

**Motion on “Actively implementing complementary policies for the Outline of the Plan for the Reform and Development of the Pearl River Delta”
moved by Hon WONG Ting-kwong
at the Legislative Council meeting of Wednesday, 4 March 2009**

Progress Report

Purpose

At the Legislative Council meeting on 4 March 2009, the motion moved by the Hon Wong Ting Kwong, as amended by the Hon Samson Tam and Hon Regina Ip, on “Actively implementing complementary policies for the Outline of the Plan for the Reform and Development of the Pearl River Delta” was carried. The wording of the passed motion is at Annex.

2. This report briefs Members on the work progress of the major areas covered in the motion.

Work progress

3. In response to the severe challenges of the global economic recession, not only should we continue to strengthen our competitiveness in sectors we have long excelled in, such as finance, trade and logistics, we should also nurture new growth areas for our economy. The Chief Executive has proposed exploring the development of six industries with competitive edge, including testing and certification, medical services, innovation and technology, cultural and creative, environmental, and educational services industries. Tapping new areas of development will make Hong Kong’s economy more diversified, and will be conducive to the deepening of our economic integration with the Pearl River Delta (PRD) region.

4. With a view to complementing the implementation of the “Outline of the Plan for the Reform and Development of the Pearl River Delta” (the Outline), capitalising on the new opportunities brought about by the Outline, as well as strengthening the existing economic ties and developing new areas of cooperation, the Government has reached consensus with the Guangdong Province to increase cooperation in such areas as infrastructure, industrial cooperation, environmental protection and education. Detail measures are set out below.

Infrastructure

Hong Kong – Zhuhai – Macao Bridge (HZMB), related connection work and relevant issues

5. The engineering work of HZMB that falls within Hong Kong includes two projects, namely the Hong Kong Boundary Crossing Facilities (HKBCF) and the Hong Kong Link Road (HKLR). We are now actively carrying out the preliminary design and environmental impact assessment based on the proposed option of locating the HKBCF at the north-east of the Hong Kong International Airport (HKIA), with a view to kicking-off the relevant statutory procedures as soon as possible. We will seek funding for the detailed design of the HKBCF and aim to gazette the HKBCF and the HKLR under various Ordinances in mid 2009. We aim to synchronize the completion of these two projects with that of the HZMB Main Bridge.

6. The HZMB, HKLR, HKBCF as well as the Tuen Mun Western Bypass (TMWB) and Tuen Mun – Chek Lap Kok Link (TM-CLKL) will enable the formation of a strategic road network linking Hong Kong, Zhuhai, Macao

and Shenzhen, thereby further enhancing the transportation and aviation hub status of Hong Kong. With its proximity to the HKIA, the HKBCF will serve as a strategic multi-modal transportation hub. The stations of the Hong Kong-Shenzhen Airport Rail Link, if implemented, can also be located inside the HKBCF, thus strengthening the synergy effect among the various projects. The recommended option will also allow a better connectivity between the HKIA, Northwest New Territories and Lantau, thus greatly improving the transport network between Tung Chung and the urban area. The close proximity of the HKBCF with the Tung Chung New Town will bring in bigger potential in boosting local economic development. Commercial facilities such as the HKBCF, the Asia World-Expo, airport hotels, shopping centres and outlets, as well as those in Tung Chung, could bring about the “Bridge Head economy” effect to the area, thus bringing economic benefits, business and job opportunities to the local area.

7. On the proposal of introducing ad hoc quotas, the expert group set up by the Hong Kong and Guangdong authorities has already commenced work to sort out implementation details and relevant technical issues with a view to rolling out a trial scheme at the Shenzhen Bay Port as soon as possible. The trial scheme, if implemented successfully, will pave way for full-scale implementation of the proposal at the HZMB.

Airport Rail Link between Hong Kong and Guangdong

8. The preliminary study on the Hong Kong-Shenzhen Airport Rail Link has been completed. The study concludes that it is technically feasible to construct the Rail Link. The Airport Authority is conducting further studies on how the airlines and the two airports could work seamlessly under the Rail Link. These further studies are expected to be completed in mid 2009.

