

**Information Paper for  
LegCo Panel on Commerce & Industry**

**Reports on the work of  
Hong Kong Economic and Trade Offices overseas  
and the latest developments  
on various economic and trade matters in the countries concerned**

Attached at Appendices 1 to 11 for Members' reference are reports on the work of the Hong Kong Economic and Trade Offices overseas and the latest developments on various economic and trade matters in the countries concerned since the last meeting between the Panel and the Heads of Overseas Offices on 27 November 2000.

Commerce and Industry Bureau  
December 2001

## **Brief Report on the Work of the Geneva ETO**

The main focus of the work of the Geneva during the period has been preparations for the Fourth Ministerial Conference held at Doha, Qatar from 9 to 14 November 2001.

2. From February to early November, the WTO General Council held a series of formal and informal meetings to discuss the draft declarations for the Ministerial Conference and the future work programme of the WTO. Over 100 meetings in various configurations took place. The Ministerial Conference approved a broad-based and balanced work programme that was spelt out in two declarations – a main declaration and one on intellectual property and public health.
  3. The main declaration includes elaboration of objectives and timetables for the current negotiations on agriculture and services, negotiations on issues such as industrial tariffs, certain aspects of trade and environment, WTO rules relating to anti-dumping and regional trade agreements, and possible future negotiations on trade and investment, and trade and competition policy. Negotiations are to be concluded not later than 1 January 2005. Separate provision is made for a negotiation on improving and clarifying the WTO's Dispute Settlement Understanding, which is to conclude by the end of May 2003.
  4. The declaration on intellectual property and public health spells out Ministers' recognition of various flexibilities that the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) gives to governments to deal with health problems and sets out specific tasks for the WTO TRIPS Council.
  5. Throughout the reporting period, the General Council continued its consideration of numerous proposals put forward by some developing members concerning difficulties in implementing the WTO agreements. The Ministerial Conference approved a decision on implementation-related issues and concerns and agreed on the mechanism to deal with outstanding implementation issues.
  6. The on-going negotiations on trade in services and agriculture are progressing steadily, with a view to achieving progressively higher levels of liberalization in both sectors. Services is one of the priority areas to Hong Kong since over 80% of our economy is services-related while agriculture is of little trade interest to us. WTO members are currently engaged in active initial discussions on specific service sectors as well as general issues across-the-board.
  7. Staff of the Geneva Office have been active in promoting and defending Hong Kong's interests. The outcome of the Ministerial Conference includes negotiations on a number of areas of interest, while the inclusion of a new deadline should also make the services negotiations more focused and effective.
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**Brief Report by Commissioner for Economic & Trade Affairs, USA**

The Commissioner oversees the three Hong Kong Economic and Trade Offices in the USA (Washington, D.C., New York and San Francisco) which are responsible for:

- (a) safeguarding Hong Kong's commercial interests and strengthening economic and trade ties with the U.S.;
- (b) looking after Hong Kong's public relations interests in the U.S.; and
- (c) promoting U.S. investments in Hong Kong.

2. We continue to adopt a proactive approach in representing Hong Kong's interest. Our lobbying targets include the U.S. Administration, Congress, political leaders, business community, media, think-tanks and academic institutions. We maintain regular dialogue with our interlocutors through personal calls, meetings, briefings, public speeches, seminars, conferences, interviews and media-related activities. We work closely with our network of advocates who are opinion-formers and influential leaders prepared to speak up for Hong Kong. We also disseminate our messages through newsletters, press releases, electronic mail distribution services and our website on the Internet.

3. The inauguration of George W. Bush as the 43<sup>rd</sup> President of the U.S. in January 2001, heralded a new Republican Administration with a majority in both the Senate and the House of Representatives in Congress. The defection of a senator from the Republican Party in June 2001 gave majority control of the Senate to the Democrats. The change in the majority leadership in the Senate has complicated the Administration's attempt to push through Congress its trade agenda. Trade Promotion Authority (TPA) still hangs in the balance.

4. In the early months of the new U.S. Administration, my colleagues in the Washington ETO and I concentrated our efforts on reaching out to the new Congress and their staffers. We maintained contact with held-over staff from the former Administration and were able to meet early with the new appointees once the confirmation process had been completed.

5. We were kept very busy monitoring U.S.-China relations in the wake of the EP-3 incident to minimize any spill-over onto Hong Kong. It was a very challenging period for my ETOs and we had to be particularly careful in conducting our lobbying for the renewal of NTR. The Hong Kong message reached the highest level within the U.S. Administration when the Chief Executive visited Washington, D.C. and met with President Bush. This very successful meeting was followed by the Chief Secretary's visit to Los Angeles, New York and Washington D. C. in September. Despite the events of September 11, the Chief Secretary was received by the Secretary of State, Colin Powell, and other influential Washington opinion-formers.

6. The terrorist attack on New York City and the Pentagon and the subsequent bio-terrorism have cast a long shadow over the U.S.. We are facing an unprecedented challenge in our work. The September 11 terrorist attacks have dealt a serious blow to the already sagging U.S. economy and the U.S. Congress, which is now preoccupied with their terrorism on American soil and the military actions in Afghanistan, have had their work disrupted by bio-terrorism. Many Congressional offices have been contaminated by anthrax making it difficult for us to make contact with the displaced Members and their staff. Anthrax contamination is also affecting Federal buildings but this has not deterred us from maintaining our contacts with the U.S. Administration. Given their preoccupation with the war on terrorism and making America safe, Congress has put trade agenda items and other issues of Hong Kong interest on the back burners.

