

**Legislative Council Motion Debate on
“Seizing the chance to turn the risks from the ‘Three Direct Links’
across the Taiwan Strait into opportunities” on 24 June 2009
Progress Report**

Purpose

On 24 June 2009, the Legislative Council carried the motion on “Seizing the chance to turn the risks from the ‘Three Direct Links’ across the Taiwan Strait into opportunities” moved by Hon Mrs Sophie LEUNG, as amended by Hon Tommy CHEUNG Yu-yan, Hon IP Wai-ming, Hon WONG Ting-kwong and Dr Hon Priscilla LEUNG Mei-fun. Full text of the motion is at the [Annex](#). This report updates Members on the progress made in respect of the suggestions put forward by Members in the motion.

Strengthen Exchanges and Cooperation with Taiwan

2. In the past few years, we have received a considerable number of official and non-official delegations from Taiwan. With the enhanced Cross-Strait relations, HKSAR Government is also seeking to proactively foster exchanges and cooperation between Hong Kong and Taiwan. The Secretary for Constitutional and Mainland Affairs visited Taiwan early this June. In the following two months, a number of Taiwan officials and delegations, including the Mayor of Taipei City, the Magistrate of Taipei County, the then Head of the Department of Health, as well as the Justice authorities of Taiwan visited Hong Kong, and had meetings with various policy bureaux and departments of the HKSAR Government. We exchanged views on areas including economy and trade, aviation, tourism, culture, sports, environmental protection, medical and health and prevention of infectious diseases, and law and justice, and explored areas for further cooperation.

3. During the visit of the Mayor of Taipei City to Hong Kong, the two sides reaffirmed that Hong Kong and Taipei would co-organize the “Hong Kong-Taiwan Intercity Forum” next year. We will continue to strengthen exchanges and ties with Taiwan through means such as visits and intercity forums.

4. To establish a more direct and comprehensive communication platform with Taiwan, we are actively promoting with the Taiwan side the establishment of a bilateral business co-operation committee platform.

Officials of both sides can make use of this platform to communicate and exchange views on matters of mutual interest, and to explore and discuss issues for further enhancing co-operation between Hong Kong and Taiwan. We have been liaising with the Taiwan side on the matter. We trust that with the concerted efforts of both sides, the co-operation committees will be established soon.

5. To promote Hong Kong and Taiwan relations more effectively, the Steering Committee on Enhancing Hong Kong-Taiwan Economic Relations, a high-level inter-departmental committee, has been set up. The Steering Committee, chaired by the Financial Secretary, is responsible for examining and co-ordinating the overall strategy and action plan for promoting closer economic and trade ties with Taiwan. The Steering Committee has already met a number of times to formulate strategies and initiatives in various policy areas.

Set up Official Representation in Taiwan

6. The Hong Kong Trade Development Council Taipei office has come into operation last October to further promote economic and trade co-operation and exchanges with Taiwan. The Hong Kong Tourism Board is planning to set up an official office in Taiwan. The soon-to-be-established Hong Kong-Taiwan Business Co-operation Committee will also serve as an effective exchange and co-operation platform between Hong Kong and Taiwan. We will continue to explore initiatives that would help enhance economic and trade co-operation between Hong Kong and Taiwan, having regard to the development in Cross-Strait relations. The Government would not rule out the possibility of establishing an office in Taiwan when there are appropriate conditions and environment.

Aviation

7. We will continue to develop air services in Hong Kong, strengthen the competitiveness of the Hong Kong International Airport, and proactively enhance the status of Hong Kong as a regional and international aviation centre.

8. On air services arrangements, we will continue to discuss with the Central People's Government with a view to further liberalizing the current arrangements between the Mainland and Hong Kong. On Taiwan, we encourage and support airlines of the two sides to negotiate an expansion of their existing commercial arrangements. We will also

work out the long-term institutional arrangement for the development of air services between Hong Kong and Taiwan at an opportune time. Meanwhile, we continue to liberalize the air services arrangements between Hong Kong and our aviation partners to expand Hong Kong's international aviation network.

9. We have been fostering closer relationship between the Hong Kong International Airport and the Pearl River Delta (PRD) region. Airports in the PRD region have been in continuous dialogues and cooperating in various aspects, to seek opportunities for cooperation on a mutually beneficial basis. We are also studying actively the proposal on establishing a rail link between the Hong Kong International Airport and Shenzhen International Airport.

10. On enhancing the capacity of our airport, we will gradually increase the airport runway capacity as planned within the confines of the existing runway and relevant conditions. Meanwhile, we will pursue the engineering feasibility and environmental impact assessment studies on building a third runway in order to meet the long term needs. In respect of air traffic control (ATC) management, we work and communicate closely with the relevant ATC authorities taking care of the airports in the region. We will continue to work with the relevant bodies of the Mainland and Macau to formulate and follow-up on the longer-term measures that will further improve ATC management.

