

LCQ7: Co-operation with the Mainland's pilot free trade zones

Following is a question by the Hon Yim Kong and a written reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (January 24):

Question:

It has been reported that 22 pilot free trade zones (FTZs) have been established on the Mainland. There are views that by strengthening the co-operation between Hong Kong and the Mainland's FTZs, Hong Kong, in its role as a "super-connector" connecting the Mainland and the rest of the world, can proactively integrate into the overall development of the country, thereby creating wider room for the development of Hong Kong's trade and financing sectors, as well as high-end professional services. In this connection, will the Government inform this Council:

(1) whether it has studied ways to strengthen co-operation between Hong Kong and the FTZs in different regions of the Mainland;

(2) whether the Government has actively reached out to the Mainland's FTZs for co-operation in policies, information as well as trade and investment; if so, of the details of the existing partnering mechanism, and the Mainland's FTZs with such partnering mechanism already established by the Government; and

(3) as the State Ministry of Commerce promulgated the List of Key Tasks in Pilot Free Trade Zones (2023-2025) in June 2023, which mentions that one of the key tasks of the Guangdong FTZ is to advance the compatibility and alignment of rules and mechanisms between the Chinese mainland and Hong Kong and Macao, and deepen co-operation with Hong Kong and Macao in such fields as trade, investment, finance, legal services and mutual recognition of professional qualifications, of the Government's major work plan for this year and the next year in relation to co-operation with the Guangdong FTZ in the relevant fields?

Reply:

President,

The establishment of pilot Free Trade Zones (FTZs) is a strategic initiative of the nation to drive its reform and liberalisation forward, mainly to explore new ways to deepen reform and widen liberalisation comprehensively through pilot implementation of institutional innovation in finance, economy and trade, investment, customs clearance, etc, with a view to accumulating more experience for possible replication and promotion. Since 2013, the nation has set up a total of 22 pilot FTZs in Shanghai, Guangdong,

Tianjin, Fujian, Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, Shaanxi, Hainan, Shandong, Jiangsu, Guangxi, Hebei, Yunnan, Heilongjiang, Beijing, Hunan, Anhui and Xinjiang.

Having consulted the Department of Justice (DoJ), the Constitutional and Mainland Affairs Bureau, the Financial Services and the Treasury Bureau (FSTB), and the Innovation, Technology and Industry Bureau (ITIB), our consolidated reply to the three parts of the question is set out below:

The nation has rolled out a number of policy measures for the pilot FTZs to enhance the level of trade and investment liberalisation and facilitation, including the implementation of the "Special Administrative Measures (Negative List) for the Access of Foreign Investment in Pilot FTZs", under which areas outside the Negative List are administered in accordance with the principle of equal treatment for domestic and foreign investments, and foreign-invested enterprises are accorded national treatment, as well as the establishment of the Mainland's first international trade "Single Window". These liberalisation and facilitation measures provide Hong Kong-invested enterprises and other foreign invested enterprises with greater room for development.

Different pilot FTZs may have different emphasis in positioning, missions and measures. For instance, the Guangdong pilot FTZ, which covers three regions, including Qianhai and Shekou Area of Shenzhen, Nansha New Area of Guangzhou and Hengqin New Area of Zhuhai, focuses on deepening the co-operation among Guangdong, Hong Kong and Macao. The Guangdong government issued "the '14th Five-year Plan' for the Development of China (Guangdong) Pilot FTZ" in September 2021, and announced that it would further open up to Hong Kong and Macao in respect of "promoting in-depth Guangdong-Hong Kong-Macao co-operation".

The Mainland and Hong Kong Closer Economic Partnership Arrangement promotes trade and investment liberalisation and facilitation between the two places, and also covers liberalisation measures for pilot implementation in the Guangdong pilot FTZ, including allowing professionals who have obtained the qualification of General Practice Surveyors in Hong Kong to directly register for practice in Qianhai, Hengqin and Nansha, enabling them to provide real estate appraisal services without the need to obtain professional qualification through mutual recognition with the Mainland. These liberalisation measures, on one hand, meet the keen demand for Hong Kong's professional services arising from the development of the pilot FTZs on the Mainland and, on the other hand, assist Hong Kong service suppliers to actively tap the enormous potential of the pilot FTZs and create more business opportunities.

As regards Qianhai, the Central Government promulgated the Overall Development Plan for the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone (Qianhai Overall Development Plan) in late 2023. The development of the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone is an important initiative for supporting Hong Kong's social and economic development, consolidating and enhancing its competitive

advantages, fostering a higher level of co-operation among Guangdong, Hong Kong and Macao, and establishing a new development paradigm in pursuing opening up. The various policy initiatives outlined in the Qianhai Overall Development Plan are not just of benefit to Hong Kong but will also contribute to the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and our country. In particular, measures in the areas of financial services, legal services, information technology services and professional services will create more favourable conditions for these industries in which Hong Kong's strengths lie to expand their businesses into the Mainland market. The governments of the Hong Kong Special Administrative Region (HKSAR) and Shenzhen will make use of task forces as platforms to discuss how to more effectively promote and implement the Qianhai Overall Development Plan to support and facilitate different sectors in Hong Kong in utilising the new opportunities brought about by Qianhai.

