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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 June 2006, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP (Chairman)
Hon Vincent FANG Kang, JP (Deputy Chairman)
Dr Hon LUI Ming-wah, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon SIN Chung-kai, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS

Member absent : Hon CHIM Pui-chung

Member attending : Hon Alan LEONG Kah-kit, SC

Public officers : Agenda Item IV
attending

Mr Joseph WONG
Secretary for Commerce, Industry and Technology

Miss Yvonne CHOI
Permanent Secretary for Commerce, Industry and
Technology (Commerce and Industry)

Mr Arthur HO
Deputy Secretary for Constitutional Affairs 2

Mr Ivan LEE
Principal Assistant Secretary for Constitutional
Affairs 2

Mr Tony MILLER
Permanent Representative of the Hong Kong Special
Administrative Region of China to the World Trade
Organisation

Miss Jacqueline WILLIS
Commissioner for Economic and Trade Affairs, USA

Mr Duncan PESCOD
Special Representative for Hong Kong Economic and
Trade Affairs to the European Communities, Brussels

Miss Margaret FONG
Director-General, Hong Kong Economic and Trade
Affairs, Washington

Miss Sarah WU
Director-General, Hong Kong Economic and Trade
Affairs, London

Mrs Jenny WALLIS
Director, Hong Kong Economic and Trade Affairs,
Sydney

Mrs Jennie CHOK
Principal Hong Kong Economic and Trade
Representative, Tokyo

Ms Doris CHEUNG
Director, Hong Kong Economic and Trade Affairs,
San Francisco

Mr K K LAM
Director, Hong Kong Economic and Trade Affairs,
Singapore

Ms Monica CHEN
Director, Hong Kong Economic and Trade Affairs,
New York

Mr Bassanio SO
Director, Hong Kong Economic and Trade Affairs,
Toronto

Mr Peter LEUNG
Director, Hong Kong Economic and Trade Affairs,
Guangdong

Mr Thomas TSO
Director, Beijing Office

Clerk in attendance : Mr Paul WOO
Chief Council Secretary (1)7

Staff in attendance : Ms YUE Tin-po
Senior Council Secretary (1)5

Ms Sharon CHAN
Legislative Assistant (1)6

Action

I Confirmation of minutes and matters arising

LC Paper No. CB(1)1769/05-06 -- Minutes of meeting held on 16 May
2006

The minutes of the meeting held on 16 May 2006 were confirmed.

II Papers issued since last meeting

LC Paper No. CB(1)1546/05-06(01) -- Self-explanatory letter from the
Applied Science and Technology
Research Institute (ASTRI) in
response to the recent allegations
against the management of ASTRI
lodged by anonymous persons

LC Paper No. CB(1)1646/05-06(01) -- Information paper on "Extension of
the validity of the Copyright
(Suspension of Amendments)
Ordinance 2001" provided by the
Administration

2. Members noted that the above papers had been issued for the Panel's
information.

III Date and items for discussion for next meeting

LC Paper No. CB(1)1771/05-06(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1771/05-06(02) -- List of follow-up actions

LC Paper No. CB(1)1775/05-06(01) -- Information paper on "Application Procedures of the Professional Services Development Assistance Scheme" provided by the Administration

3. Members agreed that the following items would be discussed at the next meeting scheduled for 18 July 2006 –

- (a) Review of the effectiveness of the Professional Services Development Assistance Scheme; and
- (b) Progress and impact of the Mainland and Hong Kong Closer Economic Partnership Arrangement.

IV Reports on the work of the Hong Kong Economic and Trade Offices and Beijing Office

LC Paper No. CB(1)1771/05-06(03) -- Reports on the work of the overseas Hong Kong Economic and Trade Offices provided by Commerce, Industry and Technology Bureau

LC Paper No. CB(1)1771/05-06(04) -- Reports on the work of offices in the Mainland provided by Mainland Affairs Liaison Office, Constitutional Affairs Bureau

