

**For discussion
on 10 December 2001**

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

Establishment of Hong Kong Economic and Trade Office in Guangzhou

PURPOSE

This paper briefs Members on the establishment of the Hong Kong Economic and Trade Office (HKETO) in Guangzhou and seeks Members' support for the creation of a directorate post to head the HKETO.

BACKGROUND

2. The Pearl River Delta (PRD) has long been Hong Kong's economic hinterland and the closest business and trading partner. It is home to the greatest number of Hong Kong companies operating outside Hong Kong and it is the main destination of Hong Kong's outward investments. Economically, the PRD and Hong Kong have complemented each other's development. Currently, about five million people are employed in Guangdong by some 40 000 business undertakings with Hong Kong interests.

3. As the major gateway to the Mainland, Hong Kong is well positioned to capitalise on the business and trade opportunities in the PRD arising from China's accession to the World Trade Organisation (WTO). It will be of mutual benefit for Hong Kong and Guangdong to strengthen their economic co-operation and forge closer business links. We consider it important and timely to strengthen business liaison between the two places and to provide better support for Hong Kong businesses operating in the PRD.

4. The Chief Executive announced in his Policy Address of 10 October 2001 that the Government would establish a HKETO in Guangzhou in 2002 to promote economic co-operation between Hong Kong and the PRD, to strengthen business liaison between Hong Kong and Guangdong, and to provide better support services for Hong Kong businesses in the PRD.

5. There are at present ten HKETOs located in Washington DC, New York, San Francisco, Toronto, London, Brussels, Tokyo, Sydney, Singapore and Geneva. With the exception of the HKETO in Geneva, whose primary role is to represent Hong Kong at the WTO, the HKETOs serve to promote Hong Kong's economic and trade interests in their respective host countries or regions. They monitor and report on developments that might affect Hong Kong's economic and trading interests. They also promote investment flows to Hong Kong and organise events to promote Hong Kong's image.

ROLE OF THE HKETO IN GUANGZHOU

6. The HKETO in Guangzhou will be responsible for handling economic and trade issues between HKSAR and Guangdong Province. Similar to other HKETOs, the ETO in Guangzhou will serve to promote Hong

Kong's economic and trade interests and seek to attract direct investments into Hong Kong. Specifically, this office will perform the following functions –

- (a) economic and trade liaison – to further develop and reinforce the economic and trade relations between Hong Kong and Guangdong through enhanced communication and co-operation with the provincial government and relevant local authorities;
- (b) enhancing understanding between the Guangdong and the HKSAR governments – to act as a channel of information on economic and trade developments between the HKSARG and the Guangdong authorities;
- (c) support to Hong Kong enterprises – to strengthen communication with the Hong Kong businessmen in Guangdong, and provide better support by obtaining and disseminating information on Guangdong Province's policy and legislation relating to commerce and trade and its latest economic developments. Where there are commerce and trade-related issues of common concern among Hong Kong businessmen, the HKETO will refer them to the relevant Guangdong authorities and follow up with discussions. However, it will not be in a position to arbitrate on individual commercial and legal disputes;
- (d) investment promotion – to provide information and services aimed at facilitating investment flows between Hong Kong and Guangdong; and

- (e) promoting Hong Kong – to project a positive image of Hong Kong as a good business partner of Guangdong Province through organising promotional activities in Guangdong.

7. In carrying out its functions, the HKETO will work closely with the Hong Kong Trade Development Council Offices in Guangdong as well as the Hong Kong business associations in Guangdong to ensure complementarity in their services.

8. The HKETO shall assume the present duties of The Office of the HKSARG in Beijing (Beijing Office) pertaining to HKSAR-Guangdong economic and trade matters, including the collection and dissemination of information, as well as the support to Hong Kong businessmen in Guangdong as described in paragraph 6(c) above. As for non-trade and economic related issues, the HKETO will refer them to the Beijing Office or other authorities in the HKSARG for follow-up as appropriate.

