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Panel on Commerce and Industry

Meeting on 20 October 2015

**Updated background brief on trade relations between
Hong Kong and Taiwan**

Purpose

1. This paper provides background information on trade relations between Hong Kong and Taiwan, and a summary of views and concerns expressed by Members during previous discussions on the subject.

Background

2. Over the years, Hong Kong and Taiwan have established close economic and trade ties. According to the Administration¹, Hong Kong and Taiwan was each other's fourth largest trading partner in 2014 with total bilateral merchandise trade amounting to over HK\$379.5 billion. The average annual growth rate in bilateral trade between Hong Kong and Taiwan from 2010 to 2014 was 7%. For trade in services, Taiwan was one of Hong Kong's major trading partner in 2013, with the total value of trade in services reaching HK\$56.8 billion. Taiwan is also a major source of inward direct investment for Hong Kong, and an important entrepôt for Cross-Strait indirect trade. The annual growth rate of indirect trade between Mainland China and Taiwan through Hong Kong was 8% during 2010-2014.

3. The Chief Executive ("CE") set out in the 2009-2010 Policy Address new strategies for advancing the development of relations between Hong Kong and Taiwan, including the establishment of a new co-operation framework to

¹ Website of the Hong Kong Economic, Trade and Cultural Office (Taiwan):
http://www.hketco.hk/en/economy_info/index.html.

promote multi-faceted and multi-level exchanges with Taiwan. CE proposed that Hong Kong should play an active role in financial, economic and trade, tourism and other exchanges among the Mainland, Taiwan and Hong Kong.

4. With the concerted efforts of the Hong Kong and Taiwan authorities, the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council ("ECCPC") and the Hong Kong-Taiwan Business Co-operation Committee ("BCC") were established on 1 April 2010. During the past years, the ECCPC and the BCC had worked closely with their respective Taiwan counterparts, namely the Taiwan-Hong Kong Economic and Cultural Co-operation Council ("THEC") and the Economic Co-operation Committee under the THEC to promote and deepen co-operation between the two sides in trade, culture and other areas of mutual interests, to facilitate direct communication on issues relating to bilateral trade and investment, and to foster closer co-operation in trade, investment and tourism. The ECCPC and the THEC held their sixth joint meeting on 17 September 2015 in Hong Kong² to review the achievements and progress made through this co-operative platform in the past year. The two sides also agreed to explore five new co-operation areas, namely wetland conservation, trade in endangered species of wild fauna and flora, intellectual property rights, urban renewal and promotion of water conservation.

5. Following the Finance Committee's approval, the Hong Kong Economic, Trade and Cultural Office in Taiwan ("HKETCO") commenced operation in Taipei in December 2011. It was tasked to promote economic, trade and investment exchanges between Hong Kong and Taiwan, and to foster exchanges in culture, education and other fronts. Since its establishment, the HKETCO had been establishing contacts with the Taiwan 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.

Discussion by the Panel on Commerce and Industry ("the Panel")

6. The Panel has followed closely the development on the co-operation between Hong Kong and Taiwan in a number of key areas including trade and investment promotion, tourism, cultural exchanges and co-operation of creative industries, etc. The major views and concerns expressed by members were summarized in the ensuing paragraphs.

² Press release of the ECCPC: <http://www.info.gov.hk/gia/general/201509/17/P201509170702.htm>.

Trade and investment promotion

7. To enhance bilateral trade and economic relations between Hong Kong and Taiwan, some Panel members called on the Administration to actively explore the feasibility of establishing a comprehensive framework for economic and trade co-operation between Hong Kong, the Mainland and Taiwan, thereby facilitating the direct export of products manufactured by Hong Kong enterprises in the Mainland to Taiwan. Members noted that the Administration would continue to follow-up with the Taiwan side through the ECCPC-THEC platform with a view to starting substantive discussions on forging a closer economic and trade co-operation arrangement as early as possible.

8. Some members were concerned that the signing of the Cross-Straits Economic Co-operation Framework Agreement ("ECFA") between Taiwan and the Mainland might undermine the intermediary role of Hong Kong as the gateway to the Mainland for Taiwan enterprises. These members called for a new positioning of Hong Kong amid the improved cross-strait economic co-operation, and urged the Administration to leverage on the combined advantages of the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") and ECFA to achieve greater synergy in tapping the vast business potential of the Taiwan market and developing the Mainland market. On investment promotion work, members urged the Invest Hong Kong and the Hong Kong Trade Development Council to continue to step up their promotional work to promote investment, facilitate Hong Kong companies' entry into the Taiwan market and encourage Taiwan enterprises to leverage on Hong Kong's service platform to explore business opportunities in both Mainland and overseas markets.

9. The Administration advised that Hong Kong remained an important entrepôt for Cross-strait indirect trade. In 2014, HK\$292.3 billion worth of trade between the Mainland and Taiwan was routed through Hong Kong, representing 19% of the total trade between the Mainland and Taiwan. Continued efforts would be made to further promote economic and trade co-operation between Hong Kong and Taiwan, encourage Taiwan companies to invest in Hong Kong and support Hong Kong businesses in Taiwan.