4. At the invitation of the Chairman, the Secretary for Commerce, Industry and Technology (SCIT) gave a brief introduction on the subject. He highlighted that the Economic and Trade Offices (ETOs) of the Hong Kong Special Administrative Region (HKSAR) (with the exception of the Geneva ETO whose main function was to represent the HKSAR as a member of the World Trade Organization (WTO)), performed the major function of promoting Hong Kong's economic and trade interests, and strengthening economic ties and cooperation between Hong Kong and its trading partners. In discharging the role, the ETOs monitored the political and economic developments in the countries/places which fell within their respective purviews, and maintained close network of contacts

with the governments, legislative bodies, business concerns, the media and various bodies and organizations, and in conjunction with Invest Hong Kong, helped to attract more inward investment into Hong Kong and overseas business entities to set up operations in Hong Kong, thereby further enhancing Hong Kong's status as an ideal place in the region for doing business. They also joined hands with Trade Development Council (TDC) and the Hong Kong Tourism Board (HKTB) in promoting Hong Kong's image as a free economy and a hub for international business. SCIT further informed members that the imminent establishment of a new ETO in Berlin and two ETOs in Shanghai and Chengdu respectively would further help local businessmen and enterprises in tapping the vast business opportunities in the eastern European markets and in the Mainland.

5. SCIT said that it had been an ongoing practice for the various Heads of ETOs to report their work to the Panel on an annual basis. He then invited the Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization (PRG), the Commissioner for Economic and Trade Affairs, USA (C, USA), and the Special Representative for Hong Kong Economic and Trade Affairs to the European Communities, Brussels (SREC), and the Heads of HKSAR's offices in the Mainland to brief the Panel on their work. Members noted that the full set of reports in respect of all the ETOs and the HKSAR's offices in the Mainland had been provided to the Panel vide LC Paper No. CB(1)1771/05-06(03) and LC Paper No. CB(1)1771/05-06(04) respectively.

Report on the work of overseas ETOs

6. On issues relating to free trade negotiations under the WTO, PRG said that the Sixth Ministerial Conference (MC6) of the WTO had successfully achieved its mission. It was gratifying to note that the good organization and smooth conduct of the MC6 was commended by the Director-General of the WTO and the MC6 participants. They had expressed appreciation for the high level of professionalism of the Hong Kong Police Force in maintaining law and order, while at the same time giving protesters and demonstrators full opportunities to express their views. He further pointed out that with the adoption of the Hong Kong Ministerial Declaration in MC6, a timetable had been set for the next and final phase of the multilateral trade negotiations under the Doha Development Agenda (DDA), including the establishment of modalities in agriculture and non-agricultural market access (NAMA) by end April 2006, and the submission of comprehensive draft reduction commitments based on the modalities by end July 2006. However, despite a series of informal meetings among those Member States with a major interest in agriculture, including the United States (US), the European Union (EU), India and Brazil, WTO Members were unable to meet the deadline on 30 April 2006. Another meeting of key ministers would be held in Geneva the following week, which SCIT would attend. The aim was to secure agreement on the "triangle" of issues at the heart of the negotiation :

Domestic Support and Market Access in Agriculture and the tariff reduction formula in NAMA. Tough negotiations were expected in the coming months if a deal was to be struck for the conclusion of the DDA negotiations by end 2006. The Geneva ETO would continue to be actively involved.

7. C, USA informed members that the key events in 2005 for the ETOs in the US included the visits of the Chief Executive (CE) and the Financial Secretary (FS). They met a wide range of people including their counterparts in the US Administration, Members of Congress, the think-tank and business communities and media representatives to promote Hong Kong's bilateral commercial interests. The Washington ETO also assisted other VIP visitors from Hong Kong, including the Panel on Information Technology and Broadcasting of the Legislative Council. The key business promotion event "Hong Kong – Guangdong Business Conference USA" was successfully held in San Francisco in October 2005. On other bilateral investment promotion efforts, the ETOs in the US had lined up meetings and programmes for government and business delegations from the US visiting Hong Kong. US delegations visiting Hong Kong in 2005 included, for example, the delegations led by the Governors of the States of California, Minnesota and New Jersey. In addition to its regular cultural programmes, the Washington ETO leveraged on the prestigious Kennedy Center's month-long China Festival to raise the profile of Hong Kong in Washington. The Washington ETO co-sponsored a fashion and jewellery promotion event with the Kennedy Center featuring Hong Kong designers entitled "New China Chic". The Washington ETO had also facilitated media exposure for the two Hong Kong performing groups, namely the City Contemporary Dance Company and the Hong Kong Chinese Orchestra which performed at the China Festival. In addition, the New York ETO used the opportunity to present these two performing groups to audiences in New York.

