

**Legislative Council Panel on Commerce and Industry
2011-2012 Policy Agenda**

**The initiatives of the Constitutional and Mainland Affairs Bureau
in relation to Mainland and Taiwan co-operation**

INTRODUCTION

This paper briefs Members on the initiatives of the Constitutional and Mainland Affairs Bureau (CMAB) in relation to Mainland and Taiwan co-operation as set out in the 2011-12 Policy Agenda.

POLICY AGENDA

2. We will pursue three new initiatives and will continue to implement six on-going initiatives.

New Initiatives

- (a) Set up the Hong Kong Economic, Trade and Cultural Office in Taiwan, with a view to further promoting long term co-operation and exchanges between Hong Kong and Taiwan.
- (b) By participating in the promotion of Nansha development, open up a larger hinterland for Hong Kong enterprises and service providers. Areas of co-operation include development of a demonstration zone for implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and its early and pilot implementation measures; promoting the upgrading and transformation of Hong Kong invested enterprises, as

well as co-operation on social and welfare services between Hong Kong and Guangzhou.

- (c) Strengthen and deepen multi-faceted regional co-operation with the Chengdu-Chongqing area and Fujian. We plan to set up dedicated liaison units in Chongqing and Fujian.

On-going Initiatives

- (d) Continuing to complement the Shenzhen authorities in pushing forward the development of modern service industries in Qianhai, including the implementation of the "Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area", with a view to encouraging Hong Kong enterprises and service providers to capitalise on the opportunities to open up the Mainland market.
- (e) Continuing to strengthen regional co-operation through our co-operation mechanisms with the Pan-Pearl River Delta Region; the Guangdong Province; the Municipalities of Beijing, Shanghai and Shenzhen; and the Macao Special Administrative Region.
- (f) Following up with the relevant stakeholders and Mainland authorities on the implementation of the various policy initiatives under the National 12th Five-Year Plan, so as to consolidate and enhance Hong Kong's competitive advantages and to enable us to make timely and effective contribution to the social and economic development of the Mainland.
- (g) Taking forward the implementation of the "Framework Agreement on Hong Kong/Guangdong Co-operation"

(Framework Agreement), and drawing up annual work plan on focus areas.

- (h) Further promoting and expanding trade, investment, tourism, cultural and other areas of co-operation between Hong Kong and Taiwan and promoting multi-faceted, multi-level exchanges with Taiwan in a proactive manner through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council, the Hong Kong-Taiwan Business Co-operation Committee and the Hong Kong-Taiwan Cultural Co-operation Committee.
- (i) Co-ordinating cross-bureau efforts in taking forward and completing HKSAR's post-quake reconstruction support work in Sichuan. Following Legislative Council's approval to inject \$9 billion into the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas (the Trust Fund), the HKSAR Government has in three stages undertaken 151 reconstruction support projects in Sichuan. These projects cover education, medical and rehabilitation, social welfare, highway infrastructure and reconstruction of the Wolong Nature Reserve. The Trust Fund has also provided funding to Hong Kong NGOs to undertake reconstruction support projects in Sichuan.

Details of the above initiatives are set out in the following paragraphs.

Complementing the preparation of the National 12th Five-year Plan

3. Promulgated in March 2011, the National 12th Five-Year Plan has unprecedentedly devoted a chapter on Hong Kong and Macao, highlighting the Central Government's support to Hong Kong in various aspects under the "One Country, Two Systems", with particular emphasis on –

- (a) supporting Hong Kong to further consolidate and enhance its competitive advantages, including its status as an international centre for financial services, trade and shipping; and developing Hong Kong into an offshore Renminbi business centre and an international asset management centre, with enhanced influence in the global financial sector;
- (b) nurturing Hong Kong's emerging industries and facilitating them to extend their fields of co-operation and scope of service in the Mainland; and
- (c) deepening co-operation between the Mainland and Hong Kong through continued implementation of CEPA; strengthening co-operation among Guangdong, Hong Kong and Macao; and implementing the Framework Agreement.

4. The dedicated chapter spells out Hong Kong's important functions and positioning in the strategic development of our country, and the direction of co-operation between Hong Kong and the Mainland in the "12th Five-Year Plan" period. It will have far-reaching impact on the future development of Hong Kong.

5. During his visit to Hong Kong in August 2011, the Vice-Premier of the State Council, Mr LI Keqiang, announced a series of concrete policy measures formulated under the 12th Five-Year Plan to support Hong Kong's development and deepen financial and economic co-operation between the Mainland and Hong Kong. These policy measures have opened up new opportunities for Hong Kong's development, whilst complementing the development of our country.

6. The Government has set up a steering committee, chaired by the Chief Secretary for Administration, to oversee the co-ordination of bureaux' efforts and the follow-up actions, including the important work

of pressing ahead the implementation of the various supporting policy measures by the Central Government.

