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Panel on Commerce and Industry

Meeting on 19 May 2009

**Updated background brief on
trade relations between the Mainland and Hong Kong**

Purpose

This paper provides an update of the initiatives in place to foster trade relations between the Mainland and Hong Kong. It also summarizes Members' views and concerns on the subject.

Initiatives to foster trade relations

2. Since the reunification, communications between Hong Kong and the Mainland have been increasingly frequent in various aspects, especially in trade and commerce. Apart from being Hong Kong's largest trading partner and major investor, the Mainland is also the largest market and the major source of Hong Kong's re-export goods. In recent years, the launching of various major initiatives by the Central People's Government (CPG), such as the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), has greatly strengthened linkage between Hong Kong and the Mainland in many aspects. Hong Kong has also been actively developing regional co-operation initiatives with the provincial governments and municipalities of the Mainland to further enhance communication and co-operation between the places concerned and Hong Kong.

Hong Kong/Guangdong Co-operation Joint Conference (HKGDCJC)

3. The Governments of the Hong Kong Special Administrative Region (HKSAR) and the Guangdong Province jointly set up the HKGDCJC in 1998 to study and co-ordinate issues of mutual interests, and to facilitate co-operation and exchanges of both sides.

4. At present, there are 20 expert groups responsible for taking forward a variety of co-operation initiatives, including the implementation of CEPA, restructuring and upgrading of the processing trade, control point operation, major infrastructure projects, tourism, innovation and technology, education, intellectual property rights, joint promotion of the Pan-Pearl River Delta (PPRD) cooperation, town planning and development, environmental protection and information technology, etc.

5. At the tenth plenary of the HKGDCJC held on 2 August 2007, the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade was set up to assist Hong Kong-owned enterprises in Guangdong Province to adjust to changes in the Mainland's policy on processing trade. At the 12th plenary of the HKGDCJC held on 21 January 2009, the parties had a thorough discussion on how to implement the initiatives relevant to the co-operation among Hong Kong, Guangdong and Macao in the "Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)" (the Outline), which was officially announced by the National Development and Reform Commission in early January 2009. Both sides have exchanged views on a number of major co-operation initiatives. Details of the Framework and the agreement to focus on the co-operation of priority areas as well as the discussion of the further meeting to take forward the implementation of the Outline are set out in the Government's press releases at **Appendices I and II**.

The Mainland and Hong Kong Closer Economic Partnership Arrangement

6. CEPA is the first free trade agreement concluded by the Mainland and Hong Kong which makes way for liberalization of trade in goods, trade in services, as well as trade and investment facilitation between the two places. The Mainland and Hong Kong signed the main text of CEPA on 29 June 2003 and its six Annexes on 29 September 2003 which came into force on 1 January 2004. Pursuant to Article 3 of CEPA, which provides that the two sides will broaden and enrich from time to time the contents of the Arrangement through continuous and further reciprocal liberalization, five Supplements to the CEPA have been signed on 27 October 2004, 18 October 2005, 27 June 2006, 29 June 2007 and 29 July 2008 respectively for progressive implementation of liberalization measures under CEPA. On trade in goods, all products of Hong Kong importing into the Mainland enjoy preferential tariff free treatment if they meet the CEPA rules of origin. On trade in services, Hong Kong service suppliers (HKSS) enjoy preferential access to the Mainland market in selected service areas. Professional bodies of Hong Kong and regulatory authorities in the Mainland have also signed a number of agreements and arrangements on mutual recognition of professional qualifications. On trade and investment facilitation, both sides agree to enhance co-operation to improve the overall business environment.

7. To enhance Hong Kong-Guangdong economic and trade cooperation, a package of service liberalization and facilitation measures were approved by the CPG for early and pilot implementation in Guangdong under Supplement V. Of

the 25 measures announced on 29 July 2008, 17 were included under the CEPA liberalization package covering accounting, construction and related engineering, medical, placement and supply services of personnel, environment, social service, tourism, maritime transport, road transport, and individually-owned stores.

8. On the implementation of CEPA and the Guangdong pilot measures, Hong Kong has all along been the largest trade partner of the Guangdong Province. In 2007, the import and export trade between the two places reached US\$140 billion. Up to end of 2007, the total direct investment of Hong Kong in Guangdong has accumulated to over US\$120 billion. Cumulatively, more than 99,000 Hong Kong-invested enterprises have been established in Guangdong. As at December 2008, more than HK\$16 billion worth of goods entered the Mainland market making use of the zero-tariff preferential treatment under CEPA, of which 65% was exported to Guangdong. As for trade in services, more than 2,000 Certificates of HKSS have been issued. These certificate holders have enjoyed the benefits brought by CEPA when investing in relevant service industries on the Mainland. About 40% of the investments went to Guangdong. More than 30 million trips were made by Mainland visitors to Hong Kong under the Individual Visit Scheme (IVS), with about 80% of the applications coming from Guangdong. As at October 2008, 66 Guangdong enterprises were listed in Hong Kong with a market value of over HK\$220 billion. In 2008, more than 220 Mainland companies, a number of which came from Guangdong, have set up regional headquarters and regional offices in Hong Kong.