7. It is difficult to predict with any certainty when business will return to normal. However, the U.S. ETOs will not let up in our momentum in promoting Hong Kong's economic and trade interests and building up good working relations in our host country.

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## **Brief Report on the Work of the Brussels ETO**

### Commercial Relations

The Brussels Office has closely monitored developments in the European institutions, including the European Union (EU)'s and individual Member States' position on the launch of a new round of multilateral trade talks; preparations for the circulation of the Euro; the EU's bilateral relations with other economies; as well as new or proposed technical regulations and standards promulgated by the EU or individual Member States. The Office has also lobbied the EU and individual Member States to terminate anti-dumping action against imports from Hong Kong, and sought to enhance co-operation with European economies on the control on trade in strategic commodities.

2. The Office has also maintained close liaison with business associations in Europe with a view to promoting bilateral trade and economic relations through better understanding of Hong Kong's advantages as a business, trade and financial centre.

### Government Relations

3. The Office has helped policy bureaux and departments on a number of bilateral issues, most notably the European Union agreement to provide visa free access for HKSAR passport holders.

### Public Relations

4. The Office updates European Union and European Member State officials, politicians, businessmen and the media on developments in Hong Kong, particularly highlighting the business opportunities. It has held a number of major events to launch the Hong Kong: Asia's World City brand and has developed a new web-site to attract European web-users to visit Hong Kong web-sites.

5. Visits have been organised for a number of senior Hong Kong representatives, including visits by the Chief Secretary to Paris, Brussels and Luxembourg, the Financial Secretary to Berlin, Frankfurt and Brussels, Secretary for Economic Services to the Netherlands and Belgium, Secretary for Security to Paris and Brussels, Commissioner Against Corruption to Berlin, as well as visits by the Commissioner of Customs and Excise, the Director of Immigration, the Director-General of Trade and Industry and the Director-General of Investment Promotion. Assistance was also given to a fact finding mission of the LegCo Panel on Constitutional Affairs to France and Germany.

6. On the media front the Office monitored about 160 European newspapers and periodicals. Over the past 12 months, six newsletters have been issued.

### Investment Promotion

7. The Office has a small InvestHK Desk and supports its promotion activities whenever possible including regular visits to Europe by the Director-General of Investment Promotion and his Assistant Directors-General.

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## **Brief Report on the Work of the London ETO**

The London Office is responsible for Hong Kong's economic and trade relations with the UK, as well as the non-European Union (EU) member states in the continent including Norway, Switzerland, the Central and Eastern European countries, Malta and Cyprus.

### The UK

2. Economy in the UK has been moderately affected by the global economic downturn following the impact of foot and mouth disease, which brings GDP growth in the UK down from 2.7% in the 1<sup>st</sup> quarter to 2.2% in the 3<sup>rd</sup> quarter compared to the same period last year. Public opinion remains divided on whether and when the UK should adopt the Euro. Labour won a convincing second term in the General Election held in June. Following the defeat, William Hague stepped down as party leader and the Conservatives elected Iain Duncan Smith, in preference to Kenneth Clarke, as the new leader. The new Labour government underwent some cabinet reshuffling to strengthen support for the Prime Minister, including his agenda for public services reform. In the wake of the events of 11 September, Tony Blair has shown unprecedented support for the US and succeeded to move the UK very much more to the world political stage.

### Incoming Visits

3. The London Office organised the visit of the Chief Secretary for Administration in November. During the visit, the CS met the Deputy Prime Minister, Leader of the Opposition and the Shadow Foreign Secretary, Leader of the Liberal Democratic Party, the Lord Chancellor, Secretary of State for Trade and Industry, Governor of the Bank of England, Permanent Secretary of the Foreign and Commonwealth Office, the chairmen and members of the Foreign Affairs Committee and the Hong Kong Committee of All Party China Parliamentary Group. He delivered a keynote speech at the annual dinner of the Hong Kong Trade Development Council. He addressed the Hong Kong Association and Chatham House, one of the world's leading institutes on international issues. He also met the Lord Chancellor and attended a dinner hosted by him.

4. The Financial Secretary visited London in June. He met the Chancellor of the Exchequer, Governor of the Bank of England, Chairman of Financial Services Authority, Parliamentary Under-Secretary of State of the Foreign and Commonwealth Office, the Chairman of the Board of Inland Revenue and prominent international rating and ranking agencies based in London. He also updated senior representatives from the financial services sector in London on the latest developments in Hong Kong. He officiated the launch of the BrandHK at Banqueting House and delivered a keynote speech at the Dragon Boat Dinner hosted by the Hong Kong Association.

5. The Secretary for Justice visited the UK in March to attend the World Women Lawyers Conference. She took the opportunity to call on the Lord Chancellor, the Attorney General, the Advocate-General for Scotland, and the Minister of State of the Foreign and Commonwealth Office. Apart from meeting members of the Foreign Affairs Committee and the Hong Kong Committee of All Party China Parliamentary Group, she also met the Chairman of the Bar Council and the President of the Law Society and gave a speech at the luncheon organised by the Asia Pacific Society of the University of Oxford.

