

26 May 2010 (Wednesday)

**Hon Jeffrey LAM Kin-fung's motion on
“Proactively implementing the Framework Agreement on
Hong Kong/Guangdong Co-operation”**

Progress Report

Purpose

At the Legislative Council meeting on 26 May 2010, the motion moved by the Hon Jefferey LAM Kin-fung, as amended by Dr Hon Samson TAM Wai-ho, WONG Kwok-kin and Miriam LAU Kin-ye, on “Proactively implementing the Framework Agreement on Hong Kong/Guangdong Co-operation” 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. Since the signing of the “Framework Agreement on Hong Kong/Guangdong Co-operation” between Hong Kong and Guangdong in April this year, the governments of the two places have

been liaising closely to proactively promote the implementation of the Framework Agreement. In particular, on 1 June this year, the two governments, together with the Greater Pearl River Delta Business Council and Guangdong's Association for Promotion of Co-operation between Guangdong, Hong Kong and Macao, organized a Forum on the Framework Agreement on Hong Kong/Guangdong Co-operation in Hong Kong. The Forum was attended by over 160 people. The purpose of the Forum was to brief representatives from various sectors of the community on the positioning¹ and different roles of Hong Kong and Guangdong in furthering co-operation and development as set out in the Framework Agreement, as well as on how the overall competitiveness of the whole region could be enhanced by complementarities and co-ordinated development between the two places, so as to allow the community to better capitalize on the opportunities arisen. The Forum also provided a platform for exchange and interaction by bringing together people from various sectors to discuss matters relating to Hong Kong/Guangdong co-operation in the light of the new circumstances brought about by the Framework Agreement.

4. On the other hand, the HKSAR Government has been working hard to seek to incorporate the related initiatives in the Framework Agreement into the National 12th Five-Year Plan. With

¹ The development positioning for Hong Kong-Guangdong co-operation as stated in the "Framework Agreement on Hong Kong-Guangdong Co-operation" includes: a world class new economic region, a financial co-operation region, a manufacturing and modern services base, a modern economic circulation sphere, a quality living area and a world class metropolitan cluster.

the established direct working relationship with the National Development and Reform Commission and on the basis of past communications, the Secretary for Constitutional and Mainland Affairs and representatives from relevant policy bureaux visited Beijing in July this year to further brief the Commission on the proposals of the HKSAR Government in complementing the formulation of the National 12th Five-Year Plan. Alongside suggestions to enhance Hong Kong's status as an international financial, trading and shipping centre, and to support the further development of service industries and professional services of Hong Kong in the Mainland, the HKSAR Government specifically suggested to the Commission including in the 12th Five Year Plan the functional positioning of Hong Kong/Guangdong co-operation as stated in the Framework Agreement, including the building of a financial co-operation region led by Hong Kong's financial systems and supported by resources and services in the Pearl River Delta cities. Responses from the Central Government were positive, saying that policies would be considered to support development of Hong Kong trades in the Mainland, as well as the further development of Hong Kong itself.

5. The Government will take forward the issues endorsed in the passed motion as discussed during the debate on 26 May. The work progress of various areas is set out below.

Financial Cooperation

6. The Hong Kong Monetary Authority (HKMA) has been in close communications with the relevant authorities in the Mainland including those of Guangdong on promoting the cross-border trade settlement in Renminbi (RMB). On 22 June, the relevant Mainland authorities announced the expansion of the cross-border RMB trade settlement scheme. Moreover, the HKMA issued a circular to elucidate the supervisory principles and operational arrangements regarding RMB business in Hong Kong in mid-February, which has provided more room and flexibility for the development of offshore RMB business in Hong Kong. On 19 July, the People's Bank of China (PBoC) signed a Supplementary Memorandum of Co-operation on the expansion of the RMB trade settlement scheme with HKMA. This represents a milestone in the development of offshore RMB business in Hong Kong and a very crucial step in the implementation of the HKMA circular issued in mid-February. PBoC also signed a revised Settlement Agreement on the Clearing of RMB Businesses with the Bank of China (Hong Kong) Limited, the RMB Clearing Bank. Thereafter, there will no longer be restrictions on banks in Hong Kong in establishing RMB accounts for and providing related services to financial institutions; and individuals and corporations will be able to conduct RMB payments and transfers through the banks.

7. There has been encouraging development in the RMB business in Hong Kong in recent months. The amount of RMB trade settlement conducted through Hong Kong has recorded remarkable growth in the past few months, with the settlement amount surging from a monthly average of some RMB400 million before February 2010, to a monthly average of more than RMB4 billion from March to May 2010. About 80% of them were attributed to trade transactions between Guangdong and Hong Kong.

