

For information

Legislative Council Panel on Commerce and Industry

Trade Relations between Hong Kong and Taiwan

This paper briefs Members on the latest developments of the trade relations between Hong Kong and Taiwan.

BACKGROUND

Trade Relations between Hong Kong and Taiwan

2. Over the years, Hong Kong and Taiwan has established close trade relations. For merchandise trade, in 2011, Hong Kong and Taiwan are each other's fourth largest trading partner, with total bilateral merchandise trade amounting to over HK\$326.2 billion (comprising exports of around HK\$85.3 billion to Taiwan and imports of around HK\$240.9 billion from Taiwan), an increase of 11% over 2010. From 2007 to 2011, the average annual growth rate in bilateral merchandise trade was 6%. For trade in services, Taiwan was Hong Kong's fifth largest trading partner in 2010, with the value of total trade in services reaching HK\$51.9 billion (comprising services exports of about HK\$34.6 billion to Taiwan and services imports of about HK\$17.3 billion from Taiwan), representing an 18% year-on-year increase.

Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC) and Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC)

3. To promote relations between Hong Kong and Taiwan, the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council

(ECCPC) was established in April 2010. ECCPC is a non-governmental entity, and works closely with its Taiwan counterpart, i.e. the Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC) to serve as the discussion platform for co-operation matters related to public policies between Hong Kong and Taiwan. ECCPC and THEC have held three joint meetings so far. The two committees had actively exchanged views and discussed a number of priority areas of co-operation between Hong Kong and Taiwan, and achieved good progress in different areas (including bank supervision, air services arrangements, education exchanges and co-operation and trade and commerce, etc).

Hong Kong - Taiwan Business Co-operation Committee

4. In addition, the Hong Kong - Taiwan Business Co-operation Committee (BCC) was established in April 2010, with members coming from the local business sector, with a view to promoting closer co-operation between Hong Kong and Taiwan business sectors. During the past year, the BCC and the Economic Co-operation Committee (ECC) under the THEC continued to actively promote exchanges between Hong Kong and Taiwan on issues relating to bilateral trade and investment, etc, and to organise seminars to foster exchanges and co-operation of different sectors. The BCC and ECC held their annual joint meeting in Taipei on 25 September 2012 and discussed the business co-operation opportunities between the different sectors of Hong Kong and Taiwan. The BCC and ECC also organised the “Taiwan-Hong Kong Economic and Trade Forum” and invited business leaders of both places to jointly explore co-operation opportunities between Hong Kong and Taiwan in the areas of investment and e-commerce. Over 100 people of the trades attended.

Hong Kong Economic, Trade and Cultural Office in Taiwan

5. The Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO) commenced operation in Taipei in December 2011. Its functions include promoting economic, trade and investment exchanges between Hong

Kong and Taiwan; and fostering exchanges in culture, education and other fronts. Since its establishment, the HKETCO has been establishing contact with the authorities in charge of economic and trade affairs, various economic and trade bodies and Hong Kong businessmen in Taiwan, and handling enquiries relating to Hong Kong-Taiwan economic and trade affairs.

KEY AREAS OF TRADE CO-OPERATION BETWEEN HONG KONG AND TAIWAN

6. Trade co-operation between Hong Kong and Taiwan covers a number of key areas, which are set out in the ensuing paragraphs.

(a) Tourism

7. Taiwan is Hong Kong's second largest visitor source market. In 2011, there were around 2.15 million visitor arrivals from Taiwan, accounting for 5.1% of total visitor arrivals in Hong Kong. From January to August 2012, there were around 1.39 million visitor arrivals from Taiwan.

8. To attract more Taiwan visitors, we have implemented various measures over the past few years to facilitate Taiwan tourists in visiting Hong Kong and relaxed entry arrangements for people from Taiwan. Since September last year, holders of valid Mainland Travel Permit for Taiwan Residents may visit Hong Kong for 30 days, extended from 7 days, regardless of whether they possess an entry/exit endorsement for the Mainland. A new arrangement was further introduced in September 2012 to allow Taiwan visitors to make prior arrival registration on their own through the internet free of charge.

