

**For information
on 22 October 2013**

Legislative Council Panel on Commerce and Industry

Trade Relations between Hong Kong and Taiwan

PURPOSE

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

BACKGROUND

Trade between Hong Kong and Taiwan

2. Over the years, Hong Kong and Taiwan have established close trade relations. For merchandise trade, in 2012, Hong Kong and Taiwan were each other's fourth largest trading partner, with total bilateral merchandise trade amounting to over HK\$325.7 billion (comprising exports of around HK\$80.8 billion to Taiwan and imports of around HK\$244.9 billion from Taiwan). From 2008 to 2012, the average annual growth rate in the value of bilateral merchandise trade was 7%. For trade in services, Taiwan was Hong Kong's fifth largest trading partner in 2011, with the total value of trade in services reaching HK\$55.1 billion (comprising services exports of about HK\$35.2 billion to Taiwan and services imports of about HK\$19.8 billion from Taiwan). From 2007 to

2011, the average annual growth rate in the value of bilateral trade in services was 6%.

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 closer 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 relating to public policies between the two places. The communication mechanism between ECCPC and THEC is now institutionalised, through the conduct of four joint meetings so far. The two Councils have actively engaged each other and exchanged views on a number of priority areas of co-operation between Hong Kong and Taiwan, and achieved good progress on various fronts (including banking supervision, air services arrangements, 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 promote exchanges between Hong Kong and Taiwan on issues relating to trade and investment, particularly co-operation in terms of the flows of people, goods and capital between

the two places. The BCC and ECC held their annual joint meeting in Hong Kong on 27 September 2013 and discussed the business co-operation opportunities between the different sectors of Hong Kong and Taiwan. The BCC and ECC also organised the “2013 Hong Kong-Taiwan Economic and Trade Forum – Cross-Strait-cum-Hong Kong and Macao Tourism Symposium” on 24 September 2013, which provided a platform for travel trade representatives on both sides of the Straits to explore opportunities of tourism collaboration. Over 80 representatives from the trade attended the symposium.

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 co-operation between Hong Kong and Taiwan; and fostering exchanges in culture, education and on other fronts. Since its establishment, the HKETCO has been establishing contacts 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. The latest developments are set out in the ensuing paragraphs.

(a) Tourism

7. Taiwan is Hong Kong's second largest visitor source market. In 2012, there were around 2.09 million visitor arrivals from Taiwan, accounting for 4.3% of the total arrivals in Hong Kong. From January to August 2013, there were around 1.4 million visitor arrivals from Taiwan.

8. Starting from 1 September 2012, eligible Taiwan residents may submit pre-arrival registration for visiting Hong Kong through the internet free of charge. This measure facilitates Taiwan travellers to visit Hong Kong and encourage them to come here for vacation. Leveraging on this arrangement, the Hong Kong Tourism Board (HKTB) has increased its promotional budget in Taiwan in 2013-14, and has been working closely with the Taiwan travel trade to attract young and family visitors. Besides Taipei, the HKTB will launch promotion in cities with promising prospect such as Taichung and Kaohsiung with a view to further developing the Taiwan market.

9. To support Hong Kong's role as a cruise homeport, the China National Tourism Administration announced in August this year the implementation details of the new measure that the Mainland tour groups taking cruises from Hong Kong to Taiwan could visit Japan or Korea in the same journey before returning to the Mainland. The new measure will attract more Mainland tourists to join cruise journeys from Hong Kong, thereby encouraging cruise companies to organise more diversified itineraries in the Asian region (including Hong Kong and Taiwan). Moreover, the HKTB and the Taiwan tourism authorities announced in June this year that they would step up collaboration in promoting cruise tourism. They have reached an agreement with a cruise company for more deployment of ships to Hong Kong and Taiwan with Hong Kong as the homeport (including the additional sailings to Taiwan with Hong Kong

as the homeport on 29 October and 2 November this year).

(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 2011 was HK\$57.5 billion, making Taiwan the 13th source of IDI of Hong Kong. Over the past decade, the number of Taiwan companies having regional headquarters or regional offices in Hong Kong has increased from 142 in 2002 to 211 in 2012 (representing 5.4% of the total). The number of local offices of Taiwan companies in Hong Kong has also increased from 73 in 2002 to 239 in 2012 (representing 7.1% of the total).

11. Invest Hong Kong (InvestHK) has been actively carrying out its investment promotion work targeting at the Taiwan market, and organising large scale promotion campaigns in partnership with different business associations in Taiwan to promote 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 with various services to facilitate them to expand their operations. In 2012, InvestHK conducted five investment promotion events in Taiwan, including a seminar with a focus on creative industries in Taipei in July which attracted more than 160 participants from the creative industries sector of Taiwan. In 2013, InvestHK has continued its investment promotion efforts in Taiwan to attract more Taiwan companies to set up operations in Hong Kong. With the assistance of the HKETCO, InvestHK has conducted a roundtable seminar on innovation and technology in April, and visited a number of potential Taiwan investors in Taipei in May to introduce to them the advantages of doing business in Hong Kong. In September, a joint promotion seminar with

Zhaoqing was held in Taipei, which was well received and attended by about 300 senior executives from a wide spectrum of business sectors. In November, InvestHK will organise a roundtable seminar in partnership with the SMEs Association of Taoyuan to promote the advantages enjoyed by SMEs to do business in Hong Kong.

