

**For information  
on 20 July 2010**

**Legislative Council  
Panel on Commerce and Industry**

**Economic and Trade Co-operation between Hong Kong and Taiwan**

**Introduction**

This paper briefs Members on the co-operation between Hong Kong and Taiwan in the areas of economic and trade, investment and tourism.

**Exchanges and Co-operation between Hong Kong and Taiwan**

2. Hong Kong and Taiwan have close economic and trade relations. Taiwan was the fourth largest trading partner of Hong Kong in 2009 with a total trade value amounting to over HK\$230 billion, representing about 4.5% of Hong Kong's total trade value. Taiwan is also the third largest trading partner of Hong Kong in Asia, following the Mainland and Japan. From January to May 2010, the total trade value between the two places was about HK\$119.8 billion, representing an increase of 53% over the same period last year.

3. The Chief Executive set out in the 2009-2010 Policy Address new strategies for advancing the development of our relations with Taiwan, including the establishment of a new co-operation framework. The Hong Kong-Taiwan Economic and Cultural Co-operation Council (ECCPC) and the Hong Kong-Taiwan Business Co-operation Committee (BCC) were established on 1 April 2010. They will work with their respective Taiwan counterparts, namely the Taiwan-Hong Kong Economic and Cultural Co-operation Council (ECCC) and the Economic Co-operation Committee under the ECCC, to promote and deepen the co-operation between the two sides in the areas of economic and trade, culture and other areas of mutual interests. We have briefed Members on the establishment and organisational structures of the ECCPC and BCC through LC Paper No. CB(1)1532/09-10(01). We believe this new co-operation platform will further

enhance co-operation between the two places. We will make arrangements for the business co-operation committees of the two sides to meet as soon as practicable.

4. In addition, as cross-Strait relations are getting closer, the Mainland and Taiwan signed the “Economic Co-operation Framework Agreement” (ECFA) on 29 June 2010. The signing of ECFA signifies that cross-Strait economic and trade relations have entered into a new stage of development. Not only will it enhance the interaction between the two places, the overall economic development of the region would also benefit from the signing of ECFA.

5. With an increase in trading activities in the region as a whole and more efficient allocation of resources, Hong Kong will be able to find new development opportunities. Our intrinsic strengths (such as our efficient airport and ports, well-developed financial and professional services, comprehensive support network, robust legal system, etc.) will enable Hong Kong to continue to play an active role (particularly in respect of the service sector) in promoting sustainable economic development in the region. We have been actively promoting co-operation with Taiwan in the areas of trade, mutual investment and tourism. A summary of the latest development of our work in these areas is provided below.

### **Trade Promotion**

6. Since the establishment of its Taiwan Office in late 2008, the Hong Kong Trade Development Council (TDC) has established close links with Taiwan’s commerce and industry sectors, and has been actively encouraging various industries in Taiwan to use Hong Kong as a platform for promoting and developing their businesses.

7. TDC’s Taiwan Office has organised a series of economic and trade promotional and exchange activities, covering various service industries including financial services, infrastructure and real estate, professional services, digital entertainment, design, logistics, legal and arbitration services, exhibition services, film industry, etc. In total, over 300 Hong Kong enterprises and over 2,000 Taiwanese enterprises have participated in these activities. The Taiwan Office has also assisted Hong Kong enterprises in expanding their businesses in Taiwan by promoting their products and services through different channels, including exhibitions, conferences, seminars, roadshows, etc. In the past year, promotion activities organised or co-organised by the Taiwan Office took place in Taipei,

Taichung and more than ten other Taiwan counties and cities. At the same time, the Taiwan Office has provided Taiwanese enterprises with market intelligence, business matching and promotion services, with a view to helping them identify suppliers and tap the Mainland and international markets through using Hong Kong as a platform. In addition, the Taiwan Office has made arrangements for Taiwan business delegations and chambers of commerce to visit Hong Kong and participate in exchanges and business matching activities. Key activities organised in 2009 and 2010 (up to June) are set out at **Annex**.

8. The Taiwan Office will continue to promote Hong Kong's service industry, including the emerging professional services such as arbitration and mediation. It will also encourage co-operation between Taiwan brands and Hong Kong enterprises in jointly developing the Mainland and overseas markets by leveraging on Hong Kong's service industry. Moreover, it will further explore opportunities for co-operation between Taiwan's scientific research sector and Hong Kong's manufacturing industry, using Hong Kong as a marketplace for the transaction of technological applications.

### **Investment Promotion**

9. Taiwan is a major source of inward direct investment (IDI) for Hong Kong. As at end of 2008, Taiwan was Hong Kong's fifteenth major source of IDI with an IDI stock of HK\$35.3 billion. Up to June 2009, there were 19 regional headquarters, 138 regional offices and 154 local offices of Taiwanese enterprises in Hong Kong. Hong Kong's unique advantages, e.g. a well-developed and stable financial market, a simple tax regime and low tax rate, free flow of information and the preferential treatment and facilitation measures available under the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and the Mainland, offer major attractions to Taiwan businesses.

