

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

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

Attached at Appendices 1 to 12 for Members' reference are reports on the work of the Hong Kong Economic and Trade Offices and the latest developments on various economic and trade matters in the countries concerned since the last report made in September 2002.

Commerce and Industry Branch
Commerce, Industry and Technology Bureau
July 2003

Report by Commissioner for Economic and 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. The three ETOs work together closely and proactively in representing Hong Kong's interest. We stay in close contact and meet regularly with the Hong Kong family in the U.S. (HKTDC, HKTB and HKMA) to promote Hong Kong. We also maintain regular dialogue with our interlocutors through personal calls, meetings, briefings, public speeches, seminars, conferences, interviews and media-related activities. We disseminate our messages through newsletters, press releases, electronic mail distribution services and our website. We also work closely with our network of advocates who are opinion-formers and influential leaders prepared to speak up for Hong Kong.

3. Our network of contacts was substantially enlarged following the outbreak of SARS in Hong Kong. The fear SARS engendered in the U.S. presented unique challenges for the Commissioner and the U.S. ETOs. SARS was among the few subjects which managed to penetrate the blanket media coverage dominated by Iraq. A comprehensive campaign was launched to present the most up-to-date and factual information on Hong Kong's situation and to solicit support and recognition of Hong Kong's efforts in the fight against SARS. Letters and emails were sent to contacts within the U.S. Administration, Congress, health authorities, medical professionals, schools of public health, academia, the media, the business community, including Fortune 500 companies and think-tanks. Updates on Hong Kong's situation and the Government's measures to combat the epidemic were provided on a regular basis. In addition, every opportunity was taken to increase Hong Kong's profile through meetings, speaking engagements and media briefings to rebuild the confidence of U.S. investors in Hong Kong and re-assert Hong Kong's position as the premier hub of business in the region. The relationships established with the Office of the Secretary for Health and Human Services and the Centers for Disease Control and Prevention (CDC) were helpful to the Commissioner and her Directors in working with trade show organisers and academic institutions to address misconceptions and unwarranted concerns about businessmen and students from Hong Kong. Our outreach efforts gained high level attention and appreciation. Hong Kong's handling of SARS was seen as typical of Hong Kong's transparency and a clear demonstration of "One Country, Two Systems". Although the CDC and the State Department have lifted their travel advisories against non-essential visits to Hong Kong they remain vigilant of any signs of resurgence, given the reappearance of SARS in affected areas like Toronto. In the context of SARS, Hong Kong's close proximity to Guangdong Province and increasing economic integration with the Mainland are also seen as our Achilles heel.

4. On the U.S. political scene, the mid-term election enabled the Republican Party to regain majority in both the Senate and the House and with it control of the Congressional agenda. For much of the time, Congress was preoccupied with the homeland security issues and the impending war in Iraq. Fund raising campaigns for the 2004 Presidential election have started in earnest. President Bush's popularity continues to be high and early indications show that his fund raising efforts will be very successful. There is as yet no clear contender from among the field of presidential candidates in the Democratic Party. In the aftermath of the war, domestic issues are firmly back in focus. To revive the economy which had been affected by the spate of corporate scandals and bankruptcies and the war in Iraq, President Bush and his administration have rolled out an economic stimulus package focused on tax cuts and enhanced benefits for the unemployed. There are scattered signals that the weak US economy may be on the verge of a rebound. However, not everyone is convinced that the economy will grow particularly when consumption is weaker than expected and demand for products is slow. The Federal Reserve is concerned about the unwelcome dis-inflation.

5. The euphoria felt by the business community following the passage of PNTR and China's entry into the WTO has dissipated. There is disappointment that China has not complied fully with its accession commitments and the business sector and Congress are beginning to lose patience. Given the still weak state of the U.S. economy, pressure for protectionist trade measures targeted at China may intensify. But so far the Administration has taken a more nuanced approach on China's WTO compliance and has rejected two China-specific safeguard petitions requested by industry. With the 2004 Presidential election drawing near, the stance of both the Republicans and Democrats towards trade issues and domestic industries' call for protection will need to be closely monitored.

6. Looming in the background of the U.S. political landscape is still homeland security and the war against terrorism. More so than ever, U.S. foreign policy is driving the trade agenda. The heightened concern over homeland security has translated into a series of new operational requirements in trade with the U.S., including the Container Security Initiative (CSI). Hong Kong's early participation in the CSI and its ability to ensure smooth operation of the 24-hour sea cargo manifest rule reinforces Hong Kong as a useful role model in the U.S.'s efforts to muster international cooperation to combat terrorism.

7. Hong Kong continues to enjoy good bilateral trading and economic relations with the U.S. Whilst our handling of SARS is widely regarded as transparent and a demonstration of "One Country, Two Systems", the National Security Bill has aroused concerns. We will continue our lobbying efforts to promote understanding of "One Country, Two Systems", and Hong Kong's economic and trade interests by building on the good working relationship that we have established.

Report on the Work of the Brussels ETO

European Union (EU) is Hong Kong's third largest trading partner after Mainland China and the US. The Brussels Office continues to develop relations with the various institutions of the EU, and to convey the Hong Kong message to politicians, officials, business community and the media in 14 of the 15 EU Member States (all except the UK).

Commercial Relations

2. Relations with the European Commission on commercial issues continue to be excellent and HK/EU share common interests in advancing negotiations in the WTO Doha Round.
3. Bilateral relations with EU Member States are also good. Among other things, Hong Kong exchanged two Joint Statements of Cooperation with Ireland during Financial Secretary's visit to Europe in November 2002, one on information and communications technologies, and the other concerning small and medium size enterprises. Both are designed to strengthen trade and economic links between the two economies.
4. Bilateral relations in other areas of activity are also developing over such matters as Avoidance of Double Taxation Agreements, and bilateral arrangements on exchange of information on trade in strategic commodities. Also, a scholarship for Hong Kong students to study at the prestigious College of Europe in Bruges has been launched in 2002/2003, and would continue in 2003/2004. The scholarship, sponsored by the Belgium-Hong Kong Society, aims to promote educational and cultural exchanges between the College and Hong Kong. All such activities help raise Hong Kong's profile and reputation with benefits to our commercial interests.