6. The London Office also assisted in organising visits of other senior government officials over the year to the UK to meet with their counterparts and other contacts in the UK government. They include the Secretary for Economic Services, Secretary for Security, Secretary for the Civil Service, Deputy Secretary for Financial Services, Commissioner for Innovation & Technology, E-Government Co-ordinator and the Deputy Director of Administration.

7. The LegCo Panel on Financial Affairs visited London in April to study the financial systems of the UK. The LegCo Panel on Environmental Affairs Panel came to the UK in April to visit the Crossness Sewage Treatment Works and Mogden Sewage Treatment Works. The LegCo Panel on Constitutional Affairs visited the UK and Scotland in June to study parliamentary systems. The London Office provided assistance in organising all these visits.

8. The Advisory Council on the Environment, led by the Chairman, Mr Peter Wong, visited the UK and Norway in August to study the waste water and solid waste treatment and other related environmental issues.

#### Outgoing Visits

9. During the period, the Office invited 23 influential opinion formers to visit Hong Kong under the government's sponsored visitor programme. Six of them have already visited Hong Kong this year under this sponsorship.

#### Public Relations and Inward Investment Promotion Activities

10. During the reporting period, the London Office organised nine receptions, seven briefings and five luncheon speeches. In addition, the Director-General, London gave eleven speeches/presentations on Hong Kong. In September, the Director-General hosted a well-attended musical evening at his residence.

11. The London Office conducted 66 company visits and had been successful in helping 23 British companies set up business in Hong Kong.

12. The Office continued to liaise closely with leading businessmen and opinion formers in the UK, including politicians, journalists, rating agencies, think tanks, academics and professional groups.

#### Other Countries

13. The Office made 11 bilateral visits to capitals and major cities in the non-EU countries in Europe including Switzerland, Norway, Hungary, Czech Republic, Poland, Slovenia, Estonia, Latvia, Cyprus and Lithuania to brief government officials and businessmen of these countries and to provide support to the SAR Government's lobbying efforts for visa-free access for HKSAR passport holders. The Office also organised five receptions and five business seminars in Bern, Budapest, Oslo, Prague and Warsaw. DGL spoke at all of these seminars. The London Office also maintained regular liaison with the International Institute for Management Development, a major ranking agency based in Lausanne, Switzerland. In addition, the Office conducted 17 company visits in Norway and Switzerland.

14. The London Office monitored closely the accession progress of the candidate countries for EU enlargement. The European Commission issued in mid November annual progress reports on applicant countries and a strategy paper on how to help them to prepare for the accession. At the forthcoming EU summit in Laeken (14/15 December), the European Commission will make an in-depth evaluation and analysis of the candidates' current state of each candidate country's preparedness for meeting the EU accession criteria. The Summit's conclusions should give a clear indication of where each applicant country stands in meeting the 2002 target date for the completion of the negotiations.

Activities Planned for 2002

15. The London Office would continue to promote Hong Kong in and maintain bilateral relations with the countries under its preview. Emphasis will be put on Hong Kong's highly strategic role as a world class business hub to leverage the Mainland market and a major portal to the global economy, particularly in the wake of Mainland China's access to the WTO. To celebrate the 5th Anniversary of the Establishment of the HKSAR, the London Office will organise a Hong Kong Festival in London in the summer of 2002. The Festival will include theme exhibitions and presentations and other activities to promote Hong Kong as Asia's World City.

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## **Brief Report on the Work of the Tokyo ETO**

### Work of the Office

During the reporting period, ETO Tokyo continued to conduct promotional activities throughout Japan. Major business seminars and receptions were held in Tokyo, Osaka, Oita, Sapporo to promote the business opportunities Hong Kong offers. Distinguished guests including the Hon. Leung Chun-ying and Hon Selina Chow were invited to address the audience. The successful implementation of the concept of “One Country, Two Systems” and the Hong Kong Brand were also publicised at these occasions. Separately, duty visits were conducted to Yokohama, Osaka, Ishikawa, Oita and Nagano to strengthen the bilateral exchanges between Hong Kong and the regional prefectures and to bring our local contacts updated on the latest developments of Hong Kong. Regular briefings on topical issues such as the Chief Executive’s Policy Address, the Budget and initiatives to promote tourism were also conducted for our interlocutors.

2. ETO Tokyo also arranged an official visit of the Chief Executive to Japan from 20-23 March, which was a resounding success. During his stay, the CE held useful meetings with the then PM Yoshiro Mori; the minister of foreign affairs; the minister of economy, trade and industry; the minister for economic and fiscal policy and information technology; and business leaders in Japan. In honour of the CE, ETO Tokyo hosted a business luncheon, which was attended by over 450 prominent guests.