8. C, USA further reported that an important function of the Washington ETO was to monitor and report on significant developments in the US that might affect trade between the US and its major trading partners and impact on the interests of Hong Kong. In this regard, she said that there were worrying signs of increasing trade protectionist sentiments in Congress. Some Members of Congress were increasingly wary of the Mainland's economic rise. Furthermore, the Mainland was an easy target for Congressional displeasure because of concerns over market access, Intellectual Property Rights, currency, the growing trade deficit and the human rights issue. On the US political landscape, she highlighted that the US political leadership was facing challenges in the imminent mid-term elections and growing public uncertainties about the future economic outlook. President Bush's public approval rating reflected in recent poll results stayed at just above 30%. The scandal-plagued Republican Party was struggling to rebuild the Party's image in preparation for the mid-term elections to be held in November 2006. Despite strong economic performance and low unemployment, the general public in the US remained concerned about the repercussions of, among others, rising energy prices and soaring trade and

federal budget deficits. All these factors had made it easier for anti-trade forces to challenge the US Administration's efforts to move towards greater trade liberalization. US foreign and domestic policies continued to be dominated by the effects of the war in Iraq, anti-terrorism and related concerns over homeland security. The US political scene for the rest of 2006 would be dominated by the mid-term elections. As regards US-Hong Kong relations, in the overall perspective, Hong Kong's political, economic and trade relations with the US remained positive, with the US Administration and business community in full recognition of Hong Kong's achievements in areas such as intellectual property rights protection, anti-money laundering, strategic commodities and cooperation under the container security initiatives. However, the dynamics of US-China relations were likely to pose challenges for Hong Kong. C, USA said that the US ETOs would remain alert to any negative spill over of anti-Mainland sentiments on Hong Kong.

9. SREC informed members that the Brussels ETO was responsible for representing Hong Kong's economic and trade interests in the EU, European Commission (EC) and European Parliament; and for the bilateral economic and trade relations with 14 of the 25 Member States of the EU. It also monitored new legislation and administrative rules originating in the EU which might have an impact on the commercial interests of Hong Kong. On the bilateral trading front, the EC had initiated two anti-dumping cases against Hong Kong in respect of "recordable digital versatile disc" (DVD+/-R) and "recordable compact disk" (CD-R). Recent development was that the case on DVD+/-R had been withdrawn by the EC. On public relations, SREC advised that music students from the Hong Kong Academy for Performing Arts had staged performances in Brussels in some of the events in celebration of the Chinese New Year. The Brussels ETO had launched the annual Hong Kong Film Panorama to showcase Hong Kong's vibrant and innovative film industry by presenting a diverse selection of Hong Kong films in several major European cities. On investment promotion, the Avoidance of Double Taxation Agreement signed between Hong Kong and Belgium had a positive effect on encouraging a greater number of European firms interested in establishing operation in Hong Kong.

10. SREC further advised that owing to the negative sentiment of France and the Netherlands towards the European Constitution (the Constitution), the EU leaders had decided to defer the deadline for ratification of the Constitution to 2007 to allow further reflection by the Member States. Proactive steps to try to project concrete opportunities within the EU had been taken with a view to building up a support for the change of the Constitution. The geo-political and economic developments in Europe, in particular the enlargement of the EU from 15 to 25 Member States through the recent accession of 10 new Member States, had brought about substantial impact on the decisions on various issues handled by the EC. EU would be further expanded with the accession of Bulgaria and Romania in 2007, probably followed by Croatia, Turkey and other countries in the eastern part of Europe. SREC anticipated that it would take some time

before the EU Members could reach a consensus on the various controversial issues. The Brussels ETO would continue to monitor closely the development of the enlargement of the EU and the related issues, including trade protectionism against China, which might have an impact on the economic and trade interests of Hong Kong. In addition, in anticipation of the plan to transform the Brussels ETO into the head of the ETOs in Europe, the consequential re-structuring of the London ETO as well as the establishment of a new ETO in Berlin to serve the eastern part of Europe, the Brussels ETO was carrying out the necessary preparatory work to ensure smooth implementation of the re-organization.