Previous discussions

9. Members have followed closely the implementation of CEPA since its inception in 2003. In general, Members welcome the initiatives under CEPA and have all along been keen to ensure that CEPA can provide a window of opportunities for Hong Kong businesses to gain greater access to the Mainland market and create a genuine positive impact on Hong Kong's economic development in the long run. They have also urged the Administration to render every assistance to facilitate Hong Kong enterprises to make the best use of the opportunities brought about by CEPA.

10. At various Council meetings, Members raised questions on the implementation of CEPA, Certificates of Origin under CEPA, market entry facilitation measures to assist businessmen/professionals in grasping the opportunities brought about by CEPA, measures to deepen trade co-operation and foster closer economic integration between Hong Kong and the Mainland, business opportunities on the Mainland for local professionals and service sectors, and enhancing co-operation between services industries in the Pearl River Delta Region (PRD) region and Hong Kong.

11. Three motions on CEPA were carried at the Council meetings on 9 July 2003, 19 November 2003 and 15 June 2005. During the motion debate, Members generally expressed support for the implementation of CEPA, and were keen to ensure that arrangements were made to assist Hong Kong businessmen in gaining greater access to and tapping the vast opportunities of the Mainland market. The Administration was urged to formulate appropriate measures to improve the business environment and facilitate local enterprises, especially the small and medium sized enterprises (SMEs), to make the best use of the business opportunities brought about by CEPA, thereby creating more employment opportunities and improving Hong Kong's economy in the long run.

12. During the recent debate on a motion on "Actively implementing complementary policies for the Outline of the Plan for the Reform and Development of the Pearl River Delta" at the Council meeting on 4 March 2009, Members urged the HKSAR Government to expeditiously redefine the role and positioning of Hong Kong and formulate corresponding complementary policies for the Outline promulgated earlier by the CPG, 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.

13. At its meeting held on 20 May 2008, the Panel on Commerce and Industry exchanged views with the Administration and deputations on issues related to the furthering of trade relations between the Mainland and Hong Kong, including the developments of CEPA. At the Panel meeting on 18 November 2008, the Administration briefed members on the implementation and latest development of CEPA, and the content of Supplement V to CEPA as well as the package of services liberalization and facilitation measures for early and pilot implementation in Guangdong to deepen Guangdong-Hong Kong economic and trade cooperation announced on 29 July 2008. The Panel's views and concerns on the issues are summarized in the ensuing paragraphs.

Measures to help Hong Kong enterprises operating in the Mainland

14. Panel members noted that the recent changes in the Mainland's policy, such as those on processing trade, the implementation of the Labour Contract Law and Enterprise Income Tax Law, the appreciation of Renminbi (RMB) and the tightening of environmental standards, would all have impact on Hong Kong-owned enterprises in respect of export of goods, operation, pricing and tax rebate. A noticeable number of these enterprises might close down their operation in the near future as a result of the intensified business environment in the Mainland. While expressing concern that this would adversely affect Hong Kong's economy and the livelihood of Hong Kong citizens working in the Mainland, the Panel was keen to ensure that suitable measures would be taken by the Administration to alleviate the trade's hardship. In this connection, some Panel members urged the Administration as well as Hong Kong deputies to the National People's Congress and representatives of Hong Kong members of the National Committee of the Chinese People's Political Consultative Conference to enhance efforts in conveying Hong Kong businessmen's concerns to the Mainland

authorities. The Administration assured the Panel that it had spared no efforts in relaying the views and concerns of Hong Kong enterprises to various levels of the Mainland governments, including the Central authorities and the Guangdong Provincial Government.

Measures to help aggrieved Hong Kong businessmen operating in the Mainland

15. Panel members noted that there were complaint cases involving aggrieved Hong Kong businessmen operating in the Mainland, where the businessmen had experienced difficulties in either bringing their cases to court or following up their cases in the Mainland. Panel members were concerned that despite the Mainland courts have ruled in favour of some aggrieved Hong Kong businessmen, remedial actions were not duly taken by the relevant Mainland authorities. The Administration was urged to play a more active role in assisting Hong Kong businessmen in distress to resolve their problems, and where warranted, to facilitate full settlement of these outstanding cases in collaboration with the Mainland authorities.