Public Relations

5. On the PR front, the Brussels Office seeks to strengthen the partnership between Hong Kong and the EU through senior government officials' visits, business and cultural events, exchange promotion and regular meetings and press briefings.
6. The Office made arrangements for the visit of Financial Secretary to the Netherlands, France and Ireland. The Secretary for Commerce, Industry and Technology visited Belgium, Ireland, Germany and Finland. At the time of this report, preparations are underway for the visit of Secretary for Home Affairs and Secretary for the Civil Service to Austria, and Secretary for Financial Services and the Treasury to Frankfurt. Assistance was also given to other delegations, including the President of the Legislative Council, the Electoral Affairs Commission and Law Officer (International Law) of the Department of Justice, for their visits to the EU.

7. A number of business and cultural functions was organised for effective promotion of the Hong Kong message. They included Chinese New Year functions organised and related activities in 14 major European cities attracting over 2,000 guests in total, seminars/receptions-cum-photo exhibitions in Dublin, Vienna, and Namur (one more coming up in Salzburg in late June), talks in southern Italy, Hong Kong Film Festivals in Paris and Antwerp and large-scale business luncheons upon the visit of senior officials. As part of the global re-launch of Hong Kong as the best place in Asia to do business and a great place to visit, a multi-city music performance featuring the "Chamber Music Ensemble" of the Hong Kong Academy for Performing Arts is being held in early July in Utrecht, Brussels, Paris and Frankfurt.

8. On exchange promotion, the Office facilitated the negotiations on Mutual Legal Assistance Agreement between Hong Kong and Belgium, which was signed in Hong Kong in February 2003. In the area of cultural exchanges, we saw the establishment of a pilot scheme of youth exchange between Ireland and Hong Kong. Irish and Finnish universities have respectively concluded student exchange programmes with their Hong Kong counterparts. The King Baudouin Foundation in Belgium also sponsored young Belgians to attend the MBA course in the Chinese University of Hong Kong.

9. Regular meetings and briefings were held to update our contacts, including government representatives, Members of the European Parliament and journalists on the latest developments in Hong Kong, and on topical issues such as the legislation for Basic Law Article 23. On SARS, we have established direct links with the relevant health authorities and ministries of 14 EU countries. Daily updates were sent to our contacts through electronic means. Media briefings and conferences were held earlier in Brussels, Paris, Milan, Rome and Dublin on the latest SARS situation in Hong Kong. On behalf of Home Affairs Bureau, the Brussels Office has successfully negotiated with the Irish authorities for the participation of Hong Kong athletes to the Special Olympics World Summer Games 2003.

Investment Promotion

10. Investment Promotion in Europe is divided between the Brussels Office and London Office, with Brussels Office handling all EU member states except Great Britain. Invest Hong Kong headquarters has asked its Brussels team to focus primarily on two priority sectors, i.e. transportation and trade related services. Other sectors such as financial services, business professional services, tourism & entertainment, media and multimedia, IT, and high tech are also actively pursued. The importance of these sectors varies depending on the country involved, but all of these sectors are in general well represented in the EU.

11. Overall, Hong Kong remains an attractive platform vis-à-vis the Mainland market. Notwithstanding the SARS problem, which was perceived by the bulk of European business people as a temporary problem, this attractiveness remains. Therefore Hong Kong will continue to attract its share of foreign investments targeting the Chinese and Far Eastern markets.

12. As part of the ongoing reorganisation within Invest Hong Kong, the area covered by Brussels Office will now be managed using an annual business plan. Its target is to attract 25 new completed projects from this area by the end of the calendar year. At the end of May, 16 completed projects had already been registered.

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, Russia, Malta and Cyprus.

Severe Acute Respiratory Syndrome

2. Since the SARS outbreak, in mid March 2003, the London Office had been proactive in keeping relevant authorities in the UK and non-EU European countries fully abreast of the latest developments in Hong Kong, including the stringent measures that were in place to combat and contain the disease. Contacts with health authorities, in particular, have been on a daily basis.

3. London Office has also been keeping up lobbying efforts to minimise any unreasonable perception or prejudices against Hong Kong visitors. We successfully persuaded a number of boarding schools in the UK to lift their requirement for students returning from SARS-affected areas to stay away from school for ten days after the Easter break. We were also involved in lobbying the organiser of the Las Vegas Jewellery Fair, whose headquarters are in London, to reverse their decision of not allowing Hong Kong exhibitors to participate in the fair.

4. During the reporting period, Director-General, London gave over 30 interviews to UK's national and regional media as well as media in Hong Kong, including heavyweight public affairs programmes on national television - BBC1's Breakfast with Frost, ITV's Tonight with Trevor MacDonald and On the Markets on Bloomberg TV. The London Office also arranged telephone interviews for SHWF with Newsnight of BBC2 and the BBC World Service Radio.

5. As the World Health Organisation lifted its travel advisory on Hong Kong, London Office immediately embarked on activities within countries under its purview in accordance with the overall framework of the Government's global relaunch strategy. These included press conferences, media interviews, email broadcasts, luncheon briefings, panel discussions and briefings to institutional investors (including the Royal Bank of Scotland). The key objectives are to :

- rebuild confidence in Hong Kong's business environment;
- convince travellers that Hong Kong is a safe place to visit;
- demonstrate across a very broad spectrum that the quality of life in Hong Kong, its standards of health and education and security, are second to none in the region; and
- demonstrate that Hong Kong is now a centre for medical learning about SARS and similar viruses.

6. The London Office will continue to work with the local offices of the Hong Kong Trade Development Council, Hong Kong Tourism Board, Hong Kong Monetary Authority and other organisations on the overall relaunch activities.