Report on the work of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (Beijing Office) and the Guangdong ETO

11. At the invitation of the Chairman, the Deputy Secretary for Constitutional Affairs 2 reported that before 1 April 2006, the Beijing Office was responsible for enhancing liaison and communication between the HKSAR Government and the Central People's Government (CPG) and other Mainland authorities, while the Guangdong ETO aimed to foster economic cooperation and promote business and trade links between Hong Kong and Guangdong. To further promote Hong Kong's exchanges and cooperation with the eastern and the south-western regions of the Mainland and to provide additional support to Hong Kong residents in the Mainland, the Administration planned to set up two ETOs, one in Shanghai and the other in Chengdu, to commence operation towards the latter part of 2006. The Shanghai ETO would cover the Yangtze River Delta region and nearby regions whilst the Chengdu ETO would cover four of the Pan-Pearl River Delta (PPRD) provinces and nearby regions, including Sichuan, Yunnan, Guizhou, Hunan, Shaanxi and the Municipality of Chongqing. The processes of locating new office premises and staff recruitment for the ETOs in Shanghai and Chengdu were underway. He further advised that with effect from 1 April 2006, the geographical coverage of the Guangdong ETO had been expanded to include five PPRD provinces, namely Guangdong, Guangxi, Fujian, Jiangxi and Hainan. A team comprising immigration officials had been set up to provide practical assistance to Hong Kong residents (HKRs) in distress in areas within the purview of the Guangdong ETO.

12. The Director, Beijing Office (D, BJO) reported that the Beijing Office had established and maintained close contacts with the CPG and various authorities and organizations in the Mainland. Such liaison work enabled the HKSAR Government to have a better understanding of the political and socio-economic developments in the Mainland. To facilitate official exchanges between the HKSAR Government and the Mainland authorities, the Beijing Office had assisted in organizing meetings, interviews and visits for visiting official delegations and providing the necessary logistical support. During the past year, the Beijing Office continued cooperation with the Mainland media to publicize and promote Hong Kong by broadcasting the weekly "Beijing – Hong Kong Through Train" programme under a joint venture with China National Radio. It

also enhanced cooperation with CCTV through the production of various episodes to deepen and widen the promotion of Hong Kong. On immigration-related matters, the Immigration Section of the Beijing Office processed applications for entry to Hong Kong and handled enquiries on immigration matters. More than 5 000 entry applications and 16 050 enquiries had been handled by the Immigration Section in the past twelve months.

13. D, BJO added that in the coming year, the Beijing Office would aim at strengthening economic liaison and investment promotion efforts in the Circum-Bohai Sea, the Northeast and Northwest regions. In addition, the Beijing Office would work closely with relevant parties in organizing publicity events to celebrate the 10th anniversary of the establishment of the HKSAR. He welcomed delegations from Hong Kong to join in the event and take the opportunity to visit the new premises of Beijing Office.

14. D, BJO further pointed out that the work of the Beijing Office extended beyond the scope of economic and trade matters, some of which called for urgent action to be taken to assist HKRs in need. As illustration, he pointed out that earlier in the month, a fatal car accident took place in Yichang, Hubei, resulting in casualties and injuries to a number of HKRs. The Beijing Office, on knowing the accident, immediately deployed personnel to the place of accident to provide the necessary assistance to the victims and their families.