12. In addition, HKETCO has been proactively reaching out to Taiwan companies and providing assistance to those interested in investing in Hong Kong. For the first nine months in 2013, the HKETCO visited over 180 Taiwan enterprises, initiated nearly 140 new projects (including about 40 prospective investment projects), and completed six projects.

13. Up to end September 2013, with the liaison of HKETCO, InvestHK has helped 68 Taiwan companies to set up or expand their operations in Hong Kong (representing about 2% of the total number of companies that InvestHK has 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 to attract more Taiwan companies to set up in Hong Kong.

14. At the third Joint Meeting of the ECCPC and THEC held in September 2012, it was agreed that the investment promotion agencies of both Hong Kong and Taiwan would strengthen co-operation and exchanges. In this connection, InvestHK will help organise briefing sessions for business delegations from Taiwan on the latest business environment of Hong Kong. In November, InvestHK will also organise a networking reception together with the Taiwan organisation and business association in Hong Kong to enhance contact with Taiwan businessmen in Hong Kong as part of its aftercare service for the Taiwan companies here.

(c) Trade Promotion

15. On trade promotion, the Hong Kong Trade Development Council (HKTDC) has been promoting co-operation and exchanges between Hong Kong and Taiwan companies. It organises a wide variety of promotional activities to facilitate their exchanges and exploration of business opportunities. These activities not only assist Hong Kong companies to further develop the Taiwan market but also encourage the Taiwan brands to co-operate with Hong Kong companies and leverage on Hong Kong's services platform to explore the Mainland and overseas markets. For the past year, the HKTDC had organised delegations of Taiwan companies to participate in exhibitions held in Hong Kong, led Hong Kong companies to participate in the trade fairs in Taiwan, and promoted various Hong Kong services industries such as design and marketing, logistics, financial services and accounting to the Taiwan's business sector. In 2013-14, the HKTDC will continue to adopt a multi-pronged approach to enhance co-operation and exchanges between the business sectors and foster the trade relations of 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 the HKTDC.

16. In addition, the Hong Kong Export Credit Insurance Corporation and Taipei Export-Import Bank of China also signed a Memorandum of Understanding in July this year to strengthen exchanges and co-operation between the two agencies, so as to help enterprises in both places manage risks more effectively.

17. With the close economic and trade relations and complementary economic structures, there is huge potential for further development of economic and trade ties between Hong Kong and Taiwan. A

comprehensive and institutionalised economic and trade co-operation 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 could provide certainty in policies and strengthen confidence of investors. 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. We have expressed our wish to the Taiwan side for a number of times 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 with a view to starting substantive discussions as early as possible.

(d) Co-operation in Testing and Certification

18. The accreditation bodies of Hong Kong and Taiwan have been in close co-operation in the past years through regional and international co-operation organisations for accreditation. At the third Joint Meeting of the ECCPC and THEC in September 2012, the Taiwan side suggested that co-operation between the testing and certification industries of Hong Kong and Taiwan would contribute to improving the safety of consumer products of both places and promoting technical exchanges. The accreditation bodies of Hong Kong and Taiwan are now considering to negotiate on a proposal for technical co-operation in accreditation.

(e) Exchanges and Co-operation of Creative Industries

19. On the front of creative industries, Hong Kong and Taiwan have continued to strengthen exchanges and co-operation. The publishing and printing sector of Hong Kong has for the second consecutive year since

2012 participated in the Taipei International Book Exhibition by setting up a Hong Kong Pavilion with sponsorship from Create Hong Kong (CreateHK).

20. The Cultural Co-operation Committees under the ECCPC and THEC have continued to facilitate exchanges and co-operation between the creative industries of Hong Kong and Taiwan. The Committees co-organised the “Third Hong Kong-Taiwan Cultural Co-operation Forum” on 26 September 2013 in Hong Kong. Speakers from the film, design, digital entertainment, publishing and printing sectors of Hong Kong and Taiwan exchanged views on the promotion of cross-sector collaboration of the relevant industries of both places. Representatives of the creative clusters of Hong Kong also introduced to the participants from Taiwan the latest developments and activities of the clusters concerned.

21. The Cultural Co-operation Committee under the ECCPC will organise the “Hong Kong Week” in Taipei again from 29 November this year to present to the Taiwan audience a series of cultural and creative programmes featuring the characteristics of Hong Kong, including two CreateHK-sponsored exhibitions, namely “Hong Kong Design ▪ Styles” and “A Parallel Tale: Taipei in 80s x Hong Kong in 90s”, which promote Hong Kong’s design and comics respectively to the Taiwan audience.

WAY FORWARD

22. We will continue to deepen the trade relations between Hong Kong and Taiwan and pursue the agreed co-operation areas through the ECCPC and THEC platform, with a view to enhancing the overall competitiveness of the two places. The HKETCO in Taiwan will also

strengthen liaison with various local parties, promote the business advantages of Hong Kong, and enhance support to Hong Kong people and businesses in Taiwan.

Commerce and Economic Development Bureau
Constitutional and Mainland Affairs Bureau
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