Incoming Visits

7. The London Office organised the visits of the Financial Secretary (FS) in November 2002. The FS met with leading figures in the financial and economic sectors of the UK, including the Chancellor of the Exchequer, Governor of the Bank of England, Chairmen of the Financial Services Authority and International Financial Services London, as well as credit rating agencies and ranking agencies in London.

8. The London Office also assisted in organising official visits of other senior government officials, including the Chief Justice (September 2002), Solicitor General (September 2002), Secretary for Home Affairs (December 2002 and February 2003), Secretary for the Civil Service (June 2003) and the Secretary for Financial Services & the Treasury (July 2003).

Outgoing Visits

9. During the period, the office invited 19 influential opinion formers to visit Hong Kong under the government's sponsored visitor programme. 12 of them have already visited Hong Kong under this sponsorship.

Public Relations, Inward Investment Promotion and Other Activities

Marine Adviser

10. Hong Kong is the Associate Member of the International Maritime Organisation (IMO), and is represented by Marine Adviser of the London Office at its meetings. He was also the Convenor of the Asian Informal Group.

11. During the report period, he had been in close liaison with representatives of other IMO members on various matters, including SARS and the shipping register. Specifically, he helped clarifying any misconceptions to minimise any unreasonable perception or prejudices against ships and cargoes from Hong Kong.

Hong Kong Festival in London 2002

12. Launched in July 2002 by the Chief Secretary for Administration and the Duke of York, the 3-month long Hong Kong Festival in London (which attracted over 45,000 visitors) drew to a close with the roving photo exhibition at Exhibition Centre London. The exhibition was visited by over 5,000 visitors and, as with the rest of the programmes in the Hong Kong Festival, was very well received.

Brand Hong Kong

13. During the period, we mounted an advertising campaign in the UK to promote the Brand Hong Kong, targeting primarily the business sector with an international dimension. Advertisements of the Brand were taken at two major UK airports, taxis and top-notch business magazines. The second phase of this advertising campaign was timed to add to the campaign to relaunch Hong Kong post-SARS. Both campaigns were supported by an extensive series of public relations activities.

Others

14. During the reporting period, the London Office organised 11 receptions, 18 briefings and 9 luncheon speeches. In addition DGL gave 29 speeches/presentations and 35 interviews on Hong Kong.

15. The London Office conducted 133 company visits and had been successful in helping 12 British companies setting up offices in Hong Kong, including British Telecom and Woolworths.

16. 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

17. The office made 15 bilateral visits to capitals and major cities in the non-EU countries in Europe including Croatia, Czech Republic, Estonia, Hungary, Norway, Poland, Russia, Slovenia, Slovak Republic and Switzerland, to brief government officials and businessmen on the latest developments in Hong Kong, including efforts to fight against the SARS disease. The office also organised five receptions in Budapest, Edinburgh, Ljubljana, Moscow, Oslo, Prague, Warsaw and Zurich, and three business seminars in Oslo, Ljubljana, Moscow and Warsaw. DGL spoke at all of these seminars. The London Office also maintained regular liaison with ranking agencies in the UK and Switzerland, including Fitch Ratings Ltd, Economist Intelligence Unit, and the International Institute for Management Development based in Lausanne, Switzerland.

EU Enlargement

18. The London Office monitored closely the accession progress of the candidate countries for EU enlargement. The Head of State and Government of the current 15 EU member states and the ten acceding countries witnessed the historic ceremony in the Stoa of Attalos in Athens on 16 April to sign the Accession Treaty. After ratification by the national parliaments of the current and future members, the treaty will take effect on 1 May 2004, the day of the Union's expansion from 15 to 25 member states. Referendums carried out in Malta (54% of the turnout in favour), Slovenia (90%), Hungary (84%), Lithuania (91%), Slovakia (93%), Poland (76%), and Czech Republic (77%) respectively showed overwhelming support to the EU membership. Other acceding countries will carry out referendums (except Cyprus) in the coming months. Romania had closed 17 out of 31 chapters of the accession talks and Bulgaria had closed 23 chapters. They aimed to join EU in 2007. EU has also signed Stabilisation and Association Agreements with Croatia and Macedonia. Croatia had formally applied for EU Membership in February and it intended to join EU in 2007.

19. The candidate countries signed the Accession Treaty as a commitment to bring their domestic rules and regulations in relation to the 31 Chapters of the *acquis* to the EU standard. The EU has been monitoring the progress of these countries in fulfilling these obligations and issued a progress report in May. Poland has the biggest number of 'problem areas' (a total of 8, such as free movement of goods; customs union; financial control etc.), followed by Czech republic and Latvia (4 each, such as movement of goods and persons; company law etc.), Slovakia (3, free movement of good and persons; transport; and environment), Cyprus (3, Customs union; financial control; and energy), Malta (2, Taxation; and Competition Policy), Estonia (2, fisheries; and Social policy) and Hungary (2, agriculture and financial control). Slovenia and Lithuania are on track in their membership. The Commission will issue a final report for each of the ten acceding countries in November 2003, which will state whether the country concerned has met its commitments, and, if not, special remedial measures will have to be introduced after accession.

Activities Planned for the second half of 2003 and 2004

20. The London Office would continue to promote HK in and maintain bilateral relations with the countries under its preview. Emphasis will be on activities relating to Hong Kong's global relaunch plan, including, but not limited to, promotional activities organised in connection with senior official visits, roadshows, briefings and advertising campaign.

Report on the Work of the Geneva ETO

The main focus of the work of the Geneva Office during the past year has been the Doha Round of multilateral trade negotiations in the World Trade Organisation (WTO), which was launched in November 2001.

2. The Geneva Office participated actively in various negotiating bodies but the progress has been uneven. Steady progress was made in the negotiations on services, which is one of our priority areas. Nearly 30 initial offers for services liberalisation have been submitted by WTO members, including Hong Kong, China. Rules negotiations in services, however, progressed slowly. Market access for non-agricultural products, which is another of our priority areas, has also proceeded slowly given the diverse views among WTO members on some important elements, such as the level of ambition and how to provide special and differential treatment for developing members. Major differences among members have hampered meaningful progress on the negotiations on agriculture, which is the linchpin of the whole negotiations, though of little direct commercial interests to Hong Kong.

