

**Motion on**  
**“Cooperation between Hong Kong and**  
**the Pan-Pearl River Delta region”**  
**Progress Report**

**Purpose**

At the Legislative Council meeting of 15 November 2006, the motion moved by Hon Wong Ting-kwong, as amended by Hon Howard Young, Hon Ronny Tong Ka-wah and Hon Chan Kam-lam, on “Cooperation between Hong Kong and the Pan-Pearl River Delta (PPRD) region” was carried (see Annex). This paper aims to brief members on the progress made by the Administration in enhancing cooperation between Hong Kong and the PPRD region.

**Improve Air Quality**

2. The HKSAR Government reached a consensus with the Guangdong Provincial Government in 2002 to reduce, on a best endeavour basis, the emission of four major air pollutants, namely sulphur dioxide, nitrogen oxides, respirable suspended particulates and volatile organic compounds by 40%, 20%, 55% and 55% respectively in the region by 2010, using 1997 as the base year. We are committed to achieving these emissions reduction targets by 2010. During its seventh meeting held on 18 December 2006, the Hong Kong-Guangdong Joint Working Group on Sustainable Development and Environmental Protection endorsed the Implementation Framework of the Emission Trading Pilot Scheme for Thermal Power Plants in the Pearl River Delta (PRD) Region.

3. A mid-term review of the PRD Regional Air Quality Management Plan commenced in November 2006 to assess the effectiveness of various emission reduction measures as well as emission trends in the region, and to formulate appropriate strategies and enhanced control measures, with a view to achieving the 2010 emissions reduction targets.

4. In 2007, both governments will continue to make their best efforts to implement and enhance the various control measures in the

Management Plan. Major tasks include –

- (a) proactively improving energy supply structure, and speeding up the installation of flue gas desulphurisation systems to thermal power plants;
- (b) further tightening emissions from motor vehicles;
- (c) jointly analysing the data collected by the PRD Regional Air Quality Monitoring Network; releasing the 2006 regional air quality monitoring report in April 2007 to provide the public with more information on the air quality in the PRD;
- (d) completing the mid-term review of the Management Plan according to schedule, and striving to meet the 2010 emissions reduction targets as agreed by both sides; and
- (e) setting up the Hong Kong-Guangdong Emission Trading Management Panel as soon as possible to promote the Emission Trading Pilot Scheme for Thermal Power Plants in the PRD Region for participation by power plants in the region on a voluntary basis. Utilising the flexibility of emission trading, agreements meeting the interests of various parties could be drawn up to reduce emission of air pollutants in the region.

### **Promote Development of Financial Industries**

5. We will continue to make use of the platform established through the PPRD Regional Cooperation to encourage PPRD provinces to utilise fully Hong Kong's highly efficient and diversified financial platform for meeting their financial services needs, including fund-raising through listing and the conduct of investment activities. We will also seek to promote the economic development of the region as a whole through strengthening regional cooperation in financial services.

### **Enhance Competitiveness of Shipping Industries**

6. To attract more river trade vessels to Hong Kong, we have introduced multiple entry permits for river trade vessels, streamlined

application procedures and reduced the permit fees. The relevant amendment regulations to provide for these changes have commenced on 2 January 2007.

7. We also maintain regular discussion with the Guangdong authorities on measures to enhance cross-boundary trucking efficiency. Since 13 December 2006, the Liaobu inland control point in Dongguan has come into operation, with an express clearance system that would enhance the efficiency of customs clearance and cross-boundary cargo flows.

### **Strengthen Cooperation in Tourism**

8. The HKSAR Government continues to work closely with the relevant Mainland authorities to promote tourism development of the two places. Five more Mainland cities have been included in the Individual Visit Scheme starting from 1 January 2007, thus adding up the total number of cities under the Scheme to 49. During the HKSAR mission to Guizhou in November 2006, a Tourism Seminar was held. Subjects discussed included opportunities for cooperation in developing “multi-destination” itinerary with Guizhou, joint overseas promotions and exchange and training of talents.

9. We met with the China National Tourism Administration again in November 2006 to discuss measures to promote “Honest and Quality Tourism”, such as the introduction of “model contract”, with a view to further increasing the transparency of tourism products and confidence of the Mainland visitors to visit Hong Kong. The Hong Kong Tourism Board has been cooperating with Beijing, Shanghai and Shenzhen tourism authorities since November 2006 to jointly promote honest and quality tour to Hong Kong. Our cooperation efforts with the Mainland on promotion of tourism, in particular on “Honest and Quality Tourism”, will continue to be stepped up in the coming months.

### **Step up Efforts in Promoting Hong Kong Brands**

10. The Hong Kong Trade Development Council (TDC) has organised various promotion activities to promote Hong Kong brand

products and services in the PPRD region in the past two years. These include:

- (a) Style Hong Kong expositions in major PPRD cities, for example, Chengdu and Guangzhou;
- (b) industry-specific expositions on Hong Kong brand products, for example, promotion of Hong Kong brand watches in Chengdu; and
- (c) Hong Kong pavilions in expos held in PPRD cities, for example, Yunnan and Chengdu.

