

For information
on 20 June 2008

Special Meeting of the House Committee

Hong Kong/Guangdong Co-operation

Purpose

This paper briefs Members on the work and the latest developments in the key areas of co-operation between Hong Kong and Guangdong.

Background

2. Hong Kong and Guangdong set up the “Cross-boundary Liaison System” as early as 1982 to resolve practical matters of common concern such as fighting against cross-boundary crimes and regulation of the Shenzhen River. To respond to the development of the two places, the Hong Kong Special Administrative Region Government (HKSARG) and the Guangdong Provincial People’s Government set up the “Hong Kong/Guangdong Co-operation Joint Conference” (Joint Conference) in 1998 to study and co-ordinate issues on mutual concern, including traffic and infrastructure, environmental protection, economic and trade, tourism, as well as people and goods flow, which are highly relevant to people’s livelihood, so as to enhance exchanges and communications between the two places.

3. Since 2003, the Joint Conference has been chaired by the Chief Executive of the HKSARG and the Governor of Guangdong Province. The Chief Secretary for Administration of the HKSARG and the Vice-Governor of Guangdong Province co-chair the Working Meeting to steer and take forward the co-operation initiatives through the expert groups set up under the framework of the Joint Conference. There are currently 20 expert groups and each is steered by the relevant bureaux/departments of the HKSARG and the corresponding government authorities of Guangdong to implement initiatives under their respective

areas of co-operation¹. In addition, the HK side set up the Greater Pearl River Delta Business Council to promote private sector exchanges and co-operation between Hong Kong and Guangdong

Co-operation achievements

4. Through years of close co-operation to ensure smooth people and goods flow, as well as promoting socio-economic developments in both areas, concrete achievements have been attained in various co-operation areas of the Hong Kong/Guangdong co-operation.

5. In respect of **major cross-boundary infrastructural projects, boundary-crossing facilities and crossing arrangements**, both sides always strive for improving infrastructural facilities and enhancing clearance efficiency. Specific measures include 24-hour clearance at Lok Ma Chau/Huanggang crossing, commissioning of the Shenzhen Bay Port and Lok Ma Chau Spur Line, etc.

6. The governments of both sides also attach great importance to **protecting the environment**, in particular on improving air quality and reducing pollution problems. To bring long-term improvements to the air quality of the Pearl River Delta Region (including Hong Kong), the HKSARG and Guangdong government agreed in 2002 to reduce significantly the four major air pollutants in the Region by 20%–55% by 2010. In order to achieve the emission reduction targets by 2010, the two sides have drawn down the “Pearl River Delta Regional Air Quality Management Plan” and joined hands in implementing a set of pollution control measures. At the same time, with the launch of a five-year Cleaner Production Partnership Programme in April this year, Hong Kong-owned factories in the Region are encouraged to reduce emissions and enhance energy efficiency through the use of cleaner production technologies and cleaner production processes, thereby bringing improvement to the environment of the Region.

¹ Including co-operations on major cross-boundary infrastructural projects and boundary control, economic and trade, implementation of CEPA, transformation and upgrading of processing trade, environmental protection, food safety, tourism, innovation and technology, information technology, social welfare, town planning and development, intellectual property, notification of infectious diseases, culture, sports, education and personnel exchange as well as joining hands to enhance Pan-Pearl River Delta co-operation.

7. On **trade and economic co-operation**, Hong Kong is Guangdong's closest partner in trade and investment, and Guangdong is also the forerunner in the implementation of "Mainland and Hong Kong Closer Economic Partnership Arrangement" (CEPA). At present, about 40% of the service enterprises set up under CEPA are located in Guangdong; over 80% of those Hong Kong residents who set up individually owned stores in the Mainland have chosen Guangdong as the place of investment; most of the products eligible for zero tariff under CEPA enter the Mainland through Guangdong; and about 80% of the Mainland visitors under the "Individual Visit Scheme" came from Guangdong.