Port development

9. The ports in Hong Kong and the PRD region serve the same cargo hinterland. Complementary development of ports in the two places will help strengthen Hong Kong's position as an international maritime centre. We thus welcome co-ordinated port development in Hong Kong and the PRD region, so that there will be a clear division of work and positioning. An accurate forecast of the demand in the region would avoid excessive supply and duplication of resources.

Industrial cooperation

Financial services

10. Hong Kong and Guangdong continue to advance our financial cooperation. As regards Renminbi settlements, the State Council announced on 8 April to introduce a pilot programme for using Renminbi for cross-border trade settlements in Shanghai and four cities in the Guangdong Province, namely, Guangzhou, Shenzhen, Zhuhai and Dongguan. Hong Kong has completed the necessary technical preparations for becoming the first place outside the Mainland to support Renminbi-denominated trade settlements. Premier Wen Jiabao also told the Chief Executive on 18 April that the Central Government would introduce pilot programmes in Shanghai and Guangdong to allow Hong Kong enterprises to use their assets in Hong Kong as collateral in securing loans from Hong Kong banks on the Mainland. In addition, the newly established "Hong Kong-Guangdong Financial Cooperation Expert Group" will explore and advance more financial cooperation initiatives, with a view to facilitating financial resources within PRD to flow freely and to break

through the institutional and mechanism barriers in the long run. This will provide strong financial support to the regional economy.

Tourism

11. To enhance tourism co-operation among Hong Kong, Guangdong and Macao, regular tourism exchange meetings are held between Hong Kong and Macao, and between Hong Kong and Guangdong. The latest round of meetings was held on 13 February 2009 (with Macao) and 7 April 2009 (with Guangdong). The one between Hong Kong and Shenzhen will take place in early May. Hong Kong, Guangdong and Macao will continue to strengthen co-operation in the development of multi-destination travel itineraries, joint overseas promotion as well as implementation of honest and quality tourism. The three places will further leverage on their complementary advantages in tourism resources to attract more visitors.

12. The HKSAR Government has been maintaining close liaison with Mainland authorities in order to facilitate the operation of Hong Kong travel agents in the Mainland, especially under relevant CEPA measures. For instance, in accordance with Supplement V to the CEPA, the authority to approve applications submitted by Hong Kong service suppliers for setting up wholly-owned, equity joint venture or contractual joint venture travel agencies in Guangdong has been delegated to Guangdong provincial authorities. At our suggestion, Guangdong authorities have agreed to promulgate a checklist setting out the approval procedure as well as the documents required from applicants to facilitate Hong Kong travel agents who wish to operate in Guangdong to go through the approval procedures expeditiously.

Innovation and technology

13. The Governments of the HKSAR and the Guangdong Province have been making every endeavour to strengthen their cooperation in information industry and informatisation. Through various cooperation platforms such as the Hong Kong/Guangdong Cooperation Joint Conference and the Expert Group on Cooperation in Informatisation, the two Governments have been promoting and deepening their cooperation in different areas of technology.

14. To encourage cooperation between scientific research institutions and enterprises of the two areas in the field of research and development, the two Governments have implemented the Guangdong-Hong Kong Technology Cooperation Funding Scheme on annual basis since 2004. Between 2004 to 2008, the two Governments have sponsored more than 850 projects, the amount of funding was about 1.9 billion. As regards the issue of digital home, a project called the “Research and development project on interactive digital animation products and its essential technologies” was granted funding support amounting to one million RMB by the Government of the Guangdong Province to foster collaboration between enterprises in Hong Kong and Guangdong in the field of research and development. It is expected that the project will be completed in the middle of next year.