9. Furthermore, the Taipei office of the Hong Kong Tourism Board (HKTb) was formally established in September 2011. It has helped strengthen HKTb's co-operation with the local travel trade and media for promoting Hong Kong tourism, thereby further developing the Taiwan market. During the past

year, the Taipei office has been actively expanding and enhancing its promotion in Taiwan. In May this year, the HKTb launched a promotion campaign of the “Hong Kong, Asia’s World City” series in Taipei, featuring activities such as a Hong Kong-themed book fair, as well as the launch of a new book and online app etc.. The objective of the promotion campaign was to deepen the understanding of Taiwan residents on the culture of Hong Kong, thus encouraging tourism exchanges between the two places. The HKTb will continue its efforts in carrying out active promotion work in the Taiwan market. It will target promotion efforts at family and young visitor segments, attract more overnight vacation visitors to Hong Kong, and step up its promotion work in the second-tier cities in Taiwan (such as Taichung and Kaohsiung) to attract more visitors.

(b) Investment Promotion

10. Taiwan is a major source of inward direct investment (IDI) for Hong Kong. The IDI stock as at the end of 2010 was HK\$58.1 billion, making Taiwan the 12th source of IDI of Hong Kong. In the past decade, the number of Taiwan companies having regional headquarters or regional offices in Hong Kong has increased from 164 in 2001 to 211 in 2012 (representing 5.4% of the total). Local offices of Taiwan companies in Hong Kong also increased from 60 in 2001 to 239 in 2012 (representing 7.1% of the total).

11. InvestHK has been actively carrying out its investment promotion work targeting at Taiwan, and organising large scale promotion campaigns in partnership with different business associations in Taiwan to introduce the latest business environment of Hong Kong and to attract more Taiwan companies to set up operations in Hong Kong. InvestHK has also maintained close liaison with Taiwan business organisations and businessmen in Hong Kong, and provided them various services to facilitate them to expand operations. Last year, InvestHK conducted investment promotion visits to a number of major Taiwan cities, including Taipei, Taichung and Kaohsiung. In particular, a joint seminar

was held in Taipei in August 2011 together with Guangzhou to showcase the combined business advantages of Hong Kong and the Pearl River Delta region. The seminar attracted an attendance of about 250 businessmen in Taiwan. This year, InvestHK has already conducted five investment promotion visits to Taiwan, including organising a seminar in Taipei in July with a focus on creative industries.

12. Up to end September 2012, InvestHK had helped some 60 Taiwanese companies to set up or expand their operations in Hong Kong (representing about 2% of the total number of companies InvestHK had helped). The majority of these companies are in the financial services, innovation and technology as well as catering sectors. InvestHK will continue to strengthen its investment promotion work targeting Taiwan in order to attract more Taiwan companies to invest in Hong Kong.

13. On the other hand, since reporting duty in mid-March 2012, the staff of HKETCO's Investment Promotion Division (IPD) have been contacting Taiwan enterprises and providing assistance and services to those companies interested in investing in Hong Kong. From March to September 2012, the IPD of HKETCO visited 133 Taiwan enterprises, initiated 91 new projects, including 36 prospective projects, and completed five projects.

14. At the third Joint Meeting of the ECCPC and THEC held in September 2012, it was agreed that exchanges and co-operation between the investment promotion agencies of both places should be enhanced. We will continue to liaise with the Taiwan side to map out the concrete details of co-operation.

(c) Trade Promotion

15. On trade promotion, the Hong Kong Trade Development Council (HKTDC) has been encouraging co-operation and exchanges between Hong

Kong and Taiwan companies. It organises a wide variety of promotional activities to facilitate their interchanges and to create business opportunities for Hong Kong and Taiwan companies. These activities not only facilitate Hong Kong companies to further penetrate into the Taiwan market, but also encourage the Taiwan brands to cooperate with Hong Kong companies and leverage on Hong Kong's services platform (such as participation in exhibitions staged in Hong Kong) to explore business opportunities in both the Mainland and overseas markets. Promotional activities organised by HKTDC in the previous year include the organisation of delegations of Taiwan companies to participate in exhibitions in Hong Kong; the arrangement of Hong Kong delegations to participate in the trade fairs in Taiwan; and the promotion of various Hong Kong services industries such as design and marketing, logistics, finance and accounting to the Taiwan's business sector. In 2012-13, HKTDC will continue to adopt a multi-pronged approach to enhance the co-operation and exchanges between companies of Hong Kong and Taiwan and to promote the trade between the two places. This includes organising exchange missions, business matching activities and seminars, arranging Taiwan companies to visit Hong Kong to take part in the international fairs and forums of HKTDC.