16. There were also calls for the Hong Kong Economic and Trade Offices in Guangdong, Shanghai and Chengdu; the Office of the Government of the HKSAR in Beijing and the Mainland Affairs Liaison Office to step up support and assistance for Hong Kong residents in distress within their geographical coverage, and where appropriate, to bring up the issues to the top echelon of the Central Government for a solution. It was suggested that these offices should compile and analyze the complaints, aggrieved cases and commercial disputes for alerting Hong Kong businessmen of the identified loopholes of existing laws, regulations and policies, and for follow up with the Mainland authorities. Practical assistance such as enquiry services on general legal matters about the Mainland should also be provided to Hong Kong businessmen.

Supplement V to CEPA

17. Panel members noted that under Supplement V to CEPA, HKSS were allowed to set up outpatient clinics in Guangdong on a wholly-owned, equity joint venture, or contractual joint venture basis. While medical practitioners in Hong Kong welcomed business opportunities in Guangdong, they were concerned that the professional indemnity insurance taken out in Hong Kong was not applicable to the Mainland. These practitioners were also uncertain as to how complaints and claims for compensation lodged by Mainland patients should be handled. The Administration advised that the concern of the medical sector was being relayed to the relevant authority in Guangdong Government.

18. Noting that the Mainland and the HKSAR had agreed to enhance, among other service areas, mutual recognition of professional qualifications and electronic business, Panel members called on the Administration to strive to promote mutual recognition of IT professional qualifications under CEPA and sought information on progress made on promoting electronic business.

19. Panel members noted that Guangdong Province had been delegated authority to approve applications by HKSS for setting up travel agents on a wholly owned, equity joint venture, or contractual joint venture basis in Guangdong. Referring to the success of the IVS introduced in 2003 and the simplified procedure for obtaining visas in reviving tourism in Hong Kong, members called on the Administration to introduce innovative and bold measures to help boost the local tourism industry during this most difficult period. They suggested that consideration be given to expanding the IVS and waiving Hong Kong visa requirements for Mainlanders with no criminal records who had resided in Shenzhen/Guangzhou/cities in the Guangdong Province for three/five years to visit Hong Kong. They also suggested that Shenzhen residents be allowed to apply for Hong Kong visas through the IVS without having to return to their home province to lodge their visa applications.

20. The Administration advised that under services liberalization and facilitation measures for early and pilot implementation in Guangdong to deepen Guangdong-Hong Kong economic and trade cooperation, Hong Kong travel enterprises authorized by the Mainland would be allowed to organize group tours to Hong Kong for non-Guangdong residents who had resided and worked in private enterprises, joint venture enterprises, or foreign enterprises in Shenzhen for over one year. The effectiveness of these measures would be reviewed in due course.

Recent developments

21. Over the past months, the CPG, Guangdong Provincial Government (GPG) and the municipal government have all announced plans to support Hong Kong enterprises in the Mainland in view of the global financial turmoil. These included permitting the settlement of trade obligations in Hong Kong in RMB, facilitating Hong Kong enterprises to develop the Mainland market, raising the export tax rebate rates five times, suspending the need for actual payment of standing book deposit for processing trade enterprises and adjusting the Restricted and Prohibited Products catalogues. GPG has also rolled out a number of measures to assist Hong Kong enterprises, such as introducing a special fund of RMB 1 billion for the restructuring and upgrading of processing trade enterprises, and temporarily reducing or waiving a number of administrative fees and social insurance. The HKSAR Government has appealed to GPG for the early implementation of these measures.

22. To help Hong Kong enterprises weather the economic difficulties and to facilitate their financing, the CPG has recently announced that the enterprises will be allowed to use their assets in Hong Kong as collateral in securing loans from the Mainland branches of Hong Kong banks. The measure will further facilitate the processing trade to sell their products domestically.

Latest position

23. The Administration will update members at the Panel meeting on 19 May 2009 on the trade relations between the Mainland and Hong Kong, including Mainland policies and legislation that will affect Hong Kong-owned enterprises, as well as the outcome of the discussions with the CPG on further liberalization under CEPA.

Reference

24. A list of relevant papers is at the **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
14 May 2009

CS attended the 12th Working Meeting of Hong Kong/Guangdong Co-operation Joint Conference in Guangzhou (with photos)

The 12th Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference was held in Guangzhou today (January 21). The Chief Secretary for Administration, Mr Henry Tang, and the Vice-Governor of Guangdong Province, Mr Wan Qingliang, leading the respective delegations, had a thorough discussion on how to implement the initiatives relevant to the co-operation among Hong Kong, Guangdong and Macao in the "Framework for Development and Reform Planning for Pearl River Delta Region" (Framework), which was officially announced by the National Development and Reform Commission earlier this month, and has reached a number of consensus. Both sides have exchanged views on a number of major co-operation initiatives as well.

The Chief Secretary for Administration indicated that while the global economy is facing a challenging and critical time, launching of the Framework has important impact as it provides a clear policy to develop Hong Kong, Guangdong and Macao into the most energetic economic region. There is a need to implement the Framework in a more vigorous and speedy way.