10. To capitalise on the opportunities brought about by the improved cross-strait relations, Invest Hong Kong (InvestHK) has stepped up its efforts in tapping IDI from Taiwan. These include promoting the advantages of Hong Kong as an investment destination; identifying potential Taiwan investors with an interest in setting up business in Hong Kong and providing advisory or other support services for them; strengthening partnership with chambers of commerce or trade organisations, and actively organising various activities to help attract Taiwanese enterprises to set up or expand their operations in Hong Kong.

11. Since May 2006, InvestHK has engaged a Taiwan consultant to serve the Taiwan market. Last year, InvestHK has built a database covering Taiwanese enterprises in Hong Kong, Mainland and Taiwan, to help formulate marketing and promotion strategies which can better meet market needs. In addition, InvestHK organised two seminars in Taipei last year to gauge the views of Taiwan businessmen on Hong Kong's role as an international hub and a preferred business location after the implementation of the "Three Direct Links" between the Mainland and Taiwan. In March this year, InvestHK organised its first seminar in Kaohsiung to step up promotion efforts in southern Taiwan. To increase the effectiveness of its promotion efforts, InvestHK has conducted a study early this year among Taiwanese enterprises to gain better understanding of their perception of Hong Kong as an investment destination. The study reveals that Hong Kong remains as one of the favourite investment locations for Taiwanese enterprises, particularly in respect of the financial services sector.

12. In the year ahead, InvestHK will strengthen its liaison work to reach out to a wider spectrum of Taiwanese enterprises, including those already with a presence in Hong Kong. It will work to identify potential Taiwan investors who are interested in setting up or expanding their businesses here and provide them with necessary support and services.

## **Tourism**

13. Taiwan is Hong Kong's second largest visitor source. In 2009, there were over 2 million visitor arrivals from Taiwan, accounting for 6.8% of total visitor arrivals in Hong Kong. From January to May 2010, there were over 880,000 visitor arrivals from Taiwan, representing an increase of 10.3% over the same period last year.

14. The implementation of cross-Strait direct flight has led to a decline in the number of same-day visitors from Taiwan travelling to and from the Mainland through Hong Kong. Nevertheless, with the strengthening of marketing efforts and adjustment of promotion strategies in Taiwan by the Hong Kong Tourism Board (HKTB), the number of overnight vacation visitors has steadily increased. Moreover, since the average spending of these vacation visitors is relatively higher, the overall impact of cross-Strait direct flight on Hong Kong's tourism industry is small.

15. In the face of the challenges and opportunities arising from the “Three Direct Links” across the Strait, the HKTB will continue to step up its promotion efforts in Taiwan to attract more overnight vacation visitors to Hong Kong. It will also try to open up new visitor sources from Taiwan cities other than Taipei, e.g. Taichung and Kaohsiung, and launch special promotions for young people, family tourists and MICE (Meetings, Incentives, Conventions and Exhibitions) visitors. Furthermore, the HKTB will publicise Hong Kong’s festivals and events to Taiwan consumers through promotion campaigns and also join hands with local theme parks and the Taiwan travel industry to introduce strategic co-operation programmes for marketing tourism products.

16. In early March this year, the Secretary for Commerce and Economic Development and the Secretary for Constitutional and Mainland Affairs led a delegation to Taichung to promote co-operation and exchanges between Hong Kong and Taiwan, particularly on the theme of tourism. During the visit, the HKSAR Government organised a variety show on 6 March entitled “Hong Kong Night”, which was broadcast on local television in Taiwan to increase publicity.

17. We have also implemented various measures to facilitate Taiwan tourists in visiting Hong Kong. Since 1 January 2009, Taiwan residents can apply for iPermits to visit Hong Kong any time, and the period of stay in Hong Kong for holders of iPermits and Multiple Entry Permits has been extended from 14 days to 30 days. Starting from 27 April 2009, Taiwan residents holding “Tai Bao Zheng” can visit Hong Kong and stay for 7 days without being required to hold an entry-exit endorsement for the Mainland at the same time. These arrangements have made it more convenient for Taiwan tourists to visit Hong Kong.

18. As for cruise tourism, the HKTB has formulated comprehensive strategies and collaborated with international cruise companies and the travel trade to promote Hong Kong/Taiwan cruise itineraries in a number of major Mainland provinces and cities. We hope to work with relevant Taiwan authorities to strengthen the promotion of “multi-destination” cruise products so as to attract more cruise companies to develop cruise journeys between Hong Kong and Taiwan.

19. The HKTB has set up its Taipei representative office in 1992 and has since established a good relationship with the travel industry of Taiwan. The HKTB plans to upgrade the Taipei representative office to a formal office to better

coordinate promotion activities in Taiwan. We are now liaising with the Taiwan authorities on the necessary procedures for early implementation of the plan.

