissions Trading Pilot Scheme For Thermal Power Plants In The Pearl River Delta Region”. The scheme

allows thermal power plants in both places to meet or surpass the emission reduction requirements set down by their respective government in a cost-effective way through emission trading. An Emission Trading Management Panel has been set up to examine emission reduction options put forward by power plants.

Food safety

23. The HKSAR Government has set up communication mechanisms with the relevant authorities of the Central People's Government, Guangdong Province and Shenzhen Municipality to exchange and collate information on food safety, in particular on incidents in relation to food and public health that had caused concerns in the two places. We will continue to explore ways to further improve the communication mechanism and boost cooperation in this respect.

24. The Administration continues to work with the Entry-Exit Inspection and Quarantine Bureaux in the Mainland to ensure food imported from the Mainland is controlled at source and supervised throughout the whole process. The measures in place include implementing a new inspection and quarantine system jointly with the Guangdong and Shenzhen authorities to improve arrangements on transporting of leafy vegetables and freshwater fish, packaging and labelling as well as sealing of transportation vehicles. Officials will also be sent to conduct joint inspection to registered Mainland farms and frozen pork or poultry processing plants.

25. Apart from enhancing cooperation on regulation of food safety, the Administration also strives to maintain close contact with the relevant Mainland authorities so as to convey information on food safety to local industries and the public. For example, upon receiving notification from the Mainland authorities on the promulgation of new regulations and after obtaining their consent, the Centre for Food Safety will provide information in relation to the new regulations to local industries through the relevant links at its website.

Social Welfare

26. To enhance experience sharing and co-operation between Guangdong and Hong Kong in the welfare area, the two Governments have agreed to set up a Hong Kong/Guangdong Expert Group on Social Welfare Co-operation (EG) at the tenth plenary of the Hong Kong/Guangdong Co-operation Joint Conference held on 2 August.

Under the framework of the EG, we will work to enhance mutual understanding on our respective welfare issues and policies, and strengthen co-operation in welfare issues of mutual concern. The work of the EG covers: following up on the arrangements for elderly services under Supplement IV to the CEPA; promoting mutual experience sharing, training and co-operation in welfare issues; and undertaking studies on welfare issues relating to Hong Kong and Guangdong.

Conclusion

27. Since the reunification, the Administration has spared no efforts in actively strengthening its ties with the Central Government and various provinces and municipalities so as to consolidate and capitalize the advantages of “leveraging on the Motherland and engaging ourselves globally”. We will continue to improve our cooperation mechanism and develop mutually beneficial exchanges and cooperation with the Mainland on the basis of the Basic Law and the principle of “One Country, Two systems”.

Constitution and Mainland Affairs Bureau
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