

For Information

Legislative Council Panel on Commerce and Industry

**The 15th Working Meeting of
the Hong Kong/Guangdong Co-operation Joint Conference**

Purpose

This paper briefs Members on the major outcomes of the 15th Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference held on 3 August 2010 in Hong Kong.

Background

2. Mr Henry Tang, the Chief Secretary for Administration, and Mr Liu Kun, the Vice-Governor of Guangdong Province, co-chaired the 15th Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference in the morning of 3 August 2010 in Hong Kong. Various co-operation initiatives, the major tasks for the next stage, as well as the initial arrangement for the coming plenary were discussed. A press release was issued in the afternoon of the same day, giving an account of the deliverables of the meeting. The key areas discussed at the meeting are set out in the following paragraphs.

Deepening of Hong Kong/Guangdong Co-operation

Framework Agreement on Hong Kong/ Guangdong Co-operation

3. Witnessed by the state leaders, Hong Kong and Guangdong signed the Framework Agreement on Hong Kong/Guangdong co-operation in Beijing in early April this year. This is the first agenda on Hong Kong/Guangdong co-operation ever endorsed by the State Council. It sets out six long-term development positions for Hong Kong/Guangdong co-operation, including a world-class new economic region, a financial co-operation region, a manufacturing and modern services base, a modern economic circulation sphere, a quality living area and a world-class metropolitan cluster. These positions have provided clear directions for Hong Kong and Guangdong's future collaboration.

4. Currently, the relevant bureaux and departments of the HKSAR are working closely with their Mainland counterparts in actively implementing the various policies and measures in the Framework Agreement, as well as discussing the directions of the 2011 Work Plan. In particular, the HKSAR Government strives to incorporate the relevant policies on Hong Kong/Guangdong co-operation in the Framework Agreement, especially those on the functional positioning of Hong Kong/Guangdong co-operation, into the National 12th Five-Year Plan.

Regional Co-operation Plan on Building a Quality Living Area

5. Hong Kong, Guangdong and Macao are finalizing the compilation of the regional co-operation plan on "Building a Quality Living Area", which is the first regional co-operation plan on quality living. It aims to enhance

co-operation among the three sides in the areas of environment and ecology; low-carbon development; spatial planning; personnel exchange; transportation; culture and social living (including cultural exchange, education, social welfare and food safety). The three sides will leverage on their respective strengths to maintain and enhance the unique competitiveness of the Greater Pearl River Delta region. This will also help our economy, society and environment to achieve sustainable development. Upon completion of the study report, the three sides will release the findings of the regional co-operation plan as soon as possible.

Regional Co-operation Plan on Infrastructure Construction

6. Since the promulgation of the “Outline of the Plan for the Reform and Development of the Pearl River Delta” by the National Development and Reform Commission in January 2009, the governments of Hong Kong, Guangdong and Macao have worked closely together on a number of co-operation initiatives. One of them is the joint compilation of the regional co-operation plan on “Infrastructure Construction”. The Plan mainly aims at guiding the provision of the various infrastructures for linking up the three places in a reasonable manner, with a view to fostering future development of the three places. The scope of the study comprises cross-boundary transport facilities (including highways, railways, port and airport), boundary control facilities, electricity supply, water supply, natural gas supply and cross-boundary information communication and technology infrastructure etc. Currently, the governments of Hong Kong, Guangdong and Macao are actively taking forward the regional co-operation plan.

Individual Co-operation Areas

Qianhai Development

7. According to the current consensus, the Shenzhen Municipal Government will take up the leading role and be responsible for the development and management of Qianhai, while the HKSAR Government will provide comments on the study and formulation of issues like development planning and policies. In this regard, the HKSAR Government will continue to keep in close liaison with the Guangdong Provincial Government and Shenzhen Municipal Government, so as to enhance the competitiveness of Hong Kong service industries and explore the Mainland market through Qianhai. In addition, via the experiences of Hong Kong, we aim to assist in speeding up the construction of modern services industries in the Mainland, as well as bring the successful experience to other regions.

Financial Services

8. On financial services, Supplement VII to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) signed in May this year further relaxed relevant requirements for Hong Kong banks to set up a wholly foreign-funded bank or a foreign bank branch in the Mainland, as well as to apply to conduct renminbi (RMB) business. Supplement VII to CEPA also specified measures on deepening cooperation between Hong Kong and the Mainland on financial services and product development, and agreed to the introduction of ETFs (exchange-traded funds) on Hong Kong stocks in the Mainland at an appropriate time. The Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission will continue to work closely with financial regulators and other relevant authorities in the Mainland

to follow up on related co-operation initiatives.

