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Panel on Commerce and Industry

Meeting on 29 October 2012

**Updated background brief on trade relations between
Taiwan and Hong Kong**

Purpose

This paper provides background information on trade relations between Taiwan and Hong Kong, and a summary of views and concerns expressed by members of the Panel on Commerce and Industry (the Panel) during previous discussion on the subject.

Background

2. Over the years, Taiwan and Hong Kong have established close economic and trade ties. According to the Administration, Taiwan and Hong Kong was each other's fourth largest trading partner in 2011 with total bilateral merchandise trade amounting to over HK\$326 billion. Taiwan is also a major source of inward direct investment for Hong Kong.

3. The Chief Executive (CE) set out in the 2009-2010 Policy Address new strategies for advancing the development of relations between Hong Kong and Taiwan, including the establishment of a new co-operation framework to promote multi-faceted, multi-level exchanges with Taiwan. CE proposed that Hong Kong should play an active role in financial, economic and trade, tourism and other exchanges among the Mainland, Taiwan and Hong Kong. The Administration would also seek to enable Hong Kong travel agents to operate in the Mainland tours to Taiwan, and explore further development of cross-Strait Mainland-Hong Kong-Taiwan multi-destination tourism products, including air and cruise packages.

4. With the concerted efforts of the Hong Kong and Taiwan authorities, the Hong Kong-Taiwan Economic and Cultural Co-operation Council (ECCPC) and the Hong Kong-Taiwan Business Co-operation Committee (BCC) were established on 1 April 2010. During the past years, the ECCPC and the BCC had worked closely with their respective Taiwan counterparts, namely the Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC) and the Economic Co-operation Committee under the THEC to promote and deepen co-operation between the two sides in the areas of economic and trade, culture and other areas of mutual interests, to facilitate direct communication on issues relating to bilateral trade and investment, and to foster closer co-operation in trade, investment and tourism.

5. Following the Finance Committee's approval, the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO) commenced operation in Taipei in December 2011. It was tasked, among other things, to promote economic, trade and investment exchanges between Hong Kong and Taiwan. Since its establishment, the HKETCO had been establishing contacts with the authorities in charge of economic and trade affairs, various economic and trade bodies and Hong Kong businessmen in Taiwan to promote further the multi-faceted co-operation between Hong Kong and Taiwan.

Discussion by the Panel on Commerce and Industry

6. The Panel has followed closely the development on economic and trade co-operation between Hong Kong and Taiwan.

7. At the Panel meeting on 20 July 2010, the Administration briefed members on the economic and trade co-operation between Hong Kong and Taiwan. Some Panel members were concerned that the signing of the Economic Co-operation Framework Agreement (ECFA) between the Mainland and Taiwan in June 2010 might undermine the intermediary role of Hong Kong as the gateway to the Mainland for Taiwan enterprises. These members called for a new positioning of Hong Kong amid the improved cross-strait economic co-operation. Some other members opined that Hong Kong should leverage on the combined advantages of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and ECFA to achieve greater synergy. They were concerned whether Hong Kong could benefit from the preferential bilateral trade treatment under ECFA, and urged the Administration to help Hong Kong businesses to forge closer links with their counterparts in Taiwan so as to tap the vast business potential of the Taiwan market and develop the Mainland market.

8. On promoting tourism, members noted that the Administration had relaxed entry arrangements for people from Taiwan and implemented various measures over the past few years to facilitate Taiwan tourists in visiting Hong Kong. These included the iPermit service and allowing Taiwan residents holding "Tai Bao Zheng" to visit Hong Kong and stay for seven days without being required to hold an entry-exit endorsement for the Mainland. The Administration was urged to explore with the Taiwan authorities further measures to streamline the procedure in granting entry permit-on-arrival to Hong Kong residents and to facilitate visits to and from Taiwan.

9. At the Panel meetings on 19 July and 18 October 2011, the Administration briefed members on the arrangements for the establishment of the HKETCO, including the creation of a directorate post to head the HKETCO. While the Panel in general supported the Administration's proposals, some members called upon the Administration to pursue a more active role in ECFA thereby enabling Hong Kong to benefit from opportunities brought about by ECFA. Panel members were of the view that apart from promoting economic and trade relations between Hong Kong and Taiwan, the HKETCO should also serve the functions of strengthening co-operation between the two places in areas such as tourism, public health and food safety, etc.

10. Panel members had also followed closely on facilitation measures to foster mutually beneficial co-operation between the two places in trade and investment as well as arrangements to facilitate entry of Taiwan visitors to Hong Kong. Noting that there was presently no institutionalized arrangement similar to CEPA and ECFA between Hong Kong and Taiwan, some members called on the Administration 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 both sides, and fostering co-operation in trade, investment, tourism and other areas of co-operation.

Recent developments

11. The ECCPC and the THEC held their third joint meeting in Taipei on 25 September 2012, and reviewed the progress and achievements made in various co-operation areas in the past year. Both sides agreed to take forward four areas of co-operation, namely environmental protection, heritage conservation, co-operation on the testing and certification industries and notification of unsafe consumer goods, as well as exchanges between the investment promotion agencies of the two places.

Latest position

12. The Administration will brief the Panel on 29 October 2012 on the latest developments of the trade relations between Hong Kong and Taiwan.

Relevant papers

13. A list of relevant papers is shown in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
25 October 2012

Trade relations between Taiwan and Hong Kong

List of relevant papers

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
20/7/2010	Panel on Commerce and Industry	<p>Administration's paper</p> <p>Background brief</p> <p>Minutes of meeting</p>	<p>CB(1)2521/09-10(03)</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci0720cb1-2521-3-e.pdf</p> <p>CB(1)2521/09-10(04)</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci0720cb1-2521-4-e.pdf</p> <p>CB(1)2965/09-10</p> <p>http://www.legco.gov.hk/yr09-10/english/panels/ci/minutes/ci20100720.pdf</p>
19/7/2011	Panel on Commerce and Industry	<p>Administration's paper</p> <p>Minutes of meeting</p>	<p>CB(1)2641/10-11(01)</p> <p>http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci cb1-2641-1-e.pdf</p> <p>CB(1)3098/10-11</p> <p>http://www.legco.gov.hk/yr10-11/english/panels/ci/minutes/ci20110719.pdf</p>

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
18/10/2011	Panel on Commerce and Industry	<p>Administration's paper</p> <p>Background brief</p> <p>Minutes of meeting</p> <p>Follow-up paper</p>	<p>CB(1)37/11-12(05)</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci1018cb1-37-5-e.pdf</p> <p>CB(1)37/11-12(06)</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci1018cb1-37-6-e.pdf</p> <p>CB(1)592/11-12</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20111018.pdf</p> <p>CB(1)176/11-12(01)</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci1018cb1-176-1-e.pdf</p>