3. On rules negotiations, Hong Kong, China, together with a number of WTO members, have put forward a number of proposals to tighten the disciplines on anti-dumping and to improve the procedures for the notification and review of Regional Trade Agreements. The Geneva ETO has also submitted a proposal on the establishment of a multilateral system for the notification and registration of Geographical Indications for wines and spirits as part of our bridge building efforts to help move the negotiations forward. During the reporting period, the WTO continued its consideration of certain proposals put forward by some developing Members concerning their difficulties in implementing the WTO Agreements and the review of special and differential treatment provisions for developing members in the WTO Agreements with a view to making them more effective and operational. Progress in these areas has so far been limited.

4. The Geneva Office has also participated actively in the negotiations on improving the WTO Dispute Settlement Understanding and other aspects of the Doha Work Programme, including the clarification of the elements of possible multilateral frameworks on investment, competition policy, and transparency in government procurement, and additional rules concerning trade facilitation. The negotiations of these four issues may start after the Fifth WTO Ministerial Conference to be held in Cancun, Mexico in September 2003, provided an explicit consensus could be reached on the modalities of negotiations.

5. At the Cancun Ministerial Conference, Ministers will take stock of progress in the negotiations, provide political guidance and take decisions as necessary. In view of the slow progress in a number of areas, it will be a huge challenge for WTO members to meet the target of concluding the current round of negotiations by 1 January 2005.

Report on the Work of the Tokyo ETO

During the review period, Tokyo ETO strengthened its promotion of the Hong Kong-Japan partnership among various sectors (e.g. government, business, cultural, and research) in different regions of Japan. The Office has also extended its coverage to the Republic of Korea ("ROK") since March 2003.

Japan Unit

2. During the period, promotional activities were organised in the major hubs in Japan which have strong ties with Hong Kong, including Fukuoka, Nagoya, Sapporo, Sendai and Nagano. These programmes have strengthened Tokyo ETO's ties with senior contacts in these regions and generated press reports about the latest developments in Hong Kong.

3. The visit of the Chief Secretary for Administration (CS) to Japan in November 2002 was well received by the Japanese community. CS visited Tokyo, Osaka and Fukuoka to meet leaders in government, business, media and think tanks. He successfully promoted Hong Kong as Asia's world city and introduced the Hong Kong-Pearl River Delta (PRD) business model.

4. The Tokyo ETO has built on the momentum built up by the CS visit and organised follow-up promotional activities. In April, the Hong Kong-Japan Partnership Roundtable and its various forums were formed to strengthen public-private sector collaboration to promote the flow of funds, people, goods, services and technology between Hong Kong and Japan.

5. The ETO's priority in the second quarter of 2003 shifted to disseminating information and maintaining proper perception amongst Japanese people on atypical pneumonia (AP). It has stepped up its efforts on this front after the issue of travel advice against non-essential travels to Hong Kong by the World Health Organisation and the Japanese Government in May. Confidence recovery programmes were organised in Sapporo, Osaka, Nagoya, Fukuoka, Kagoshima and Okinawa to outreach the medical, business and government communities. And media briefings were held in Tokyo and other major cities. The ETO has also developed a recovery plan for implementation after the removal of Hong Kong from the list of affected areas and the planned activities will be implemented starting from the second half of 2003.

Korea Unit

6. A unit was set up within the Tokyo ETO in March 2003 to enhance Hong Kong's link with the Republic of Korea (ROK). It has called on various central government ministries, local governments, law makers, trade groups, private companies as well as research institutions to promote Hong Kong and the Hong Kong-PRD business model. Promotional visits were also organised in Seoul, Incheon and Busan, and the Korea unit exchanged views with almost all major trade associations there to promote Hong Kong as an international business hub and its strengths under the Hong Kong-PRD business model.

7. The Korea Unit has initiated a Hong Kong-Korea Partnership Project study to examine how to strengthen the ties between Hong Kong and the ROK. The Korea Unit helped launch the Hong Kong-Korea Partnership Forum in June 2003, and also supported a campaign to improve the understanding of the Korean people on the AP issue in Hong Kong.

Invest Hong Kong Unit

9. The InvestHK Unit of the Tokyo ETO continued to call on companies during the report period to explain to potential investors the investment environment in Hong Kong and provide assistance to their new investment projects in Hong Kong. A seminar on the logistics sector was organised in Tokyo and a study-group briefing in Sendai. The two events attracted over 100 senior executives from major companies in the two cities. The Unit also made follow-up to help companies speed up their process of setting up in Hong Kong and 20 successful investment projects were recorded during the report period.

Public Relations Unit

10. The Tokyo ETO stayed in close touch with key members of the press. During the report period, the Japanese press continued to give regular coverage to developments in Hong Kong. Starting from early March this year, the ETO was committed to disseminating accurate and up-to-date information regarding the AP situation in Hong Kong promptly. As regular enquiries from the media had been received since early March, the frequency of issue of press release by the ETO also rose substantially. To ensure easy access to information by the press and the public, the ETO website was substantially improved with daily updated information on AP.

11. The Korea Unit has met almost all major media agencies in Seoul, Incheon and Busan. PRT was interviewed and articles were published in ROK's newspapers.

Report on the Work of the Guangdong ETO

The Guangdong ETO came into full operation in July 2002. The official inauguration ceremony was held on 14 October 2002, with the participation of over 600 guests from Hong Kong and Guangdong. It took place at a time when government officials and businessmen from various Guangdong cities gathered in Guangzhou to attend the Guangzhou Autumn Trade Fair, an opportune occasion to launch the work of the GDETO.

