

**For information
on 9 November 2016**

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 2015, with total bilateral merchandise trade amounting to over HK\$339.4 billion (comprising total exports of over HK\$65 billion to Taiwan and imports of over HK\$274.3 billion from Taiwan). From 2011 to 2015, the average annual growth rate in the value of bilateral merchandise trade was 1%. For trade in services, Taiwan was Hong Kong's fifth largest trading partner in 2014, with the total value of trade in services amounting to over HK\$57.4 billion (comprising services exports of over HK\$32.7 billion to Taiwan and services imports of over HK\$24.7 billion from Taiwan). From 2010 to 2014, the average annual growth rate in the value of bilateral trade in services was 4.2%.

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, taking forward various priority areas of co-operation between Hong Kong and Taiwan.

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. This year, the BCC has planned to conduct a series of events with the aim of strengthening co-operation between Hong Kong and Taiwan in the areas of logistics and maritime, finance and intellectual property trading. The BCC also participated in the “2016 Hong Kong-Taiwan Economic Co-operation Forum” organised by the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO) on 1 November this year to jointly promote Hong Kong’s innovative and technological advantages.

Hong Kong Economic, Trade and Cultural Office in Taiwan

5. The 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. The HKETCO strives to establish contacts with various stakeholders in the industrial and commercial sector, including major Taiwan economic and trade associations, economic and trade associations in various cities and counties, 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 2015, there were around 2.02 million visitor arrivals from Taiwan, accounting for 3.4% of the total visitor arrivals in Hong Kong. From January to September 2016, there were around 1.51 million visitor arrivals from Taiwan.

8. The Hong Kong Tourism Board (HKTb) and its Taipei office will strive to attract young visitors and families from Taiwan to spend their vacation in Hong Kong. Apart from Taipei, the HKTb will also

launch diverse promotions in second-tier cities with direct flight to Hong Kong such as Taichung and Kaohsiung.

9. As regards cruise tourism, the HKTB together with the Taiwan tourism authorities launched in April 2014 the “Asia Cruise Fund” (ACF) which promotes regional co-operation and partnership in order to enhance the overall attractiveness of the ports in Asia to cruise lines and to drive more deployment of cruise ships to the participating ports. The ACF is now also joined by three other ports, namely Hainan, the Philippines and Xiamen, expanding the extent of collaboration. Earlier this year, the HKTB has stepped up its partnership with participating ports (including Taiwan) to form an “Asia Cruise Cooperation”, which aims at creating synergies among the ports through joint promotion events and participation in large-scale events of the cruise industry.

(b) Investment Promotion

10. Taiwan is a major source of inward direct investment for Hong Kong. In 2015, the number of Taiwan companies setting up regional headquarters or regional offices in Hong Kong was 148 (accounting for 4% of the total number), and the number of local offices of Taiwan companies in Hong Kong was 265 (accounting for 3.3% of the total number).

11. Invest Hong Kong (InvestHK) continued to actively conduct investment promotion activities targeting the Taiwan market through the investment promotion unit in HKETCO and has organised and participated in multiple promotion campaigns in Taiwan. In the first 10 months of 2016, the Taipei Investment Promotion Unit visited around 250 enterprises in Taiwan to promote the advantages of doing business in Hong Kong, encouraged them to set up operations in Hong Kong and

provided them with the necessary assistance and services. InvestHK also continued its investment promotion work in Taiwan this year through collaboration with various industrial and trade organisations in Taiwan. For instance, the Taipei Investment Promotion Unit participated in the “Hong Kong-Hsinchu Economic Co-operation Seminar” jointly organised by HKETCO and the Chinese Professional Management Association of Hsinchu in April 2016. The Unit also paid visits to industrial and trade organisations in various cities and counties to introduce Hong Kong’s business advantages and the services provided by InvestHK.

12. Up to October 2016, InvestHK has completed 18 investment projects originated from Taiwan in 2016 and has assisted a total of 107 Taiwanese companies to set up or expand their operations in Hong Kong. The majority of these companies are engaged in the financial services, food and beverage, innovation and technology as well as consumer products sectors. InvestHK will continue to strengthen its investment promotion work in Taiwan to attract more Taiwan companies to set up in Hong Kong and will also maintain close connection with Taiwan businessmen and relevant organisations in Hong Kong and provide them with the necessary assistance.

(c) Trade Promotion

13. 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 between enterprises of the two places. These activities have not only enabled Hong Kong companies to develop the Taiwan market, but also encouraged Taiwan brands to co-operate with Hong Kong companies and leverage on Hong Kong’s platform to jointly explore the Mainland and overseas markets. In

2015-16, trade fairs organised by the HKTDC in Hong Kong have attracted over 22 300 buyers and 2 600 exhibitors from Taiwan. A total of 80 Taiwanese professionals also took part in the Asian Financial Forum, Asian Logistics and Maritime Conference, and Business of Intellectual Property Asia Forum which were jointly organised by the Government and the HKTDC. The HKTDC also organised 4 seminars in Taiwan to promote Hong Kong's advantages as a regional trade hub to over 800 Taiwanese businessmen. 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, seminars, and arranging Taiwan companies to visit Hong Kong to take part in the international fairs and forums of the HKTDC, etc.

(d) Exchanges and Co-operation of Creative Industries

14. 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 2017. In addition, since 2012, CreateHK has been providing sponsorship every year to delegations formed by the outstanding trainees of the "Hong Kong Comic Camp" for participating in the "Comic Nova" held in Taipei and visiting local comic companies and publishers.

15. The Hong Kong-Taiwan Cultural Co-operation Committee¹ will organise the "Hong Kong Week" in Taipei again from 11 November to

¹The Hong Kong-Taiwan Cultural Co-operation Committee was established as the Hong Kong counterpart of the Cultural Co-operation Committee under the "Taiwan-Hong Kong Economic and Cultural Co-operation Council" in Taiwan. It aims to foster exchange, liaison and co-operation between the two places in the development of arts and culture and the creative industries, as well as to communicate and exchange information on issues of mutual concern.

10 December this year to present a series of cultural and creative programmes featuring the characteristics of Hong Kong. Amongst the programmes, the Hong Kong Fashion Designers Association, with sponsorship from CreateHK, will organise a fashion show called “UNZIP Creativity Hong Kong Fashion in Taipei 2016” from 11 to 27 November 2016 in Taipei to promote Hong Kong’s fashion industry. Through this programme, 55 established and up-and-coming fashion designers from Hong Kong will showcase their works.

WAY FORWARD

16. We will continue to foster the trade relations between Hong Kong and Taiwan through the ECCPC and THEC platform, with a view to enhancing the overall competitiveness of the two places. The HKETCO in Taiwan will make use of its local presence to promote the business advantages of Hong Kong, strengthen liaison with various parties as well as enhance support to Hong Kong people and businesses in Taiwan.

Commerce and Economic Development Bureau
Constitutional and Mainland Affairs Bureau
November 2016