8. Guangdong Province has always been the economic centre of Southern China and it is also an important doorway to open up to the world. We always support Guangdong enterprises to get listed in Hong Kong, assist Guangdong to seek more international economic co-operation and continue to develop the Mainland market through Guangdong. Guangdong and Hong Kong have worked together on many occasions on the overseas **promotion** of the development potential and business opportunities of the **Greater Pearl River Delta** and **Pan Pearl River Delta**.

9. On the front of **safeguarding the safety of food supplied to Hong Kong**, both sides have ensured the supply of chilled pork from Guangdong and stepped up management of vegetables supplied to Hong Kong at the source. These measures have strengthened effectively the management of the transport process of food being supplied to Hong Kong. Both governments have notified each other on a number of occasions so as to enhance the food safety from Guangdong and to ensure people of both places could receive accurate and timely information on food safety.

10. In respect of the **co-operation of public health and emergency management**, Hong Kong, Guangdong and Macao signed an "Agreement of Co-operation on Emergency Public Health Incidents in Hong Kong, Guangdong and Macao" (the Agreement) in 2006 for the speedy tripartite exchange of vital information of public health incidents. Under the Agreement, professionals would be invited to take part in investigating, handling and evaluating the incidents as well to exchange their experiences.

11. At the level of **community co-operation**, the Greater Pearl River Delta Business Council and the Guangdong Branch of the China Council for the Promotion of International Trade always work closely together to advise both governments on the facilitation of cross-boundary people and goods flow, trade and investment promotion.

Recent major co-operation areas

12. The major co-operation areas of Hong Kong/Guangdong co-operation recently are outlined in paragraphs 13-19 below.

(a) Co-operation in the construction of major cross-boundary infrastructural projects and boundary crossings

13. Hong Kong, Guangdong and Macao have reached a consensus on the financing arrangement of the **Hong Kong-Zhuhai-Macao Bridge** and the next step would be to seek to complete the examination of the project feasibility report at the earliest possible date and to start the preparation of the tendering process of the main bridge body so that the project and the tendering process could be finalized as soon as possible. Besides, the HKSARG has decided to construct the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link in the form of a “dedicated corridor”, and has been working closely with the relevant Mainland authorities on the connection options and construction arrangement of the cross-boundary tunnel to ensure effective connection between the Hong Kong and Mainland sections. The two sides will also strive for the completion of the planning and design of the link within this year and commencement of construction at the earliest possible time. The HKSARG will expedite action on the finalization of these two projects.

14. The study on the proposed **Liantang/Heung Yuen Wai Control Point** is also underway. In principle, Hong Kong and Shenzhen have agreed to adopt the recommendation of the joint preliminary planning study and consider constructing a new boundary crossing at the eastern side. At present, they are following up on the details of the recommendation and further studying the layout and design of the proposed crossing according to the people-oriented principle and with a view to facilitating immigration and customs clearance of the two sides.

15. On the **development of the Lok Ma Chau Loop**, Hong Kong and Shenzhen will jointly undertake a comprehensive study to explore the feasibility of developing the Loop and its land uses on the basis of joint development and mutual benefits. Both sides have appointed their respective research institutions to collect views on the future development of the Loop from the general public and experts on the two sides to provide a basis for the forthcoming comprehensive study.

16. Hong Kong and Shenzhen have been studying the feasibility and economic benefits of connecting the two airports at Hong Kong and Shenzhen by rail and exploring other airport business co-operation initiatives with a view to **strengthening co-operation between the two airports**, thereby enhancing the competitiveness of the airports as well as the two places so that they can make greater contribution to the economic development to the Greater Pearl River Delta. The consultancy study on the rail link between the two airports, has made good progress and is set for completion within 2008. The two airports have also signed a framework agreement on passenger facilitation to make it more convenient for passengers to transit between them in order to realise their synergy.