Framework for Development and Reform Planning for Pearl River Delta Region

The Framework emphasises the support to the expansion of co-operation areas that can be decided among Hong Kong, Guangdong and Macao under the guidance of the relevant central authorities. The Government attaches great importance to the implementation of the Framework and, under the principle of "One Country, Two Systems", will engage in active discussion with Guangdong on the follow-up actions in all-round aspects with a view to determining the most beneficial long-term development direction and targets for the greater Pearl River Delta region.

Both sides agreed to focus on the co-operation of four priority areas, including financial industry, service industry, infrastructural facilities and town planning, as well as innovation and technology with an aim to pushing forward the implementation and follow up actions of the Framework effectively and speedily. At the same time, we propose to incorporate the green and quality living area of the Greater Pearl River Delta region into the national 12th Five-year Plan.

The two governments have agreed to set up a "Hong Kong/Guangdong Co-ordinating Committee on Implementation of the Framework for Pearl River Delta Development and Reform Planning", as the major engine for taking forward specific actions for implementing the Framework. The co-ordinating committee will include senior representatives from relevant policy bureaux and departments, and is responsible for co-ordinating the relevant expert groups and departments in various areas, setting out the strategy and targets for implementation of the Framework, as well as reviewing work progress regularly.

The Hong Kong and Guangdong governments will, jointly with the Macao Special Administrative Region Government, discuss the establishment of a regional collaboration mechanism and the co-

operation issues, with a view to enabling timely exchanges of views and to working on joint planning for the three places.

At the same time, both Hong Kong and Guangdong have agreed to make use of the opportunities presented by the Framework to enhance the co-operation between Hong Kong and Guangdong at different levels, to meet with each other more frequently, to encourage the interaction and collaboration between the Government and different sectors in Hong Kong with the nine municipalities in the Pearl River Delta region, and to enhance community participation in research on regional co-operation and planning.

Financial industry

The two sides agreed to set up a new Expert Group responsible for promoting financial co-operation under the framework of the Hong Kong/Guangdong Co-operation Joint Conference. The Expert Group will select and put forward some co-operation initiatives soon, with a view to breaking through the obstacles in the existing system and mechanism for free flow of the capital resources in the long run, in order to provide a strong support to the financial development of the Pearl River Delta region.

Service industry

Both sides will collaborate in full implementation of CEPA and liberalisation measures implemented in Guangdong on a pilot basis. The Guangdong government has established a dedicated office to co-ordinate relevant work. The promulgation of Mainland rules and regulations, as well as implementation details, for Guangdong pilot measures is in progress. For example, the measure allowing Hong Kong travel enterprises to organise group tours to Hong Kong for qualified non-Guangdong residents in Shenzhen has been implemented on December 15, 2008. To enable the trade to enjoy the benefits of Guangdong pilot measures early, the Guangdong side will expedite work on the amendment of implementing rules and regulations for the remaining measures, and promulgate the implementation details as well as provide facilitation measures as early as possible.

Restructuring and upgrading of processing trade and the support measures to small and medium-sized enterprise

The central government has launched specific policies, such as increasing the export tax rebate rates four times, suspending the policy on actual payment of standing book deposit for processing trade enterprises, making adjustments to the Catalogue of Restricted Products and the Catalogue of Published Products for Processing Trade, etc. Guangdong has also rolled out a series of policies, including the reduction in administrative fees, the reduction of the burden of social insurance for enterprises with hardship, support to enterprises' restructuring and upgrading, assistance to enterprises in exploring domestic sales in the Mainland, and clarification of the calculation of overtime payments and effective retrospective period in respect of the labour system. The HKSAR Government has conveyed the wish of early implementation of these measures for the benefits of Hong Kong-invested enterprises to Guangdong.

Major Infrastructure and Town Planning

Both sides agreed that the formation of a closely integrated transport system and a highly efficient traffic

network and related facilities among Hong Kong, Macao and the Pearl River Delta can bolster economic ties among the townships and the free flow of key economic elements, lower transaction costs, as well as enhance the quality of service and the level of management, rendering the Greater Pearl River Delta region the most convenient and efficient and the safest hub for passenger traffic and logistics in the Asia Pacific region. At the meeting, both sides reported the progress of various major cross-boundary infrastructure projects and will pull all efforts to expedite these projects, including the Hong Kong-Zhuhai-Macao Bridge, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Shenzhen Airport Rail Link and the boundary control point at Liantang/Heung Yuen Wai.

On supporting software and co-ordinating regional transport planning, both sides will consolidate the regional traffic and transport network according to the people-based principle to ensure the free flow of people and goods. Both sides will also work closely with the authorities in the Pearl River Delta region to ensure the clear demarcation of the work on the development of ports and airports and their reasonable distribution so as to complement each other's strength and thrive together, thus maintaining Hong Kong's status as a major port and civil aviation hub in Asia.