### Perception of Hong Kong

3. Hong Kong continues to enjoy a broad-based support from Japan. Many are eager to learn how Hong Kong has been faring since the reunification. On the economic front, many of our contacts agreed that Hong Kong would stand to benefit from China’s entry into the WTO and her hosting of the 2008 Olympics, though some of them showed concern about the competition from Shanghai. Some Hong Kong-watchers are also concerned about the recent economic downturn of Hong Kong and the possible repercussions for Hong Kong’s economy brought by the terrorist attacks on the US. Meanwhile, the Japanese media continued to give prominent coverage to topical issues in Hong Kong including the Falun Gong, appointment of the new Chief Secretary for Administration and Financial Secretary, CE Election Bill, etc.

### Japan’s Politics

4. In stark contrast to the extremely unpopular cabinet of his predecessor Yoshiro Mori, Prime Minister (PM) Junichiro Koizumi’s new cabinet has been enjoying consistently high approval ratings of 70-80% since its inauguration in April 2001. While the straight-talking style of the charismatic PM is one reason for his popularity, the high support rate also reflects the great expectations that Japanese people have on Koizumi and his cabinet to carry out structural reform.

5. However, no drastic reform measure has been introduced so far, which some pundits attributed to the strong resistance from the anti-reformist force within both the ruling LDP and the bureaucracy. Some also noted that soon after the LDP won a landslide victory in the Upper House election, the conservative wing within LDP has become more vocal in objecting to Koizumi's reform measures, arguing that priority should be placed on economic stimulus measures to avert economic contraction. Some analysts considered that the political fortune of Koizumi would hinge on how he could leverage on his public support to overcome resistance from within the party to carry out reforms, without inflicting unbearable pain on the general public.

### Japan's Economy

6. Japan's economy has been deteriorating. Business investment, which drove the economic growth last year, took a turn for the worse as a result of falling exports due to global economic slowdown. Industrial output and business sentiment have been weakening. Unemployment rate continued to rise and hit a record high of 5.3% in September. Many major corporations including some giant electronic makers have announced massive manpower cuts. Worries over employment prospect have caused personal consumption, which accounted for 60% of the GDP, to remain flat. In terms of GDP figures, while a 1% growth was registered in fiscal 2000 vis-à-vis the government's target of 1.2%, a 0.7% quarter-to-quarter contraction was recorded for the April-June quarter in fiscal 2001, which translated into an annualised contraction of 2.9%.

7. The economic outlook is bleak. The recent terrorist attacks in the US and the confirmation of mad-cow disease cases have fuelled further pessimism. The government has recently revised the target growth rate for fiscal 2001 from 1.7% to minus 0.9%, a figure forecast by many private-sector economists. Meanwhile, the Bank of Japan has revised downward its economic growth projection to minus 0.9%-1.2% for fiscal 2001. A 0.1% growth to a 1.1% contraction has been forecast for fiscal 2002.

8. To revive the ailing economy, Koizumi has pledged to implement sweeping structural reforms, instead of relying on pump-priming measures adopted by former administrations. A grand reform plan, dubbed as the "big-boned programme" was announced in late June. Centering at clearing the massive bad loans weighing on the banking sector within two to three years, the plan also featured other controversial proposals like privatisation of public corporations, capping of issuance of government bonds at 30 trillion yen to correct the nation's fiscal imbalance, creation of a safety-net to deal with unemployment, etc. Whether and how the structural reforms could be implemented will be the key focus of the economic developments of Japan.

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## **Brief Report on the Work of the Sydney ETO**

### Work of the Office

The Sydney Office is responsible for Hong Kong's economic and trade relations with Australia and New Zealand. Over the past year, the office has continued to vigorously promote Hong Kong as Asia's premier international city and explain government policies and initiatives to political leaders, government officials, media and the business community in the two countries. This is done mainly through regular liaison, speaking engagements, exhibitions, media briefings, press releases and op-eds/letters to editors. The Investment Promotion staff conducted a number of visits to Australian and New Zealand companies and assisted them in exploring investment/expansion opportunities in Hong Kong.

2. There were a number of visits by senior officials from Hong Kong during the past 12 months. We received, among others, the Secretary for the Civil Service, the Information Coordinator, the Director-General of Investment Promotion, the Director of Intellectual Property, the Director of Public Prosecutions and the Commissioner for Tourism. This office facilitated the various visits through providing logistical support, organizing programmes/functions and arranging media interviews. Commencing from June, the Sydney Office launched a series of activities to publicize Brand Hong Kong. Exhibitions, speaking engagements and media publicity were organized in Sydney, Melbourne, Adelaide, Perth, Brisbane and Auckland.

3. In September and October, the office staged the 2001 Hong Kong Film Festival aimed at promoting appreciation of Hong Kong films and providing an opportunity for exchanges between the film industries of Hong Kong and Australia. A total of ten quality Hong Kong films were screened in Sydney, Melbourne and Brisbane, which contributed to extending the general awareness of the breadth of contemporary Hong Kong cinema.

4. In the coming year, we will continue to liaise closely with our interlocutors in both the public and private sectors to keep them abreast of developments in Hong Kong and strengthen, where possible, our efforts in cultivating even stronger ties with Australia and New Zealand.

### Political Development

5. In Australia, the Federal election was held on 10 November. The ruling Coalition government (of Liberals and Nationals), led by Mr John Howard, won office for a third consecutive term. The Coalition's victory was generally attributed to its hard-line stand in the handling of the recent influx of boat people from the Middle East, and its strong show of leadership in the aftermath of the September 11 terrorist attack in the US.