8. Supplement VII to Closer Economic Partnership Arrangement (CEPA) announced on 27 May this year specified measures on the deepening of co-operation between Hong Kong and the Mainland on financial services and product development, and the introduction of ETFs (exchange-traded funds) on Hong Kong stocks in the Mainland at an appropriate time. The Securities and Futures Commission of Hong Kong will continue to work closely with the China Securities Regulatory Commission and other relevant Mainland authorities to follow up on pilot co-operation initiatives such as the introduction of ETFs on Hong Kong stocks at the Shenzhen Stock Exchange. The exchanges of Hong Kong and the Mainland have also held meetings to study in detail the technical considerations regarding the introduction of cross-border ETFs in the Mainland.

9. Regarding insurance, the Office of the Commissioner of Insurance of Hong Kong is working closely with the Guangdong

Bureau of the China Insurance Regulatory Commission on the potential areas of insurance co-operation on a pilot basis, including the proposal to allow Hong Kong insurance companies to set up business operations in Guangdong with a lower asset requirement.

CEPA

10. The HKSAR Government is committed to promoting the entry of Hong Kong service industries into the Mainland market through CEPA. Inclusive of the measures in the Supplement VII to CEPA signed on 27 May 2010, the Mainland and Hong Kong have announced nearly 280 liberalization measures in trade services. Hong Kong service suppliers could enter 44 service sectors in the Mainland with preferential treatment, including relaxed restrictions on equity shareholding, lowered entry threshold like registered capital requirement, relaxed restrictions on geographical coverage of operation and scope of business etc. Since 2008, the Mainland and Hong Kong have announced 41 measures for “early and pilot implementation” in the Guangdong Province.

11. CEPA and the Guangdong pilot measures have facilitated the investment of Hong Kong service industries in the Guangdong Pearl River Delta region and have created job opportunities for Hong Kong residents in both places. In the long run, the relevant measures can help attract overseas investment and reinforce the roles of Hong

Kong as an investment intermediary and a partner of Guangdong to compete jointly in the regional and international markets. These measures contribute positively to the long term development of the economy as well as job opportunities of Hong Kong. The local professionals also possess rich experience in international business operation. They help strengthen Hong Kong's roles as a "regional service platform" as well as a bridge between Guangdong and the world.

Modern Economic Circulation Sphere

12. On the establishment of an international logistics centre, Guangdong and Hong Kong will continue to make use of different platforms to take forward the relevant initiatives under the Framework Agreement. Examples of such initiatives include the increased application of information technology in logistics operations. The two places will also continue to explore measures which would enhance customs efficiency, as well as to promote enhanced communication and co-operation among the industry.

13. As for maritime development, Hong Kong would continue to make the best of our experience and advantages and offer comprehensive and high quality maritime services to the Asia Pacific region and the Mainland. This would help further reinforce our role as an international maritime centre. We will continue to take

forward the relevant initiatives under the Framework Agreement, such as seeking national support for enlarging the air space in the Pearl River Delta and strengthening the international aviation centre status of the Hong Kong International Airport.

14. On infrastructure construction, construction works of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link commenced in January 2010 and the progress is satisfactory. We expect the construction will be completed in 2015. The three governments jointly signed the Inter-governmental Agreement in late February 2010, which specifies the partnership arrangements between the three governments as well as their rights and responsibilities in respect of the construction, operation, maintenance and management of the Hong Kong-Zhuhai-Macao Bridge (HZMB) Main Bridge. The three governments have also established the Joint Works Committee of the Three Governments on 24 May 2010, which will play a supervisory role over the implementation of the Main Bridge Project. The three governments will continue to work closely together to press ahead with the Project, including the early establishment of the future managing body of the Main Bridge (the HZMB Authority) on the basis of the Articles of Association for the HZMB Authority.

Environmental Protection and Ecological Conservation

15. The Hong Kong and Guangdong governments have been working closely together to actively take forward the co-operation initiatives in the areas of environmental protection and ecology conservation and are making good progress. For improving regional air quality, a research team, set up by the environmental authorities of both sides, is currently undertaking a joint study on the post-2010 arrangements for emission reduction in the Pearl River Delta region. Building on past achievements, the purpose is to further reduce the level of air pollutant emissions. Furthermore, both governments are exploring means to enhance the Pearl River Delta Regional Air Quality Monitoring Network, including the possibility of setting up supersites at both places to facilitate in-depth studies on photo-chemical smog. We are also making good progress in promoting adoption of cleaner production. Since the commencement of the Cleaner Production Partnership Programme in April 2008, funding approval has been granted for more than 700 applications. Both sides will continue to actively take forward the Programme. Besides, the HKSAR Government has recently revised the coverage of the Programme to also assist Hong Kong-owned factories in the Pearl River Delta region in reducing effluent discharges, so as to further promote wider application of cleaner production technologies amongst the industries. Both sides will also jointly foster the research and development, manufacturing, wider

adoption and development of relevant auto parts industry of electric vehicles in the Greater Pearl River Delta region.