**Commerce and Economic Development Bureau**

**July 2010**

**Major Promotion Activities Organised / Participated by  
TDC's Taiwan Office in 2009 and 2010 (up to June)**

<b>Date</b>	<b>Name of Activity</b>	<b>Location</b>
<b>Promoting Hong Kong Service Industries</b>		
January 2009	Taiwan financial services delegation participating in the Asian Financial Forum 2009	Hong Kong
March 2009	Roundtable discussion with Taiwan Institute of Economic Research on industrial development and co-operation among the Mainland, Hong Kong and Taiwan	Taipei
March 2009	Taiwan delegation participating in Hong Kong International Film and TV Market 2009	Hong Kong
April 2009	Seminar on “Hong Kong Commercial Real Estate Operation”	Taipei/ Taichung
April 2009	Taiwan infrastructure-related and real estate services delegation to Hong Kong	Hong Kong
April 2009	Participating in the inauguration ceremony of the Taipei Association of Real Estate Brokers	Taipei
July 2009	Taiwan Coalition of Service Industries and Taiwan Council of Shopping Centers participating in Mainland-Hong Kong Services Industry Symposium	Hong Kong
July 2009	The Law Society of Hong Kong delegation to Taipei	Taipei
August 2009	Department of Rapid Transit Systems of Taipei City Government delegation to Hong Kong	Hong Kong
October 2009	Hong Kong infrastructure-related and real estate services delegation to Taiwan	Taipei
November 2009	Meeting with Legislative Research Bureau of the Legislative Yuan delegation	Hong Kong
November 2009	Participating in a seminar on “Alternative Dispute Resolution Services”	Taipei/ Kaohsiung
November 2009	Networking luncheon to promote IPO opportunities in Hong Kong	Taipei
December 2009	Supporting a business seminar on “Creating a win-win situation for cross-Strait relations drawing on Hong Kong's advantages in financing”	Taipei

January 2010	Association of Service Industries of Taiwan delegation to Hong Kong	Hong Kong
January 2010	Taiwan financial services delegation participating in the Asian Financial Forum 2010	Hong Kong
March 2010	Taiwan delegation participating in Hong Kong International Film and TV Market 2010	Hong Kong
May 2010	Taiwan real estates developers delegation to Hong Kong	Hong Kong
June 2010	Taiwan medical services delegation to Hong Kong	Hong Kong
<b>Promoting Hong Kong Products and Business Platform</b>		
June 2009	Hong Kong Book Fair Roadshow in Taipei	Taipei
August 2009	Participating in networking luncheon organised by the Yilan Association of Tourism to promote Hong Kong business platform	Yilan
August 2009	Taipei IN Style 2010 cum Hong Kong Fashion Designers Show	Taipei
November 2009	Participating in Taiwan Exhibition and Convention Industry Show	Taipei
December 2009	Taiwanese enterprises, representatives of Associations and buyers participating in the “World SME Expo” and “Inno Design Tech Expo”	Hong Kong
December 2009	Press conference – Experience sharing on successfully using HKTDC as a service platform for marketing the “Dionysus Oak Cask Speaker” (a product of technological co-operation between the academia and the industry)	Taipei
January 2010	Taiwan delegation to participate in Hong Kong International Licensing Show	Hong Kong
January 2010	Market visit to promote Hong Kong products	Taipei
March 2010	Hong Kong Exhibition and Convention Industry Association delegation to Taiwan	Taipei
April 2010	Taiwan brands delegation to Hong Kong	Hong Kong
<b>Facilitating Technology Co-operation</b>		
April 2009	Participating in a seminar on “Trade and Technology Investment Promotion”	Kaohsiung
June 2009	Co-organising Hong Kong Pavilion at the Computex Taipei 2009	Taipei
August 2009	Hong Kong Digital Entertainment delegation to Taipei	Taipei

November 2009	Hong Kong Technology Business delegation to Taiwan	Taipei/ Taoyuan/ Hsinchu
<b>Other Promotional Activities</b>		
April 2009	Taichung City Government and business delegation to Hong Kong	Hong Kong
April 2009	Meeting with Taiwan External Trade Development Council to discuss closer bilateral trade and economic co-operation	Hong Kong
May 2009	Taipei Chamber of Commerce delegation to Hong Kong	Hong Kong
June 2009	Co-organising the 5 <sup>th</sup> Cross-Straits Forum cum 4 <sup>th</sup> Taiwan-Hong Kong Forum	Hong Kong
June 2009	Kaohsiung City Government and business delegation to Hong Kong	Hong Kong
August 2009	Taipei County Government and business delegation to Hong Kong	Hong Kong
August 2009	Market visit	Yilan/ Hualien/ Taitung
November 2009	Co-organising a forum on cross-Strait affairs	Hong Kong
January 2010	Market visit	Nantou/ Changhua
March 2010	Market visit	Chiayi/ Yunlin
May 2010	China Entrepreneur Summit – 2010 Hong Kong Forum	Hong Kong
June 2010	Visit of the Friends of Hong Kong and Macau Association to Hong Kong	Hong Kong