

**Subcommittee to Study the Proposed Legislative Amendments Relating to
the Re-organisation of the Government Secretariat**

**Division of work of the HKSAR Government in
taking forward cooperation with the Mainland**

Purpose

This note seeks to explain to members the division of work of relevant bureaux of the Government of the Hong Kong Special Administrative Region (“the HKSARG”) in taking forward cooperation with the Mainland and the division of work under the new term of Government after the proposed re-organisation.

Present situation

Functions of the Constitutional and Mainland Affairs Bureau

2. Since reunification, exchange and communication between the Hong Kong Special Administrative Region (“the HKSAR”) and the Mainland has been more frequent in various aspects. The Mainland is the impetus for regional economic development, and provides Hong Kong with many opportunities in trade, business and employment. The HKSARG has been committed to taking forward a host of measures to promote the flow of people, goods and capital in both directions, and to strengthening connections between the Mainland and the HKSAR through development of infrastructure and transportation network.

3. The Constitutional Affairs Bureau changed its name officially to the Constitutional and Mainland Affairs Bureau (“CMAB”) in 2007. This is to underline the importance attached to and the focus of work in handling the relations between the HKSARG and the Mainland; and to strengthen the multi-level cooperation and exchanges with the Mainland in different areas. CMAB is responsible for forging cooperation between the HKSAR and the Mainland by coordinating amongst bureaux horizontally and providing strategic support on the macro-level. The relevant work is set out in the ensuing paragraphs.

(1) Coordinate amongst bureaux in forging multi-disciplinary regional cooperation

4. To sustain the economic development of Hong Kong, we must capitalise on our advantageous position of “leveraging on the Mainland and engaging ourselves globally”. We have to grasp the opportunities arising from the rapid economic growth of the Mainland and translate this into a driving force for Hong Kong’s economic development so as to resolve the problems of upward mobility of the new generation of Hong Kong people and poverty. Paying attention to the regional development plans of the Mainland and their latest development, formulating the overall strategy and direction of our cooperation with the Mainland, and taking forward cooperation with different provinces/cities are one of the major priorities of CMAB.

5. The HKSAR has set up cooperation mechanisms with a number of provinces/cities in order to coordinate the relevant work in a more systematic manner. These mechanisms include the Hong Kong/Guangdong Cooperation Joint Conference (set up in 1998), the Shanghai-Hong Kong Economic and Trade Cooperation Conference (set up in 2003), Beijing-Hong Kong Economic and Trade Cooperation Conference (set up in 2004) and Pan Pearl River Delta Regional Cooperation and Development Forum (set up in 2004). In addition, following the devastating earthquake that happened in Wenchuan, Sichuan in May 2008, the HKSARG secured the support of the Legislative Council to inject a total of HK\$9 billion to the “Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas” to support the post-quake reconstruction efforts in the first instance. The Governments of the HKSAR and Sichuan have set up a three-tier communication and liaison mechanism to monitor project progress and use of funds.

6. Both the Chief Secretary for Administration (“CS”) and the Financial Secretary (“FS”) provide leadership and steer for the above mechanisms respectively. CMAB is responsible for formulating overall strategy and direction for these mechanisms with a view to forging cooperation. CMAB is also responsible for the day-to-day liaison with the relevant Mainland counterparts; and provides secretariat support for, and organise and arrange meetings at all levels. The respective organisation of the mechanisms above and the participation of government officials from both Hong Kong and the Mainland are set out in the table below -

	High Level Meeting	Working Meeting	Day-to-day liaison mechanism
Hong Kong/ Guandong Cooperation	Hong Kong/ Guandong Cooperation Joint Conference Plenary Meeting Co-chaired by the Chief Executive ("CE") and the Governor of Guangdong	Hong Kong/ Guandong Cooperation Joint Conference Working Meeting Co-chaired by CS and the Vice-Governor of Guangdong	25 Expert Groups Participated by relevant bureaux according to their areas of responsibilities
Hong Kong/ Shenzhen Cooperation	Hong Kong/Shenzhen Cooperation Meeting Co-chaired by CS and Shenzhen Mayor	–	5 Expert / Working Groups and Hong Kong/Shenzhen Cooperation Forum Participated by relevant bureaux and the Central Policy Unit
Hong Kong/ Shanghai Cooperation	High Level Meeting Co-chaired by CE and Mayor of Shanghai and supported by FS and the Vice-Mayor of Shanghai	Coordination and liaison mechanism Shanghai Economic and Trade Office and the Hong Kong and Macao Affairs Office of Shanghai	Liaison officers' mechanism CMAB coordinates participation by relevant bureaux' representatives
Hong Kong/ Beijing Cooperation	High Level Meeting Co-chaired by CE and the Mayor or Beijing and supported by FS and the Vice-Mayor of Beijing	Working Meeting Co-chaired by FS and the Vice-Mayor of Beijing	Liaison Office Participation coordinated by CMAB
Sichuan/Hong Kong Communication and Liaison Mechanism	High Level Meeting Co-chaired by CS and the Vice-Governor of Sichuan	Working Meeting Co-chaired by the Permanent Secretary for Constitutional and Mainland Affairs and the Team Leader (Sichuan Reconstruction) on	Liaison Office Participated by relevant bureaux' representatives