The Framework also mentions that "joint planning and implementation of the key action plan for the Bay Area covering the Pearl River mouth will be supported". The Bay Area is the window for the whole region. The HKSAR Government will discuss with the Guangdong and Macao governments on the future development strategy of the Bay Area as soon as possible, and take forward cross-boundary regional planning co-operation, on the basis of the findings of "The Planning Study on the Co-ordinated Development of the Greater Pearl River Delta Townships" which will be soon available.

Innovation and Technology

The HKSAR Government will enhance the "Guangdong/Hong Kong Technology Co-operation Funding Scheme", with a view to introducing more flexibility to allow the inclusion of more R&D projects that would benefit the technology development of both Guangdong and Hong Kong. At the same time, we plan to organise focus visits to various Pearl River Delta cities for representatives of our industries and R&D institutions, with a view to exploring further collaboration opportunities with Guangdong in specific technology areas such as information and communication technology (including RFID), advanced materials, biotechnology and renewable energy. The HKSAR Government will also strengthen the sharing of information and R&D resources with Guangdong, and continue with the development of the Hong Kong-Shenzhen Innovation Circle.

In the long run, the HKSAR Government will encourage and strengthen the systemic collaboration between the academic, industrial, and research sectors of the two places. By utilising Hong Kong's advantages in the protection of intellectual property and the global network, Hong Kong could be developed into a technology service centre for the industries of the Pearl River Delta to develop and commercialise their innovation and technological developments for the global market.

The Framework underlines the need to develop hi-tech industries and enhance the innovative capacity of the region. Drawing on the respective competitive advantages of Hong Kong and Guangdong, both sides would collaborate closely to transform the Pearl River Delta region into a hi-tech, low-pollution and low-carbon "green and quality living area". As an

international financial centre, Hong Kong can play a facilitating role in introducing advanced technologies, transferring management expertise and systems and facilitating advanced environmental research. By leveraging on the production base in the Greater Pearl River Delta region, environmental protection will be integrated with the economic development and industrial restructuring of the two places. Possible areas of collaboration include facilitating the development of a regional, large scale hi-tech circular economy which provides for green business opportunities, promoting the adoption of cleaner production and energy efficiency technologies in industries, strengthening co-operation between enterprises in Hong Kong and Guangdong in supporting efficient utilisation of resources and development of environmental protection industries, thereby upgrading the quality of enterprises in the region, and jointly developing cleaner energy and renewable energy, and enhancing energy structure. Both sides will seek to tackle regional environmental problems in a holistic manner, and to support the regional economic development needs.

The HKSAR Government will continue discussions with the Guangdong authorities to draw up the post-2010 arrangements for improving regional air quality, with a view to establishing forward-looking and practicable emission reduction targets with due recognition of the differences between the two places and the expectations of the community. Both sides also agree to strive to include the notion of transforming the Pearl River Delta region into a green and quality living area in the national 12th Five-year Plan.

To tie-in with the Framework in supporting the establishment of higher education institutions in the Pearl River Delta by prestigious higher education institutions in Hong Kong and Macao and renowned overseas universities, the HKSAR Government will also work closely with the Shenzhen authorities to establish universities and research institutions of international and advanced standard in the Lok Ma Chau Loop. This will help foster even more talents for the long-term development of the Greater Pearl River Delta.

Other co-operation areas

Both sides will continue promoting co-operation in other items, including co-operation in major cross-boundary infrastructural projects and boundary control points, facilitation of people and cargo flow, food safety, water supply, informatisation, social welfare, culture, sports, education, flow of talents, joint promotion of the co-operation in the Pan-Pearl River Delta region, emergency management and strategic research.

The Chief Secretary for Administration considered the discussion and exchanges at the Working Meeting useful and fruitful. Looking ahead, Hong Kong and Guangdong will begin discussion on various co-operation areas and their implementation in accordance with the Framework. If Hong Kong and Guangdong can re-affirm the division of work and the implementation under the Framework, greater and wider synergies can be generated resulting in win-win situations.

The delegation of the HKSAR Government includes the Chief Secretary for Administration; the Secretary for Constitutional and Mainland Affairs, Mr Stephen Lam; the Secretary for the Environment, Mr Edward Yau; the Secretary for Commerce and Economic Development, Mrs Rita Lau, and the representatives of the Financial Services and the Treasury Bureau, the Transport and Housing Bureau and the Development Bureau.

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Liaison and co-ordinating meeting of HK, Guangdong and Macao

The Liaison and Co-ordinating Meeting of Hong Kong, Guangdong and Macao in Jointly Taking Forward the Implementation of "The Outline of the Plan for the Reform and Development of the Pearl River Delta" (the Liaison and Co-ordinating Meeting) held its meeting in Hong Kong today (February 19). The meeting was jointly chaired by the Chief Secretary for Administration, Mr Henry Tang; the Vice-Governor of Guangdong Province, Mr Wan Qingliang and the Secretary for Economy and Finance of the Macao Special Administrative Region, Mr Tam Pak Yuen. The three sides had a thorough discussion on how to implement the co-operation initiatives among Hong Kong, Guangdong and Macao under "The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)" (the Outline) released by the National Development and Reform Commission in early January. The three sides exchanged views on a number of major co-operation initiatives and reached a number of consensus.