15. The Government of HKSAR has been co-operating with the Shenzhen Municipal Government in strengthening technology co-operation and exchanges between the two places under the framework of the “Shenzhen/Hong Kong Innovation Circle”. Since the signing of the cooperation agreement on the “Shenzhen/Hong Kong Innovation Circle” in May 2007, Shenzhen and Hong Kong have launched comprehensive cooperation in innovation and

technology, including joint funding for collaborative research and development projects. The aim is to enhance the competitiveness of the industries of both sides by encouraging co-operation between their research and development institutions and industries. Four projects were jointly funded in 2007 and the number increased to eight in 2008. The funding for the 12 projects amounted to about \$73 million, covering electric vehicle technology, core technologies for batteries, radio frequency identification (RFID) applications, rapid bioassay technologies as well as energy saving and environmental protection technologies. The 2009 round of the joint funding scheme will be launched shortly.

16. Meanwhile, as the first major project under the framework of the “Shenzhen/Hong Kong Innovation Circle”, Hong Kong and Shenzhen successfully invited DuPont to set up its global photovoltaic solar energy business headquarters and Research & Development (R&D) centre in the Hong Kong Science Park last year, as well as a related manufacturing base in Shenzhen. The Dupont R&D centre in the Hong Kong Science Park was opened on March 20 this year and has already begun discussing further co-operation with the Nano and Advanced Materials Institution in Hong Kong. Hong Kong and Shenzhen will continue to use this collaborative mode to assemble both sides’ resource advantages and promote technology co-operation between the two places and other parts of the world.

17. On 31 March 2009, the Governments of Hong Kong and Shenzhen agreed on an action plan under the “Shenzhen/Hong Kong Innovation Circle” for the coming three years. The action plan comprises 24 co-operation projects under three categories: Innovation Foundation (provision of laboratories or facilities), Service Platform (sharing of technological resources and provision of technological services platform) and Major R&D Projects (co-operation in

particular technological areas, such as solar battery). The action plan covers projects in various fields including biomedical, integrated circuit, radio frequency identification (RFID) technology, solar battery and industrial design. Through active promotion by both Hong Kong and Shenzhen, innovation and technology cooperation between the two places would become closer in the future.

18. Apart from the mutual efforts made by the two Governments, the industry in Hong Kong and Guangdong also plays an important part in promoting cooperation between the two areas. The Cyberport and the Hong Kong Productivity Council have signed a number of cooperative agreements and letters of intent with their respective counterparts in the Mainland, while different types of exchanges were held to explore more opportunities for collaboration.

Exhibition services

19. We have been enhancing our exchanges and cooperation with the PRD region in the areas of conventions and exhibitions. For example, the Trade Development Council (TDC) has been taking active measures to invite Mainland companies (including those from the PRD region) to participate in or set up pavillions in TDC trade shows in Hong Kong. The Mainland Pavilion in the Hong Kong Electronics Fair (Spring Edition) held in April was an example. In addition, large-scale sourcing fairs held at the Asia World-Expo in April and October every year have been attracting an average of more than 13,000 exhibitors and over 150,000 international buyers, including those from the PRD region, to Hong Kong every year. Moreover, TDC regularly organizes our industry's participation in trade exhibitions held in the PRD region. TDC also established a Hong Kong Pavilion in the China Import and

Export Fair held in April to showcase Hong Kong's brandname products. We will continue to examine how to sharpen Hong Kong's edges as an international convention and exhibition capital through enhancing cooperation with the PRD region in this regard.

Professional services / services industries

20. The Government is committed to enhancing the access of Hong Kong professional services to the Mainland market under CEPA. Under the liberalisation measures of CEPA and those for early and pilot implementation in Guangdong, the Mainland has provided benefits to Hong Kong professional services in various ways, including lowering entry thresholds to accord them preferential treatment in entering the Mainland market (e.g. medical and dental, construction services); encouraging mutual recognition of professional qualifications (e.g. construction, securities and futures, and accounting services); allowing Hong Kong residents to take Mainland professional qualification examinations in over 40 disciplines (e.g. legal, medical and dental, insurance, tourism services); and facilitating registration and practice after the mutual recognition of qualifications (e.g. construction services).

21. The Government has already commenced a new round of discussion with the Central Government, with a view to signing the Supplement VI to CEPA in May 2009. In the process of consultation, we have made reference to the recommendations in the "Outline", striving to enhance the development of Hong Kong service industries in the Mainland (in particular PRD region).