Guangdong and regional co-operation

Strengthening co-operation with Guangdong Province, Implementation of the “Framework Agreement on Hong Kong/ Guangdong Co-operation”

7. The dedicated chapter for Hong Kong and Macao emphasizes the need to deepen Hong Kong/Guangdong co-operation and to implement the Framework Agreement. It supports Guangdong to take a pilot and leading role in the opening up of service industries to Hong Kong, and urges for the early implementation of major co-operation projects between Guangdong, Hong Kong and Macao. During his visit, Vice-Premier LI Keqiang also called for the speedy implementation of various initiatives under the Framework Agreement.

8. The progress of implementation of the Framework Agreement has been satisfactory. The 2011 Work Plan comprises a total of 71 priority items covering a wide range of areas including cross-boundary infrastructure facilities, modern service industries, innovation and technology for manufacturing industries, development of internationalized business environment and quality living area, education and talent, key co-operation areas and regional co-operation plans. Furthermore, the two sides also signed 5 letter of intent and agreements on co-operation projects, including the Letter of Intent between Hong Kong and Guangzhou on Co-operation in Pushing Forward the Development of Nansha New Area, Co-operation Agreement between Hong Kong and Guangdong on Combating Climate Change, Co-operation Arrangement between Hong Kong and Guangdong on Establishment of a Contingency Notification Mechanism on Critical Disruption of Guangdong-Hong Kong Cross-Boundary Telecommunications Networks, Agreement on Guangdong/Hong Kong Co-operation on Intellectual Property (2011-12), and a Heads of Agreement between GDPASS Payment Network Company Limited and Octopus Cards Limited on Issuance of Two-in-One Card.

9. CMAB and relevant Bureaux will strive to implement the policy measures and initiatives under the Framework Agreement. We will continue to maintain close liaison with Guangdong Province to draw up the 2012 Work Plan and to further deepen Hong Kong/Guangdong co-operation by making good use of the platform provided by the Framework Agreement.

Promotion of Nansha development

10. Nansha is one of the key co-operation areas under the Framework Agreement. It is also one of the seven major co-operation projects between Guangdong, Hong Kong and Macao listed in the dedicated chapter. In order to take forward the co-operation to develop Nansha, HKSARG and the Guangzhou Municipal Government signed a letter of intent on 23 August 2011 and set up a working group on Hong Kong/Guangzhou co-operation to explore the co-operation between two places in three areas, namely development of Nansha into a base for the upgrading and transformation of Hong Kong-invested processing trade, a demonstration zone for implementation of CEPA and relevant early and pilot measures, as well as a platform for advancing co-operation in social services.

11. HKSARG will make good use of the Hong Kong/Guangdong Co-operation Joint Conference and the working group on Hong Kong/Guangzhou co-operation to complement the work of Guangdong Province and Guangzhou Government to develop Nansha, so as to create new opportunities for Hong Kong business sectors, and also to deepen Hong Kong/Guangdong and Hong Kong/Guangzhou co-operation.

Pushing forward the development of modern services in Qianhai

12. The Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone is another major co-operation project between Guangdong, Hong Kong and Macao listed in the dedicated chapter.

During his visit to Hong Kong, Vice-Premier LI Keqiang announced that the Central government will formulate preferential policies to vigorously develop Qianhai with particular emphasis on innovative finance, modern logistics, information services, scientific and technological services and other specialized services. At the first meeting of the Inter-ministries Joint Conference on the Development of Qianhai Area in Shenzhen convened in Beijing on 27 September 2011, representatives from relevant ministries of the Central Government, Guangdong Provincial Government, Shenzhen Municipal Government and the HKSAR Government reviewed the work progress of "Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area" since its approval, and conducted in-depth discussions on how to drive the development of Qianhai and to enhance its business environment. The HKSAR Government will continue to collect the views from the business sectors on the development of Qianhai and necessary policies, and convey them to the Shenzhen authorities and relevant Ministries of the Central Government. The HKSAR Government will also actively complement the Shenzhen authorities' lobbying efforts for more preferential policies to be implemented in Qianhai, as well as the publicity and promotional campaigns to introduce the business opportunities to the Hong Kong business sectors.

Strengthen regional co-operation with Chengdu-Chongqing area and Fujian

13. We have been taking forward our co-operation with Guangdong, Pan-Pearl River Delta Region, Beijing, Shanghai and Macao. The regional co-operation between the Mainland and Hong Kong has been growing rapidly both in depth and breadth. Strengthening our regional cooperation with the Mainland is vital to the long-term economic development of Hong Kong.

14. In the National 12th Five-Year Plan and the "Development Plan for Chengdu-Chongqing Economic Zone" endorsed by the State Council in May this year, the Chengdu-Chongqing Economic Zone is positioned

as an economic powerhouse in the Western Region of China as well as a base of modern industries in the country. In 2010, the Gross Domestic Product (GDP) of the Chengdu-Chongqing Economic Zone already accounted for 30% of the GDP of the Western Region of China. It is expected that the Chengdu-Chongqing Economic Zone will become the fourth pillar of economic development in the country, after the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin-Hebei region. It will also be a strategic anchor for Hong Kong to seize the opportunities arising from the full implementation of the development strategy of the Western Region by the Central Government.