2. During the reporting period, the Office devoted much effort in establishing good working relationship with the provincial and the municipal governments in Guangdong. By mid November 2002, it has conducted visits to each of the 21 above-prefecture-level cities in Guangdong and agreed with them on setting up regular meetings to enhance bilateral communication. The Office has embarked on a project to hyperlink its website with those of the Guangdong Provincial Government and the above-prefecture-level cities in June 2003. This will facilitate better flow of information particularly on the economic, trade and investment fronts between Hong Kong and Guangdong.

3. The GDETO also worked closely with other supporting agencies from Hong Kong, including the Hong Kong Trade Development Council and the Hong Kong Productivity Council, as well as the trade and business associations in enhancing support for Hong Kong businessmen in Guangdong. In an effort to foster the ties between Guangdong-based Hong Kong businessmen, the Office joined hands with other members of the Hong Kong Inc. in organising the Mid-autumn Culture Night in late September in Dongguan, attracting a turnout of over 1000 guests.

Investment Promotion

4. The Office provides free investment promotion service to Mainland companies interested in establishing a presence in Hong Kong. The service is publicised through the network of the Hong Kong Inc. to Mainland companies in Guangdong, many of which were growing in strength and looking for opportunities to expand their businesses. As part of its efforts to reach out to potential investors, the Office joined hands with other Hong Kong and Guangdong organisations in holding seminars, conferences and exhibitions in major cities in Guangdong. The Hong Kong Trade Development Council, Hong Kong Productivity Council, Guangdong International Freight Forwarders Association, Guangdong Software Industry Association, Hong Kong Electrical Appliances Manufacturers Association, Hong Kong & Mainland Software Industry Cooperation Association, Hong Kong Information Technology Federation and local Bureau of Foreign Trade and Economic Cooperation in Guangzhou, Foshan and Shenzhen were among its collaborators.

5. Another key focus is to facilitate joint initiatives with Guangdong, in particular the Pearl River Delta (PRD), in promoting the combined strengths of the "Greater Pearl River Delta" to potential overseas investors. In this connection, the Office received a Trade Mission from Canada organised by the Toronto ETO in November 2002. It also took part in the Investment Environment Seminars organised by Invest Hong Kong in Tokyo and San Francisco in September 2002 and April 2003 respectively.

Trade Promotion

6. During the reporting period, the Office initiated a wide variety of services to support Hong Kong enterprises with operations in Guangdong Province. It launched the weekly GDETO Newsletter in November 2002 to deliver the latest news on Guangdong's commerce and trade-related policies / regulations and economic developments, as well as the economic and trade activities held in the Province. The Newsletter is sent by e-mail to over 100 major chambers of commerce and semi-government organisations in Hong Kong. It is also available at GDETO's web-site. The Office also organised study missions for Hong Kong businessmen to Western Guangdong (Zhanjiang, Maoming and Yangjiang), Northern Guangdong (Shaoguan and Qingyuan) and Guangzhou to update them on the latest investment environments and to help them establish contacts with local governments and business communities. Cocktail receptions and seminars are organised from time to time to keep Hong Kong businessmen abreast of the latest policies. The recent "Hong Kong Cocktail Reception & Foreign Investment Seminar" co-organised with the Chinese Manufacturers Association of Hong Kong is a case in point. The activity aimed to enhance participants' understanding of the latest customs, tax and investment policies / regulations in Guangdong.

7. In order to enhance the links at official level, the Office has also organised visits by Guangdong government officials to Hong Kong government departments. In addition, the GDETO has been actively monitoring the implementation of policies and regulations that would have serious impacts on Hong Kong enterprises in Guangdong and has taken appropriate follow-up actions. One of the many examples is the successful resolution in August 2002 of the problems arising from the provisional safeguard measures imposed on the import of steel products by Customs General Administration of the PRC. It has also reflected matters of common concerns for Hong Kong businessmen, such as level of basic salary or methodology in calculating social security contributions, to the governments concerned.

Public Relations

8. The GDETO has maintained good relationship with news media both in Guangdong and Hong Kong. Public speeches delivered by the staff of the GDETO as well as activities organised by the Office were accorded extensive and positive coverage by news agencies in the two places.

9. In June 2003, the Office completed an enhancement project to our website (<http://www.gdeto.gov.hk>) whereby direct hyperlinks have been created to the official websites of the Guangdong Government and the 21 above-prefecture-level cities. The enhancement project aims to facilitate Hong Kong businessmen with more direct access to economic, trade and investment information in Guangdong.

The Way Forward

10. The outbreak of SARS in the early part of the year has, to certain extent, caused disruption to the normal communication between Guangdong and Hong Kong. With the epidemic being brought under control, the Office will step up its efforts to promote the economic and trade relationship between the two places.

11. Specifically the Office will strengthen its liaison with various commerce and trade-related government departments in Guangdong, as well as to better support Hong Kong businessmen in the province. It plans to organise a seminar on domestic sales in November / December 2003 with the objective of assisting Hong Kong enterprises to grasp the opportunity in the opening up of the huge domestic market in the Mainland. It will step up our regular discussion sessions with Hong Kong businessmen in the coming months to collect their views on the investment environment in Guangdong and to respond to any specific problems confronting them in their daily business. It will also jointly work with the Hong Kong family to organise study missions, seminars and trade fairs in Guangdong in the coming months with a view to promoting business opportunities.

Report on the Work of New York ETO

The New York Economic and Trade Office (NYETO) is dedicated to the promotion of economic and trade interests of Hong Kong, the strengthening of economic and trade ties, and the promotion of US investments in Hong Kong in 31 states in the East Coast region of the United States.

2. The Office works closely with prospective investors, business groups, think tanks, opinion formers, business and community leaders and state and city economic and trade offices. With the outbreak of the Severe Acute Respiratory Syndrome (SARS), the Office had widened its normal contacts to reach out to health officials and established closer relationships with universities and exhibition organisers, and shared Hong Kong's experience and findings with them. HKSARG's transparency and ability to contain the new disease have won goodwill and appreciation from all quarters. The Office also monitors the media sentiment and maintain close relations with the electronic and print media in the East Coast region. The work of the Office in the past 11 months is highlighted below.