Cultural and creative industries

22. Hong Kong has been striving to strengthen the co-operation with the PRD on the development of cultural and creative industries under the framework of the “Greater Pearl River Delta Cultural Cooperation Forum”. At the 10th meeting of the Greater Pearl River Delta Cultural Cooperation Forum recently held in Hong Kong on 20 February 2009, Hong Kong, Guangdong and Macao resolved to strengthen cooperation on the training of talents in the field and actively follow up with the implementation of internship/ exchange programmes.

23. Apart from the aforementioned framework, Hong Kong and Shenzhen also signed the “Closer Cultural Cooperation Agreement” in November 2008. Under the Agreement, both sides commit to encouraging and supporting cooperation and exchange on the cultural and creative industry front.

24. Since 2004, Hong Kong has been actively participating in the “China (Shenzhen) International Cultural Industries Fairs” held in Shenzhen. The Home Affairs Bureau will continue to take part in the 5th China (Shenzhen) International Cultural Industries Fair in May 2009 through the Hong Kong Arts Development Council.

Environmental protection

25. Under the auspices of the Hong Kong-Guangdong Joint Working Group on Sustainable Development and Environmental Protection, both the Hong Kong and Guangdong Governments have regular meetings to discuss and share views on issues of common interest regarding water quality, and to formulate long-term regional water pollution control strategies and water quality

management plans. The Hong Kong Environmental Protection Department and the Guangdong Environmental Protection Bureau successfully developed an advanced numerical water quality model for the Pearl River Estuary region in 2008. The model is capable of simulating the complicated flow dynamics and water quality processes in both the river network and the coastal region, and provides a scientific analytical tool for the formulation of regional water quality management and pollution control plans. The model was endorsed by the Hong Kong-Guangdong Joint Working Group on Sustainable Development and Environmental Protection in December 2008. Both sides are now preparing for the commencement of a joint study, the Pearl River Estuary Water Quality Joint Management Planning Advance Study, and will apply the PRD water quality computer model jointly developed by Hong Kong and Guangdong to assess the load carrying capacity of the estuary under different water quality objectives. The study is scheduled for commencement in end 2009.

26. On the basis of “the Outline”, we will continue to take forward initiatives in protecting the regional water and air quality, including implementation of the pollutant control and reduction measures contained in the Regional Air Quality Management Plan. To improve regional air quality, we are exploring with the Guangdong authorities possible arrangements for setting up joint mechanisms in pollution prevention and reduction, as well as strengthening regional air quality monitoring.

27. In taking forward “the Outline”, Hong Kong and Guangdong will work closely to deepen cooperation on the environmental front. Both sides will draw up strategies to jointly transform the PRD Region into a green and quality living area. The focus is to develop the Region into a low-carbon, high-technology and low-pollution cluster of cities with quality living. This initiative will help provide quality environment at both places, foster sustainable

development and enhance the overall competitiveness and appeal of the two places. This is an important strategy in deepening environmental co-operation. It signals a major change from project-based to a holistic form of cooperation, which seeks to develop a more comprehensive approach in tackling regional environmental issues. On the basis of the existing cooperation, the proposed new mode of regional environmental co-operation will further seek to extend cooperation to other areas, including jointly developing cleaner and renewable energy, and improving the energy mix; which would help combat climate change. To continue to improve regional air quality, both governments are studying the setting of the post-2010 emission reduction targets and air quality objectives. Consideration is being given to setting up joint mechanisms in pollution control and reduction with a view to continuing to enhance co-operation in regional air pollution prevention.

Education

28. Hong Kong has a number of world-class higher education institutions. In accordance with the Regulations of the People's Republic of China on Chinese-Foreign Cooperation in Running Schools (the Regulations), these institutions could establish operation on the Mainland through cooperation with Mainland education institutions. For example, the Hong Kong Baptist University and Beijing Normal University have jointly established the United International College in Zhuhai, and the HKU SPACE, Suzhou University of Science and Technology, and Global EduTech Management Group have jointly established the HKU SPACE Global College in Suzhou.

