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Panel on Economic Development
Meeting on 28 June 2010

Background brief on
Framework Agreement on Hong Kong/Guangdong Co-operation –
Logistics development

Purpose

This paper provides background information on the Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement), in particular those related to logistics development, and summarizes the views and concerns expressed by Members on related issues.

Background

The Framework Agreement

2. In January 2009, the National Development and Reform Commission (NDRC) promulgated "The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)" (the Outline), which elevates the development of the Pearl River Delta (PRD) Region to the strategic level of national development, specifying Hong Kong/Guangdong co-operation as a national policy. One of the most important tasks in deepening Hong Kong/Guangdong co-operation is the joint formulation of the Framework Agreement as an official agreement between the two governments. The Framework Agreement will translate the Outline's macro policies into concrete measures and serve as an agenda for Hong Kong-Guangdong co-operation. The two governments signed the Framework Agreement on 7 April 2010.

Composition of the Framework Agreement

3. The Framework Agreement consists of the main text and the list of annual major initiatives. The main text contains 11 chapters covering a wide range of topics, viz. the preamble, cross-boundary infrastructural facilities, modern service industries, manufacturing industries and innovation and

technology, business environment, quality living area, education and talent, major co-operation areas, regional co-operation plans, as well as mechanisms and arrangements. The list of annual major initiatives sets out specific measures for the two sides to implement the Framework Agreement during the year. The policy measures and items set out in the Framework Agreement will be implemented jointly or respectively by Hong Kong and Guangdong depending on the circumstances. Hong Kong and Guangdong have put forth specific policies, measures, and major initiatives in various areas, including logistics development.

Facilitation of the flow of goods across the boundary

4. The Framework Agreement defines clearly the development positioning of Hong Kong/Guangdong co-operation which includes, inter alia, facilitating the flow of key factors such as people, goods, information and capital across the boundary, with a view to building an international aviation, shipping and logistics hub and a world-class modern economic circulation sphere. To achieve the objective, Hong Kong and Guangdong have put forward a number of specific policies and measures, as well as set out major initiatives for 2010 as detailed in ensuing paragraphs.

Cross-boundary infrastructure facilities¹

5. Under the Framework Agreement, Guangdong and Hong Kong agree to
- (a) regularize the functional positions of various cross-boundary control points by building new ones;
 - (b) improve on the public transport exchanges, enhance various back-up services and push forward digitalization at the control points;
 - (c) build control points for the Hong Kong-Zhuhai-Macao Bridge (HZMB) and
 - (d) take forward the planning and construction of the Liantang/Heung Yuan Wai control point.

6. In respect of new control points, the HZMB will adopt a cross-boundary clearance model where Boundary Crossing Facilities (BCF) will be constructed and set up within the respective territories of the three governments. The construction project of BCF for Zhuhai port has already commenced in late 2009, while those for Hong Kong are planned to be started in 2010 to tie in with the commissioning of the main bridge. Efforts will also be made to push

¹ Clause 1 of Chapter 2 of Main Text of the Framework Agreement

forward the development of Liantang-Heung Yuen Wai boundary control point for its completion and commissioning before 2018.

Cross-boundary clearance²

7. Pursuant to the Framework Agreement, Guangdong and Hong Kong will study and innovate cross-boundary clearance mode for control points:

- (a) subject to effective monitoring, put in place cross-boundary clearance arrangements for trade facilitation and security considerations;
- (b) launch quick and convenient cross-boundary clearance measures in highways, ports, aviation and rail control points for the movement of people, goods and public transport;
- (c) gradually introduce information technology in immigration control, regularization in checking procedures and digitalization in customs clearance;
- (d) explore the feasibility of "single-window" clearance for goods and one-stop digital clearance for vehicles while keeping the independence of the individual tax zones;
- (e) apply technological equipment such as GPS monitoring system and E-lock etc to cargo containers to expedite the clearance process; and
- (f) push forward the standardization of the information and data required by the customs of both sides, i.e. the Road Cargo System (ROCARS)³ used in Hong Kong and the electronic manifests adopted by the Mainland, to facilitate the logistics industry.