9. On RMB business, there has been satisfactory development in Hong Kong in recent months. The amount of RMB trade settlement conducted through Hong Kong has recorded remarkable growth in the past few months, with the settlement amount surging from a monthly average of some RMB400 million before February 2010, to a monthly average of more than RMB4 billion from March to May 2010. About 80% of them were attributed to trade transactions between Hong Kong and Guangdong.

10. The HKMA has been in close liaison with the relevant authorities in the Mainland including those of Guangdong on promoting the cross-border trade settlement pilot scheme in RMB. On 22 June, the relevant Mainland authorities announced the expansion of the RMB trade settlement pilot scheme. Moreover, the HKMA issued a circular to elucidate the supervisory principles and operational arrangements regarding RMB business in Hong Kong in mid-February, which has provided more room and flexibility for the development of offshore RMB business in Hong Kong. On 19 July, the People's Bank of China (PBoC) signed a Supplementary Memorandum of Co-operation on the expansion of the RMB trade settlement scheme with HKMA. This represents a milestone in the development of offshore RMB business in Hong Kong and a very crucial step in the implementation of the HKMA circular issued in mid-February. PBoC also signed a revised Settlement Agreement on the Clearing of RMB Businesses with the Bank of China (Hong Kong) Limited, the RMB Clearing Bank. Thereafter, there will no longer be restrictions on banks in Hong Kong in establishing RMB accounts for and providing related services to financial institutions; and individuals and corporations will be able to conduct RMB payments and transfers through the banks.

Cross-boundary Transportation

Hong Kong-Zhuhai-Macao Bridge

11. The works in respect of the Hong Kong-Zhuhai-Macao Bridge (HZMB) Main Bridge commenced in mid December 2009. The three governments jointly signed the Inter-governmental Agreement in late February this year, which specifies the partnership arrangements between the three governments as well as their rights and responsibilities in respect of the construction, operation, maintenance and management of the HZMB Main Bridge. The three governments also established the Joint Works Committee of the Three Governments on 24 May 2010, which will play a supervisory role over the implementation of the HZMB Project. And on the basis of the Articles of Association, the three governments have just established the managing body of the Main Bridge (the HZMB Authority).

Hong Kong-Shenzhen Western Express Line

12. One of the major functions of the Hong Kong-Shenzhen Western Express Line (WEL) is to promote the development of Qianhai in Shenzhen and Northwest New Territories (NWNT). It is important for the design of the WEL to take into consideration the planning of these two development areas and to make corresponding arrangements.

13. With the development of Qianhai and NWNT being taken forward, clearer planning parameters for these areas will be available. This will enable us to conduct more in-depth studies on the WEL, and explore various alignment options and their respective patronage forecasts, technical standards, service

requirements, etc.

Guangdong-Shenzhen-Hong Kong Express Rail Link

14. Construction work on the Hong Kong section of the Guangdong-Shenzhen-Hong Kong Express Rail Link commenced in late January. The whole project is expected to be completed in 2015.

Co-operation on Environmental Protection

15. The efforts taken by the two governments to improve regional air quality are bearing fruit. Notwithstanding the continuing growth in the economy in the Pearl River Delta region, the annual concentration of sulphur dioxide and nitrogen dioxide in the region decreased by 26% and 7% respectively in 2009 as compared to the 2008 levels. This is the result of the continual efforts of both sides in implementing emission reduction measures. Hong Kong and Guangdong will continue to take forward the emission reduction measures under the Pearl River Delta Regional Air Quality Management Plan in order to further improve regional air quality. We are striving to complete the study on the post-2010 arrangements for emission reduction in the Pearl River Delta region in 2010. Furthermore, both sides are actively pursuing cooperation in respect of the Cleaner Production Partnership Programme and cross-boundary water quality protection.

Medical co-operation

16. All along, the HKSAR and the Mainland health authorities have established a solid and effective co-operation mechanism in the areas of medical and public health services. Under the Framework Agreement on Hong

Kong/Guangdong Co-operation, the HKSAR Government will strive to take forward the relevant initiatives under CEPA, and develop standards for Chinese herbal medicines, with a view to further strengthening the collaboration between Hong Kong and Guangdong on health aspects.