Commercial and Public Relations

3. The Office maintains an on-going visit programme to reach out to investor, business, official and media contacts in the 31 states. During the past 11 months, Director of NYETO (D(NY)) made 38 out-of-New York city duty visits to 28 cities in 21 states.

4. The Office also organises and sponsor seminars and events on a regular basis. It is an active member of a number of think tanks and organizations focusing on Asia/China issues and professional and business bodies. Through collaboration with these organisations, the Office has been able to expand its network. Every opportunity is taken to promote Hong Kong as Asia's world city and the gateway to China and the Pearl River Delta. During the reporting period, D(NY) gave 29 talks on Hong Kong at conferences, chambers of commerce, world trade centres and universities in 19 cities.

5. Officials and visitors from Hong Kong also play an important part in the PR and outreach programme. The Office assisted in arranging 22 speaking forums, panel discussions and meetings for three government officials and 12 speakers from the private sector to address the American audience in eight cities. To cultivate goodwill and promote more in-depth understanding about Hong Kong, the Office also assisted to arrange visit programmes or provide various assistance for U.S. opinion formers, financial and trade missions, academic delegations and journalists to visit Hong Kong.

Investment Promotion

6. Specifically tasked to attract American investment in Hong Kong, the Invest Hong Kong Desk has continued to expand its range of target sectors. In addition to financial services, business & professional services, technology, media and multimedia, it also covers companies in transportation, trade related services, IT and telecommunications. During the reporting period, the investment promotion team visited over 140 companies and assisted eight companies in setting up operations in Hong Kong. Exhibitions and promotion seminars were organised in major markets including Boston, New York and Chicago in conjunction with the visit of senior officials.

7. Much affected by the slow down of the global economy, many US businesses have put off their offshore expansion plans since early 2003. For those still maintaining a strong interest in Asia and China, they are taking a more critical view on how Hong Kong can fit into their strategies. Some potential investors may take a longer lead-time to draw up their investment plans.

Media Sentiments and Media Relations

8. The Bush administration's campaign to remove Saddam Hussein, the November mid-term elections in which the Republicans regained control of the Senate, the tragedy of the Columbia shuttle disintegrating upon re-entry in February, Bush's tax-cut package to revitalize the economy and the fear of economic downturn have dominated news coverage in the U.S. media. With the success in toppling Saddam Hussein's regime in Iraq in March/April, US media reports devoted more attention to SARS - focusing on the developments and spread of the virus in Hong Kong, China, Toronto and other areas.

9. In general, the U.S. press continued to cover happenings in Hong Kong including the CE's plan to revitalize the Hong Kong economy, the 2003-2004 budget and constitutional developments in Hong Kong. U.S. papers mostly carried reports on the implementation of Article 23 of the Basic Law from new agencies and Hong Kong – based correspondents of major U.S. newspapers. The NYETO also coordinated a number of replies to editorials appearing in mainstream papers to clarify the stand and policy of the HKSARG.

10. The Office also updated media contacts regularly on developments through press releases and briefings. It also arranged to meet editorial board members and health/science writers of mainstream papers from time to time and gave radio interviews. The New York-based Chinese-language papers showed their support by offering free space for special weekly columns to report on Hong Kong's fight against SARS.

Looking Ahead

11. Hong Kong has gone through a most difficult time as a result of SARS. Business travel is expected to recover faster than leisure travel. It will take some time to rebuild Hong Kong's image and lure leisure travel to Hong Kong. The Office will work closely with the Hong Kong Trade Development Council and the Hong Kong Tourism Board to restore and promote confidence in Hong Kong throughout major cities along the East Coast. In addition to its vigorous state visit programme, visits by senior officials, spokesmen of key organisations and known business figures from Hong Kong will help the relaunch efforts.

Report on the Work of the Sydney ETO

The Sydney Office is responsible for Hong Kong's economic and trade relations with Australia and New Zealand. In the past ten months, the Sydney 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, the business community and the general public. This is done mainly through regular liaison, speaking engagements, radio interviews, media briefings, press releases and op-eds/letters to editors. The Investment Promotion Unit conducted investment promotion visits to Australian and New Zealand companies and assisted them in establishing/expanding their presence in Hong Kong.

2. The period under report saw visits by a number of senior officials from Hong Kong, including the Secretary for Commerce, Industry and Technology, the Commissioner of Police and the Deputy Solicitor-General. In early March, the Office collaborated with the organizing committee of the Adelaide International Film Festival to make Hong Kong cinema one of the highlights of the Festival. A Hong Kong Night was organized on 4 March, when all three festival cinemas simultaneously showed Hong Kong films. The Premier of South Australia was present as Guest of Honour and Miss Yan-yan Mak, the director of the award-winning film, *Gege*, attended from Hong Kong. The event contributed to extending the general awareness and appreciation of the depth and variety of contemporary Hong Kong cinema.

3. Starting from mid March, media and public attention on Hong Kong was dominated by the SARS outbreak. The Office reacted quickly by establishing direct communication channels with health authorities in Australia and New Zealand. Daily situation reports were compiled and distributed to concerned government officials, the media and key interlocutors in the private sector. Meetings, press briefings and interviews were conducted to report both the state of play and the Government's efforts towards containing the outbreak and reviving the economy. One of the key messages conveyed to our host economies was that Hong Kong had been a responsible global citizen throughout the incident, and that we would continue to work with the international and local community to ensure that Hong Kong remained one of the world's safest places for its residents and visitors.

4. In the coming year, the Office 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. Special emphasis would be put on re-launching Hong Kong in the aftermath of SARS.