6. Following the elections, Mr Kim Beazley resigned as Leader of the Opposition Party. His deputy, Mr Simon Crean, succeeded as the Leader of the Party.

### Economic Outlook

7. The Australian economy grew by 1.9% for the year to June, inflation was 6% and unemployment was 6.4%. The October forecast for economic growth in 2001-2 has been revised downwards slightly to 3% from 3.25% since the 2001-2 Budget, reflecting in particular the expected impact of a much weaker world economy, offset to some degree by the strong domestic demand. The unemployment rate is expected to be 7% and inflation is forecast to be around 2.75%.

8. In New Zealand, the economy grew by 2% in the June quarter. Most industries recorded increases, with the manufacturing sector leading the way with a 4.8% rise in activity. Inflation was 2.4% as at September and the unemployment rate, at 5.2%, has fallen to its lowest level in 13 years. In his 2001 Budget, the Treasurer forecast economic growth for the year to March 2002 at 2.6%, unemployment rate at 5.5% and inflation at 2.3%. A recent report by the New Zealand Institute of Economic Research said that while the New Zealand economy was unlikely to be immune to the negative global developments, it appeared better placed to cope than it was in past downturns in world economic growth. A low New Zealand dollar, low interest rates, strong employment and an agricultural sector in good shape should help to buffer the economy.

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## **Brief Report on the Work of the San Francisco ETO**

The San Francisco ETO reaches out to the business community, political figures, government representatives, academic institutions and the media in the 19 western states of the USA to promote and strengthen trade relations with Hong Kong. It has been a busy year as changes in the economy in the US have produced challenges and opportunities in the development of business connections across the Pacific.

2. The ETO has hosted a number of guests from Hong Kong during the reporting period, organized and sponsored a variety of events and maintained a high profile in business-promotion events on the west coast.

3. After the Chief Executive's visit to San Francisco in July, the office was engaged in the organization of the Chief Secretary's first official visit to the west coast in September. Other major guests for whom the ETO made preparations included: Chairman of the Hong Kong Trade Development Council, who visited San Francisco in February; Deputy Chief Executive of the Hong Kong Monetary Authority, who visited Hawaii and San Francisco in May/June; Convenor of the Executive Council, who visited Seattle in May; and Secretary for Security, who visited the Bay Area in August. At every step, the ETO has made maximum effort to find venues where the visitors can get their messages out to the local community to promote the Hong Kong Advantage and Brand Hong Kong.

4. The downturn in business for many west coast companies this year has made it an especially important year for promoting Hong Kong. The ETO co-organized with 13 Bay Area Asian business and technology organizations a first-of-its-kind business mixer in June that brought together approximately 400 representatives of high-tech companies and other guests in Silicon Valley. Assistance was also rendered to the Deputy Secretary for Information Technology and Broadcasting who led a Hong Kong delegation to Silicon Valley in November.

5. The Invest Hong Kong Desk in the ETO continued to promote Hong Kong as a premier location for doing business, encouraging US investment into Hong Kong. It succeeded in recruiting the first three Silicon Valley tenants for the Science Park. The office assisted the Commissioner for Innovation and Technology and the Hong Kong Science and Technology Parks Corporation's delegation to Silicon Valley for the signing ceremony in June. The office also organized a visit programme for Director-General of Investment Promotion in July to San Francisco and Silicon Valley for attracting inward investment into Hong Kong.

6. On visitors to Hong Kong, the ETO assisted in, among others, the San Francisco Mayor's November meeting with the Chief Executive in Hong Kong, and helped the National Conference of Editorial Writers plan its delegation's Hong Kong visit and meeting with the Chief Executive in May.

7. In October the ETO organized a film festival in Los Angeles, "Hong Kong Neon," to promote Hong Kong cinema and the film industry. It also sponsored the Seattle International Film Festival in May, which featured several Hong Kong films.

8. The San Francisco ETO has made every effort to seize the positive opportunities in an economically troubled time, especially in the wake of the terrorist attacks on September 11, to promote Hong Kong through organized events and media contacts. Through such efforts, the office has ensured that there is a voice for Hong Kong on the west coast of the USA.

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## **Brief Report on the Work of the Washington ETO**

Year 2001 has been a highly challenging year for the Hong Kong Economic and Trade Office in Washington DC as the US capital has come through a great deal of changes, some expected but many are unanticipated.

2. Changes foreseen in our work included the doubling of efforts to establish a working relationship with the new Republican Administration under President George W Bush and the reorientation of the priority of our work following the passage of PNTR and the anticipated China's accession to WTO. Although the political appointment to the various offices of the Bush Administration has experienced a great deal of delay (there are still some appointments, including a number of trade posts with whom we have close dealings, remain unfilled), we have made a lot of inroad in establishing working contacts with the new team, both in the Administration and Congress soon after they have taken their respective offices. We have also succeeded in laying some ground work in engaging many key contacts through briefings and meetings and shared with them information on Hong Kong and reinforcing the mutual interest between Hong Kong and the US. The Chief Executive's meeting with President Bush in Washington, DC in July and the subsequent visit by the Chief Secretary in September were most significant in reassuring the US Hong Kong's strongest commitment in safeguarding the freedoms, the rule of law and level playing field in Hong Kong.