The Hong Kong, Guangdong and Macao Governments welcome the publication of the Outline and attach great importance to it. The Outline re-affirms the major achievements made by the Pearl River Delta Region (PRD Region) in the 30 years of the national reform and opening up and development. It also provides guidance on the long-term development between the PRD Region and Hong Kong/Macao.

The Chief Secretary for the Administration said that the co-operation outcome of the three sides over the years and planning for future work had laid a solid foundation for the three sides in promoting the implementation of the Outline. This also helps the three sides in taking forward the overall regional development.

Hong Kong, Guangdong and Macao agreed that, under the principle of "One Country Two Systems" and on the basis of implementing the Outline, the three sides would continue discussion on each and every co-operation areas and would study closely the various guidelines relating to the implementation of the Outline. The three Governments will also convene Liaison and Co-ordinating Meeting in a timely manner, so as to discuss the relevant strategies with the other two sides. This will help the three Governments to reaffirm the division of work and the complementarities under the framework of the Outline, generating greater and wider synergies and resulting in win-win situations.

Hong Kong/Guangdong (HK/GD) and Guangdong/Macao (GD/Macao) have each set up a Liaison and Co-ordinating Group under their respective Co-operation Joint Conference. The Liaison and Co-ordinating Groups are responsible for co-ordinating the work of the relevant expert groups and departments on various co-operation areas of HK/GD and GD/Macao, setting out the strategy and targets for implementation of the Outline, as well as reviewing work progress regularly.

At the meeting, the three sides reached consensus on the following four major work priorities:

- (1) to set up a liaison and co-ordinating meeting mechanism,
- (2) to confirm that the key co-operation areas among Hong Kong, Guangdong and Macao would include finance, industries co-

Appendix II

RELATED LINKS

- CS' transcript of standup briefing after attending the Liaison and Co-ordinating Meeting of Hong Kong, Guangdong and Macao (with video)

operation (key areas include the services industry, tourism, innovation technology etc), infrastructural and town planning, environmental protection, as well as education and training,

(3) to conduct jointly specialised topical studies on regional co-operation, and

(4) to confirm the major co-operation initiatives jointly taken forward by Hong Kong, Guangdong and Macao. In particular, there are eight recent major co-operation initiatives, including infrastructural and transport arrangements, enhancing connectivity among the three places, new development regions and cross-boundary areas, restructuring and upgrading of enterprises, finance, innovation technology, promoting co-ordination of regional development and town planning of the three places, tourism and environmental protection.

Among the above recent major co-operation initiatives, progress of tourism, environmental protection, infrastructural and transport arrangements enhancing connectivity among the three places, and promoting co-ordination of regional development and town planning of the three places are as follows.

Tourism

The three sides agreed that the extension of the various tourism measures in allowing more Mainland residents to visit Hong Kong announced at the end of last year (including organising group tours for eligible Shenzhen non-permanent residents to visit Hong Kong, extending the coverage of "simplified entry arrangement for a period of 144 hours" to the entire Guangdong Province, as well as the two pilot measures facilitating Shenzhen residents to visit Hong Kong under the Individual Visit Scheme) will not only facilitate more Mainland and international visitors to visit Hong Kong, but also provide impetus to developing the tourism industry and related sectors of the three places. We will propose to the Central Government that these measures could be further extended to other cities in the Guangdong Province.

Hong Kong, Guangdong and Macao possess rich and distinctive tourism resources. The three places agreed to further leverage their respective complementary advantages and work together to further develop and promote more "multi-destination" travel itineraries, thereby enhancing the overall tourism appeal of the PRD Region and furthering regional tourism development.

Environmental Protection

Hong Kong, Guangdong and Macao have agreed to closely collaborate in transforming the PRD Region into a green and quality living area by drawing on the respective competitive advantages of the three places. On one hand, Hong Kong can play a facilitating role of bringing in overseas capital investment, as well as transferring management expertise and systems. On the other, Hong Kong can help transfer advanced technologies in areas of energy efficiency, emission reduction, cleaner production and cleaner energy. We will also promote innovative environmental research and seek their integration with the economic development and industrial structure of Hong Kong and Guangdong. At the meeting, the Hong Kong Special Administrative Region Government (HKSARG) proposed to foster closer collaboration with Guangdong and Macao in a number of areas, including promoting wider usage and research and development of cleaner and renewable energy; facilitating development of industries in support of circular economy; enhancing cleaner

production of enterprises in the region and developing programmes for continuous improvement of regional air quality.