29. The establishment of Mainland operation by our local institutions will facilitate talent and academic exchanges between the Mainland and Hong Kong. Due to the provisions of the Regulations, our local education

institutions currently can only establish operation on the Mainland through partnerships with Mainland counterparts. We will continue to relay the institutions' wish to establish operation on their own on the Mainland to Mainland authorities at appropriate juncture in the future.

Others

Regional Development

30. The Hong Kong and Shenzhen Governments have agreed that both sides would, on the principles of co-study and co-development, conduct the "Planning and Engineering Study for the Development of Lok Ma Chau Loop" (the "P&E Study"). Both sides have also initially considered that higher education could be the leading use in the Loop, complemented by hi-tech research and development facilities, as well as cultural and creative industries. These land uses will tie in with the relevant objective of the "Outline". We will work closely with the Shenzhen authorities to realize the development of the Loop.

31. The P&E Study is scheduled for commencement in June 2009 and for completion in end 2011. We will take into consideration of the findings and recommendations of the "Land Use Planning for the Closed Area - Feasibility Study" and "North East New Territories New Development Areas Planning and Engineering Study" in order to ensure that various developments are compatible with one another, thus achieving synergy effects.

Role of the Hong Kong Economic and Trade Office in Guangdong (GDETO)

32. Since its establishment in 2002, the GDETO has been providing

support services to Hong Kong residents working and living in the PRD Region. The support includes enhancing their communication with local authorities on commerce and trade matters, obtaining and disseminating latest information on commerce and trade-related policies/regulations and economic developments, as well as reflecting and following up commerce and trade issues of common concern among Hong Kong businessmen to the Mainland authorities. An Immigration Team was set up under the GDETO since 1 April 2006 to provide emergency support and other related assistance to those in need.

33. In furthering cooperation between Hong Kong and Guangdong, the GDETO will continue to launch more services in light of the latest developments. The GDETO serves as a bridge between the two places and plays an active role in fostering closer liaison with local authorities, and in enhancing communication with non-government organisations to promote exchanges and cooperation in commerce and industry, economic and trade, culture, education and other areas between the two places.

Setting up the Guangdong, Hong Kong and Macao Chief Executives Joint Conference

34. Hong Kong and Guangdong set up a Liaison and Coordinating Group to jointly take forward the implementation of the Outline in January this year. The Group is responsible for coordinating the efforts of various designated subgroups under different areas of co-operation between Hong Kong and Guangdong, as well as the relevant departments. The Group will devise the strategies and the objectives in the implementation of the Outline, and will review the work progress in a timely manner. On the other hand, Guangdong and Macao have also set up a corresponding Liaison and Coordinating Group under the framework of “Guangdong and Macao Cooperation Joint Conference”

to co-ordinate the efforts of Guangdong and Macao in the implementation of the Outline.

35. To enable Hong Kong, Guangdong and Macao to formulate policies together in a timely manner and to jointly devise the regional co-operation plan, senior officials from the three places met in February this year for the first meeting of the Liaison and Co-ordinating meeting held in Hong Kong. The meeting had taken forward the implementation of the Outline and the formulation of the tripartite regional projects and their contents. The Liaison and Co-ordinating meeting was co-chaired by the Chief Secretary of Hong Kong Special Administrative Region, Mr. Henry TANG, the Vice-Governor of Guangdong Province, Mr. WAN Qing-liang and the Secretary for Economy and Finance of the Macao Special Administrative Region, Mr. TAM Pak-yuen.

36. The three Governments had agreed to continue to adopt this comparatively more flexible and mobile mode to discuss individual cooperation opportunities in various aspects, and to study more in-depth the implementation of the guidelines set out in the Outline. The three Governments would also hold liaison meetings in a timely manner to jointly formulate strategies. This would assist in further delineating the division of work among the three places under the framework of the Outline, and complementing each other with their own strengths. This would also bring about wider and greater synergy, resulting in win-win situations for all parties.