Report on the Work of the San Francisco ETO

The San Francisco ETO is responsible for the promotion of economic ties between the 19 states in the Western United States and Hong Kong. In pursuit of this goal, the ETO reaches out to the business community, political and government representatives, academic institutions, think tanks and the media to update them on developments in Hong Kong, especially its business and investment opportunities. Promotion activities include speaking engagements, business seminars, newsletters, courtesy calls and media briefings.

2. The ETO also assists with the lining up of visit programmes for selected opinion formers, business delegations and journalists who travel to Hong Kong. These programs are arranged to ensure that the visitors have successful and fruitful exposure to the relevant people and institutions in Hong Kong. To promote US investment into Hong Kong, the Invest Hong Kong desk meets with targeted companies and assists them with their business expansion plans into Hong Kong.

3. Throughout the Severe Acute Respiratory Syndrome (SARS) outbreak, which reached the headlines in March, the ETO's outreach materials highlighted initiatives that the Hong Kong Government was taking to contain the virus, and reassured our contacts about the high standards of public health in Hong Kong. The ETO also expanded its contact network to include health experts and relevant officials so that they could have the most up-to-date information about the SARS situation in Hong Kong. The post-SARS message now points out that Hong Kong's position as Asia's World City remains unchallenged and that Hong Kong remains the best place in Asia to visit and do business.

4. Despite the interruption caused by the SARS episode, there have been a number of visitors from Hong Kong throughout the year, and the ETO has organised promotional programmes around their visits. Notably, the Financial Secretary stopped in San Francisco on his first official visit to the western United States in September. His visit programme contributed towards raising Hong Kong's profile and highlighting opportunities for further developing cross-Pacific business opportunities. The Chief Executive also made a brief stopover in October in San Francisco before flying to Mexico for meetings. During his brief stay in the United States, he also met with a number of political and business leaders to spread the Hong Kong message.

5. The Invest Hong Kong desk also assisted with the organisation of investment promotion programmes and company visits for visitors from Hong Kong. Highlights included a visit to Silicon Valley in October by board members and senior executives of the Hong Kong Science and Technology Parks Corporation, immediately followed by a delegation from the Council of Advisors on Innovation and Technology. The Director-General of Investment Promotion also led a delegation comprising the Cyberport Co-ordinator and CEO of the Hong Kong Science and Technology Parks Corporation in March, for which promotional activities were organised in Austin, Denver, San Francisco and Silicon Valley.

6. To promote the Hong Kong film industry, the ETO partnered with the University of California in Los Angeles to launch a Chinese Martial Arts Film series in February. Since then the films have gone on to tour different cities in North America, with the ETO making use of the different venues to also promote the Government's commitment to policies designed to attract international filmmakers.

Report on the Work of the Washington ETO

The foci of the work of Washington Office are to stay in touch with the pulse of the US capital; to keep Hong Kong up to speed with respect to development of new legislations, executive actions and the general political sentiments that might impact on the interests of Hong Kong; and to maintain Hong Kong's profile and image as a free economy and an open society of vitality.

2. In this connection, the Washington Office maintains relations with a number of agencies and departments of the US Federal Government including the White House, State Department, US Treasury, US Trade Representative Office, Department of Commerce and US Customs and Border Protection. It also builds a network of contacts among Congressional offices in the US Capitol, and has developed relations with members of media, Washington "think tanks", academia and the chambers of commerce with a particular interest in Hong Kong.

US Political Landscape

3. Over the past ten months, the 2002 mid-term congressional election in November, homeland security, the fight against terrorism and the war on Iraq have largely dominated the US political landscape. Looming in the background was the growing concern about the direction of the US economy in the aftermath of the corporate scandals and the decline in the stock market.

4. The mid-term election was a solid victory for the ruling Republican Party. Republicans not only retained its lead in the House of Representatives, but regained control over the Senate, and with a slightly widened margin too.

5. The first and foremost impact is a morale and image boost for Republicans and further enhanced the command of Bush White House over the national policy agenda. The substantive benefit of having control over the committees' agenda and the floor schedule in both the House and the Senate also means that President Bush and the Republicans would now have an edge over the Democrats in advancing their policy priorities. This has changed the dynamics in the run-up to the 2004 presidential election. It also has bearing on the focus of our lobbying emphases.

Key Issues

US Homeland Security and Customs Initiatives

6. The heightened concern over national homeland security has translated into a host of customs programmes and operational requirements that would impact on trade, and hence of close relevance to Hong Kong. The few salient examples are the Container Security Initiatives, which allow the US Customs to work with their foreign counterparts to target and screen high-risk US-bound container cargoes before the cargoes reach US ports, the 24-hour advance manifest rule for sea cargoes and the prospective requirement for advanced electronic transmission of cargo manifests as mandated by the Trade Act 2002.

7. The Washington Office has, on the one hand, reached out to relevant federal agencies and congressional offices to impress upon them Hong Kong's stringent and effective export control system. On the other hand, the Office has closely followed the development of these new initiatives so as to bring Hong Kong up to speed in coping with these new requirements.

SARS

8. During the outbreak of SARS, the Washington Office has embarked on an extensive campaign to reach out to a wide spectrum of contacts in the US capital with up-to-date and factual information on the development of SARS in Hong Kong and to put into proper perspective HKSARG's active management of this disease. The Office has also helped to connect US government agencies to ensure timely lifting of travel advisory on Hong Kong and lobbying for removal of prejudicial barriers against Hong Kong as a result of SARS. The objective is to present the facts that Hong Kong is at the frontline fighting the worldwide battle against SARS and that Hong Kong's success would depend on the understanding and cooperation from our counterparts around the world. The Office also highlighted the transparency and openness of the government and the solidarity of the community in face of this major public health crisis.

Legislative Proposal to Implement BL 23

9. In view of considerable attention from the media and the US Capitol on HKSARG's legislative proposal for implementing Basic Law Article 23, the Washington Office has made numerous calls on congressional offices, and established dialogue with relevant federal agencies and other parties interested in the subject, like the think-tanks and academia, to present an accurate picture of the legislative intent and the substantive proposals.

