

For Information

Legislative Council Panel on Commerce and Industry

The 15th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference

Purpose

This paper briefs Members on the major outcomes of the 15th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference held on 14 September 2012 in Guangzhou.

Background

2. The Chief Executive, Mr C Y Leung, and the Governor of Guangdong Province, Mr Zhu Xiaodan, co-chaired the 15th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference in Guangzhou on 14 September 2012. At the meeting, the two sides reviewed the progress of Hong Kong/Guangdong co-operation over the past year and set directions for future co-operation. The two sides were satisfied that implementation of the 86 co-operation items under the 2012 Work Plan have made good progress. The conference discussed key co-operation areas, including promoting early achievement of liberalisation of trade in services between Hong Kong and Guangdong, expediting the implementation of the Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement), commerce and trade co-operation and

measures for early and pilot implementation in Guangdong, financial development, innovation and technology co-operation, cross-boundary infrastructure, travel facilitation, cross-boundary clearance, co-operation on environmental protection, education co-operation, cultural co-operation, key co-operation areas and regional co-operation plans. The two sides witnessed the signing of seven letters of intent and co-operation documents at the signing ceremony held after the meeting. The texts of six co-operation documents are at **Annex**¹ (Chinese version only). A press release was issued on the same day on the outcome of the meeting. Key areas discussed at the meeting are summarised in the following paragraphs.

Co-operation progress and direction

Promoting early achievement of liberalisation of trade in services between Hong Kong and Guangdong

3. One of the key issues discussed at the meeting is promoting early achievement of liberalisation of trade in services between Hong Kong and Guangdong. Guangdong Province intends to achieve the objective in 2014 and is in the process of compiling an outline plan and a detailed action plan. The governments of the two places will press ahead with relevant work. A co-operation agreement between Hong Kong and Guangdong on jointly promoting early realisation of basic liberalisation of trade in services was signed by the two sides after the meeting. The text of the agreement is at Annex (Chinese version only).

¹ The Memorandum of understanding between Foshan Municipal Government in Guangdong Province, Guangdong Provincial Railway Construction Investment Group Company Limited, MTR Corporation Limited and China Merchants Group Company Limited is not made public as it contains sensitive commercial information.

Expediting the implementation of the Framework Agreement

4. To expedite the implementation of the Framework Agreement, the two sides agreed to draw up a comprehensive work plan covering all aspects of co-operation under the Framework Agreement in the National 12th Five-Year Plan period. Specific targets will be set, where possible, for each co-operation initiative. This will be the first time that the two sides jointly draw up a comprehensive road map and multi-year timetable for taking forward co-operation in various areas.

Commerce and trade co-operation and measures for early and pilot implementation in Guangdong

5. On commerce and trade, co-operation between Hong Kong and Guangdong in service sectors continued to deepen in the past year. The implementation details for all Guangdong pilot measures under Supplement VIII to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) have been formulated. Besides, Supplement IX to CEPA, signed in June this year, introduced further liberalisation measures for the professional services sector. Hong Kong and Guangdong will press ahead with the formulation of relevant implementation details. On construction and related engineering services, 1 490 Hong Kong professionals have now acquired professional qualification in the Mainland through mutual recognition. Meanwhile, 18 Hong Kong service suppliers have obtained certificates for setting up wholly owned clinics/outpatient clinics in Guangdong. Furthermore, the plan to set up the first wholly owned Hong Kong invested hospital has been endorsed by Guangdong Province and is being scrutinised by the Ministry of Health. When approved, it will probably be the first wholly owned foreign invested hospital in the Mainland.

6. On upgrading and restructuring of enterprises, the two

sides will continue the existing co-operation mechanism; strengthen communication and coordination; and encourage Hong Kong enterprises engaged in processing trade operations in Guangdong to speed up restructuring, strengthen research and development, upgrade technology level and increase the value-added of products. To enable Hong Kong enterprises to gain access to the Mainland market, the two sides will also encourage enterprises to actively promote domestic sales, by participating in “Selling Guangdong Goods Northward” activities and the “China Processing Trade Products Fair”, etc. Hong Kong has also launched the \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales in June this year to assist Hong Kong enterprises in developing brands, upgrading and restructuring business operations, promoting domestic sales and, in turn, enhancing their competitiveness and facilitating their business development in the Mainland market.