Constitutional and Mainland Affairs Bureau

May 2009

(Translation)

Motion on
“Actively implementing complementary policies
for the Outline of the Plan for the Reform and
Development of the Pearl River Delta”
moved by Hon WONG Ting-kwong
at the Legislative Council meeting
of Wednesday, 4 March 2009

Motion as amended by Dr Hon Samson TAM Wai-ho and Hon Mrs Regina IP LAU Suk-yee

That, as Hong Kong is being struck by the financial tsunami, the need for new economic restructuring has become more imminent, this Council urges the Government of the Hong Kong Special Administrative Region to expeditiously redefine the role and positioning of Hong Kong and formulate corresponding complementary policies for the Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020) promulgated earlier by the Central Government, so as to facilitate Hong Kong’s closer co-operation with Guangdong Province and the Macao Special Administrative Region and promote Hong Kong’s economic and social development; such policies include:

- (a) expediting the planning and construction of the Hong Kong Section of the Hong Kong-Zhuhai-Macao Bridge (“HZMB”) as well as the related connecting infrastructure works for HZMB, and at the same time actively studying the development of a bridgehead economy at the landing point of HZMB in Hong Kong and the implementation of “free flow of vehicles” between Guangdong and Hong Kong, so as to fully utilize HZMB;
- (b) expediting transport connection works between the airports in Guangdong and Hong Kong, and expeditiously implementing the proposal to construct a high-speed rail link connecting the airports in Hong Kong and Shenzhen;
- (c) actively discussing with the Government of Guangdong Province to clearly delineate the roles and division of work between the ports and terminals in Guangdong and those in Hong Kong, so that a new setting will be formed in the Pearl River Delta Region (“PRDR”) under which there is a clear demarcation of work among the ports, complementarity of edge and co-development;
- (d) in line with the general requirement for a “Digital Pearl River Delta”, facilitating the sharing of online resources and interconnection and mutual access among the networks in Guangdong and Hong Kong, and jointly promoting co-operation of the two places in developing digital creative industries;

- (e) strengthening co-operation among the exhibition and convention industries in PRDR, and capitalizing on Hong Kong's edge to turn the territory into a capital of international exhibitions and sales;
- (f) strengthening co-operation between Guangdong and Hong Kong in improving the overall water quality in PRDR and reducing the overall volume of water pollution, and at the same time establishing a sound system for the monitoring and prevention of air pollution, as well as striving to solve the problem of atmospheric haze;
- (g) helping higher education institutions and education providers in Hong Kong to run education institutions independently in PRDR;
- (h) deepening the implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement by expediting mutual recognition of professional qualifications in Guangdong and Hong Kong as well as lowering the thresholds of practice in PRDR for Hong Kong professionals, so as to foster the expansion of Hong Kong's service industries into PRDR;
- (i) formulating focused facilitating measures to provide convenience for PRDR residents to invest in Hong Kong's stock market, and enhancing efforts in Guangdong Province to provide information on and publicize Hong Kong stocks, so as to prepare for launching the through train scheme for Guangdong's and Hong Kong's stock markets;
- (j) strengthening various services for Hong Kong residents working and residing in PRDR, and actively considering enhancing the functions of the Hong Kong Special Administrative Region Government's Economic and Trade Office in Guangdong;
- (k) strengthening tourism co-operation among Guangdong, Hong Kong and Macao, and assisting Hong Kong's tourism enterprises in operating in PRDR; and
- (l) considering setting up a Guangdong/Hong Kong/Macao Leaders' Conference to strengthen co-operation among the three places;
- (m) strengthening co-operation between Guangdong and Hong Kong in areas such as water, air and climatic change to improve the overall environmental quality in PRDR, including formulating a set of standardized air quality objectives for both places, setting the emission reduction targets beyond 2010 for PRDR, etc; and
- (n) taking all effective measures to expeditiously co-operate with Shenzhen to develop the Lok Ma Chau Loop, and strengthening co-operation with Shenzhen in the development of higher education, new and high technology as well as cultural and creative industries, so as to facilitate Hong Kong's restructuring towards a knowledge-based economy, broaden Hong Kong's economic structure and complement the North East New Territories New Development Areas.