3. Hong Kong's reputation as a free and open society and our continued success in the implementation of "One Country, Two Systems" have been recognized by the Bush Administration through its State Department's Report on Hong Kong released in August. The Report also assured continued US support towards Hong Kong. Not unexpectedly, Hong Kong has continued to be named as the "world's freest economy", for eight years in a row, in the recently released Heritage Foundation's Index on Economic Freedom 2002. Earlier this year, another Washington-based think tank CATO also awarded Hong Kong the freest economy in the world in its Economic Freedom of the World 2001 Report.

4. The shift of Senate leadership in June arising from Senator James Jeffords' sudden withdrawal from the Republican Party was in a sense not surprising as Senate had been almost evenly split after the 2000 election and any one single change in seat will tip the balance of power. We have been able to respond to the new Senate setup effectively given our balanced lobbying strategy on key Members of both the Republican and Democratic Parties and our on-going engagement with the Senate and House leadership as well as key members in major Congressional committees.

5. What was unforeseen is the EP3 plane incident happened in April and the following anti-China sentiments triggered among both Congress and the US nationwide. It gave rise to attempts to introduce legislations against China and created some hurdles for the otherwise straightforward final renewal of Normal Trade Relations (NTR). Despite the uncertain US-China relations, we worked closely with the US Administration and business community and launched successfully the lobbying campaign on NTR for China on behalf of Hong Kong interests which contributed to the eventual passage of the China NTR. During the year, we also kept close watch on legislative initiatives which might, intentionally or otherwise, contain languages affecting Hong Kong and tried to avoid any adverse impact through intensive lobbying.

6. The greatest shock to the US as well as the world was the terrorist attacks on September 11 in New York and Washington, DC. Since September 11, both the White House and Congress have swept aside most other issues and focused on attending to the aftermath of the attacks and rallying support for the campaign against terrorism. In addition to expressing our deepest sympathy to the country and the victims, we have taken the opportunity to, through Hill calls, meetings, speeches, publications and target-letters, share with the US Administration measures that Hong Kong has put in place before and after the incident in joining the world in combating terrorism. The obvious example we used to showcase Hong Kong was our efforts in legislative controls over money laundering and on prohibition of services contributing to weapons of mass destruction which were enacted in 2000 and 1997 respectively. Taking advantage of Hong Kong's presidency of the Financial Action Task Force Against Money Laundering and our leadership role in its extraordinary plenary meeting held in Washington DC in October, this office has organized seminars and receptions to keep key contacts in the Administration, Congress, think tanks and media informed of the forefront position Hong Kong has taken in supporting the worldwide campaign against terrorist financing.

7. The September 11 incident has not only affected the US community but also the work and daily life of the Hong Kong team here in Washington. The alarming cases of deadly anthrax attack have caused widespread concern leading to the temporary closure of some government and Congressional offices, stopping of mail and greater security checks in access to public places, which in turn impeded much of our normal liaison activities with the Federal Government and Congress. Through the new focus of sharing our anti-terrorist financing measures, we have re-opened some doors to our target audience and secured a great deal of good will and positive feedback on Hong Kong. Hopefully, these efforts will pay dividend to the long term trusting relationship with the US. Meanwhile, despite the various difficulties mentioned above, we have tried to maintain our office operation throughout although we have also reviewed our contingency measures internally to minimize the exposure to the risk.

8. Year 2001 has obviously been more eventful than we have expected. Despite the political turbulence, we have achieved the most important task of reaching out to key officials of the Bush Administration, key Members and staff of the new Congress and prominent think-tankers with the Hong Kong message. The close cooperation between the Washington ETO and the business community remains intact. Through constant liaison, sponsored and non-sponsored visit programs, senior officials visits from Hong Kong, regular printed and electronic newsletters, we have been keeping a few thousand key contacts in Washington, DC informed of Hong Kong's latest developments. So far we have been very encouraged by the positive response we received and the great amount of interest expressed on Hong Kong's developments by our Washington interlocutors.

9. Being physically in America witnessing the terrible tragedies causing the loss of thousands of lives, we can feel the pain of the American people and see the need for Hong Kong to remain actively engaged in the worldwide campaign against terrorism. Looking ahead, we will build on the good cooperation we achieved with the US during the past year, continue to represent Hong Kong's interests in the US and do our best to further US-HK relations.

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## **Brief Report on the Work of Toronto ETO**

### Work of the Toronto Office

The Toronto Office continues to reach out to the three levels of governments, legislators, the business community, the media, and think-tanks/academia across Canada through a range of proactive programmes (including speaking engagements, seminars, media interviews/briefings, press releases, newsletters, exhibitions, courtesy calls, receptions, etc) to keep them abreast of the latest state of play in Hong Kong, promote inward investment and Hong Kong's overall image as Asia's world city. We also assist HKSARG bureaux and departments in liaising with their Canadian counterparts and collating of information.