15. The Director, Hong Kong Economic and Trade Affairs, Guangdong (D, Guangdong) reported that with the support of the Guangdong Provincial People's Government and the municipalities since July 2002, the Guangdong ETO had established a firm foothold in the province and had been able to carry out its work smoothly in promoting business and trade links between Hong Kong and Guangdong. He said that attracting enterprises in Guangdong to invest in Hong Kong was a major task of the Guangdong ETO. So far, the investment promotion work had been carried out successfully with encouraging results. To further enhance the links between Hong Kong and Southern China, the geographical coverage of the Guangdong ETO had been expanded to cover five PPRD provinces as mentioned above, with effect from 1 April 2006. The Guangdong ETO had initiated contacts with the relevant authorities of the four newly added provinces and was developing new investment promotion plans with a view to achieving greater economic cooperation and forging closer business links with these provinces. Moreover, an immigration team had been set up to provide practical assistance to HKRs in distress in the provinces within the purview of the Guangdong ETO. In addition, the Guangdong ETO had been working in collaboration with non-government organizations such as the Hong Kong Federation of Trade Unions in producing and distributing information leaflets to HKRs on matters that might be of concern to them whilst in the Mainland and ways to seek assistance when encountering problems. A notification system between the Public Security Authority of Guangdong and the immigration team of the Guangdong ETO had also been established to facilitate

referral of cases of HKRs in need of assistance.

16. On the promotion front, SCIT supplemented that the CE had recently led a delegation of government officials and local business leaders on a study tour to Guangxi to promote economic and trade cooperation between Hong Kong and the PPRD region. In the coming few months, CE would continue to lead a number of business delegations to the PPRD, including Hunan, Guizhou and Jiangxi.

Discussion with the Administration

17. Members appreciated the services and assistance rendered by the ETOs, particularly in keeping the local industries abreast of issues of concern, including the trade sanction actions initiated by the US and EU on the Mainland. Mr SIN Chung-kai, Chairman of the Panel on Information Technology and Broadcasting, thanked the Washington ETO, the Toronto ETO and the London ETO for their assistance in facilitating the overseas duty visit conducted by the delegation of the Panel to study the development of public service broadcasting in the US, Canada and the UK.

18. Mr Jeffrey LAM commended the Beijing Office and the Guangdong ETO for their efforts in providing practical assistance to HKRs and their families suffering from accidents in the Mainland. Mr WONG Ting-kwong also expressed appreciation for the Guangdong ETO's close cooperation with trade associations in Hong Kong and the Guangdong authorities to promote business opportunities and trade links between the two places, and conveying the concerns of Hong Kong enterprises to the Mainland authorities about the difficulties in meeting certain requirements on tax and customs matters.

19. Dr LUI Ming-wah, as Chairman of the Chinese Manufacturers' Association of Hong Kong (CMA) Exhibition Services Limited, expressed thanks to the CE, the Government of HKSAR and local trade associations for their support to the 2006 Hong Kong Brands and Products Expo held in Chengdu. He hoped that similar promotion events would be organized at other major Mainland cities and provinces in future to promote Hong Kong brand name products and business opportunities for Hong Kong enterprises.

Enhancing economic relations and investment promotion

20. Mr WONG Ting-kwong enquired whether the ETOs had any plans for promoting tourism of Hong Kong to tie in with the 2008 Olympic Equestrian Events. SCIT responded in the positive, advising that the Commerce, Industry and Technology Bureau would undertake close liaison with the Home Affairs Bureau, the HKTB and the ETOs to promote the Olympic Equestrian Events as an additional attraction for overseas tourists to Hong Kong.

21. Mr Jeffrey LAM said that with the rapid economic growth in the European markets, many business sectors and enterprises in the European countries were keen to establish commercial relationships with and establish business in the Mainland. However, many of their plans had been hampered by insufficient knowledge and experience in doing business with the Mainland. In this connection, Mr LAM considered that the ETOs in Europe should step up efforts in assisting overseas trading partners that were interested in gaining access to Hong Kong and the Mainland market taking advantage of the liberalization measures implemented under the Mainland and Hong Kong Closer Economic Partnership Arrangement. He suggested that the ETOs should organize more promotion activities such as seminars and briefings in conjunction with business associations of Hong Kong to help the business communities in Europe better understand the benefits and opportunities that were available under the newly implemented trade and investment facilitation measures, e.g. the implementation of Qualified Domestic Institutional Investors Scheme and Pan-Pearl River Delta Cooperation and Development Forum.