ESTABLISHMENT OF THE HKETO IN GUANGZHOU

Ranking of the Head of the HKETO in Guangzhou

9. The HKETO in Guangzhou will play an important role in further strengthening our economic and trade links with Guangdong through close liaison with the relevant authorities there. The head of the HKETO will take on the role of HKSAR's principal representative on economic and trade issues in the Guangdong Province. As head of the HKETO, he will be working in close consultation with senior officials within the Administration, and it will be necessary for him to gain access to and liaise with senior officials of the Guangdong Provincial Government in order to effectively discharge his duties. In addition, he will need to maintain an extensive network of liaison with the

Hong Kong business community in Guangdong in order to provide better support services for them and to address their concerns. Given the scope of responsibilities required and the level of liaison he needs to maintain, it is necessary for the HKETO to be headed by a senior directorate officer with extensive administrative experience to ensure its functions are effectively executed.

10. Having regard to the significance of the post, the scope of work and complexity of the tasks involved, as well as the extent and level of liaison with the Guangdong Provincial Government, we consider it appropriate that the ranking of the post should be pitched at Administrative Officer Staff Grade B (AOSGB) (D3) level. The head of the HKETO will be responsible to the Secretary for Commerce and Industry. His designation will be Director, Hong Kong Economic and Trade Affairs, Guangzhou. The job description of the post is set out at Annex A.

Flexible Ranking

11. In June 1991, Finance Committee approved the introduction of a flexible ranking system to afford the flexibility needed for the posting and retention of directorate heads and deputy heads in the HKETOs overseas. Under this system, a supernumerary post at the next higher rank can be created and held against the permanent post of the lower rank. Details of this system is at Annex B. In line with this arrangement, we propose that the existing flexible system be extended to cover HKETOs established in the Mainland, as the principle and rationale of the flexible ranking system apply equally to all HKETOs.

Non-directorate Staff

12. The HKETO in Guangzhou will be supported by 17 non-directorate staff. We intend to create seven permanent non-directorate posts to accommodate officers to be posted to the new HKETO to discharge various responsibilities for commercial relations, public relations and investment promotion. Ten support staff will be engaged locally. The organisation chart of the HKETO in Guangzhou is at Annex C.

Allowances for Officers Posted Outside Hong Kong

13. The Hong Kong-based officers posted to the HKETO in Guangzhou will be subject to the terms and conditions of service applicable to officers posted outside Hong Kong. They will receive a Special Posting Allowance to meet the extra costs of living in Guangzhou and a Rent Allowance to assist them to rent accommodation there.

Financial Implications

14. The current plan is that the HKETO will be established in the second quarter of 2002 and that the AOSGB post created on 1 April 2002, whilst the other non-directorate staff and local support staff will be made available to tie in with the commencement of the operation of the HKETO. We will seek the endorsement of the Establishment Sub-Committee in early 2002 and the approval of the Finance Committee for the creation of the AOSGB post at a notional annual mid-point salary cost of \$1,659,000 and at a full annual average staff cost (including salaries and staff on-costs) of \$2,696,000. The creation of the seven non-directorate posts at a notional annual mid-point salary cost of \$5,897,000 and a full annual average staff cost

of \$9,989,000 will be created, through the departmental establishment machinery.

15. The setting up cost of the HKETO is estimated at \$9.5 million and the annual recurrent cost is estimated at \$22 million. We will include sufficient provision in the 2002-03 draft Estimates to meet the above cost.

Commerce and Industry Bureau

December 2001

Job Description

Post Title : Director, Hong Kong Economic and Trade Affairs, Guangzhou

Rank : Administrative Officer Staff Grade B (D3)

Responsible to : Secretary for Commerce and Industry

Main Duties and Responsibilities –

1. To undertake the role of HKSARG's principal representative on economic and trade issues in the Guangdong Province.
2. To develop and reinforce the economic and trade relations between HKSAR and the Guangdong Province.
3. To enhance understanding between the HKSAR and Guangdong Governments and facilitate exchanges between the two places on trade and economic matters at government and non-government levels.
4. To provide support services for Hong Kong businesses in Guangdong through enhanced liaison, communication and follow-up on matters of common concerns, and to obtain and disseminate information about business operation in Guangdong Province.
5. To promote bilateral investments between Hong Kong and Guangdong as well as commercial exchanges.
6. To promote Hong Kong's image and organise promotional activities in order to enhance the relations between Hong Kong and Guangdong.
7. To oversee the day-to-day operation of the HKETO.