In the coming year, TDC will continue to promote Hong Kong brands and will organise a Style Hong Kong exposition at the China Import and Export Fair to be held in Guangzhou, and a Hong Kong jewellery brand-name promotion in Chengdu.

11. In addition, TDC has also been staging Hong Kong brand product galleries in its major trade fairs, as well as promoting Hong Kong branded products in its Design Gallery.

### **Attract Mainland enterprises to Hong Kong**

12. Invest Hong Kong (InvestHK) has been actively promoting Hong Kong as a gateway to the international market to Mainland enterprises in the PPRD region. InvestHK has also been working closely with Mainland authorities to help Mainland enterprises set up in Hong Kong. In 2006, it conducted over 320 investment promotion meetings with Mainland enterprises from most of the cities in the PPRD region. It also organised a series of thematic seminars and a number of sector-specific seminars, including an experience sharing session for Shenzhen enterprises that had invested or would be interested in investing in Hong Kong. In 2007, InvestHK will organise a seminar in Chengdu with the theme “Hong Kong – Your Platform to Go Global : Capitalise on Hong Kong’s Financial Services for International Expansion”.

13. To support the above efforts, InvestHK has expanded the

investment promotion unit in the Economic and Trade Office in Guangdong in mid 2006 to tie in with the expansion of the number of provinces covered by the Guangdong team. The “Invest Hong Kong Service Centre” was also established in the Economic and Trade Office in Guangdong and an “Invest Hong Kong Day” was organised to publicise the enhanced investment promotion efforts in the PPRD region. InvestHK has also set up an investment promotion unit in the Economic and Trade Office in Chengdu, which was newly established in the fourth quarter of 2006, and will set up an “Invest Hong Kong Service Centre” shortly to step up its support to the PPRD region.

14. InvestHK has also organised and conducted briefings to incoming delegations of Mainland officials and private enterprises on Hong Kong’s investment environment and advantages as a gateway to the international market. For example, in end 2006, InvestHK, the Greater Pearl River Delta Business Council’s Joint Investment and Trade Promotion Sub-Group and the Greater Pearl River Delta Business Council - Guangdong co-organised a seminar on investment environment in Hong Kong for senior executives from Guangdong privately-owned enterprises from various industries.

### **Expedite Construction of Transport Facilities**

15. The HKSAR Government has been making concerted effort with the Mainland Government in improving the cross-boundary transport networks. We are currently pressing ahead with a number of projects, which include:

- (a) The Hong Kong-Shenzhen Western Corridor, being our fourth cross-boundary land crossing, is scheduled for operation in mid-2007 to tie in with the commissioning of the boundary crossing facilities (BCF) at Shekou. It is expected that the maximum cross-boundary vehicle handling capacity will then increase by more than two fold.
- (b) The Sheung Shui to Lok Ma Chau Spur Line (Spur Line) and the Futian Control Point at Shenzhen are scheduled for operation in the first half of 2007. It is expected that the Spur Line will help relieve congestion at Lo Wu and significantly enhance the

passenger handling capacity of our rail crossing.

- (c) The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is being actively taken forward. We are examining the updated planning parameters and patronage forecast put forward by the Mainland to decide on whether the Dedicated Corridor Option or the Shared Corridor Option should be adopted. In the meantime, we have invited the Kowloon-Canton Railway Corporation (KCRC) to proceed with the planning work of the project. The KCRC is now conducting the engineering/business study and preliminary site investigations of the project, and is expected to submit its study report in mid-2007.
- (d) The Hong Kong-Zhuhai-Macao Bridge (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 (HPDI) to take forward the studies on BCF under the mode of “separate locations of BCF” and on financing arrangements of the project. Meanwhile, the Central Government established the Hong Kong-Zhuhai-Macao Bridge Task Force to give a further push to the project. This committee is headed by the National Development and Reform Commission, with representatives from the Ministry of Communications, Hong Kong and Macao Affairs Office of the State Council and the governments of Guangdong, Hong Kong and Macao as members. We will continue to follow up closely on the progress of the HZMB project.
- (e) Guangdong and Hong Kong have already kicked off a study for confirming the need for, and functions and benefits of the development of a control point at Liantang/Heung Yuen Wai (Eastern Corridor). We will commence an internal study soon, and will strive to complete the evaluation and planning study of the Eastern Corridor by early 2008.

## **Promote Innovation and Technology**

16. The Administration will continue to implement various funding schemes and support measures to foster innovation and technology development. By the end of 2006, the Innovation and Technology Fund (ITF) has provided \$2.7 billion to support 897 projects which contributed towards innovation and technology upgrading by industries. We have also reserved \$2.6 billion from the ITF to the five R&D Centres which aim to serve the technology demands and upgrading needs of the industries in the Greater PRD Region, to finance the R&D Centres' operation and their R&D projects. Last year, the R&D Centres held road shows and seminars in four cities in Guangdong Province in May and June and also participated in the "China Hi Tech Fair" held in Shenzhen in October to introduce their work and mode of cooperation to industries and enterprises. The Government will continue to foster cooperation between the R&D Centres and research institutions.