22. Echoing the views of Mr Jeffrey LAM, the Deputy Chairman said that the ETOs should publicize the comparative advantages of Hong Kong in facilitating European business enterprises to set up operations in both Hong Kong and the Mainland. By fostering bilateral economic relationships and reaping benefits from bilateral trade and commercial activities, the harmful effects of trade barrier actions such as anti-dumping measures implemented by overseas trading partners could be minimized.

23. In response, SCIT said that the Administration shared members' views and concerns and would take every measure to promote relationships and trade links with overseas trading partners. He informed members that with the assistance rendered by the ETOs in Europe, the CE together with the Governor of the Guangdong Province would pay a visit to Paris this November to reach out to the business sectors and the investors there to promote trade interests and investment in Hong Kong and Guangdong, publicizing the unique advantages of Hong Kong and Guangdong as the gateways for overseas investors to access the huge and fast expanding markets in the Mainland. He added that various other bodies such as the TDC, Hong Kong Productivity Council (HKPC), Invest Hong Kong, the Innovation and Technology Commission etc., were working in close collaboration with the ETOs in undertaking a wide variety of activities to promote overseas inward investments in Hong Kong, including investment from European countries.

24. SREC supplemented that "The Avoidance of Double Taxation Agreement" signed between Hong Kong and Belgium had had a boosting effect on European firms interested in setting up business in Hong Kong, and further expanding from Hong Kong to the Mainland. These included business concerns and organizations from Italy, France and Spain, etc. The Brussels ETO would undertake analyses of the developments and disseminate the relevant findings

and information to business sectors in Europe for their reference.

25. Dr LUI Ming-wah pointed out that rapid expansion in trade activities in the northwest regions of the Mainland had led to vibrant economic growth in these regions. He suggested that the Administration might consider establishing a new ETO to forge stronger business links and economic cooperation between Hong Kong and these regions. Noting Dr LUI's suggestion, SCIT advised that the Administration would set up new ETOs where it was considered necessary to do so. This being the case, however, for the prudent use of public money, the option of strengthening the resources and efficiency of the existing ETOs to enhance their capacity to cope with increase in workload would also be considered.

Trade issues

26. Mr Andrew LEUNG expressed concern about growing trade protectionism in the US and EU targeting the Mainland, pointing out that both the US and EU were re-imposing restrictions on certain textile, garments and clothing items produced in the Mainland. As the development could have serious adverse impact on Hong Kong's manufacturers producing in the Mainland, he asked C, USA and SREC whether the ETOs had assessed the implications.

27. C, USA said that the US Trade Representative was under pressure from the domestic textile lobby and Members of Congress representing the textile States to support the introduction of additional measures restraining textiles trade under the current round of multilateral trade negotiations. In the current election year, protectionist sentiments could get worse. Some Members of the US Congress had already publicly declared that they would not approve any free trade agreements that were under negotiation or had been announced. Although the general anti-trade mood was not just targeted at China, the Mainland remained an easy target. On the textile front, the US had imposed safeguard measures on textile products produced in the Mainland but these safeguards did not apply to Hong Kong exports. In tandem with the measures, the US Customs had strengthened operations to combat illegal transshipment of Mainland textile products to the US. Because of Hong Kong's geographical proximity to the Mainland, to the US, the risk of illegal transshipment through Hong Kong remained. C, USA stressed it was in Hong Kong's interest to maintain the integrity of its textile control system. Legitimate businessmen had no need to fear the close attention the US was paying to Hong Kong. She informed members there had been some initial delays in Hong Kong textile shipments to the US following the re-imposition of quotas on Mainland textiles. Following a number of complaints lodged by local manufacturers that their shipments had been held up, the Washington ETO had taken up the matter with the US authorities and the cases had now been resolved.

28. SREC informed members that the EC had been in contact with the Brussels ETO in March 2006 with regard to whether the Hong Kong Outward Processing Arrangement (OPA) for textiles products was in line with the EU origin rules. The Trade and Industry Department (TID) subsequently conducted an in-depth review on the OPA and took steps to realign Hong Kong's OPA rules with the EU's origin rules. The EC had been informed of the action taken accordingly. In relation to the recent query raised by the EC on the upsurge of Hong Kong's textile exports to the EU in the second half of 2005, the Brussels ETO was liaising with TID on the matter and would respond to the EC in due course.