		the Hong Kong side and the Deputy Directors of the Hong Kong and Macao Affairs and Development and Reform Commission of Sichuan	
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7. Qianhai and Nansha are designated key cooperation zones in the Framework Agreement on Hong Kong/Guangdong Cooperation. The State Council has designated Qianhai as a “Hong Kong/Guangdong modern service industry innovation and cooperation exemplary zone” and encouraged the development innovative finance, modern logistics, information service, scientific/technological services and other-professional services. As to Nansha, CMAB, representing the HKSARG, signed a Letter of Intent with the Guangzhou Municipal Government in August 2011, and set up a Hong Kong/Guangzhou Cooperation Working Group to explore cooperation in three areas – innovative industries, developing a demonstration zone for implementation of CEPA and relevant early and pilot measures; and advancing co-operation in social services. CMAB plays an overall coordination role in the HKSAR's participation in the development of Qianhai and Nansha.

(2) Take forward and coordinate national and strategic cooperation

8. Apart from the regional cooperation mechanisms above, CMAB is also responsible for maintaining close liaison with the Central Authorities and complement their efforts in the development and formulation of policies under the Five Year Plan. The inclusion of a dedicated chapter on supporting policies and measures on Hong Kong Macao in the National 12th Five-Year Plan promulgated in March 2011 is unprecedented. This signifies the importance the Mainland attaches to both Hong Kong and Macao SARs. While the National 12th Five-Year Plan was still in the formulation stage, CMAB proactively complemented the Central Authorities’ work: coordinated bureaux’ participation whereby views of different sectors on the 12th Five-Year Plan could be tapped; and reflected such views to the Central Authorities as appropriate, with a view to maximizing the benefits for the long term economic development of Hong Kong and further opening up of the Mainland market. During his visit to Hong Kong in August 2011, Vice-Premier LI Keqiang announced 30-plus

concrete policy measures formulated by the Central Government under the 12th Five-Year Plan. These policy measures seek to support the further development of Hong Kong and deepen the economic and trade, and financial cooperation between Hong Kong and the Mainland. The Financial Services and Treasury Bureau is responsible for coordinating the implementation of these 30-plus measures and follow up specifically on the development of Renminbi business in Hong Kong and its implementation.

9. On trade and commerce, since the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) in 2003, the Mainland and Hong Kong have signed eight Supplements. During his visit to Hong Kong last August, Vice Premier LI Keqiang mentioned that liberalisation of trade in services for Hong Kong would be further broadened and deepened under CEPA during the National 12th Five-Year Period. The Commerce and Economic Development Bureau (“CEDB”) will take the lead in discussions with the Ministry of Commerce (“MoC”) on CEPA and pursue further liberalisation of trade in services having regard to the needs of the trade, including further lowering the threshold of market entry, expanding the scope of business, and striving for better market access conditions for Hong Kong enterprises and professionals, with a view to promoting economic integration and sustainable development of both places. In addition, to facilitate the effective implementation of CEPA measures, we have liaised closely with the Mainland authorities at the central, provincial and municipal levels to reflect to and actively follow up with them on problems encountered by Hong Kong enterprises when using the CEPA measures in the Mainland.

10. The National 12th Five-Year Plan emphasises upgrading and restructuring of industries and expanding domestic consumption. Taking into account the concerns, needs and views of the trade, CEDB has implemented various measures to assist Hong Kong enterprises in capturing the opportunities to explore and develop the Mainland market through upgrading and restructuring and promoting domestic sales. Relevant work includes –

- (1) Hong Kong enterprises operating in the Mainland have to adapt to changes in Mainland policies and regulations. CEDB and the Trade and Industry Department under its purview disseminate information through newsletters, seminars and website to the trade to keep them abreast of the latest policies, regulations and business

environment in the Mainland. In addition, we also maintain close liaison with relevant Mainland authorities at various levels to reflect issues of concern and views of the trade operating in the Mainland and discuss with them measures to support the trade.

- (2) The trade needs support in the process of upgrading and restructuring and promoting domestic sales. In this regard, we provide support services on technological upgrading, management improvement, brand building and market development to Hong Kong enterprises through organisations such as the Hong Kong Trade Development Council (“HKTDC”) and the Hong Kong Productivity Council. In addition, we organise various promotion and marketing activities as well as trade missions to the Mainland through HKTDC to enhance the trade’s understanding of the Mainland policies and current market situation. To provide further support for Hong Kong enterprises to increase their competitiveness in the Mainland market, we would launch a \$1 billion dedicated fund by mid-2012 to assist them in developing brands, upgrading and restructuring operations and promoting domestic sales in the Mainland.

11. On the front of investment promotion, in line with the “go global” policy of the Mainland, CEDB and Invest Hong Kong under its purview have been working closely with MoC, relevant Mainland authorities at various levels and related organisations to enhance investment promotion work in the Mainland, so as to enable Mainland enterprises to fully make use of the ideal platform of Hong Kong to expand their business overseas.