15. As far as the Eastern Region is concerned, the Haixi Economic Zone has assumed an increasingly important role in cross-Strait relations since the endorsement of the "Several Opinions on Supporting Fujian Province to Accelerate Construction of the Haixi Economic Zone" by the State Council in 2009. Furthermore, the signing of "Economic Cooperation Framework Agreement" (ECFA) between the Mainland and Taiwan in May 2010 has given impetus to the development of the Haixi Economic Zone, which provides Fujian Province with enormous development potential. As cross-Strait economic ties are getting closer, and that Fujian province is located strategically where the Pearl River Delta region and the Yangtze River Delta region cross and stands as the forefront for cross-Strait exchanges, Hong Kong needs to forge closer economic ties with Fujian and the Haixi Economic Zone. We should also leverage on the advantages of extending pilot measures under CEPA, and seize the opportunities arising from the growth in cross-Strait trade and investment in order to expand the market.

16. Chongqing has always been an important investment destination to investors of Hong Kong; we have already forged a close working relationship with Sichuan through post-quake reconstruction work; we have an even closer tie with Fujian, given the over-one-million population of Fujian community in Hong Kong. We therefore need to capitalize on the opportunities arising from the rapid development of the

Chengdu-Chongqing Economic Zone and the Haixi Economic Zone, examples of which include assisting professional services providers in Hong Kong to tap into the Mainland market, and promoting implementation of the pilot measures of CEPA. We plan to expand the manpower establishment of our Economic and Trade Offices in Chengdu and Guangdong by setting up dedicated liaison units in Chongqing and Fujian, with a view to strengthening and deepening multi-faceted regional co-operation with the Chengdu-Chongqing area and Fujian.

Hong Kong–Taiwan relations

17. We set up the Hong Kong Taiwan Economic and Cultural Cooperation and Promotion Council (ECCPC) in April 2010 to further promote Hong Kong-Taiwan relations. Since its inception, the ECCPC has been working proactively with the Taiwan-Hong Kong Economic and Cultural Cooperation Council (THEC), its Taiwanese counterpart, on priority areas of cooperation, building up a direct and effective communication platform for Hong Kong and Taiwan.

18. In the past year or so, through the ECCPC and THEC platform, over 20 working meetings were conducted between Hong Kong and Taiwan. Positive progress has been achieved in various priority areas of cooperation. For example, we have signed a memorandum of understanding on banking supervision, the Hong Kong Tourism Board has set up its formal office in Taipei, and we have introduced further entry facilitation measure for Taiwan residents to visit Hong Kong for business or leisure. This August, the ECCPC and THEC held their second joint meeting in Hong Kong. Apart from concluding the achievements in the past year, consensus was reached on new priority areas of cooperation, including education exchanges and cooperation, cooperation in civil and business-related legal matters and insurance supervision cooperation, etc.

19. To further advance Hong Kong-Taiwan exchanges and cooperation, we have earlier announced that we would set up the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO) within

2011. We have set out the details related to the functions, establishment and set up arrangements in LC Paper No. CB(1)37/11-12(05) for Members' discussion at this Panel.

20. Through the ECCPC and THEC platform, Hong Kong and Taiwan have been proactively engaging each other in the study and discussion of issues that are of mutual interests under the principle of reciprocity. With the formalisation of liaison and consultation between Hong Kong and Taiwan, a solid foundation has been laid for future cooperation between the two places.

Post-quake reconstruction support work in Sichuan

21. We are making steady progress in pushing forward HKSAR's work in support of reconstruction in the Sichuan earthquake-stricken areas. As at 1 October 2011, over 50 out of the 151 HKSAR Government-led projects have been completed. According to present progress, more than half of the 151 HKSAR-funded projects are expected to be completed by the end of this year, while most of the remaining projects can be completed successively within next year. Besides, 18 out of the 33 projects spearheaded by the non-government organizations of HKSAR have been completed or in service. Apart from reconstruction projects of Provincial Road 303 and Mian Mao Highway which were damaged twice by large-scale mudslides and hence need to upgrade their project design to increase their robustness against disasters, all reconstruction projects funded by the HKSAR Government in the Sichuan earthquake-stricken areas have entered construction stage. Through the established Hong Kong-Sichuan liaison mechanism, the HKSAR Government will continue to enhance communication and contacts between relevant departments of both places, as well as to ensure the quality of the HKSAR's reconstruction work and the proper, effective and efficient use of the reconstruction funds.

22. HKSAR's work in support of reconstruction in the Sichuan earthquake-stricken areas is a massive, arduous and long-term task. At

the same time, it provides a good opportunity for the people of Hong Kong to pay greater attention to the development of the Mainland and to strengthen their national identity. With the successive completion of the reconstruction projects, the HKSAR Government will launch a series of publicity activities, such as roving exhibitions in various districts to showcase the progress and achievement of the reconstruction work with a view to enhancing Hong Kong citizens' understanding of the HKSAR's support work, and encouraging them to give continuous support to such work.

CONCLUSION

23. Members are invited to note the content of this paper.

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