17. Under Supplement VII to CEPA, the medical services market in Guangdong Province will be further expanded and opened up. Hong Kong service providers are allowed to establish wholly-owned hospitals in Guangdong Province. No requirement is imposed on the total investment in setting up hospitals by Hong Kong service providers on an equity joint venture or contractual joint venture basis in Guangdong Province and no restriction is imposed on the ratio of investment between Hong Kong service providers and Mainland partners. The lowered market access thresholds facilitate the setting up of business by Hong Kong medical service sector in Guangdong Province, promote exchanges and co-operation in the area of medical and health services between the two places and provide more choices for patients in Guangdong Province. Hong Kong service providers are allowed to set up convalescent hospitals on a wholly-owned, equity joint venture or contractual joint venture basis to provide medical services in Guangdong Province. The approval for project establishment for setting up medical institutions by Hong Kong service providers on an equity joint venture or contractual joint venture basis in Guangdong Province will be undertaken by the Guangdong Provincial health administrative authority. Application time will be shortened and procedures streamlined to expedite the grant of approval document to Hong Kong service providers for setting up business in the Mainland. Besides, 12 types of statutory registered healthcare professionals in Hong Kong, including medical practitioners, Chinese medicine practitioners, dentists, nurses and pharmacists, etc, are allowed to provide short-term services in the Mainland. This helps promote professional exchanges between the practitioners in the two places,

enrich the practice experiences of Hong Kong healthcare professionals, and provide a channel to facilitate the employment of Hong Kong healthcare professionals to work at the medical institutions set up by Hong Kong service providers in Guangdong Province.

18. Liberalisation measures under CEPA are well received by Hong Kong medical service sector. The HKSAR Government will continue to work in collaboration with the Mainland health authorities to explore other liberalisation measures for early and pilot implementation in Guangdong Province, to help the sector to develop more business opportunities for provision of diversified medical services in Guangdong Province.

19. In addition, to facilitate the development of Chinese medicine and medicine products, the Government will expedite the setting of standards for Chinese herbal medicines commonly used in Hong Kong by extending the coverage from the current 60 herbal medicines to about 200. Hong Kong will conduct the relevant studies in collaboration with the Mainland, regional and international experts. The Government will also consider allowing more renowned Chinese medicine practitioners from the Mainland to join clinical teaching and research programmes in Hong Kong so as to make Hong Kong a stage for promoting Chinese medicine to the world.

Education Cooperation

20. Working closely with the Department of Education of Guangdong Province in the past year, both sides have achieved fruitful outcomes on education collaboration in various domains, including higher education and vocational education, teacher co-operation and training exchanges, the Sister School Scheme and the pilot project on the operation of Hong Kong children's

classes in Shenzhen Minban schools. Looking ahead, both sides would -

- (i) encourage Hong Kong higher education institutions to consider employing innovative collaboration modes with education institutions in Guangdong;
- (ii) continue teacher training, student exchanges, in-service training provision and collaborative initiatives under vocational education;
- (iii) increase the number of schools or classes for Hong Kong children living in Shenzhen, continue the implementation of the Sister School Scheme and explore strengthening exchanges among sister schools; and
- (iv) strengthen teacher training and develop two-way exchanges.

21. The Education Bureau of HKSAR Government and the Department of Education of Guangdong Province conducted the Hong Kong/Guangdong Expert Group on Co-operation in Education meeting in June this year. Both sides recognized the efforts and the achievements made in promoting education development and co-operation, and proposed strategic directions for future development. Both sides will continue to work closely to foster broader, deeper and more multi-faceted educational collaboration, with a view to nurturing talents for our country.

Conclusion

22. Currently, Hong Kong/Guangdong cooperation has established a solid foundation with closer exchanges. In particular, with the closer co-operation between the two places, encouraging results on Hong Kong/

Guangdong co-operation have been achieved since the last Working Meeting. The HKSAR Government will continue to work closely with the Guangdong Provincial Government, fully utilize the platform provided by the Framework Agreement and grasp the opportunities of the formulation of the National 12th Five-Year Plan, actively promote Hong Kong/Guangdong co-operation in complementing the economic development in the Mainland.

Constitutional and Mainland Affairs Bureau

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