

**Progress Report on the Motion on
“Hong Kong's Co-operation with ASEAN region”
Passed by the Legislative Council on 9 June 2010**

Purpose

This report sets out actions taken by the Administration to follow up on the motion debate in respect of “**Hong Kong's Co-operation with ASEAN region**” held on 9 June 2010. The motion carried by the Legislative Council is attached at **Annex**.

China-ASEAN Free Trade Area (‘CAFTA’)

The HKSAR Government has been monitoring closely the impact of the establishment of the CAFTA on Hong Kong’s economic developments. Since its establishment and the gradual reduction of tariffs on goods under the agreement from July 2005, re-export trade between ASEAN and the Mainland of China through Hong Kong has continued to increase¹. According to the latest trade statistics, such re-export trade during the period from January to May 2010 amounted to HK\$115.9 billion or 10.5% of Hong Kong’s total re-export trade in the same period, representing an increase of 33.8% over the same period last year.

These statistics reflect that the establishment of CAFTA has not brought about adverse impact on the economic development of Hong Kong. Re-export trade between ASEAN and the Mainland of China continued to be routed through Hong Kong. We believe that this is due to the fact that Hong Kong can provide a series of value-added services to support the needs of the trade in the region. Overall closer regional cooperation resulted in growth both in the amount and scale of trade. There will be greater demand for services in the areas of finance, trade and professional services which Hong Kong excels in. Thus, the

¹ From 2006 to 2008, the annual growth rates for re-export trade between ASEAN and the Mainland of China were 12.1%, 14.1% and 8.0% respectively. Such re-export trade amounted to HK\$235.4 millions in 2009 (about 9.8% of Hong Kong’s total re-export trade), recording a decrease of 10.1% against 2008. The drop was of similar magnitude as the decrease in Hong Kong’s total re-export trade in 2009 (i.e. 11.8%) and is believed to be caused by the global economic crisis.

establishment of the CAFTA provides Hong Kong with new development opportunities to further enhance Hong Kong's role as an international financial, logistics and trade centre.

Bilateral Cooperation

Hong Kong strives to strengthen trade and economic cooperation with individual ASEAN member. To foster mutual understanding and cooperation, official visits are arranged by the governments of Hong Kong and the ASEAN members. The Hong Kong Economic and Trade Office in Singapore visits ASEAN members from time to time to meet with officials and businesses and organizes activities which aims to promote bilateral co-operation.

For example, the Secretary for Transport and Housing led a delegation of shipping experts to visit Malaysia in June. Apart from meeting officials and key players in the Malaysian maritime and port sectors, the delegation also attended the seminar entitled "Hong Kong - Your Partner for Success in the Maritime World" to introduce to the Malaysian shipping community Hong Kong's strengths in different areas of the maritime industry.

CEPA

The HKSAR Government and the Central People's Government signed Supplement VII to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) on 27 May 2010. The liberalisation measures therein are scheduled to take effect from 1 January 2011. Including measures in Supplement VII to CEPA, the two sides have announced nearly 280 liberalization measures in trade in 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 and scope of business etc. Hong Kong service suppliers that have set up enterprises in the Mainland under CEPA can benefit from the fast growing economic activities

between the Mainland and ASEAN. ASEAN enterprises can access the Mainland market under CEPA through setting up businesses in Hong Kong. Furthermore, Mainland enterprises can capitalize on the facilitation measures under CEPA to invest and engage in different businesses in Hong Kong.

Asia-Pacific Economic Cooperation (APEC)

As regards regional cooperation, Hong Kong will continue to participate in the APEC as a separate and full member under the name of “Hong Kong, China”. We will take an active role in the work of APEC and strive to achieve the goal of free and open trade and investment in the Asia-Pacific region. Now that the global economy has started to recover, it is of utmost importance to continue to pursue free and open trade and investment. APEC is a premier forum where member economies could discuss and exchange views on trade and economic matters and strengthen regional cooperation for common goals. The Secretary for Commerce and Economic Development attended the APEC Growth Strategy High-Level Policy Round Table held on 7 – 8 August 2010 in Beppu, Japan to discuss the various important elements for economic growth and exchanged views on the direction for formulating a growth strategy which would facilitate recovery and economic growth in the region.

Commerce and Economic Development Bureau
August 2010

**Motion on
“Hong Kong’s co-operation with ASEAN region”
moved by Hon Andrew LEUNG Kwan-yuen
at the Legislative Council meeting
of Wednesday, 9 June 2010**

Wording of the Motion

That, after the financial tsunami, the focus of global development is shifting from Europe and the United States to Asia, and the economies of the East Asian region are also gradually moving towards integration; Hong Kong is geographically positioned in the core zone between Mainland China and ASEAN, and with the formal launch of the China-ASEAN Free Trade Area (‘CAFTA’), economic and trade activities in CAFTA will be increasing, which will lead to continuous growth in the demand for capital, logistics and professional services in CAFTA in the future; in this connection, this Council urges the Government to vigorously promote economic and trade collaboration between Hong Kong and ASEAN, so as to capitalize on Hong Kong’s advantage in connecting the Mainland, in particular the Pearl River Delta, with ASEAN region.