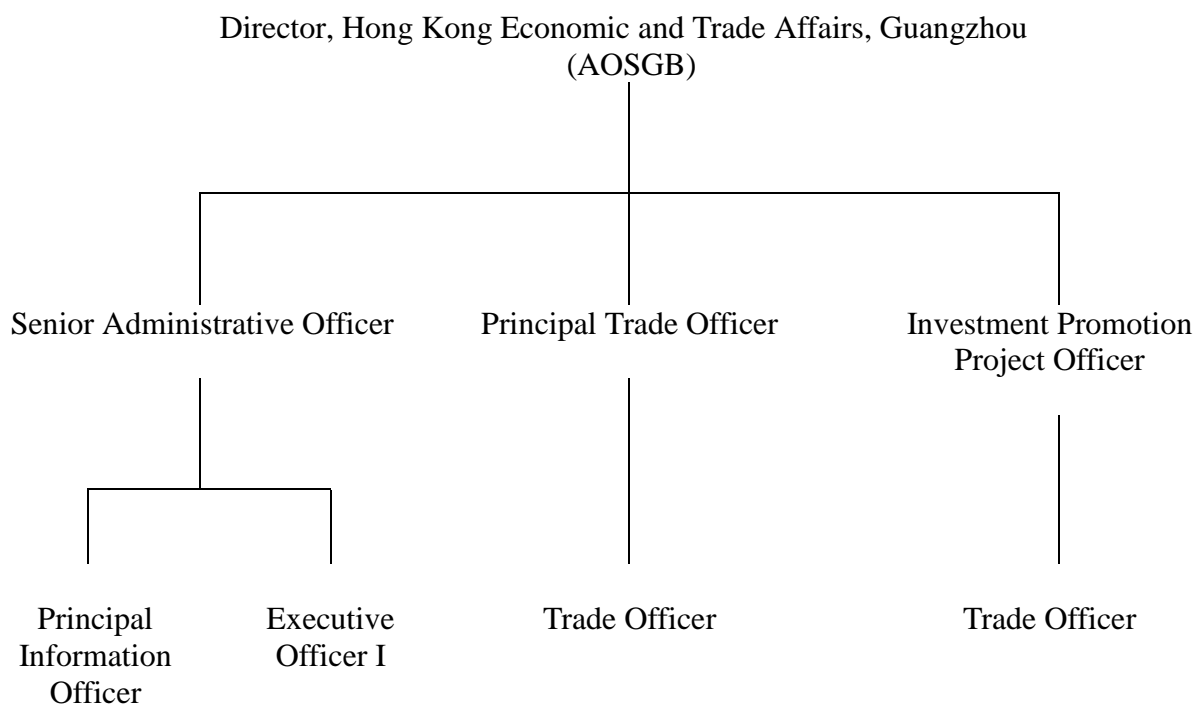
Flexible Ranking System for HKETOs

On 7 June 1991 and after considering EC 1991-92 Item 18, Members approved a flexible ranking system to facilitate the posting and retention of directorate heads and directorate deputy heads of overseas offices. This system expanded the pool of potential candidates for overseas posts and removed a major disincentive for potential candidates by ensuring that officers in overseas posts receive the same opportunities for acting appointments and promotion as their counterparts in Hong Kong.

2. Under this system, SCS has been delegated the authority to create supernumerary directorate head and directorate deputy head posts at pre-determined higher rank held against the permanent posts of the lower rank in the following situations –

- (a) the promotion of an officer during his overseas tour to a rank higher than the rank of the post he currently occupies;
 - (b) the posting overseas of an officer whose substantive rank, at the time of posting, is already higher than the rank of the post in the overseas office to which he is posted;
 - (c) the appointment of an officer to act in a rank higher than the rank of the post he occupies on being posted overseas, if it is considered that he would have been offered an acting appointment at that higher rank had he remained in Hong Kong; and
 - (d) the appointment of an officer already serving overseas in his own substantive rank to act in the higher rank if, in all likelihood, he would have been offered an acting appointment at the higher rank had he remained in Hong Kong.
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Organisation Chart of HKETO in Guangzhou



Note

10 local support personnel will be engaged, viz. 1 Assistant Trade Officer, 1 Investor Support Officer, 1 Executive Secretary, 1 Executive Assistant, 5 General Assistants and 1 Driver.