Financial development

7. On financial co-operation, a joint venture company was established in Hong Kong in June this year by the Hong Kong Exchanges and Clearing Limited (HKEx), the Shenzhen Stock Exchange and the Shanghai Stock Exchange to develop index and equity derivatives. In addition, the first joint-venture securities investment advisory company set up by Hang Seng Securities Limited and Guangzhou Securities Limited officially opened for business in Guangdong in August this year, introducing a new mode of co-operation in securities business between the two places. Two Hong Kong stocks ETFs were approved by the China Securities Regulatory Commission in June this year and would be listed in the Mainland stock exchanges shortly, including one ETF to be listed on the Shenzhen Stock Exchange. Meanwhile, three physical A-share ETFs were listed on the HKEx, providing an additional channel for Hong Kong investors to invest in the Mainland stock markets (including the Shenzhen Stock Exchange).

8. Development of cross-border Renminbi (RMB) business has made very good progress this year. In the first seven months of 2012, RMB trade settlement conducted through Hong Kong reached RMB1,400 billion, of which more than 20 per cent was trade settlement between Hong Kong and Guangdong. Other financial services involving the two places have also recorded healthy growth. Five Hong Kong-funded banks have been given approval to set up a total of 27 sub-branches and one village and town bank in Guangdong Province. In addition, at end-June this year, over 130 Guangdong enterprises had been listed in Hong Kong, and the Hong Kong subsidiaries of seven securities companies, six fund management companies and three futures trading companies of the Mainland have obtained licenses to carry out regulated activities in Hong Kong.

9. In the coming year, Hong Kong and Guangdong will enhance collaboration to pursue the macro objectives set out in the National 12th Five-Year Plan and the Framework Agreement, including in particular the establishment of a financial co-operation zone led by Hong Kong's financial system and supported by financial resources and services of the Pearl River Delta (PRD) region.

Innovation and technology co-operation

10. Innovation and technology is one of Hong Kong's priority industries. To take forward its long-term development and to encourage and enhance collaboration among research institutes in the two places, the two sides launched the Guangdong-Hong Kong Technology Co-operation Funding Scheme in 2004. Since then, the two sides have jointly supported over 35 research projects, with a total funding of over \$200 million. This year's Funding Scheme has been open to application from August. Meanwhile, all projects taken forward under the Three-year Action Plan of the Shenzhen/Hong Kong Innovation Circle were completed successfully this year. The

City University of Hong Kong, the Hong Kong Polytechnic University, the Hong Kong University of Science and Technology and the Chinese University of Hong Kong have established their respective Industry, Academic and Research Bases in Shenzhen under the Three-year Action Plan, and the relevant laboratory facilities have been commissioned as planned.

Cross-boundary infrastructure

11. Construction of the Hong Kong-Zhuhai-Macao Bridge is progressing satisfactorily. Reclamation works for the Hong Kong boundary control point (BCP) officially commenced in end-2011 while construction of the Hong Kong link roads has begun in May this year. These projects are expected to be completed in 2016 as planned to tie in with the opening of the bridge. As for the new BCP at Liantang/Heung Yuen Wai, site formation and design for the Hong Kong side BCP and the connecting road were completed in the middle of this year. Construction work will commence in phases starting from early 2013. The two sides will also continue to push forward the construction of the Guangzhou-Shenzhen-Hong Kong Express Rail Link to ensure that construction works will complete on time.

Travel facilitation

12. On facilitation of travel between the two places, remarkable results have been achieved in respect of interoperability of fare cards between the two places. During the year, Hong Kong's Octopus Cards Limited launched two-in-one cards with Lingnan Tong and Shenzhen Tong respectively, providing additional convenience to frequent travellers between the two places.

Cross-boundary clearance

13. To enhance efficiency of passenger clearance at control points, the Immigration Department introduced, in phases from January this year, its e-Channel service for frequent visitors from the Mainland at the Lo Wu, Lok Ma Chau Spur Line, Shenzhen Bay, China Ferry Terminal, Macau Ferry Terminal and Hong Kong International Airport control points. As at 15 August 2012, more than 270 000 Mainland visitors have enrolled for using the e-Channel service, and they have made a total of 5.17 million boundary crossings, accounting for almost 20 per cent of the total number of crossings by Mainland visitors.

14. Improvement works at the Hong Kong Man Kam To (MKT) and Lok Ma Chau (LMC) control points have been progressing satisfactorily. Works for the MKT control point are expected to be completed within this year, increasing the number of e-Channels from the current nine to 18. As for the LMC control point, first phase (southbound) works will be completed by end-2012 while second phase (northbound) works are expected to be completed in 2013. On completion, the number of e-Channels at the LMC control point will increase from the current 20 to 43.

