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Panel on Commerce and Industry

Meeting on 20 July 2010

**Background brief on economic and trade co-operation between
Hong Kong and Taiwan**

Purpose

This paper gives an account of the previous discussions by Members on economic and trade co-operation between Hong Kong and Taiwan.

Background

2. Taiwan is the fourth largest trading partner of Hong Kong. To step up its investment promotion efforts in Taiwan, the Invest Hong Kong (InvestHK) has hired a Taiwan consultant to promote Hong Kong as prime destination for Taiwan enterprises. In end 2009, InvestHK held a seminar in Taipei to promote the investment environment of Hong Kong and launched a major marketing campaign in Taiwan which included direct mailing, telemarketing and a perception survey to enable InvestHK to reach out to a wider spectrum of the Taiwan business community and promote the positive messages of setting up presence in Hong Kong.

3. The Taipei Office of the Hong Kong Trade Development Council (HKTDC) has been in operation since end 2008 to step up efforts in promoting Hong Kong as a business platform and strengthening contacts with senior business leaders in Taiwan. The Taipei Office has assisted in organizing Taiwan trade delegations to visit Hong Kong and organized a series of commerce and trade exchange activities between the two places, covering the MICE (meetings, incentives, conventions and exhibitions) industry, professional services, legal services, services relating to real estate, design, digital entertainment and the film industry.

4. On tourism, Hong Kong Tourism Board has strengthened its efforts in promoting Hong Kong to the Taiwanese community, opening up new sources of visitors from Taiwan cities such as Kaohsiung and Taichung, attracting more visitors with high spending power from the business, family and youth sectors in

Taiwan, as well as extending their period of stay in Hong Kong. The Mainland authorities' policy to allow Mainland tour groups travelling to Taiwan to enter and stay in Hong Kong en route and to travel on cruise vessels homeporting in Hong Kong to Taiwan also facilitates the development of "multi-destination" itineraries covering both Hong Kong and Taiwan.

5. In the 2009-2010 Policy Address, the Chief Executive proposed new strategies for developing Hong Kong's relations with Taiwan, which included the establishment of a new cooperation framework — to promote multi-faceted, multi-level exchanges with Taiwan by establishing the Hong Kong-Taiwan Economic and Cultural Co-operation Council. The Chief Executive also proposed that Hong Kong should play an active role in financial, economic and trade, tourism and other exchanges among the Mainland, Taiwan and Hong Kong — which included the provision of cross-Strait Renminbi clearing services. The Administration would also seek to enable Hong Kong travel agents to operate in the Mainland tours to Taiwan, and explore further development of cross-Strait Mainland-Hong Kong-Taiwan multi-destination tourism products, including air and cruise packages. With the concerted efforts of both sides, the Hong Kong-Taiwan Economic and Cultural Co-operation Council and the Hong Kong-Taiwan Business Co-operation Committee at the corporate level were established on 1 April 2010 to facilitate direct communication between the trade and industries in Hong Kong and Taiwan and to foster closer co-operation in trade, investment and tourism.

Previous discussions

6. Members have followed closely the development on economic and trade co-operation between Hong Kong and Taiwan. At the Council meetings on 26 November and 10 December 2008 respectively, Hon Miriam LAU Kin-ye and Hon Paul TSE Wai-chun raised questions on the impact of the cross-strait agreements on direct air, maritime and postal links (the Three Direct Links) on the air and maritime transport, logistics and tourism sectors, and entry arrangements for visitors from Mainland and Taiwan.

7. At the meeting of the Panel on Commerce and Industry (the Panel) on 13 January 2009, the Administration briefed members on measures and initiatives to enhance co-operation between Hong Kong and Taiwan in the promotion of trade, investment and tourism. Panel members generally supported the Administration's initiatives to promote closer economic and trade co-operation between the two places. They considered that efforts should be strengthened to tap the vast business potential of the Taiwan market and step up co-operation in trade, investment, tourism, and also to promote cultural exchanges between Hong Kong and Taiwan.

8. Regarding the role of the Taipei Office set up by HKTDC in late 2008, some Panel members suggested that the Administration should monitor the effectiveness of the promotion activities undertaken by the Taipei Office, and regularly update the Panel on progress made in areas of trade, investment and

tourism.

9. Some Panel members expressed concern that Hong Kong's intermediary role and position as the gateway for Taiwan enterprises to move into the Mainland market would be undermined with the implementation of the Three Direct Links. The Administration assured members that it would continue to provide a favourable environment for Hong Kong, as part of the Greater China, to seize market opportunities, enhance its competitiveness, and strengthen its position as an international financial, trading and maritime centre in the region.

Latest position

10. The Administration will update the Panel on 20 July 2010 on the latest development of economic and trade co-operation between Hong Kong and Taiwan, in particular the progress made in the areas of trade, investment and tourism.

Relevant papers

Administration's paper on enhancement of economic and trade co-operation between Hong Kong and Taiwan for the Commerce and Industry Panel meeting on 13 January 2009

<http://www.legco.gov.hk/yr08-09/english/panels/ci/papers/ci0113cb1-520-6-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 13 January 2009

<http://www.legco.gov.hk/yr08-09/english/panels/ci/minutes/ci20090113.pdf>

Hon Miriam LAU Kin-ye's question on impact of "Three Direct Links" on the air and maritime transport, logistics and tourism sectors at the Council meeting on 26 November 2008 and the Administration's reply

<http://www.legco.gov.hk/yr08-09/english/panels/ci/papers/ci0113cb1-520-7-e.pdf>

Hon Paul TSE's question on entry arrangements for visitors from Mainland and Taiwan at the Council meeting on 10 December 2008 and the Administration's reply

<http://www.legco.gov.hk/yr08-09/english/panels/ci/papers/ci0113cb1-520-8-e.pdf>

Administration's paper on the arrangements for the establishment of the Hong Kong-Taiwan Economic and Cultural Co-operation Council for the Commerce and Industry Panel meeting on 20 April 2010

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/cicb1-1532-1-e.pdf>

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