

**For information  
on 21 October 2014**

**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, Hong Kong and Taiwan were each other's fourth largest trading partner in 2013, with total bilateral merchandise trade amounting to over HK\$339.3 billion (comprising exports of around HK\$77.4 billion to Taiwan and imports of around HK\$261.9 billion from Taiwan). From 2009 to 2013, the average annual growth rate in the value of bilateral merchandise trade was 10%. For trade in services, Taiwan was Hong Kong's fifth largest trading partner in 2012, with the total value of trade in services reaching HK\$55.9 billion (comprising services exports of about HK\$33.1 billion to Taiwan and services imports of about HK\$22.8 billion from Taiwan). From 2008 to 2012, the average annual growth rate in the value of bilateral trade in services was 5%.

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 which 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 of ECCPC and THEC has been institutionalised and four joint meetings have been held 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). The two Councils' fifth joint meeting is tentatively scheduled for end this year in Taipei.

Hong Kong - Taiwan Business Co-operation Committee

4. In addition, the Hong Kong-Taiwan Business Co-operation Committee (BCC) (with members coming from the local business sector) was established in April 2010, 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 on the flows of people, goods and capital between the two places. The BCC and ECC have tentatively scheduled to organise the "Hong Kong-Taiwan Economic and Trade Forum – Green Energy Opportunities Symposium" in end 2014, providing a platform to explore

opportunities of green energy collaboration between Hong Kong and Taiwan.

#### 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 facilitating exchanges in culture, education and other fields. Since its establishment, the HKETCO has been establishing contacts with the Taiwan authorities responsible for economic and trade affairs, as well as various Taiwan economic and trade associations and Hong Kong businessmen in Taiwan. It also handles enquiries in relation 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 2013, there were around 2.1 million visitor arrivals from Taiwan, accounting for 3.9% of the total visitor arrivals in Hong Kong. From January to July 2014, there were around 1.19 million visitor arrivals from Taiwan.

8. The Hong Kong Tourism Board (HKTb) and its Taipei office will continue to strive to attract vacation visitors from Taiwan, and increase resources for promotion in second-tier cities in Taiwan (including Taichung, Kaohsiung and Tainan) having regard to the increase in the number of direct flights to Hong Kong from these cities. The HKTb will also continue to strengthen co-operation with Taiwan to promote the development of cruise tourism in both places.

9. In April 2014, the HKTb, together with the Taiwan tourism authorities, launched the world's first "Asia Cruise Fund". The Fund pools together financial incentives from participating ports to support cruise companies in developing and marketing cruise products with a view to promoting ship deployment to the region which would benefit the further development of the cruise tourism markets for the participating ports and the region as a whole.

10. To promote tourism exchanges and co-operation between Hong Kong and Taiwan, the Secretary for Commerce and Economic Development led a travel trade delegation to attend the Hong Kong-Taichung Intercity Forum jointly organised by the two places in July 2014 to share experience and exchange views with the travel trade in Taichung on tourism development in the two places. Moreover, leveraging on the opportunity that the travel trades of the two places were brought together, the HKTb also organised an exchange session for the travel trades of the two places to help them establish business network with a view to further promoting tourism cooperation in future.

(b) Investment Promotion

11. Taiwan is a major source of inward direct investment (IDI) for Hong Kong. As at end 2012, Taiwan's IDI stock was HK\$64.2 billion, making Taiwan the 12<sup>th</sup> source of Hong Kong's IDI. The number of

Taiwan companies setting up regional headquarters or regional offices in Hong Kong has increased from 129 in 2003 to 199 in 2013 (accounting for 5.2% of the total number). The number of local offices of Taiwan companies in Hong Kong has also increased from 94 in 2003 to 249 in 2013 (accounting for 6.9% of the total number).

12. Last year, the Invest Hong Kong (InvestHK) actively conducted investment promotion work targeting at the Taiwan market, and organised large scale promotion campaigns in partnership with different business associations in Taiwan to promote the advantages of doing business in Hong Kong, attract Taiwan companies to set up operations in Hong Kong and provide them with the assistance and services needed. The InvestHK, with the assistance of the HKETCO, conducted a thematic seminar focusing on the innovation and technology industries in April 2013; visited a number of potential Taiwan investors in Taipei in May; organised a joint promotion seminar with Zhaoqing in Taipei in September, which was well received and attended by about 300 senior executives from a wide spectrum of business sectors; and organised a roundtable seminar in collaboration with the SMEs Association of Taoyuan to promote the advantages of doing business in Hong Kong to SMEs in November.