Facilitate Flow of Personnel

11. We encourage the flow of people between Hong Kong and Taiwan. To facilitate entry of Taiwan residents, the Immigration Department (ImmD) introduced in 2002 the iPermit Scheme, which allows Taiwan visitors to apply online and instantly confirm their entry permits through authorised airlines or agents. On 1 January this year, ImmD extended the period of stay in Hong Kong for Taiwan visitors as well as lifted the restriction on the number of applications for iPermits. From 27 April this year, we further allowed Taiwan residents holding a valid "Mainland Travel Permit for Taiwan Residents" (commonly known as "Tai Bao Zheng") to enter Hong Kong on visitor status and stay for seven days without the need to possess any endorsement. We believe that these facilitation measures have brought greater convenience to Taiwan residents visiting Hong Kong for business or pleasure.

Cooperation and Exchange in Tourism

12. Apart from the entry facilitation measures, Hong Kong also offers many attractions to Taiwan tourists. For the past two decades, Hong Kong has been Taiwan visitors' number one choice of outbound travel destination and we are committed to attracting more Taiwan visitors to Hong Kong. Under Supplement VI to CEPA signed in May 2009, Mainland tour groups going to Taiwan can enter and remain in Hong Kong in transit. This measure, together with the measure announced in April this year that Mainland tour groups can take cruise vessels homeporting in Hong Kong to Taiwan, enabled the development of multi-destination travel itineraries between Hong Kong and Taiwan. This will not only enrich Mainland tourists' travel experiences, but will also allow Hong Kong to seize the opportunities offered by the "Three Direct Links" and the implementation of Mainland tours going to Taiwan, thereby enhancing the linkage between the Mainland, Hong Kong and Taiwan.

13. The inaugural cruise tour carrying about 800 Mainland visitors from Hong Kong to Taiwan set off in early August this year. Cruise operators are planning more cruise tours from Hong Kong to Taiwan. The Hong Kong Tourism Board (HKTB), in collaboration with cruise operators, will step up promotional efforts on cruise tours on the Mainland, introduce more multi-destination travel itineraries and products between Hong Kong and Taiwan, and encourage visitors to extend their stay in Hong Kong. To further open up the cruise tourism market within the region, we have strengthened our liaison with Mainland coastal provinces and established an information exchange platform to promote and develop cruise tourism.

14. On tourism promotion, HKTB is opening up new visitor source markets in cities such as Kaohsiung and Taichung. It has organised tourism product seminars in Taichung. It also seeks to attract more family and younger tourists to visit Hong Kong and extend their stay here through focused promotion on characteristic Hong Kong dining and entertainment attractions including theme parks and large-scale events, such as the "Hong Kong Summer Spectacular" and the "Hong Kong Food and Wine Year". HKTB will also develop the MICE (Meetings, Incentives, Conventions and Exhibitions) tourism market, so as to attract business visitors with high spending power. At the same time, we are committed to develop Guangdong-Hong Kong-Taiwan multi-destination travel itineraries to attract more visitors from the Mainland and Taiwan to visit Hong Kong, thereby stimulating business and leisure travel within

the region for the benefit of the three places.

Economic Cooperation Agreements between the Mainland and Taiwan

15. We are aware that the Central Government is examining an economic cooperation framework agreement that meets the needs of Cross-Strait economic development and incorporates the characteristics of the Mainland and Taiwan. The agreement will strengthen the economic and trade relations between the Mainland and Taiwan, and in return brings growth to the overall regional economy. In the medium and long terms, with growth in overall trade and more efficient allocation of resources, Hong Kong should be able to grasp new development opportunities. The entering of the agreement between the Mainland and Taiwan will be beneficial to the long term and sustainable development of the economy on both sides of the Strait. We are happy to see that this is accomplished. During the process, Hong Kong will play a positive and constructive role.

16. At the same time, Hong Kong will continue to explore bilateral economic and trade cooperation with Taiwan. The office of the Hong Kong Trade Development Council in Taipei is in operation to attract more Taiwan businessmen to do business in Hong Kong. At the same time, InvestHK will also enhance investment promotion in Taiwan and organize large-scale investment promotion activities. It will also identify investors who are interested in starting up in Hong Kong and introduce them to Hong Kong's business environment and advantages. These will help Hong Kong to maintain its position as a regional international finance, trade and shipping centre.