29. Noting that the Mainland's currency exchange policy and democratic and human rights developments were some of the major issues that had affected trade relationship between the US and China including Hong Kong, Dr LUI Ming-wah requested C, USA to give her views on the development of the mid-term elections and the 2008 presidential election in the US, which might have an impact on Hong Kong's trade interests. In response, C, USA said that the mid-term elections in the US scheduled for November 2006 had created uncertainties to the political dynamics in Washington. Under the current economic climate, the US community was increasingly concerned about layoffs in its manufacturing sector getting worse, resulting in mounting pressure on the US Administration to take protectionist measures to protect local workers. Historically, the party controlling Congress could lose up to 30 seats going into an election with a president with an approval rating in the low 30s. In the face of the Democrats campaign to regain control of both chambers of Congress, it was noted that vulnerable Congressional Republicans had shifted stance on some major and controversial issues, including multilateral trade matters, having regard to electors' sentiments which might directly bear on the outcome of the elections.

30. In response to further questions from the Chairman and Dr LUI Ming-wah on bilateral trade relationship between the Mainland and the US, C, USA said that discussions between the two sides during the recent visit to the US by President HU Jintao had achieved positive results. Despite that, some Congressional Members and their constituents as well as business enterprises in the US were still accusing the Mainland of unfair trade practices by circumventing the trade rules, leading to tremendous loss of manufacturing jobs in the US. C, USA remarked that it was expected that tough negotiations between the Mainland and the US on compliance with the terms of its WTO commitments would continue and with the growth of trade between the US and the Mainland more trade disputes between the two sides would naturally occur as in the case between the US and its other WTO partners.

Admin

31. At Dr LUI Ming-wah's request, C, USA undertook to provide, where possible, a breakdown on the number of job losses in the manufacturing sector of the US attributable to outsourcing and other factors such as productivity gains.

The Berlin ETO

32. In response to Mr Andrew LEUNG's and Jeffrey LAM's enquiries about the role and responsibilities of the new Berlin ETO, SREC advised that the Berlin ETO would represent the interests of Hong Kong in economic and trade matters in Germany and the eastern European countries under its purview. In performing its functions, the Berlin ETO would develop close contacts with the government authorities and trade organizations, and organize events to promote the image of Hong Kong as an international financial and trading centre so as to attract more inward investment for Hong Kong. SCIT informed the meeting that the Berlin ETO was expected to become operational towards the latter part of 2006.

33. Members considered that with the establishment of a new ETO in Berlin, the Government should strengthen the HKSAR's representation in the eastern part of Europe in order to reap full benefits from the rapidly expanding markets there. Members also suggested that the ETOs should disseminate useful information on the business environment and the investment opportunities available in the European countries.

The Guangdong ETO

34. The Chairman and Mr Jeffrey LAM expressed the view that the Guangdong ETO should act proactively to gauge the views of chambers of commerce and trade associations in Hong Kong on measures to promote trade links between Hong Kong and the Mainland provinces to bring about more economic benefits to both sides. It should also collect up to date information on business opportunities to assist Hong Kong enterprises in making informed decisions on conducting trade and business activities in the Mainland.

35. Mr Andrew LEUNG suggested that the Guangdong ETO should promote the concept of international market expansion to state-owned/ private enterprises in the five PPRD provinces under its purview. In his view, this would encourage the enterprises to capitalize on Hong Kong's edge as a launching pad for expanding business into the international market, as a result creating huge economic benefits for Hong Kong. In this connection, he sought information on the promotion plan of the Guangdong ETO on the Mainland provinces.