The HKSARG expressed the wish to have the further support of the Guangdong Provincial Government in taking forward the initiative, and that it would discuss with the concerned departments in Guangdong on the specifics of the above proposed collaboration areas. The Macao SAR will also participate in the initiative. The meeting agreed to jointly propose to the Central Government to include the notion of transforming the PRD region into a green and quality living area in the National 12th Five-year Plan.

Arrangement in Enhancing Connectivity among the Three Places

The Governments of Hong Kong, Guangdong and Macao have agreed that the three sides can tap even more effectively into the 50 million customer base in the PRD, as the Hong Kong-Zhuhai-Macao Bridge will put the Western Pearl River Delta within an accessible three-hour commuting radius of Hong Kong. The flow of goods and people will be enhanced. At the same time the aviation, maritime and land transport network developments after the commissioning of the Hong Kong-Zhuhai-Macao Bridge will also strengthen Hong Kong's connectivity, both rail and road, with the Pearl River Delta and Macao. The accelerated integration with the neighbouring areas will form the foundation for sustainable developments and co-operations among Hong Kong, Guangdong and Macao.

To maximise the benefits and effectiveness to be brought about by the Hong Kong-Zhuhai-Macao Bridge, the HKSARG is striving for the synchronised commissioning of other related works, such as the Hong Kong Boundary Crossing Facilities, Hong Kong Link Road, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass. These will form a strategic road network linking Zhuhai, Macao, Hong Kong and Shenzhen.

To enhance the traffic flow of the Hong Kong-Zhuhai-Macao Bridge, the HKSARG will liaise with the Governments of Guangdong and Macao in determining the toll levels for the Bridge. As the Bridge is financed by the three Governments and through loans, it is the consensus of the three Governments that the tolls be set at reasonable levels so as to encourage usage.

The Hong Kong and Guangdong authorities have agreed in principle that the regulation of cross-boundary vehicles could be relaxed on an incremental basis by introducing ad hoc quotas in addition to the existing quota system to facilitate cross-boundary travel by private cars. An Expert Group has been set up between the two sides to follow-up on the idea and to map out the implementation details, with a view to implementing a Trial Scheme at the Shenzhen Bay Port as soon as possible. The Trial Scheme, if implemented successfully, will pave the way for the full-scale implementation at the Hong Kong-Zhuhai-Macao Bridge.

Promoting Co-ordination in Regional Development and Town Planning of the Three Places

Hong Kong, Guangdong and Macao have agreed to make effective use of joint regional study as a platform to strengthen communication and co-operation on regional development and planning among the three places. Hong Kong and

Guangdong welcome Macao's formal participation in the "Planning Study on the Co-ordinated Development of the Greater Pearl River Delta Townships" (GPRD Study) and the conduct of an Additional Study on Macao under the GPRD Study framework. Macao's participation can better improve the proposals on the overall development strategy, spatial pattern, environmental and resource protection strategy, co-ordination mechanism and the recent work priority. Under the framework of the GPRD Study, the three sides may conduct topical studies on areas including social and economic development strategy and environmental protection, cross-boundary co-ordination and implementation mechanism, spatial framework and development strategy as well as formulation of a regional integrated framework for transport infrastructure so as to lay down a new foundation to further promote continuing collaboration among Hong Kong, Guangdong and Macao.

The three sides also agreed to complement the target of the Outline in further developing higher education in the PRD Region and to train up more talents to support the long-term development of the Greater PRD Region.

Principal Officials accompanying the Chief Secretary for Administration at the meeting included the Secretary for Constitutional and Mainland Affairs, Mr Stephen Lam; the Secretary for Development, Mrs Carrie Lam; the Secretary for the Environment, Mr Edward Yau; the Secretary for Transport and Housing, Ms Eva Cheng; and the Secretary for Commerce and Economic Development, Mrs Rita Lau.

Ends/Thursday, February 19, 2009
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Appendix III

List of relevant papers

Committee	Paper	LC Paper No.
Panel on Commerce and Industry	Administration's paper : "Briefing on Closer Economic Partnership Arrangement"	CB(1)2101/02-03(01)
	Minutes of special meeting held on 30 June 2003	CB(1)2396/02-03
	Administration's paper : "The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)"	CB(1)2524/02-03(01)
	Administration's paper : "The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)"	CB(1)2101/02-03(03)
	Minutes of meeting held on 13 October 2003	CB(1)430/03-04
	Administration's paper : "Implementation of Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)1710/03-04(04)
	Minutes of meeting held on 10 May 2004	CB(1)2335/03-04
	Administration's paper : "Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)2500/03-04
	Background brief on "Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)50/04-05
	Minutes of meeting held on 19 October 2004	CB(1)211/04-05
Administration's paper : "Preliminary report on the impact of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)"	CB(1)861/04-05(03)	

