

Gateway to China

Overview

Hong Kong is the premier gateway to China, the world's largest trading economy. Hong Kong's position – both geographical and geopolitical – makes it the logical first stop for overseas enterprises keen to access the Mainland, and for Mainland businesses keen to go global.

As a node in a network, Hong Kong serves as a financial centre and business hub of the country. Hong Kong is extending co-operation with other Mainland municipalities in all areas, especially in terms of business, commerce, research and transportation links.

The Hong Kong SAR Government currently has four Offices in the Mainland – the Beijing Office and three Economic and Trade Offices in Shanghai, Guangdong and Chengdu. Another Economic and Trade Office in Wuhan is being planned.

Hong Kong is an international city, highly developed in finance, legal services, accounting, trade, logistics, maritime, telecommunications, aviation and media. It is also the base for many international chambers of commerce, consulates, international organisations and international media organisations.

Hong Kong entrepreneurs, who share the same culture as their counterparts in the Mainland, also have a great deal of experience doing business there.

Hong Kong is leveraging on these strengths to serve as 'Chief Information Officer' to help enterprises interested in China business.

Business Links with the Mainland

Hong Kong is the mainland's most important entrepot, handling about one-fifth of China's foreign trade. Hong Kong is the single largest source of foreign capital for Mainland enterprises, accounting for US\$629.1 billion – or

47 per cent – of total realised foreign direct investment at end-June 2013. The Mainland is also Hong Kong's largest source of inward direct investment.

As at end-July 2013, 747 Mainland enterprises were listed on the stock exchange, with a market capitalisation of about US\$1,534 billion – about 55.8 per cent of the market total. Mainland companies listing in Hong Kong are subject to rigorous international standards of accounting and transparency.

Ten areas of co-operation are being strengthened: infrastructure, investment, commerce and trade, tourism, agriculture, labour, education and culture, information and technology, environmental protection, and health and infectious disease prevention.

Hong Kong / Guangdong Co-operation

Hong Kong and neighbouring Guangdong province are mutually dependent and complementary to each other. The two places set up the "Cross-boundary Liaison System" as early as 1982 to resolve operational issues of common concern. Given the increasingly close co-operation between the two places, the Hong Kong Special Administrative Region Government and the Guangdong Provincial People's Government set up the "Hong Kong/Guangdong Co-operation Joint Conference" in 1998 to provide a platform for strengthening mutual exchange and co-operation.

On this basis, Hong Kong and Guangdong Province signed the "Framework Agreement on Hong Kong/Guangdong Co-operation" ("Framework Agreement") in April 2010. The Framework Agreement translates the macro policies in the "Outline of the Plan for the Reform and Development of the Pearl River Delta" promulgated by the National Development and Reform Committee in January 2009 into concrete measures,

setting out clearly the specific development positioning of Hong Kong/Guangdong co-operation, which includes:

- (1) a world-class new economic region;
- (2) a financial co-operation region;
- (3) a manufacturing and modern services base;
- (4) a modern economic circulation sphere;
- (5) a quality living area; and
- (6) a world-class metropolitan cluster.

The above positioning has been included in the Dedicated Chapter on Hong Kong and Macao in the National 12th Five-Year Plan promulgated in March 2011. The Dedicated Chapter calls for the deepening of co-operation between Guangdong and Hong Kong, supports Guangdong taking a pilot role in the opening up of the Mainland's service market to Hong Kong enterprises and designates three new districts, namely Qianhai in Shenzhen, Nansha in Guangzhou and Hengqin in Zhuhai, as major co-operation projects between Guangdong, Hong Kong and Macao.

Since the signing of the Framework Agreement, Hong Kong and Guangdong Province have been fostering comprehensive co-operation through implementing co-operation initiatives and measures in the areas of finance, infrastructure facilities, modern service industries, manufacturing and innovation and technology, development of internationalised business environment, international shipping, logistics, trade, conventions and exhibitions, tourism, environmental protection, building of a quality living area, education and talent, key co-operation areas and regional co-operation plans. One of the main targets of Hong Kong/Guangdong co-operation at present is to implement in Guangdong Province the early achievement of comprehensive liberalisation of trade in services with

Hong Kong by 2014, i.e. one year ahead of the national target.