(b) Assist Hong Kong enterprises in adapting to policy changes in processing trade

17. As a result of the changing business environment in the Pearl River Delta (PRD) region and the policy adjustments regarding the processing trade resulting from the national strategy to improve its industrial structure, many manufacturing operations in the Mainland are facing the challenges of industrial upgrading and restructuring, and are considering relocation beyond the PRD region or even the Guangdong Province. In view of this, the HKSARG has been proactively reflecting to the Central Government views and suggestions from the Hong Kong businessmen on the policy adjustments, as well as striving for more flexible transitional arrangements. At the same time, we have put in place substantive measures to **assist Hong Kong enterprises to upgrade, restructure and relocate their operations**. Examples include co-operating with Mainland authorities, in particular Guangdong and Pan-PRD authorities, to introduce measures to enhance information exchange, organize processing trade seminars and policy briefings, and launch an information platform on upgrading, restructuring and relocation for enterprises; establishing the “Task Force to Support the Processing

Trade” to explore with the trade how best to assist Hong Kong-owned enterprises to adapt to the policy adjustments; and launching the “TURN” (meaning “Transformation, Upgrading, Relocation for a New Horizon”) project jointly with the Hong Kong Productivity Council. The HKSARG and the Guangdong Government have also set up the “Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade” under the “Hong Kong/Guangdong Co-operation Joint Conference” so that joint measures can be effected to assist Hong Kong-owned enterprises.

(c) CEPA

18. Following the signing of the CEPA supplements, **more liberalization measures** are introduced and the service areas opened up to Hong Kong now stands are 38, among which tourism, convention and exhibition, cultural and social service for the elderly are first tested out in Guangdong, a popular province for Hong Kong investors. These new measures not only bring about more economic and trade co-operation between Hong Kong and Guangdong, but also open up more areas for co-operation. One example is free legal advice provided by the Hong Kong Law Society in conjunction with provincial associations. In addition, seminars to explore business opportunities are jointly organized with government agents and institutions in various Guangdong cities.

(d) Improving regional air quality

19. Building on the current co-operation on **sustaining and enhancing environmental protection of both places** would provide quality living environment and meet the aspiration of the people in Hong Kong and Guangdong for improving the environment. The HKSARG is receptive to public expectations in the two places for better air quality, and improvement in tackling the smog problem, and has given top priority to **improving regional air quality**. The two governments are actively implementing not only the agreed emission control measures under the “Pearl River Delta Regional Air Quality Management Plan” but will also carry out the enhanced measures recommended by the mid-term review of the Plan, with additional control measures as appropriate. HKSARG also works towards this objective through the introduction of total emission caps for power plants of the two electric companies, emissions control for the power industry, concessionary duty for promoting local market supply of Euro V diesel, grant scheme for encouraging the switch to Euro V diesel commercial vehicles and

strengthening the control of emissions from petrol and liquid petroleum gas vehicles. These measures should help working towards the jointly agreed emission reduction targets between Hong Kong and Guangdong by 2010.

Looking ahead for Hong Kong/Guangdong Co-operation development

20. At present, Guangdong Province has been conducting studies with the aim to deepen co-operation between Hong Kong and Guangdong on all fronts by adopting ground-breaking ideas under the support of the Central Government and continuing realisation of the directions and principles of the “One country, Two systems”, “Hong Kong people ruling Hong Kong” and “high degree of autonomy”. The HKSARG welcome this development strategy and has been supporting and assisting the conduct of these studies, including continuous efforts to strengthen co-operation in cross-boundary infrastructural projects and to facilitate the service industry of Hong Kong to open up the market in Guangdong. The aim is to elevate Hong Kong/Guangdong co-operation to a new level and to sustain a “win-win” situation on the development of both sides.

21. The HKSARG has always attached great importance to Hong Kong/Guangdong co-operation. The economic growth of the Mainland brings unlimited new opportunities for further collaboration to Hong Kong, takes Hong Kong into a new era and turns a new page of the Greater Pearl River Delta region co-operation. The long-term and well-found co-operation between Hong Kong and Guangdong has demonstrated that regional co-operation is vital to sustainable development and has become a trend to develop. Hong Kong/Guangdong co-operation will always be a “win-win” strategy. Both sides will continue to push forward a wider range of co-operation, strive for more breakthroughs and complement each other by their own advantages, in turn to facilitate both sides in gaining from mutual benefits.

Advice sought

22. Members are invited to note the contents of this paper.

Constitutional and Mainland Affairs Bureau
June 2008