2. On general promotion, the highlights of 2001 include our launching of Brand Hong Kong in major Canadian cities and the presenting of a large-scale Hong Kong Arts Festival in Toronto in November. Besides, in collaboration with the Canadian Association of Journalists, we will offer fellowships for three selected Canadian journalists to visit and report on Hong Kong this financial year. On investment promotion, we have organized some 16 business seminars this year in collaboration with various Canadian government departments/business organisations. We have attracted two Canadian firms this year to set up offices in Hong Kong, and are actively liaising with some 60 other firms. Senior HKSARG officials visiting Canada this year include Secretary for Health and Welfare, Secretary for Economic Services, Commissioner of Insurance, Director of Health and Deputy Secretary for Information Technology and Broadcasting. These visits further reinforce the ties between Canada and Hong Kong.

### Political Developments

3. The federal election held in November 2000 ensures the Liberal Party's continued dominance in federal politics. However, there have been speculations on the possible retirement of Mr. Jean Chretien, the Prime Minister. Possible candidates vying for the position include quite a number of prominent ministers. The Canadian Alliance, the Official Opposition Party, has been in turmoil and a group of Alliance MPs have left the Alliance to form their own group in protest against the Alliance leader Stockwell Day's leadership style. At the provincial level, several provinces held their election during the year, with the result of British Columbia being the most spectacular in the change of government.

4. Given Canada's proximity with the US, the events of September 11 in the US have caused concerns about its own security measures. The principal issue for the Canadian side in the wake of the attacks is to strike a balance between preserving the open border with the US and resisting the pressure, both from the US and from home, to align with the American policies in terms of border control and control of immigration and refugees. The Prime Minister has stressed that Canada will continue to make its own laws on immigration, and the Foreign Affairs Minister has rejected the idea of a broader North American security perimeter. However, analysts have pointed out that Canada will essentially be forced by the US to address these issues, in order to protect the free flow of commerce between the two countries, which is so vital to the economic well-being of Canada.

5. In response to the terrorist attacks on the US on September 11, the Canadian Government has introduced an omnibus bill to amend a number of existing legislations to strengthen the capabilities of law enforcement agencies to combat terrorism. The bill, supported by major political parties, has generated debates on how to strike a fine balance between anti-terrorism and preserving civil liberties.

#### Economic Developments

6. Given Canada's dependence on, and integration with, the US economy, the economic slowdown in the US compounded by the terrorist attacks in September has adversely affected Canada's economic outlook significantly. The Bank of Canada and major private banks have predicted that economic growth in the third and fourth quarters this year will likely be slightly negative, resulting in technical recession. The Bank of Canada has lowered interest rates eight times this year owing to the economic slowdown, and is expected to cut the rates further. In November this year, The Bank of Canada predicted that Canada would register 1.5% growth in 2001, sharply lower than last year's 4.7%. The hardest hit sectors include the airline industry (one of the two major Canadian airlines has filed bankruptcy and ceased operation), tourism and financial services. All these sectors have announced large-scale lay-offs in the last two months. Besides, the anti-dumping duty imposed by the US on Canadian softwood lumber has dealt a severe blow to the timber industry. The impact is particularly heavy on provinces that export timber to the US, such as British Columbia.

7. There has been great concern about how long the economic downturn will last and how government could help to minimise the impact. The federal government is keen to keep a balance budget, which is in part made possible through drawing from the surplus made in previous years. However, a deficit budget at the federal level is possible given the reduction of revenue, Canada's military participation in the strike against terrorists led by the US and the possible need for fiscal economic stimulation. On the provincial level, the Ontario government has recently announced mild economic stimulation plans, stressing the need to avoid deficits. The Quebec government has also done the same. There have been calls for the Federal Government to increase spending to stimulate the economy in its coming Budget to be announced in December this year. However, according to a recent poll, Canadians do not want to pay more tax, do not want to have their health and education expenditure cut and yet still demand the federal government to do something to stimulate the economy. Faced with this sentiment, the Finance Minister will have to tread carefully and may be forced to make some tough choices.

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## **Brief Report on the Work of the New York ETO**

To promote and sustain the economic and trade relations between the United States and Hong Kong, the New York ETO conducts a vigorous and proactive programme of activities to reach out to companies, business groups, think-tanks and business and community leaders in 31 states under its purview. Its information services team liaises with the electronic and print media to provide them with updated information on Hong Kong. A dedicated Invest Hong Kong Desk also makes frequent company visits to seek out potential investors.

2. Since the last report, the ETO had organized and assisted in multiple visits to the US by Hong Kong Government and community leaders, as well as various other Hong Kong organizations:

- In April 2001, the ETO assisted in the visit programme of the Legislative Council Joint-Panel on Financial Affairs and the Bills Committee on Securities and Futures Bill and Banking (Amendment) Bill delegation.
- Our office arranged for side programmes in Boston for the Secretary for Health and Welfare and the 30-person delegation attending a conference in June 2001.
- We advised the delegation of the Vocational Training Council Sub-committee on Training in New Technologies in arranging its August study tour.
- The ETO organized the New York leg of the Chief Secretary's visit to the US in early September.
- In mid-October, our office arranged a packed programme for the Director-General of Investment Promotion to visit target companies in Baltimore, Washington DC, New York and Boston.

3. The launch of the new Hong Kong Brand in New York before the summer was received positively. A sustained programme to promote Hong Kong as Asia's World City is being undertaken.