Offshore Renminbi Business Centre

Hong Kong, which plays a key role in the internationalisation of the Mainland currency, is the world's largest and most efficient offshore RMB business hub, with the world's largest offshore pool of RMB liquidity. Total RMB deposits and outstanding RMB certificates of deposits stood at US\$139 billion as at end June 2013.

With the development of RMB bonds, loans and equity products, Hong Kong is also the global hub for offshore RMB financing activities. On equities, the first offshore RMB-traded share was listed in Hong Kong in October 2012 under the innovative 'Dual Tranche, Dual Counter' model.

Hong Kong is the first place outside the Mainland to develop an RMB bond market. Since the issuance and trading of RMB bonds started in 2007, there has been a significant increase in the number and size of issues and range of issuers.

By now, bond issuers include the Ministry of Finance, China, local and multinational banks and companies, and also international financial institutions.

The city serves as a platform for enterprises and financial institutions all over the world to conduct RMB trade settlement, payments, financing and investments.

The RMB clearing platform in Hong Kong is also supporting banks from all over the world to conduct their RMB transactions. As at end June 2013, there were a total of 208 banks participating in the RMB clearing platform in Hong Kong, of which 184 were branches and subsidiaries of foreign banks and overseas presence of banks in Mainland.

We shall continue to strengthen our market infrastructure and stay connected with other financial centres to enhance our RMB business.

Pearl River Delta

Described by a leading analyst as 'the fastest growing portion of the fastest growing province in the fastest growing large economy in the world', the Pearl River Delta (PRD) region is right on Hong Kong's doorstep.

Home to thousands of large multinational manufacturing enterprises and tens of thousands of smaller operations, it is a prime manufacturing and sourcing base, boasting a combined GDP of around US\$758.8 billion, placing it among the world's top 20 economies.

Pan-PRD

The '9+2' Pan-PRD regional co-operation initiative has created a huge, integrated economic cooperation zone covering the Mainland's nine southern provinces plus the Special Administrative Regions of Hong Kong and Macao.

The region is home to over 400 million people, accounting for over 30 per cent of the Mainland's total and comparable to the population of the entire European Union.

With new highways and railways extending the national transport grid, the Pan-PRD economic mega-group is expanding Hong Kong's economic catchment area into the Mainland's heartland, and opening vast new manufacturing bases and consumer markets to the world.

Greater PRD Region

The Greater PRD Region, encompassing the Pearl River Delta, Hong Kong and Macao, is rapidly turning into an economic super zone.

- GDP: US\$1,065.6 billion (2012 figure)
- Per capita GDP: US\$15,100 (2011 figure)
- Annual real GDP growth : 8.1% [for PRD only] (2012 figure)
- Exports of goods: US\$991.5 billion (2012 figure)
- Inward foreign direct investment: US\$116.2 billion (2011 figure)

CEPA – A Special Free Trade Pact

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) is a free-trade pact that provides a platform for businesses based in Hong Kong – local and foreign-owned – to tap the vast opportunities in the Mainland.

CEPA offers tariff-free privileges for all Hong Kong products meeting CEPA origin rules on importation into the Mainland. Inclusive of the measures in Supplement

IX, Hong Kong-based service suppliers (local and foreign) also enjoy preferential treatment in 48 service sectors, including banking, logistics, maritime, legal, audiovisual and transport.

Investors can set up a company in Hong Kong, partner with, invest in or even acquire service suppliers in Hong Kong to make use of CEPA opportunities.

The further opening up of the Mainland's services market to Hong Kong will enable Hong Kong-based businesses and professionals to expand their presence in the Mainland.

Cross-boundary Connections

Boundary crossings connecting Guangdong and Hong Kong are among the busiest in the world. The Lo Wu checkpoint alone handles about 261 400 travellers per day.

Major projects or initiatives to improve links, either recently completed or being planned, include:

- The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL), aimed for completion in 2015.
- The Hong Kong-Zhuhai-Macao Bridge, scheduled to be commissioned in 2016, will be a mega sea crossing linking the HKSAR with Zhuhai and Macao.
- The Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass.
- The Hong Kong-Shenzhen Western Express Line.
- Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop.
- SkyPier, a cross-boundary ferry terminal, providing high-speed ferry services for transit passengers travelling to and from eight ports in the PRD and Macao.
- In the near future, improved rail and road links will bring Hong Kong, Shenzhen, Zhuhai, Macao and other regional population centres within a 'one-hour living circle'.

For more information, please visit www.fstb.gov.hk www.tid.gov.hk