As regards financial co-operation, the FSTB and the Guangdong Financial Supervisory Authority signed the "Agreement on Enhancing Hong Kong-Guangdong Financial Co-operation" in March 2023 to deepen financial co-operation between the two places. The FSTB is striving for the establishment of insurance after-sales service centres by the Hong Kong insurance industry in places such as Nansha and Qianhai, with a view to providing GBA residents who are holders of Hong Kong policies with support such as enquiries, claims and renewal of policies. Furthermore, the FSTB will continue to make good use of the financial reform and innovation measures in the Qianhai Co-operation Zone to expand the businesses of Hong Kong financial institutions in Qianhai. Relevant measures include promoting Hong Kong's limited partnership funds to be qualified under the Qianhai Qualified Foreign Limited Partnerships to participate in private equity investment on the Mainland; and co-establishing the Shenzhen-Hong Kong Financial Co-operation Committee with the Shenzhen authorities in the first half of 2024. The committee will advise and offer suggestions in respect of bolstering mutual access to the financial markets, co-operation on financial technologies and green finance, and exchange of financial talents.

In addition, the DoJ has been actively promoting legal services co-operation in the GBA, including the promotion of the interface of mechanisms and rules, so as to fully leverage Hong Kong's unique advantages, strengthening the rule of law construction in the GBA. In terms of the interface of mechanisms, the DoJ will establish a standing interfacing platform with the Supreme People's Court within 2024 as a high-level, regular and institutionalised official channel to take forward the research and practical work on judicial and legal matters relating to the GBA, and to implement more initiatives that benefit civil and commercial interactions between the two places so as to provide support for the high-quality development of other GBA cities. The DoJ will continue to take forward the work of the DoJ's GBA Task Force, including (1) to establish a GBA legal information platform to integrate information on legal and dispute resolution services in the GBA, so as to enhance the exchange and transparency of information within the region; (2) to continue to support and promote the sharing of information and resources among arbitration and mediation institutions in the GBA and construct a collaborative online dispute

resolution platform; and (3) to continue the promotion of "soft connectivity" among the mediation mechanisms of the Mainland, Hong Kong and Macao, including organising training courses in Hong Kong for GBA mediators so as to promote the development of diversified dispute resolution mechanisms in the GBA.

In terms of the interface of rules and regulations, the DoJ is actively pursuing the extension of "allowing Hong Kong-invested enterprises to adopt Hong Kong law" and "allowing Hong Kong-invested enterprises to choose for arbitration to be seated in Hong Kong" to the whole GBA in 2024. This would provide more choices for Hong Kong-invested enterprises and more enterprises in the GBA may choose Hong Kong law as the applicable law for civil and commercial contracts and choose Hong Kong as the seat of arbitration, thereby building a market-based and internationalised business environment in the GBA. Moreover, the DoJ will also strive for state-owned enterprises' prioritisation of choosing Hong Kong law as the applicable law to their contracts, or choosing Hong Kong's dispute resolution services to handle their contractual disputes and as such, sound legal services and safeguards would be provided to Mainland and foreign investors, facilitating their use of Hong Kong as the gateway to the Mainland as well as facilitating the investors to use Hong Kong as the port to expand to overseas.

The HKSAR Government all along has close collaborations on innovation and technology with various Mainland provinces and municipalities. For example, we jointly launched a thematic website with the first batch of about 110 Cross-boundary Public Services with the People's Government of Guangdong Province in November 2023 for use by residents and enterprises of the two places. Following the successful implementation of the interconnection of "iAM Smart" with the Unified Identity Authentication Platform of Guangdong Province, Hong Kong residents can log on directly to the Guangdong Provincial Administrative Service website and the "Yue Sheng Shi" mobile app through "iAM Smart" to enjoy a wide range of Guangdong's public services in a more convenient and efficient manner. We have also set up "iAM Smart" registration counters in Guangzhou, Qianhai and Futian to help Hong Kong citizens residing there to register or upgrade to "iAM Smart+".

To foster the effective development of digital economy in the GBA, the ITIB and the Cyberspace Administration of China jointly announced in December 2023 the facilitation measure entitled "Standard Contract for the Cross-boundary Flow of Personal Information Within the Guangdong-Hong Kong-Macao Greater Bay Area (Mainland, Hong Kong)" (GBA Standard Contract) and its "early and pilot implementation" arrangement under the framework of the "Memorandum of Understanding on Facilitating Cross-boundary Data Flow within the Guangdong-Hong Kong-Macao Greater Bay Area" signed in June last year. Implementation of the GBA Standard Contract facilitation measure will streamline the arrangements for cross-boundary flow of personal information from nine Mainland cities in the GBA and Hong Kong. The GBA Standard Contract facilitation measure is also applicable to the Guangdong pilot FTZs in Shenzhen, Guangzhou and Zhuhai.

The HKSAR Government will continue to discuss with the Mainland

authorities to seek the Mainland's (including various pilot FTZs') further liberalisation to Hong Kong, with a view to assisting Hong Kong enterprises and professionals to develop on the Mainland through the preferential arrangements, and strengthening economic and trade co-operation.