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3 December 2013

Ms Annette Lam
Clerk to Panel on Commerce and Industry
Legislative Council
Legislative Council Complex
1 Legislative Council Road,
Central, Hong Kong

Dear Ms Lam,

**Panel on Commerce and Industry
Follow-up to meeting on 19 November 2013**

At the Panel meeting on 19 November 2013, some members requested the Administration to provide justifications for the arrangement of selecting Wuhan instead of Zhengzhou as the location for setting up a new Economic and Trade Office (ETO) in the Central Region of the Mainland. Our reply is as follows.

The Chief Executive announced in the 2013 Policy Address the plan to set up a new ETO in Wuhan to facilitate Hong Kong residents and enterprises to better grasp the business opportunities arising from the development in the Central Region. In deciding the location of the new ETO, we had taken into account relevant factors, including the national strategy for co-ordinated regional development; the development situation and potential of the relevant provinces; the sphere of influence of the capital cities of the provinces concerned, and room for complementarities.

Wuhan City is the capital city of Hubei Province whereas Zhengzhou City is the capital city of Henan Province. Wuhan and Zhengzhou were positioned as a major capital city in Central China by the State Council in 1999 and 2011 respectively. The status of Wuhan was further upgraded by the State Council to the central city of the Central Region of China in “The Approval of China’s State Council on the Overall Urban Planning of Wuhan” released in March 2010.

The sphere of influence of the capital cities mainly lies in the geographical location and external transportation network. Wuhan City of Hubei Province is situated in the middle of Central Region. Wuhan, designated in 2009 as the first pilot city in China National Comprehensive Transportation Hub Planning Research, has the largest water, land and air transportation hub in inland China as well as a well-developed intra-province and inter-province highway network, railway network, as well as air and sea transport network. Wuhan lies at the intersection of Changjiang (Yangtze River) and Hanjiang (Han River) and has one of the largest inland river port at the middle reach of Changjiang. Changjiang runs across Nanjing and Port of Shanghai at the lower reach and flows through major production bases and distribution centres for commodities in the Western Region (such as Chongqing) at the upper reach. Also, the interchange of the Beijing-Guangzhou-Shenzhen High-Speed Railway Line and the Shanghai-Wuhan-Chengdu High-Speed Railway Line is in Wuhan, making the city the centre of a “Four-hour Economic Circle” – it takes around four hours to travel by high-speed train from Wuhan to national financial centres such as Beijing, Tianjin, Shanghai, Chengdu, Chongqing, Guangzhou and Shenzhen.

Zhengzhou City of Henan Province also has a good highway, railway and air transport network and is one of the high-speed railway hubs. The Beijing-Guangzhou-Shenzhen High-Speed Railway Line and the Xuzhou-Lanzhou High-speed Railway line both run through Zhengzhou, connecting the city to Beijing in the north, Shenzhen in the south, Xuzhou City of Jiangsu Province in the east and Lanzhou City of Gansu Province in the west. However, Zhengzhou is situated relatively north within the Central Region and its high-speed railway network compares less favourably to that of Wuhan which connects to numerous economic regions such as Nanjing, Shanghai, Chengdu and Chongqing.

On economic structure, the secondary industry of Hubei and Henan, both being industrial oriented, accounted for 50% and 57% of their respective Gross Domestic Product (GDP) in 2012. Industries in Hubei are more capital and technology-intensive and its traditional pillar industries include automobile,

iron and steel industries. Industries in Henan are mostly resource and labour-intensive and its traditional industries with comparative advantages include agriculture and coal mining. In respect of service industry, its share in the GDP of Hubei and Henan accounted for about 37% and 30% respectively.

Meanwhile, as far as development potential is concerned, for the period from 2000 to 2010, Hubei ranked the 1st among the six Central Region provinces and ranked the 11th among the 31 provinces, autonomous regions and municipalities in the Mainland according to the Comprehensive Development Index of the National Bureau of Statistics, while Henan's rankings were the 6th and 24th respectively. In terms of GDP, the average annual growth rate of Hubei and Henan during the 11th Five-Year Plan period was 2 to 3% above the national overall average annual growth rate. Of the two provinces, Hubei enjoyed a faster growth rate with its GDP increased from RMB 659 billion in 2005 to RMB 1,596.8 billion in 2010, representing an annual growth rate of 14%, while Henan's GDP increased from RMB 1,058.7 billion to RMB 2,309.2 billion over the same period, representing an annual growth rate of 13%. With a population of about 57.79 million and 105.43 million in 2012, the per capita GDP of Hubei and Henan was about RMB 39,000 and RMB 28,000 respectively.

Overall speaking, we are of the view that establishing the new ETO in Wuhan, the capital city of Hubei, can facilitate Hong Kong residents and enterprises to better grasp the business opportunities arising from the development in the Central Region.

Yours sincerely,

(Ms Noel Tsang)
for Secretary for Constitutional and
Mainland Affairs