12. In addition, other bureaux maintain close contact with their counterparts in the Mainland in accordance with their respective policy areas with a view to formulating concrete cooperation measures and initiatives and to monitoring the related progress.

(3) Coordinate and support liaison work of the Mainland Offices

13. The HKSARG has set up a number of offices in the Mainland, including Beijing Office, Economic and Trade Offices (“ETOs”) in Guangdong, Shanghai and Chengdu, and Liaison Offices in Shenzhen and Fujian (which is

under the establishment of the Guangdong ETO), as well as Chongqing Liaison Office (which is under the establishment of the Chengdu ETO). The operation and internal administrative matters of these Mainland offices are overseen by CMAB which provides strategic policy steer. In more concrete terms, CMAB is responsible for overseeing the general liaison work between the Mainland authorities and these Mainland offices; and formulating workplans in conjunction with these offices to strengthen our relations with the Mainland. We are also responsible for the planning and acquisition of financial and human resources. In addition, CMAB provides possible assistance to Hong Kong residents on the Mainland through these Mainland offices. For example, we would provide Hong Kong enterprises in the Mainland with information on relevant laws and regulations promulgated by the Mainland authorities so as to facilitate their conduct of business. CMAB also provides possible assistance to Hong Kong residents in the Mainland who are in need. CEDB and other relevant bureaux will provide policy steer on trade and commerce as well as other policy issues.

Establishing a new mechanism on cooperation with the Mainland

14. The cooperation between Hong Kong and the Mainland cuts across massive geographical regions, multiple disciplines and numerous project initiatives. Heavy workload is involved. The two places will have more frequent exchange as the number of Hong Kong people working in the Mainland continue to increase. According to estimation by the some chambers of Hong Kong in the Mainland, the number of Hong Kong people working and residing in the Mainland amounts to as many as 300 000. The Chief Executive-elect sets out in his manifesto that –

- (1) The Government will step up assistance to industries to access the Mainland Market. For industries that experience more barriers, the Government will propose the setting up of a joint working group in Beijing or Guangdong with the Ministry of Commerce, the National Development and Reform Commission, municipal governments and other authorities for relevant industries to provide one-stop service via a dedicated service agency for each industry to resolve difficulties encountered by Hong Kong enterprises and to formulate a clear procedure for entry into the Mainland market.

- (2) The Government will strengthen the functions of the Mainland offices of the SAR Government to provide assistance to Hong Kong enterprises to develop their businesses in the Mainland.
- (3) The Government will request the Central Government to extend the "Multiple entries per year" arrangement currently available to Shenzhen residents under the Individual Visit Scheme to cover other cities in the Pearl River Delta. The Government will enhance clearance efficiency at our boundary checkpoints to facilitate Pearl River Delta residents to progressively change the nature of their visit from occasional tourism to frequent visits for daily consumption spending.
- (4) The Government will support the development of technology infrastructure, with a view to promoting the establishment of technology industry clusters both locally and in the Pearl River Delta.
- (5) The Government will support Hong Kong manufacturers to tap the domestic market on the Mainland and will provide assistance in branding, design, product research and development, market research, sales, marketing and exhibitions.

The Deputy Financial Secretary ("DFS") will coordinate these initiatives and map out a work plan with relevant bureaux and the Mainland offices. DFS, as a Deputy Secretary of Department, will also lead the discussions with his/her Mainland counterparts.

15. As regards the arrangement of High Level Meetings, they will continue under the existing cooperation mechanisms with Guangdong, Shenzhen, Pan Pearl River Delta Region, Beijing and Shanghai. On specific policy issues, matters relating to trade and commerce will be coordinated by the Commerce and Industries Bureau led by DFS after re-organisation in order to strengthen the liaison with the relevant counterparts in the Mainland.

16. After the re-organisation, DFS, having regard to the national Five-Year Plans, will be responsible for formulating relevant industry policies that support trade and commerce, develop maritime, civil aviation, logistics and tourism industries, forge the development of technology and telecommunications industries as well as professional services. He/she would also coordinate the implementation of the 30-plus measures that support further development of Hong Kong as announced by the Vice-Premier LI Keqiang. The new Commerce and Industries Bureau will continue to spearhead discussions with MoC on further liberalisation under CEPA. Other bureaux, in accordance with their respective policy areas, will also continue to communicate and follow up with their relevant counterparts in the Mainland.

17. To conclude, in taking forward economic cooperation between Hong Kong and the Mainland, externally DFS has to liaise with the relevant sectors, understand the possible difficulties they encounter and assist in resolving such difficulties. He/she also has to enhance communication with his counterparts in the Mainland and to play a coordinating role in forging and implementing various concessionary measures for Hong Kong made by the Central Government, with a view to expanding our economic blueprint.

18. The operation and internal administrative matters of the Mainland offices will continue to be overseen by CMAB after re-organisation. Policy matters relating to trade and commerce as well as financial services etc will continue to be steered by relevant bureaux.