13. This year, the InvestHK continued to step up its investment promotion work in Taiwan. The Investment Promotion Unit of the HKETCO participated in the “Marketing Channels for Creative Industries” seminar organised by the Taiwan Cultural and Creative Industry Association and the “2014 Smart City Summit and Expo” organised by the Taipei Computer Association in January and February 2014 respectively, and gave presentations on the advantages of doing business in Hong Kong on both occasions. In September, HKETCO co-organised a seminar on “Hong Kong’s Investment Environment” with Taitung County SME Service Centre for SMEs in Taitung, which was

attended by around 30 senior management executives of the companies in Taitung. For the first nine months in 2014, the HKETCO visited over 240 Taiwan enterprises, initiated nearly 220 new projects (including about 50 prospective investment projects) and completed four projects. In mid October, the InvestHK will also organise a joint promotion seminar with Guangzhou City in Taipei to promote the business opportunities offered by Hong Kong and encourage more Taiwanese enterprises to use Hong Kong as a springboard to expand their business in the PRD region.

14. Up to end September 2014, InvestHK has assisted 74 Taiwan companies set up or expand their operations in Hong Kong (accounting for about 2% of the total number of companies assisted). The majority of these companies are engaged in the financial services, innovation and technology as well as catering sectors. The InvestHK will continue to strengthen its investment promotion work to attract more Taiwan companies to set up in Hong Kong. The InvestHK will also maintain close connection with Taiwan businessmen and relevant organisations in Hong Kong and provide them with the necessary assistance.

(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. It has organised a wide variety of promotional activities to facilitate exchanges and exploration of business opportunities. These activities not only enable Hong Kong companies to further develop the Taiwan market, but also encourage Taiwan brands to co-operate with Hong Kong companies and leverage on Hong Kong's services platform to jointly explore the Mainland and overseas markets. In the past year, the HKTDC has organised delegations of Taiwan companies to participate in exhibitions held in Hong Kong, led Hong Kong companies to participate in trade fairs in Taiwan, and promoted

various Hong Kong services industries such as design and marketing, logistics, financial services and accounting to the Taiwan business sector. In 2014-15, the HKTDC will continue to adopt a multi-pronged approach to enhance co-operation and exchanges between the business sectors and foster 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 2013 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 the 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 of economic and trade co-operation. We have expressed our wish of establishing a co-operation arrangement similar to CEPA or ECFA to the Taiwan side on a number of occasions. We will continue to actively follow up the matter with the Taiwan side through the ECCPC – THEC platform with a view to kicking start 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 over the 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 not only contribute to the improvement of safety of consumer products of both places, but also promote technical exchanges between the two sides. The accreditation bodies of Hong Kong and Taiwan have been discussing on a proposal to enhance technical co-operation in accreditation.

(e) Exchanges and Co-operation of Creative Industries

19. The creative industries of Hong Kong and Taiwan have continued to strengthen exchanges and co-operation. Since 2012, the publishing and printing sector of Hong Kong has participated in the Taipei International Book Exhibition (TIBE) for three consecutive years through setting up a Hong Kong Pavilion under the sponsorship of the Create Hong Kong (CreateHK). The CreateHK will continue to provide funding support for the trade to participate in the TIBE in 2015.

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 “Fourth Hong Kong-Taiwan Cultural Co-operation Forum” (the Forum) on 23 August 2014 in Taipei. Speakers from both sides held in-depth discussions on topics about cultural and creative industries. This year, a two-day youth cultural and creativity camp (the Camp) was held prior to the Forum. Hong Kong and Taiwan each sent 20 participants, who were young practitioners engaged in cultural and



creative industries, to the Camp where members of the trade delivered speeches and shared experiences. The participants of the Camp also visited a cultural and creative park in Taipei.

21. The Cultural Co-operation Committee under the ECCPC will organise the “Hong Kong Week” in Taipei again from October to November this year to present to the Taiwan audience a series of cultural and creative programmes featuring the characteristics of Hong Kong. The “50 Years of Hong Kong and Taiwanese Animation Exhibition”, sponsored by the CreateHK, will promote Hong Kong’s animation to the Taiwan audience. The Hong Kong Film Development Council will stage “2014 Hong Kong Contemporary Film Showcase” under which 13 local small-to-medium budget feature films produced in 2013 and three compilations of award-winning short films would be screened to promote the film industry of Hong Kong.

## **WAY FORWARD**

22. We will continue to deepen the trade relations between Hong Kong and Taiwan and pursue each of the 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.