17. Furthermore, we strive to strengthen support for design. The DesignSmart Initiative has supported 57 projects with a total funding of about \$54 million. The InnoCentre also commenced operation in November 2006 to provide one-stop services to support the development of the design cluster. We will seek an additional funding of \$100 million from the Legislative Council to further support the operation of the InnoCentre in the next five years.

18. In 2004, the governments of Guangdong Province and HKSAR launched the Guangdong/Hong Kong Technology Cooperation Funding Scheme for research institutions and enterprises of the two places to jointly carry out applied R&D projects. In 2004 and 2005, the two sides committed about \$650 million to support nearly 200 projects under various technology areas. The governments of the two places have also earmarked \$800 million to support projects approved under the 2006 scheme. A total of 338 applications were received and the results are expected to be announced in early 2007.

### **Assist Hong Kong Businessmen in Upgrading and Expanding Their Business**

19. Since Hong Kong and the Mainland maintain different commercial rules, unifying the commercial clauses within the PPRD region may not be practically feasible. We, however, will continue to communicate with the nine PPRD provinces/regions with a view to eliminating trade barriers and enhancing the free flow of goods and services within the region.

20. Noting that the Mainland's economic policies have great impact on the numerous Hong Kong-invested enterprises in the Mainland, we have proposed to the Central People's Government that consultations with stakeholders be conducted before deciding on important rules and regulations, and that sufficient transition time should be allowed for enterprises to adjust their businesses. We will continue to liaise with the relevant Mainland authorities on this. Besides, we will also make use of the trade and investment facilitation framework under CEPA, as well as the liaison mechanisms set up with individual provinces and municipalities to enhance the transparency of laws and regulations of the two places, and to encourage the information flow between the two places.

### **Strengthen Cooperation in Areas such as Rule of Law and Corporate Governance**

21. The Government will continue to play a supporting role in liaising with the relevant ministries and departments in the Mainland to complement the efforts of professional services sectors in improving and exchanging the platform for cooperation with their Mainland counterparts. In the legal services sector, we will make good use of the CEPA framework and help the Mainland in enriching its legal system by sharing with the Mainland our legislative and judicial experience and experience in strengthening the rule of law.

(Translation)

**Motion on  
“Cooperation between Hong Kong and the Pan-Pearl River Delta region”  
moved by Hon WONG Ting-kwong  
at the Legislative Council meeting  
of Wednesday, 15 November 2006**

**Motion as amended by Hon Howard YOUNG, Hon Ronny TONG Ka-wah and Hon CHAN Kam-lam**

“That, as Pan-Pearl River Delta (‘PPRD’) regional cooperation is an important and integral part to the implementation of the National Eleventh Five-Year Plan, and it offers enormous business opportunities for the development of Hong Kong, while at the same time posing great difficulties and challenges to the Hong Kong businessmen in the Pearl River Delta (‘PRD’), this Council urges the Government to take proactive measures to promote the cooperation between Hong Kong and the PPRD region, including:

- (a) joining hands to improve the air quality in the PPRD region;
- (b) promoting the development of the financial industries in both places for mutual benefits;
- (c) striving to reduce the operating costs of the shipping industries in both places, with a view to enhancing competitiveness and promoting mutual development;
- (d) strengthening the cooperation in tourism to attract more tourists;
- (e) stepping up the efforts of the Hong Kong Trade Development Council in promoting brands of Hong Kong to the PPRD region and vice versa;
- (f) offering incentives to attract Mainland enterprises to set up regional headquarters and engage in various investment activities in Hong Kong;
- (g) assisting in the development of a set of standardized commercial terms for the PPRD region;
- (h) stepping up negotiations to expedite the construction of transport facilities linking Guangdong, and expeditiously implementing the plan to construct the Hong Kong-Zhuhai-Macao Bridge;
- (i) increasing the Hong Kong SAR Government’s expenditure on research and development (‘R&D’);
- (j) setting up a restructuring fund to assist Hong Kong businessmen in upgrading and transforming their businesses;
- (k) promoting the setting up of an ‘applied research, science and technology fund’ jointly by Hong Kong and Guangdong for the Greater PRD;

- (l) establishing an applied science and technology research institute and a R&D centre for the Greater PRD; and
- (m) reflecting to the relevant Mainland departments that, prior to the introduction of major commercial laws and regulations in the Mainland, Hong Kong businessmen should be notified as early as possible and given sufficient cushion periods; and
- (n) strengthening the exchange and cooperation between the two places in such areas as the rule of law and corporate governance, with a view to raising the economic and corporate governance levels in both places and, by doing so, further optimizing the business environment of Hong Kong and nurturing more talents for the territory,

so as to assist Hong Kong in developing new areas for economic growth, enhancing its competitiveness, facilitating economic restructuring and better complementing the country's economic development.”