Financial Cooperation

17. From January 2008 to July 2009, a total of three Taiwan companies made public offerings in Hong Kong and raised HK\$12.9 billion. By the end of July 2009, about 50 Taiwan enterprises have been listed in Hong Kong with a total market value of HK\$320 billion. The Hong Kong Exchanges and Clearing Limited will continue to take part in the listing seminars in Taiwan and meet with potential issuers to introduce in detail the advantages of Hong Kong as the capital formation ground.

18. We have made good progress in respect of cross-listing of Exchange-traded Funds (ETFs) in Hong Kong and Taiwan recently. Following the signing of the Side Letter to the Memorandum of

Understanding by the Taiwan Financial Supervisory Commission (FSC) and the Securities and Futures Commission (SFC) in May this year, three Hong Kong ETFs were successfully listed on the Taiwan Stock Exchange in mid-August. These Hong Kong ETFs proved to be very popular among Taiwan investors. One of these Hong Kong ETFs (W.I.S.E. CSI 300 China Tracker) has raised more than NTD7 billion (HK\$1.64 billion) in its public offering. As of 19 August 2009, it was the second largest ETF in Taiwan after Polaris Top 50 Tracker Fund, and in terms of number of units turnover, it was the highest among all Taiwan ETFs. The first Taiwan ETF was also listed on the Stock Exchange of Hong Kong Limited on 19 August 2009.

Professional Services

19. Professional services are among the leading sectors in Hong Kong with many competitive advantages. Strengthened cooperation in professional services among Mainland, Taiwan and Hong Kong will be beneficial to the development of the respective sectors in Hong Kong. In fact, under CEPA, the professional services sectors in Hong Kong have already gained access to the Mainland market. Professional bodies of both sides are encouraged to pursue mutual recognition of professional qualifications. Under CEPA, the Mainland has given preferential treatment to Hong Kong professional services in various ways, e.g. allowing Hong Kong residents to take professional qualification examinations; encouraging mutual recognition of professional qualifications; streamlining of internship requirement; simplifying registration and practising procedures; and lowering entry threshold. Hong Kong and Taiwan may explore possible co-operation on the development of professional services of both places through the newly set up communication platform.

Arrangements for Avoidance of Double Taxation

20. Hong Kong has been actively seeking to establish comprehensive avoidance of double taxation agreements and arrangements with major trading and investment partners. The Government will review, from time to time, its economic and trade links with different places and identify possibilities for engaging in discussion on arrangements for avoidance of double taxation with these places. With the growth of our trade and economic links with Taiwan, we will examine the need for arrangements in double taxation avoidance between the two sides.

Education Exchanges and Cooperation

21. On education and academic researches, Hong Kong has many exchanges and cooperation with Taiwan educational institutions. About 170 students from Taiwan took University Grants Committee (UGC)-funded courses in Hong Kong in the 2008/09 academic year, an obvious increase compared with some 30 Taiwan exchange students in the previous year.

22. Moreover, the UGC-funded institutions have student exchange programmes with over 30 Taiwan universities and colleges. In the 2008/09 academic years, around 30 exchange students in Hong Kong were from Taiwan and around 55 Hong Kong students went to Taiwan on exchange. Separately, the UGC-funded institutions have launched around 50 cooperative research programmes with their counterparts in Taiwan, on subjects including biological sciences, natural sciences, engineering, IT and computer.

Environmental Protection Cooperation

23. Hong Kong's environmental protection industry, which has rich management expertise and excels in introducing technologies and services to cater for market needs, is well positioned to explore businesses opportunities in the Mainland and Taiwan.

24. In October this year, the Environment Bureau will, for the first time, partner with the Trade Development Council to organise the Eco Expo Asia 2009. The Trade Development Council will invite environmental protection services enterprises in the Mainland and Taiwan to join the Eco Expo. The event will facilitate partnership between the Government and the industries in developing a green economy, help open up markets for clean technologies, products and services, and also promote Hong Kong as an exchange platform for supporting regional environmental protection cooperation and sustainable development.

Mutual Legal Assistance

25. The HKSAR Government will actively explore the possibilities to strengthen cooperation in mutual legal assistance in civil and commercial matters with Taiwan, with a view to creating a better business environment in Hong Kong. This will in turn provide more business and trade facilitation services and a more effective regime for resolving trade disputes involving the two sides.

26. So far, HK has entered into arrangements with the Mainland in respect of the service of judicial documents, mutual enforcement of arbitral awards and judgements in civil and commercial matters. In view of the frequent dealings between the Hong Kong and the Mainland in civil and commercial matters, the Administration will seek more cooperation with the Mainland authorities to rationalise the implementation of the arrangements and explore possibilities for improving cooperation in bilateral legal assistance.