Co-operation on environmental protection

15. On environmental protection, notable progress has been made in improving regional air quality. To further reduce and control pollutant emissions, the two sides will strive to promulgate the next phase of emission reduction targets and measures for the PRD region within this year. This will provide a new foundation for taking forward longer term collaboration in emission reduction.

16. Both Hong Kong and Guangdong recognise the importance of regional co-operation in reducing emissions by

ocean-going vessels (OGVs). With a view to achieving sustainable port development in the PRD region and building advanced, high quality and environmentally friendly ports in the PRD waters, the two sides agreed to conduct a study on possible ways to reduce vessel emissions in Greater PRD waters (including requiring OGVs at berth to switch to low-sulphur fuel), and develop proposals on regulatory control for consideration by the relevant authorities.

Education co-operation

17. On education co-operation, since the launch of the pilot scheme which allows 63 Mainland higher education institutions to exempt Hong Kong applicants from taking the Joint Entrance Examination for Universities in the Mainland this year, 17 higher education institutions in Guangdong have joined the scheme, providing Hong Kong students with more opportunities to pursue further studies. Guangdong Province will also launch a new scheme to allow certain qualified vocational and technical institutions of Guangdong to enrol Hong Kong students through assessment and admission arrangements operated by the institutions independently. Meanwhile, Hong Kong has extended the on-board clearance services for students on cross-boundary school buses to the LMC (Huanggang) control point, and Shenzhen has also pilot run a corresponding arrangement in the Huanggang BCP, thereby providing a safer and more convenient clearance arrangement for cross-boundary students.

18. Looking forward, Hong Kong and Guangdong will encourage more innovative co-operation between higher education institutions in Hong Kong and education institutions in Guangdong; continue the promotion of co-operation in vocational education; follow up on the implementation of the pilot scheme on schools and classes for Hong Kong students in Shenzhen; continue the implementation of the sister school scheme and explore the deepening of exchanges between sister schools; and continue to enhance bilateral

exchanges on teacher training.

Cultural co-operation

19. On cultural co-operation, Hong Kong, Guangdong and Macao signed a Letter of Intention to jointly promote the development of Cantonese opera in April this year, pledging further co-operation on preservation and development of the artistic genre, including nurturing Cantonese opera talents, organising Cantonese opera performances and setting up a Cantonese opera database. The three places are also planning to jointly hold cultural activities such as the exhibition "The Achievements of the Archaeological Works in South China", etc.

Key co-operation areas

20. Good progress has been made in the various key co-operation areas. On Qianhai, the State Council has approved 22 policies to support the development of Qianhai. The HKSAR Government will co-ordinate with the Shenzhen authorities in promoting the Qianhai policies and the Qianhai-related pilot measures under Supplement IX to CEPA, to assist Hong Kong business sectors to capitalise on the opportunities brought about by Qianhai development. On Lok Ma Chau Loop, at the eighth meeting of the Hong Kong-Shenzhen Joint Task Force on Boundary District Development in May this year, the two sides reached a basic consensus on land use, infrastructure and supporting facilities planning. Development proposals have been formulated, and Stage Two Public Engagement has been completed in Hong Kong in July this year. The relevant departments are analysing and considering the public opinions received. In respect of Nansha, Hong Kong and Guangzhou have exchanged views on Nansha's development directions on a number of occasions. The Nansha Plan has been approved by the State Council in September this year.

Regional co-operation plan

21. The four regional co-operation plans set out in the Framework Agreement have seen smooth progress. Hong Kong, Guangdong and Macao have completed and announced in June this year the Regional Co-operation Plan on Building a Quality Living Area, which puts forward co-operation proposals for transforming the Greater PRD into a sustainable development region and set out directions for long-term co-operation. Based on the content of the announced projects, the collation and compilation of the Co-operation Plan on Infrastructure Construction in Guangdong, Hong Kong and Macao has been completed. The Plan will be uploaded to the website of the Transport and Housing Bureau. Furthermore, compilation of the Study on Action Plan for the Bay Area of the Pearl River Estuary is expected to be completed within this year. The compilation of the Tourism Co-operation Plan has commenced and the three sides will keep close liaison on the matter.

Other areas

22. Apart from the above-mentioned areas, Hong Kong and Guangdong have also made steady progress in other areas of co-operation such as tourism, conference and exhibition services, transportation and logistics services, creative industries, testing and certification, legal matters, trade and investment promotion, medical services, food safety, social welfare, public security and contingency management.

Constitutional and Mainland Affairs Bureau
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