36. D, Guangdong informed members that the Guangdong ETO had taken on a variety of promotion activities. For example, it had, since April 2005, organized "Luncheon Gatherings with Heads of Hong Kong's Trade and Industry Associations" on Tuesday of the third week of each month to engage in direct dialogue with trade associations in Hong Kong. These activities had enabled the Guangdong ETO to collect views and feedbacks first-hand from the market players. On fostering communication, the Guangdong ETO was regularly publishing newsletters on its website to keep business associations of Hong Kong

updated on the economic developments and market situations in the Mainland. To further enhance links between the two sides, the Guangdong ETO would continue to organize events jointly with the Mainland authorities and invite participants from both Hong Kong and the Mainland provinces for exchange of views and sharing of experiences.

37. SCIT said that he had recently participated in activities under the Hong Kong/Guangdong Cooperation Joint Conference and exchanged views with officials from the Mainland authorities on the ways to enhance economic and trade cooperation between Hong Kong and Guangdong. Senior representatives of the Government of HKSAR had on various occasions participated in forums co-organized by Mainland and Hong Kong bodies. For example, a seminar was recently hosted jointly by the Shenzhen Government and the HKPC on strengthening cooperation in technology and scientific researches. At the invitation of the CMA, D, BJO had taken part in the 2006 Hong Kong Brands and Products Expo at Chengdu, which aimed at creating more business opportunities and building up closer trading relationship and enhancing communication. In helping Hong Kong enterprises establish operation in Guangdong and other PPRD regions, the Guangdong ETO had organized promotion and publicity activities to enhance local business entrepreneurs' understanding of the relevant Mainland laws and rules and regulations. The Guangdong ETO was also actively channelling the concerns of local enterprises on problems they had encountered in operating business in the Mainland and taking follow up actions with the relevant authorities.

38. Mr WONG Ting-kwong asked whether the expansion of the geographical coverage of the Guangdong ETO had caused any operational problems to its work. D, Guangdong replied that with the expansion, the staff establishment of the Guangdong ETO had been increased from 19 to 30, and there were no impediments to the work of the ETO resulting from increased workload. On strengthening closer ties and cooperation with the Mainland provinces, the Guangdong ETO had, for instance, met various business organizations in Fujian to discuss matters of mutual interest to enterprises in Hong Kong and Fujian. Apart from economic and trade matters, following a serious traffic accident in Fujian involving victims who were HKRs, the Guangdong ETO had discussed with the Mainland security authorities the setting up of a mechanism for notifying the families of the victims and providing urgent assistance that was required in the circumstances.

Assistance to Hong Kong residents

39. Mr SIN Chung-kai pointed out that there were public calls for strengthening the work of the ETOs in providing assistance to HKRs encountering problems in the Mainland. He considered that the capacity of the ETOs should be upgraded to cope with demands in this area of work. He asked whether there were plans to increase the resources of the ETOs in this regard.

40. SCIT responded that the Administration was well aware of the need to provide practical assistance to HKRs in distress in the Mainland and the Beijing Office and the Guangdong ETO would take every possible measure to help. He said that previously the Beijing Office was responsible for providing assistance to HKRs in distress in all areas in the Mainland. As a large part of the requests for assistance concerned immigration related matters and originated in the Guangdong province, the capacity of the Guangdong ETO had been expanded, with deployment of staff from the Immigration Department, to render the necessary assistance in appropriate cases. Requests for assistance from areas outside the purview of the Guangdong ETO would continue to be handled by the Beijing Office. The Administration would consider setting up immigration teams in the new ETOs in Shanghai and Chengdu after the ETOs were established and had accumulated some operating experience. He added that in deciding whether a similar mechanism should be introduced for all ETOs, the need would have to be fully justified and the resource implications would also have to be carefully considered. The Administration would consider the way forward in the light of operational experience.

Way forward

41. Summing up, the Chairman said that during this period when there were uncertainties posed by globalization and growing sentiment in the US and EU against free trade, the ETOs should continue to take strengthened efforts in closely monitoring the developments in the places concerned and assess the impact on the business interests of the Mainland and Hong Kong in the long run.

42. The Chairman thanked representatives of the Administration and the Heads of the ETOs for giving the thorough briefings to the Panel. She said that she looked forward to future occasions on which LegCo Members would again have the opportunity to discuss with the representatives on relevant issues.

V Any other business

43. There being no other business, the meeting ended at 4:30 pm.