

LCQ14: Impact of "Three Direct Links" on Hong Kong

Following is a written reply by the Secretary for Commerce and Economic Development, Mr Frederick Ma, to a question by Dr the Hon David Li in the Legislative Council today (May 21):

Question:

For many years, Hong Kong has served as an intermediary for passengers and cargoes travelling between the Mainland and Taiwan. However, the planned "Three Direct Links" across the Taiwan Strait following the election victory of Ma Ying-jeou has raised concern that Hong Kong will see its above role diminishing in future. In this connection, will the Government inform this Council:

(a) whether it has estimated the potential economic loss to Hong Kong once the "Three Direct Links" are established; if it has, of the outcome; and

(b) whether it will consider implementing a policy to take advantage of the opportunities arising from the closer links across the Taiwan Strait, including but not limited to encouraging Taiwanese corporations to list on the stock exchange of Hong Kong and promoting Hong Kong as an arbitration centre?

Reply:

Madam President,

(a) We estimate that at the early stage of implementing the "Three Direct Links", the traffic between Hong Kong and Taiwan in respect of passengers destined for the major cities of Mainland through Hong Kong, and the cargo transshipments to and from ports outside the Pearl River Delta Region, will be slightly affected. The actual impact on Hong Kong will depend on the implementation programme of various measures and the detailed arrangements.

In the longer term, economic and trade exchanges between the Mainland, Hong Kong, Macau and Taiwan will become more liberal, enabling the four places to take better advantages of their respective edges and creating synergy and complementary effects. This will benefit regional trade, as well as the overall economic cooperation and long term development of the four places. Hong Kong is a global hub of finance and logistics and an international business centre, with a sound legal system,

free and open information network, free flow of capital and a free market of foreign exchange. With these competitive advantages in the region, Hong Kong can play an important role in providing support services in this greater economic circle. This will be conducive to developing more business opportunities and strengthening of investor confidence, such as attracting more Taiwan enterprises to raise capital and list in Hong Kong. The "Three Direct Links" will also facilitate the development of business and leisure travel in the region. We therefore believe that, in the longer term, Hong Kong will benefit from the "Three Direct Links".

(b) The Hong Kong Special Administrative Region (HKSAR) Government will face and adapt to the changes arising from the "Three Direct Links" in a proactive manner. With closer relationships across the Strait, the HKSAR Government will continue to enhance exchanges between Hong Kong and Taiwan. To promote mutual understanding among the people of the four places, we have allocated additional resources in the 2008-09 Budget to sponsor exchange activities between Hong Kong and Taiwan, such as co-organising seminars and other activities. We will also invite Taiwan personalities in the political, academic and other sectors to visit Hong Kong, with a view to introducing to them our latest development.

On financial services, the HKSAR Government will continue to capitalise on the role of Hong Kong as an international financial centre to facilitate the investment and development of both Mainland and Taiwan enterprises across the Strait. The Stock Exchange of Hong Kong will continue to proactively promote Hong Kong as a listing platform to enterprises from different places (including Taiwan), and step up promotional activities to publicise the unique strengths of Hong Kong as the premier capital formation centre in the region. It will also continue to closely monitor the possible impact of the planned "Three Direct Links" to the financial services industry, including the listing platform.

In respect of trade, Taiwan is the fourth largest trading partner of Hong Kong. The HKSAR Government has been actively encouraging economic and trade exchanges between Hong Kong and Taiwan. In particular, Invest Hong Kong has been promoting Hong Kong as a prime investment destination for Taiwan enterprises, and will continue to attract Taiwan enterprises to establish regional headquarters or companies in Hong Kong. The Hong Kong Trade Development Council (TDC) will also continue to promote trade between Hong Kong and Taiwan, as well as Hong Kong's role as the commerce and trade platform for entry into the Mainland market. To enhance such promotional activities, TDC has applied to the Taiwan side to establish an office in Taipei. We believe that Hong Kong, being an important service provider for trade across the

Strait, will continue to assume a strategic role after the implementation of the "Three Direct Links", contributing positively to the economic and trade relations of the four places.

In respect of tourism, we will continue to cooperate with the travel industry to upgrade our service quality and enhance Hong Kong's appeal as a premier tourist destination. We will also develop "multi-destination" itineraries and open new segments to attract visitors for conventions and exhibitions travels and cruise tourism. Through new services and enhancement of existing services, we strive to attract new visitors to cover any possible loss.

In respect of cargo transshipment, with our advantageous geographical location as well as our efficient airport and ports, we should be able to continue to attract entrepot trade through Hong Kong.

In respect of arbitration services, the HKSAR Government is actively promoting arbitration services and developing Hong Kong as an international arbitration centre in the Asia-Pacific Region. The HKSAR Government is reforming the arbitration law in order to enhance our competitive edge in international arbitration. Furthermore, the HKSAR Government is in touch with a number of leading international arbitration bodies to explore the feasibility of their establishing branches in Hong Kong. The International Court of Arbitration of the International Chamber of Commerce has decided to set up a branch of its Secretariat in Hong Kong shortly. We believe that Hong Kong will be able to provide top-class and absolutely neutral mediation and arbitration services for disputes involving enterprises across the Strait.

Ends/Wednesday, May 21, 2008