16. Regarding co-operation in regional ecology conservation, both sides will foster exchanges and co-operation in the setting up of cross-boundary nature conservation areas and ecological corridors. To facilitate the setting up of regional green corridors, the Country and Marine Parks Authority has planned to commence a feasibility study and consultation on the proposed designation of Robin's Nest in the border area as a country park within 2010. For co-operation in cleaner energy, the two governments will work together for the increase in natural gas supply to Hong Kong under the Memorandum of Understanding on Energy Co-operation. The two sides will also study the regional development strategy of cleaner energy and promote wider use of and research in cleaner energy. On promoting the development of circular economy, Hong Kong is liaising with Guangdong to actively explore new co-operation models for cross-boundary recycling and reuse of reusable materials.

Medical Co-operation

17. The Hospital Authority has been enhancing its exchange and co-operation with the Health Authority of Shenzhen on areas such as hospital management, training of professionals and service development. Both sides are discussing the arrangement to facilitate

the transfer of Hong Kong residents from Shenzhen to Hong Kong for medical treatment. It is initially agreed to implement the transfer of patient records from Shenzhen to relevant hospital in Hong Kong on a pilot basis through co-ordination of designated hospitals in Shenzhen and Hong Kong, and to facilitate direct communication between hospitals in the two places after the transfer of patients to Hong Kong. At the present stage, the above arrangement will only be applicable to patients on a voluntary basis and who are in stable condition. The two sides are now finalising the details of the arrangement and plan to implement the arrangement later this year.

Technological Innovation

18. 2010 Guangdong-Hong Kong Technology Co-operation Funding Scheme (TCFS) has been inviting project proposals since 10 June. Technology areas invited for joint funding application from Guangdong and Hong Kong under TCFS include secondary development of major Chinese medicinal products, research and commercialization of key technologies on food safety, next generation mobile broadband communications and networks, products and applications of new energies and new energy-storage technologies, and new materials and their applications. For Shenzhen and Hong Kong, technology areas invited for joint funding application include Internet technologies, integrated circuits and novel electronic devices, new materials, biomedicine, advanced manufacturing, and

exploitation of biotechnology to enhance food safety. The technology areas supported by TCFS are relevant to the needs of industry and will help to enhance economic development in the Greater Pearl River Delta region.

Others

19. Furthermore, the Hong Kong Economic and Trade Office in Guangdong is committed to providing assistance to Hong Kong residents in Guangdong. If necessary, the relevant officers will provide assistance in accordance with the circumstances of the case and the request of the person seeking assistance. We will review the establishment of the Mainland offices so as to provide assistance to Hong Kong residents in different parts of Mainland.

Constitutional and Mainland Affairs Bureau

July 2010

(Translation)

Motion on
“Proactively implementing the
Framework Agreement on Hong Kong/Guangdong Co-operation”
moved by Hon Jeffrey LAM Kin-fung
at the Legislative Council meeting
of Wednesday, 26 May 2010

Motion as amended by Dr Hon Samson TAM Wai-ho, Hon
WONG Kwok-kin and Hon Miriam LAU Kin-ye

That, in April this year, witnessed by state leaders, the Governments of Hong Kong and Guangdong have signed the Framework Agreement on Hong Kong/Guangdong Co-operation which defines the direction of joint socio-economic development in both places and the major initiatives for 2010; in this connection, this Council urges the SAR Government to formulate and implement the specific policies and measures outlined in the Framework Agreement as early as possible, so as to build an international financial centre with Hong Kong taking the lead with its financial systems, build a modern services base, build a world-class modern economic circulation sphere,

develop a high quality green living area which incorporates a regional environment protection regime, complement the training of talents, promote technology and innovation, develop high-end industries, and support Hong Kong-invested enterprises in opening up the Mainland domestic market, so that Hong Kong's market population and geographical scope of services can be expanded to the Pearl River Delta metropolitan circle, thereby facilitating the promotion of a diversified range of industries and economy in Hong Kong and making available more quality job opportunities for Hong Kong people; at the same time, the SAR Government also has to provide those Hong Kong people who, because of the Framework Agreement, have to work and live on the Mainland or travel frequently between the two places over a long period of time with adequate support and personal protection, such as assistance in distress, legal services, emergency medical services as well as welfare protection, etc., with a view to catering for the closer and more integrated way of living and development between Hong Kong and Guangdong in the future; this Council also urges the SAR Government to expeditiously set up a Dongguan Liaison Unit under the Hong Kong Economic and Trade Office in Guangdong and submit progress reports on the implementation of the Framework Agreement on a regular basis.