

**For information  
on 20 October 2015**

**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 partners in 2014, with total bilateral merchandise trade amounting to over HK\$379.5 billion (comprising total exports of over HK\$79.2 billion to Taiwan and imports of over HK\$300.2 billion from Taiwan). From 2010 to 2014, 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 2013, with the total value of trade in services reaching over HK\$56.7 billion (comprising services exports of over HK\$32.8 billion to Taiwan and services imports of over HK\$23.9 billion from Taiwan). From 2009 to 2013, the average annual growth rate in the value of bilateral trade in services was 9%.

Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council and Taiwan-Hong Kong Economic and Cultural Co-operation Council

3. To promote closer relations between Hong Kong and Taiwan, the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council (ECCPC) was established in April 2010. ECCPC is a non-governmental entity which works 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 six 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.).

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. This year, the BCC and ECC organised the “Hong Kong-Taiwan Economic and Trade Forum 2015 – Innovative Fintech Co-operation” on 16 September to explore collaboration opportunities between Hong Kong and Taiwan in the area of financial technology. Representatives of

Octopus Holdings Limited of Hong Kong, and EasyCard Corporation and iPass Corporation of Taiwan were invited to exchange views on the latest development of financial technologies in Hong Kong and Taiwan, as well as the collaboration opportunities between the two places.

#### 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 2014, there were around 2.03 million visitor arrivals from Taiwan, accounting for 3.3% of the total visitor arrivals in Hong Kong. From

January to July 2015, there were around 1.14 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 “Asia Cruise Fund”, which promotes regional co-operation and partnership in order to enhance the overall attractiveness of the ports in Asia to cruise lines. The Fund, through pooling together the financial incentives to cruise lines for supporting their marketing and product development initiatives, encourages cruise lines to deploy more cruise ships to participating ports, which in turn supports the further development of cruise tourism of the participating ports and the region as a whole.

10. Since the launch of the Fund, the Philippines and Hainan have joined and expanded the extent of collaboration. The HKTB, the tourism promotion authorities of Taiwan, together with the new participating ports, convene working group meetings from time to time to discuss the joint promotion activities in the coming future. During the annual international conference on cruise tourism in the United States in March 2015, the participating ports also actively promoted the Fund to the industry players with a view to driving more international cruise lines to develop itineraries covering the participating ports.

(b) Investment Promotion

11. According to a report released by the Census and Statistics Department in December 2014, Taiwan is a major source of inward direct investment (IDI) for Hong Kong. As at end 2013, Taiwan's IDI stock was HK\$67.1 billion, making Taiwan the 12<sup>th</sup> among the 30 selected major sources 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 175 in 2014 (accounting for 4.6% of the total number). The number of local offices of Taiwan companies in Hong Kong has also increased from 94 in 2003 to 251 in 2014 (accounting for 6.6% 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 Taipei Investment Promotion Unit 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 respectively, and promoted the advantages of doing business in Hong Kong to participants on both occasions. In September, the Investment Promotion Unit also co-organised a seminar on "Hong Kong's Investment Environment" with the Taitung County SME Service Centre for SMEs in Taitung. In October, InvestHK, with the support of the HKETCO, organised a joint promotion seminar with Guangzhou in Taipei, which was well received and attended by over 200 senior executives from a wide spectrum of business sectors.

13. This year, the InvestHK has continued to step up its investment promotion work in Taiwan. In May, the Taipei Investment Promotion Unit participated in the “Hong Kong-Yilan Economic Co-operation Seminar” jointly organised by HKETCO and the Yilan County Chamber of Commerce to introduce Hong Kong’s latest economic and trade developments, its business advantages, as well as the services provided by InvestHK. Also, the Investment Promotion Unit delivered a speech at the “2015 Meet Club cum AAMA Annual Meeting” held in Taipei in June to introduce the advantages, resources and opportunities of developing business in Hong Kong to Taiwan’s start-ups. In the first nine months of 2015, the Investment Promotion Unit visited over 230 Taiwan enterprises and completed nine projects. The InvestHK will organise a joint promotion seminar with Jiangmen City in Taichung in November to promote the business opportunities offered by Hong Kong and encourage Taiwan enterprises to use Hong Kong as a springboard to expand their business in the Pearl River Delta region. As an integral part of its aftercare services, InvestHK will also organise a networking reception in collaboration with the Far East Trade Service Company Limited and the Taiwan Business Association (HK) Ltd for the Taiwan business community in Hong Kong in November.

14. Up to end September 2015, InvestHK has assisted 87 Taiwan companies set up or expand their operations in Hong Kong. The majority of these companies are engaged in the financial services, food and beverage as well as innovation and technology 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 actively promoting economic and trade 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 have not only enabled Hong Kong companies to further develop the Taiwan market, but also encouraged 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. This year, 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, including 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, etc.

16. 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 with Taiwan a co-operation arrangement similar to CEPA or ECFA to the Taiwan side on a number of occasions. We will continue to follow up and strengthen our economic and trade ties with Taiwan through the ECCPC – THEC platform.

(d) Co-operation in Testing and Certification

17. The accreditation bodies of Hong Kong and Taiwan have been in co-operation over the years through regional and international co-operation organisations for accreditation. In June 2015, Hong Kong and Taiwan signed a Memorandum of Understanding to further co-operation in this area.

(e) Exchanges and Co-operation of Creative Industries

18 Create Hong Kong (CreateHK) continues to sponsor and support exchange and co-operation programmes between Hong Kong and Taiwan. Since 2012, the publishing and printing sectors of Hong Kong have set up a Hong Kong Pavilion at the Taipei International Book Exhibition (TIBE) with CreateHK's sponsorship. CreateHK will continue to provide funding support for the trade to participate in the TIBE in 2016. In addition, delegations formed by the outstanding trainees of the "Hong Kong Comic Camp" have participated in the "Comic Nova" held in Taipei each year since 2012 under the sponsorship of CreateHK, and have visited comic companies and publishers in Taipei.

19. The Hong Kong-Taiwan Cultural Co-operation Committee has continued to facilitate exchanges and co-operation between the creative industries of Hong Kong and Taiwan. The Committee co-organised the "Fifth Hong Kong-Taiwan Cultural Co-operation Forum" (the Forum) on 21 August 2015 in Hong Kong. The participants of the Forum had



in-depth discussion of various issues relating to cultural and creative industries, including the development prospects of creative sectors such as films, animation and comics, and games. A youth cultural and creativity camp was held in Hong Kong on 19 and 20 August before the Forum. Around 40 participants from Hong Kong and Taiwan participated in workshops and exchange activities, and visited cultural and creative landmarks in Hong Kong.

20. The Hong Kong-Taiwan Cultural Co-operation Committee also organised the “Hong Kong Week” in Taipei again from 10 September to 11 October this year to present to the Taiwan audience a series of cultural and creative programmes featuring the characteristics of Hong Kong. Amongst the programmes, the “Exhibition of Hong Kong Author of the Year” and “Past. Present. Future. - Tracking Hong Kong Architecture”, both sponsored by CreateHK, were staged from 10 to 25 September 2015 to introduce to the Taiwan people Hong Kong’s outstanding authors and architectural works respectively.

(f) Other Areas

21. At the last two Joint Meetings of the ECCPC and THEC, both sides agreed to the new priority areas of co-operation including meteorological services and intellectual property. Relevant departments of the two sides have initiated dialogues to explore room for co-operation.

## **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.

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