10. The Washington Office has also highlighted the facts that to enact law on its own under BL 23 is a constitutional obligation, which the HKSARG has taken seriously with a due process and a high degree of transparency; and that the Basic Law has provided proper safeguards for fundamental rights and freedoms.

Image Building

11. Through giving speeches, presentations and briefings, issuing monthly newsletters, sending email messages on specific issues, and having face-to-face meetings and arranging discussions and seminars, the Washington Office regularly keeps the interlocutors up-to-date on the state and prospects of Hong Kong. Special functions like Chinese New Year Reception and Film Festival are organised to present the many facets of Hong Kong as a city of vitality and creativity.

12. The heightened concern in the US about national and homeland security has presented the Office with a golden opportunity to showcase Hong Kong's pioneer role and leadership in the regional and global fight against terrorism, and to put in proper perspective Hong Kong's position as the busiest container port and a major trading and transshipment centre in the world.

13. This year, the Washington Office has co-hosted a one-day conference with the Center for Strategic and International Studies (CSIS) to focus on three key issues of importance for Hong Kong and of interest to US policy makers: strategic trade control, anti-terrorist financing and port security. The conference featured speakers drawn from senior government officials in Hong Kong and the US, prominent intellectuals from “think-tanks” and representatives of the business community. The many positive remarks made by various speakers about Hong Kong’s leadership role in countering money-laundering activities, our model system for export control and the fundamental strengths of our rule of law and high level of transparency have contributed in no small measure to the image-building of Hong Kong.

Bilateral Commercial Relations

14. Finally, being the representative of the Hong Kong government in the US capital, the Washington Office plays its part in maintaining a positive bilateral commercial relationship with the US covering a wide spectrum of trade and economic issues. Such work includes engaging US agencies in discussion of issues of common concern, taking part and providing support in bilateral trade consultations and collecting, assessing and reporting information relating to subjects of trade and economic interests.

Brief Report on the Work of Toronto ETO

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. Some of the highlights are recapped below.

2. In November last year, the Toronto Office led a Canadian trade mission to Hong Kong. Entitled "Hong Kong – Your Fast Track to China", the trade mission consisted of 54 delegates from 40 companies across Canada. They took part in seminars, receptions, networking events and visits, and met with potential partners in Hong Kong identified for them before the trade mission. The trade mission not only has enhanced the trade and business exchanges between Hong Kong and Canada, but has also generated concrete business results and opportunities.

3. After the promulgation of Hong Kong's population policy, the Toronto Office has stepped up its effort to attract overseas Hong Kong students to return to Hong Kong. In April, the Office organised a career video conference for Hong Kong students studying in major Ontario universities. About 140 students registered for the conference which featured briefings and a question-and-answer session by four private sector representatives. As the video conference was webcast live by RTHK and was aired by a Toronto Chinese radio station during the following week, the video conference has potentially reached a much wider audience. Besides, the Office has also made video copies of the conference for all participating student associations to show to their members.

4. Soon after our February/March publicity campaign in Calgary and Edmonton, the work of the Toronto Office has very much been SARS-related. To maintain Hong Kong's image of transparency, the Office has diligently kept the Canadian media and health officials informed of the latest SARS situation in Hong Kong. In May, the Office organised an electronic signature campaign to pay tribute to the health care workers fighting SARS in Canada and Hong Kong. A total of over 11,000 signatures from around the world were received in two weeks. When SARS in Hong Kong appeared to be more under control, the Toronto Office began to travel across the country to reassure both local health officials and the business sectors that it was safe to travel to and do business with Hong Kong because of the stringent preventive measures taken. The Office has also started initial discussion with major health research institutes in Canada to pave the way for enhanced collaboration with Hong Kong.

Report on the Work of Singapore ETO

The Singapore Office continued to promote the economic and trade interests of Hong Kong among the ten member countries of the Association of South East Asian Nations (ASEAN)*. The Office has proactively relayed useful information to Hong Kong on major political, economic and social developments in the region and conducted research into major policy issues which are of interest to Hong Kong. Apart from these, the Singapore Office also helped arrange official visits of senior Hong Kong officials to the region as well as VIPs visiting Hong Kong under the Sponsored Visitors Programme. Members of the Legislative Council Panel on Planning, Lands and Works also visited Singapore in September 2002 to study urban redevelopment and conservation policies. The Singapore Office also served as a point of liaison with the secretariats of the Asia Pacific Economic Cooperation and Pacific Economic Cooperative Council.

2. The Singapore Office organised various business seminars, talks, exhibitions and many other promotional activities to showcase Hong Kong's advantages, business conducive environment and position as Asia's world city as well as the gateway for mainland China to our key business contacts, diplomatic corps, government officials, think-tanks, academia, and various international and community organisations in major ASEAN countries. A series of talks were also organised in the first quarter of 2003 in Singapore, Malaysia, Thailand and Vietnam to keep our key contacts informed of the Chief Executive's Policy Address and the Financial Secretary's Budget proposals. To further promote the Hong Kong Brand as well as Hong Kong's design talent and cosmopolitan culture, a "Beat of the Dragon Gala Dinner" featuring a fashion show by a renowned Hong Kong designer and a music performance was held in Singapore in October 2002.

3. Since the outbreak of the Severe Acute Respiratory Syndrome (SARS) in March 2003, the Singapore Office has regularly updated health officials, key business contacts, chambers of commerce, business and community associations, as well as the media in the region through briefings, meetings, talks, press releases, letters, e-mails, etc. on the latest situation in Hong Kong. The Singapore Office has also worked closely with the Hong Kong Tourism Board (HKTB) to keep the local media and the travel trade abreast of the latest SARS situation in Hong Kong. All of them applauded Hong Kong's transparency and effective measures in handling the disease, and the professional spirit and dedication of our health care workers. The Singapore Office is now working with the representative office of HKTB and Hong Kong Trade Development Council in this region on a series of relaunch programmes in our major host cities to welcome back business visitors and travellers to Hong Kong.

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