16. Hong Kong and Taiwan have close economic and trade relations and there is huge potential for further development of economic and trade ties between the two places. However, there is no institutionalised arrangement similar to the "Mainland and Hong Kong Closer Economic Partnership Arrangement" (CEPA) or "Cross-Straits Economic Co-operation Framework Agreement" (ECFA) between Hong Kong and Taiwan. The business sectors of both sides have indicated support for Hong Kong and Taiwan to actively explore the establishment of a comprehensive framework for economic and trade co-operation, with a view to enhancing bilateral trade and economic relations, strengthening confidence of investors from the other side, and bringing real benefits to the business sectors. Through interactions on the ECCPC - THEC platform during the past two years, both sides have established a good and effective mechanism for discussion and consultation. We have also expressed

our wish to the Taiwan side to forge with them a co-operation arrangement similar to CEPA or ECFA. We would continue to actively follow-up with the Taiwan side through the ECCPC – THEC platform in the coming year with a view to starting substantive discussions as early as possible.

(d) Trade Facilitation

17. The ECFA, signed in June 2010, provides for tariff concession for a range of products shipped directly between the Mainland and Taiwan. The same concession is applicable to goods shipped through a third party (e.g. Hong Kong) subject to the full supervision by the Customs. To retain cargo flow through Hong Kong, the Customs and Excise Department (C&ED) launched the “Hong Kong Facilitation Scheme for Cross-Straits Transshipment Cargoes” (the Scheme) in January 2011, whereby C&ED issues certificates of supervision to traders or their agents for the purpose of applying for tariff concessions.

18. In response to the feedback of users in Hong Kong and Taiwan, C&ED has streamlined the arrangements of the Scheme by shortening the processing time, reducing the need for on-site supervision and lowering the fees to further facilitate the trade and reduce their costs. In the first eight months of 2012, goods of a total value of over US\$700 million passed through Hong Kong under the Scheme. This represented about US\$44 million of total tariff savings enjoyed by the two sides of the Straits. C&ED would continue to promote the Scheme in the Mainland, Taiwan and Hong Kong.

(e) Exchanges and Co-operation of Creative Industries

19. There have been frequent non-governmental exchanges between the creative industries of Hong Kong and Taiwan. The Cultural Co-operation Committees under the ECCPC and THEC provide new platforms of co-operation for the creative industries of both places. On the design front, the Hong Kong Design Centre entered into a Memorandum of Understanding with the Taiwan

Design Center in July 2011 with a view to promoting mutual exchanges and collaboration. Subsequently, a delegation of the Hong Kong design sector took part in the 2011 International Design Alliance Congress Taipei in October 2011. The local publishing and printing sector, sponsored by Create Hong Kong, joined the Taipei International Book Exhibition in February 2012 by setting up a Hong Kong pavilion for the first time. In November 2010, the Hong Kong Film Development Council led a delegation of the local film industry to Taiwan for exchanges with their Taiwan counterparts and to promote our new generation film directors and producers.

20. The Cultural Co-operation Committees of the ECCPC and THEC co-organised the “Second Hong Kong-Taiwan Cultural Co-operation Forum” on 14 September 2012. With a view to promoting the exchanges and co-operation between the creative industries sectors in Hong Kong and Taiwan, representatives of relevant sectors in Hong Kong visited Taiwan and held group discussions on topics relating to the film, design, digital entertainment, publishing and advertising industries. Moreover, the Hong Kong-Taiwan Cultural Co-operation Committee will organise the “Hong Kong Week 2012” in Taipei from 23 November to 2 December 2012. The event will showcase to the Taiwan audience a series of cultural and creative programmes featuring the characteristics of Hong Kong, including the History of Hong Kong Comics Exhibition sponsored by the Home Affairs Bureau and the Create Hong Kong as well as the Hong Kong Contemporary Film Showcase organised by the Hong Kong Film Development Council.

WAY FORWARD

21. We will continue to strengthen the exchange and liaison with Taiwan to deepen the trade co-operation between the two sides, and make good use of the consultative platform of the ECCPC and the THEC with a view to enhancing the overall competitiveness of the two places.

Commerce and Economic Development Bureau
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