4. The New York ETO also actively participated in and sponsored many local events. One of the largest was the 11<sup>th</sup> Hong Kong Dragon Boat Festival in New York, for which the ETO was the major sponsor. The event was very well received, attracting over 45,000 participants and spectators, receiving extensive and prominent coverage in the local electronic and print media.

5. As for visitors to Hong Kong, the ETO helped organise the visits of the Alabama outreach mission in March, as well as the New Jersey trade mission delegation in June.

6. Director (New York) visited 12 cities in 10 states since January 2001. In the first three quarters, against the backdrop of China's imminent accession to the WTO, the level of interest in Hong Kong was high. As Hong Kong demonstrated sustained recovery from the Asian financial crisis, US companies and trade organizations readily explored opportunities to expand into the Mainland through Hong Kong.

7. Because of the terrorist attacks in September and the weakening economy, the wait-and-see sentiment is unsurprisingly prevalent across sectors. For example, a Governor-led trade mission from Minnesota to China and Hong Kong which the ETO had been involved closely in its planning, had been postponed indefinitely. Although many existing projects have been put on hold, the InvestHK Desk in the ETO continues to seek out interest and nurture new projects in targeted sectors.

8. For 2002, the ETO will continue to seek out new avenues to sustain and improve our promotional efforts in Eastern USA.

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## **Brief Report on the Work of the Singapore ETO**

### Work of the Office

The Singapore Office is responsible for enhancing the economic and trade interests of Hong Kong among ten member countries of the Association of South East Asian Nations (ASEAN)\*, providing useful information to Hong Kong on major political, economic and social developments in the region, conducting various research projects on public policies and legislation, arranging visits for official delegations from Hong Kong, contributing to sponsored visitors' programme to invite VIPs in the region to visit Hong Kong, and serving as a point of liaison with the APEC and PECC Secretariats. The Singapore Office also seeks to promote, among the business communities in the region, the investment opportunities in Hong Kong and to encourage them to set up operations in Hong Kong.

2. The Singapore Office also strives to promote Hong Kong's image as Asia's World City in our host countries. We have organised from time to time business seminars and conferences, delivered talks and speeches, participated in exhibitions and other promotional activities to enhance the knowledge of Hong Kong among government authorities, business communities, government think tanks, research institutes and academia, diplomatic corps, as well as international and community organisations in the region. In May and June this year, a series of promotional activities were held to introduce the new Hong Kong brand in major cities in the region. The new Hong Kong logo has been well received among our interlocutors and has formed part of our promotional efforts. Apart from these, we have also conducted press and editorial briefings to update the media on latest economic developments and government policies in Hong Kong. Briefings on the policy address and budget were also held.

3. In addition to trade and investment related promotional activities, the Singapore Office also organised various art and cultural activities to showcase Hong Kong's culture and leisure side of life as a cosmopolitan city. To this end, Hong Kong film premiere was organised on two occasions to promote Hong Kong's movie industry. Moreover, a premier dinner to feature Hong Kong's east-meets-west characteristics, and a modern dance performance staged by Hong Kong Academy for Performing Arts were held.

### Regional Development

4. Whilst most ASEAN countries including Thailand and Malaysia have introduced various economic and financial reforms and gradually seen signs of slow recovery from the previous financial crisis, the 911 incident dealt another heavy blow to the economy of the region and wiped away much of the reforming efforts. Whilst many of them have yet to release updated economic figures, it is expected that most countries will suffer from lower or even negative GDP growth since most of their exports rely heavily on the US market. For example, Singapore already registered a -5.6% GDP growth for 2001, its total exports have been down by 18% in the third quarter; and its unemployment rate was recorded at an unprecedented level of 3.8%. Both Singapore and Malaysia have put forward off-budget measures including a series of tax reduction/rebate programmes to revive the economy and Thailand's Prime Minister Thaksin Shinawarta recently announced his plan to reform rural industries in order to build up a strong domestic support. As regards other major ASEAN players such as Indonesia and the Philippines, both of them have been much pre-occupied by domestic problems and have yet to deliver drastic plans to boost the economy.

5. At a macro level, China's accession into WTO has posed both opportunities and threats to the ASEAN countries. Whilst they foresee the potential business opportunities arising from China's accession, they are more wary of their economies being hollowed out by the huge China market. The ASEAN realised the need to strengthen the economic ties with China and has agreed at the recent ASEAN Summit to proceed with the ASEAN+China free trade arrangement.

6. On the political front, there has been a more stable scene among ASEAN countries since the latter half of the year. It has been a year demonstrating more prominent changes in the leadership and governance among major ASEAN countries. Singapore held its General Election on 3 November and the ruling party achieved landslide victory. Thaksin Shinawarta was returned in early 2001 as Thailand's Prime Minister and Gloria Arroyo became the President of the Philippines in January 2001. After years of political instability, Megawati Sukarnoputri was made the President of Indonesia in July after the impeachment of former President Wahid. The leaders in general enjoyed popular support and could therefore focus more on reforms. Yet there are still potential risks that could dismantle the recovery and integrity of these countries, e.g. extreme Muslim activities in Indonesia and Malaysia, serious crimes in the Philippines, etc. The Singapore Office will keep a watching brief over the business and political prospects in these ASEAN countries.

\* ASEAN members countries include Brunei Darussalem, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

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