8. On 17 May 2010, the Hong Kong Customs and Excise Department (C&ED) officially launched ROCARS and started an 18-month transitional period before its mandatory implementation. With this new electronic information platform and building on the foundation of mutual co-operation and benefit, Hong Kong and Shenzhen Customs will be able to make further contribution to enhance customs clearance efficiency and facilitate cross-boundary movement of goods.

² Clause 1 of Chapter 5 of Main Text of the Framework Agreement

³ ROCARS is an electronic system designed to facilitate customs clearance of road cargoes

Concerns expressed by members in previous discussions

Panel on Economic Development

9. The Panel on Economic Development (EDEV Panel) and the Panel on Environmental Affairs conducted a duty visit to Guangdong Province from 15 to 18 May 2009, in order to better understand the objectives, specific measures and co-operation mechanism between Hong Kong and Guangdong under the Outline. In respect of logistics development in PRD, the delegation visited South China International Logistic Centre (SCILC) and Yantian International Container Terminals (YICT) in Shenzhen, the Shenzhen Baoan International Airport and Nansha Port. Members of the delegation were of the view that in view of the development potential of YICT and the low operating costs of SCILC, Hong Kong should enhance Hong Kong's competitiveness by focusing on high value-added logistical services, implementing electronic procedures for the logistics chain and lowering the trucking costs. Some members urged the Administration to identify suitable land for the development of a Logistics Park with enhanced connectivity.

10. Following the duty visit, EDEV Panel held a joint meeting with the Panel on Environmental Affairs on 15 July 2009 to exchange views with the relevant bureaux on ways to promote co-operation between Hong Kong and the PRD Region in areas of logistics, tourism and environmental protection. Some members saw the need to standardize the procedures and declaration documents for both the Mainland and Hong Kong sides, such as development of a common electronic platform for customs clearance, to improve efficiency. They also considered it necessary to release more land from the frontier control areas for development of cross-boundary facilities.

11. During the policy briefing at the meeting of the EDEV Panel on 16 October 2009, some members considered it necessary to improve the coordination of air traffic management in the PRD Region so as to enhance the air traffic control capacity and efficiency for flights overflying or landing Hong Kong.

House Committee

12. The Chief Secretary for Administration briefed the House Committee on the Framework Agreement at a special meeting held on 14 May 2010. A member asked whether the cross-boundary clearance model to be adopted for HZMB, i.e. BCF would be constructed and set up within the respective territories of the three governments, could be further reviewed.

Council meetings

13. At the Legislative Council meeting on 4 March 2009, the motion "Actively implementing complementary policies for the Outline of the Plan for

the Reform and Development of the Pearl River Delta" was passed with amendments, urging the Government to expeditiously redefine the role and positioning of Hong Kong and formulate corresponding complementary policies for the Outline so as to facilitate Hong Kong's closer co-operation with Guangdong Province and promote Hong Kong's economic and social development. Such policies should include:-

- (a) expediting the planning and construction of the Hong Kong Section of HZMB as well as the related connecting infrastructure works for HZMB, and at the same time actively studying the development of a bridgehead economy at the landing point of HZMB in Hong Kong and the implementation of "free flow of vehicles" between Guangdong and Hong Kong, so as to fully utilize HZMB; and
- (b) actively discussing with the Government of Guangdong Province to clearly delineate the roles and division of work between the ports and terminals in Guangdong and those in Hong Kong, so that a new setting would be formed in the PRD Region under which there was a clear demarcation of work among the ports, complementarity of edge and co-development; and

14. A motion on " Proactively implementing the Framework Agreement on Hong Kong/Guangdong Co-operation" was passed with amendments at the Council meeting on 26 May 2010, urging the Government to formulate and implement the specific policies and measures outlined in the Framework Agreement as early as possible, so as to, inter alia, build a modern services base and a world-class modern economic circulation sphere, so that Hong Kong's market and population and geographical scope of services can be expanded to the PRD metropolitan circle.

Latest development

15. The Administration has been invited to brief EDEV Panel on the Framework Agreement in respect of logistics co-operation between Hong Kong and Guangdong Province at the meeting on 28 June 2010.

References

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