Tourism

10. Members called on the Administration to leverage on the commissioning of the Kai Tak Cruise Terminal and step up co-operation with Taiwan tourism authorities in promoting cruise tourism so as to strengthen Hong Kong's position as one of Asia's cruise hubs. The Administration advised that the Hong Kong Tourism Board ("HKTB"), together with the Taiwan tourism authorities, launched the world's first "Asia Cruise Fund" in April 2014. The Fund pooled together financial incentives from participating ports to support

cruise companies in developing and marketing cruise products that would benefit the further development of the cruise tourism markets for the participating ports and the region as a whole.

11. Members also called on the Taipei Office of HKTb to strengthen co-operation with the local travel trade and media and to ride on the advantages of the free-of-charge online Pre-arrival Registration arrangement for Taiwan visitors to further promote Hong Kong as a tourist destination for Taiwan. Members also suggested that HKTb should step up its promotion work in the second-tier cities in Taiwan (such as Taichung and Kaohsiung) to attract more visitors.

Exchanges and co-operation in key areas

12. Members called for enhanced co-operation between various industries of Hong Kong and Taiwan, including promoting mutual recognition of testing and certification results, as well as promoting Hong Kong's legal services in the areas of arbitration, intellectual property and company law to Taiwan businesses. The Administration was urged to strive for the recognition of Hong Kong legal qualifications to enable Hong Kong legal practitioners to practise in Taiwan.

13. On the cultural front, members called for more cultural promotion and exchange activities to strengthen cultural exchanges and enhance co-operation with the creative industry sectors in Taiwan to promote Hong Kong's animation, comics and filming industry, which were the flagship of the local creative industries.

Council question

14. In view of the protests in Taiwan against the implementation of the Cross-Strait Agreement on Trade in Services signed by the Mainland and Taiwan, Hon TAM Yiu-chung raised a written question at the Council meeting of 7 May 2014 about the impact of the protests in Taiwan on the economic and trade co-operation between Hong Kong and Taiwan, the discussion underway with the Taiwan authorities on the signing of a co-operation agreement to further promote economic and trade ties, and some inaccurate or misleading remarks or information in certain Taiwan media about the situation in Hong Kong and CEPA.

15. The Administration advised that the HKETCO would, through its close liaison with various sectors in Taiwan (including the local media), publicize Hong Kong's latest developments on economic and trade, cultural and social fronts to the Taiwan community through multiple channels to enable the Taiwan community to have a full and accurate understanding of the actual situation in

Hong Kong. The business sectors of both sides had indicated support for Hong Kong and Taiwan to actively explore the establishment of a comprehensive framework for economic and trade co-operation. The Administration would continue to follow up closely with the Taiwan side through the ECCPC-THEC platform in this regard.

Latest position

16. The Administration will brief the Panel on 20 October 2015 on the latest developments of the trade relations between Hong Kong and Taiwan, including trade promotion, investment promotion, tourism etc.

Relevant papers

17. A list of relevant papers is shown in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
16 October 2015

Trade relations between Hong Kong and Taiwan

List of relevant papers

Date of meeting	Meeting	Paper
19/7/2011	Panel on Commerce and Industry	<p>Administration's paper on "Establishment of a multi-functional office in Taiwan by Hong Kong" (LC Paper No. CB(1)2641/10-11(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)3098/10-11)</p>
18/10/2011	Panel on Commerce and Industry	<p>Administration's paper on "Establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan" (LC Paper No. CB(1)37/11-12(05))</p> <p>Background brief on establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan prepared by the Legislative Council Secretariat (LC Paper No. CB(1)37/11-12(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)592/11-12)</p> <p>Administration's follow-up paper (LC Paper No. CB(1)176/11-12(01))</p>
22/10/2013	Panel on Commerce and Industry	<p>Administration's paper on "Trade relations between Hong Kong and Taiwan" (LC Paper No. CB(1)72/13-14(06))</p> <p>Updated background brief on trade relations between Hong Kong and Taiwan prepared by the Legislative Council Secretariat (LC Paper No. CB(1)72/13-14(07))</p>

Date of meeting	Meeting	Paper
		Minutes of meeting (LC Paper No. CB(1)514/13-14)
7/5/2014	Council	Question No. 12 on "Impacts of protests in Taiwan on Hong Kong's economic and trade co-operation with Taiwan" raised by Hon TAM Yiu-chung (Hansard) (Page 10362-10366)
21/10/2014	Panel on Commerce and Industry	Administration's paper on "Trade relations between Hong Kong and Taiwan" (LC Paper No. CB(1)53/14-15(06)) Updated background brief on trade relations between Hong Kong and Taiwan prepared by the Legislative Council Secretariat (LC Paper No. CB(1)53/14-15(07)) Minutes of meeting (LC Paper No. CB(1)212/14-15)