Committee	Paper	LC Paper No.
	Background brief on "Recent Developments of Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)860/04-05
	Question raised by Hon Jeffrey LAM at the Council meeting on 26 January 2005 and the Administration's reply	CB(1)861/04-05(04)
	Minutes of meeting held on 15 February 2005	CB(1)1071/04-05
	Administration's paper : "Report on the impact of the Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)1259/04-05(03)
	Background brief on "Recent Developments of Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)1249/04-05
	Minutes of meeting held on 19 April 2005	CB(1)1499/04-05
	Administration's paper : "Implementation of the third phase of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA III)"	CB(1)90/05-06(01)
	Background brief on "Recent Developments of Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)259/05-06
	Administration's paper : "Strengthening HKSAR's Representation in the Mainland"	CB(1)260/05-06(04)
	Minutes of meeting held on 15 November 2005	CB(1)499/05-06
	Administration's paper : "Mainland and Hong Kong Closer Economic Partnership Arrangement - Further Liberalization Measures in 2006"	CB(1)1898/05-06(01)

Committee	Paper	LC Paper No.
	Background brief on "Developments of Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)1977/05-06
	Minutes of meeting held on 18 July 2006	CB(1)2179/05-06
	Administration's paper : "Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) - Impact on the Hong Kong Economy"	CB(1)1849/06-07(04)
	Background brief on "Development of the Mainland and Hong Kong Closer Economic Partnership Arrangement"	CB(1)1873/06-07(04)
	Minutes of meeting held on 12 June 2007	CB(1)2085/06-07
	Administration's paper : "Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) - Further Liberalization Measures in 2007"	CB(1)2012/06-07(01)
	Minutes of meeting held on 17 July 2007	CB(1)121/07-08
	Administration's paper : "Policy Agenda of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau"	CB(1)32/07-08(03)
	Minutes of meeting held on 16 October 2007	CB(1)366/07-08
	Administration's paper : "Report on the Work of HKSAR's Offices in the Mainland"	CB(1)243/07-08(04)
	Minutes of meeting held on 20 November 2007	CB(1)575/07-08
	Administration's paper : "Commerce and Trade Relations between the Mainland and Hong Kong"	CB(1)1536/07-08(03)

Committee	Paper	LC Paper No.
	<p>Background brief on "Furthering of trade relations between the Mainland and Hong Kong"</p> <p>Minutes of the meeting held on 20 May 2008</p> <p>Administration's paper : "Mainland and Hong Kong Closer Economic Partnership Arrangement and deepening economic and trade co-operation with Guangdong province"</p> <p>Legislative Council Brief on "Further liberalization under Mainland and Hong Kong Closer Economic Partnership Arrangement and deepening economic and trade co-operation with Guangdong province" dated 29 July 2008</p> <p>Updated background brief on "The latest development of the Mainland and Hong Kong Closer Economic Partnership Arrangement"</p> <p>Minutes of the meeting held on 18 November 2008</p>	<p>CB(1)1536/07-08(04)</p> <p>CB(1)1863/07-08</p> <p>CB(1)201/08-09(04)</p> <p>CB(1)148/08-09</p> <p>CB(1)201/08-09(05)</p> <p>CB(1)846/08-09</p>
Legislative Council	<p>Motion on "Mainland and Hong Kong Closer Economic Partnership Arrangement (9 July 2003)</p> <p>Motion on "Grasping the opportunities brought about by CEPA to enhance employment" (19 November 2003)</p> <p>Motion on "Promoting Pan-Pearl River Delta regional cooperation and development" (3 July 2004)</p> <p>Question No. 17 on "Cooperation development of Pan-Pearl River Delta Region" (5 January 2005)</p>	<p>Hansard</p> <p>Hansard</p> <p>Hansard</p> <p>Hansard</p>

Committee	Paper	LC Paper No.
	Question No. 9 on "Assisting professionals to development business in the Mainland" (8 June 2005)	Hansard
	Motion on "Deepening the Mainland and Hong Kong Closer Economic Partnership Arrangement" (15 June 2005)	Hansard
	Motion on "Assisting Hong Kong residents encountering problems in the Mainland" (19 October 2005)	Hansard
	Question No. 6 on "Assisting Hong Kong people in doing business in Mainland under CEPA" (22 March 2006)	Hansard
	Motion on "Developing cooperative relationship with the Mainland" (11 July 2007)	Hansard
	Motion on "Actively implementing complementary policies for the Outline of the Plan for the Reform and Development of the Pearl River Delta" (4 March 2009)	Hansard
	Question No. 3 on "Business opportunities in the Mainland for local professionals and service sectors" (26 November 2008)	Hansard
	Question No. 16 on "Statistics on Hong Kong-owned factories in the Pearl River Delta Region" (14 January 2009)	Hansard
	Question No. 3 on "Enhancing cooperation between the service industries in the Pearl River Delta Region and Hong Kong" (18 February 2009)	Hansard