Concluding remarks

27. While we are actively fostering our relations with Taiwan, we are dedicated to promoting holistic regional cooperation including that with the Pan-PRD region and Guangdong Province so as to uphold Hong Kong's position in the region. In addition, CEPA Supplements V and VI have brought along a series of facilitation measures for further opening up of the Mainland market. Among other things, Hong Kong companies, professionals and the services sectors can take advantages of the pilot measures in Guangdong and take part in the further development of the Mainland. CEPA and enhanced regional cooperation will help strengthen Hong Kong's position as an international financial, trade and shipping centre, and better equip Hong Kong with the strengths to establish its unique roles across the Strait. We will continue to collaborate with the Mainland and Taiwan. We will seize the opportunities under the three Direct Links to promote the development of Hong Kong.

**Constitutional and Mainland Affairs Bureau
Transport and Housing Bureau
September 2009**

(Translation)

**Motion on
“Seizing the chance to turn the risks from the
‘Three Direct Links’ across the Taiwan Strait into opportunities”
moved by Hon Mrs Sophie LEUNG LAU Yau-fun
at the Legislative Council meeting commencing
on Wednesday, 24 June 2009**

**Motion as amended by Hon Tommy CHEUNG Yu-yan, Hon IP Wai-ming,
Hon WONG Ting-kwong and Dr Hon Priscilla LEUNG Mei-fun**

That Hong Kong has all along been an important platform for commercial and social exchanges across the Taiwan Strait, since the implementation of the ‘Three Direct Links’, i.e. direct maritime, air and postal links, across the Taiwan Strait in December last year, coupled with the impact of the financial tsunami, the air passenger and air cargo traffic of Hong Kong has, to a certain extent, been affected; however, apart from promoting cross-strait exchanges and trade flows, the ‘Three Direct Links’ across the Taiwan Strait is also a development opportunity for Hong Kong; as such, this Council urges the Government to formulate a comprehensive plan to turn the ‘Three Direct Links’ across the Taiwan Strait into an opportunity for Hong Kong to further develop the relations among the three places across the Taiwan Strait, including:

- (a) conducting a study on fully opening up air rights on a reciprocal basis with the Mainland and Taiwan, so as to raise Hong Kong’s position as a regional and international aviation centre;
- (b) strengthening cooperation with the neighbouring airports in the Pearl River Delta to achieve complementarity of edge, so as not to result in mismatched development and to consolidate Hong Kong’s status in aviation;
- (c) putting into place arrangement for mutual visa-free access between Hong Kong and Taiwan, and establishing formal channels among the three places across the Taiwan Strait to strengthen exchanges and cooperation at the non-government and societal level as well as in areas of tourism, culture and creativity, etc;
- (d) setting up a high level inter-departmental task force to study and coordinate long-term development plans for promoting economic and trade cooperation among the three places across the Taiwan Strait;
- (e) assisting the Mainland and Taiwan in concluding the Economic Cooperation Framework Agreement at an early date to eliminate the trade barriers between them and jointly create common markets in the Greater China, as well as fully utilizing the functions of the Trade

Development Council's Taiwan Office to help Hong Kong businessmen to further develop;

- (f) studying the feasibility of promoting mutual recognition of professional qualifications among the Mainland, Hong Kong and Taiwan, so as to foster the development of Hong Kong's professional services industries; and
- (g) bringing forward arrangements with Taiwan to avoid double taxation, so as to enhance the competitiveness of Hong Kong, strengthen Hong Kong's position as a business platform of the Greater China and promote a win-win situation for the three places across the Taiwan Strait; and
- (h) discussing the setting up of a task force on an airport cluster in the Great Pearl River Delta to exchange views on issues relating to the positioning, airspace, flight routes, flight schedules, runway construction and equity exchange, etc of the airports in the region, and studying the construction of the third runway for the airport of Hong Kong as well as discussing with the Mainland to resolve the problem of airspace allocation, etc;
- (i) stepping up efforts to attract Taiwan enterprises to raise capital through Hong Kong, so as to optimize Hong Kong's function as an international financial centre; and
- (j) actively participating in the planning and construction of the economic zone on the western side of the Taiwan Strait, and optimizing Hong Kong's function as an international financial, shipping and trading centre, so as to enable Hong Kong to continue to maintain its active role and functions in the economic and trading exchanges among the three places across the Taiwan Strait and give new impetus to Hong Kong's economic development;
- (k) actively studying the streamlining of customs clearance procedures for residents of the three places across the Taiwan Strait travelling to and from these places;
- (l) strengthening exchanges and cooperation in areas of education, environmental protection and mutual legal assistance among the three places across the Taiwan Strait; and
- (m) in accordance with the existing mode adopted by the Special Administrative Region Government in establishing offices on the Mainland, commencing a study on the feasibility of establishing a government office in Taiwan.