

立法會
Legislative Council

LC Paper No. CB(1)2257/07-08
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 17 June 2008, at 3:30 pm
in the Chamber of the Legislative Council Building

- Members present** : Hon Vincent FANG Kang, JP (Chairman)
Hon WONG Ting-kwong, BBS (Deputy Chairman)
Dr Hon LUI Ming-wah, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon SIN Chung-kai, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
- Members absent** : Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
- Public officers attending** : Agenda Item III
Innovation and Technology Commission

Mr Eddy CHAN Yuk-tak, JP
Commissioner for Innovation and Technology

Mr Gordon LEUNG Chung-tai, JP
Deputy Commissioner for Innovation and Technology

Agenda Item IV

Constitutional and Mainland Affairs Bureau

Mr Joshua LAW, JP
Permanent Secretary for Constitutional and Mainland
Affairs

Mr Ivan LEE
Acting Deputy Secretary for Constitutional and
Mainland Affairs (2)

Mr Patrick CHAN
Director, Hong Kong Economic and Trade Affairs,
Shanghai

Commerce and Economic Development Bureau

Mr Alan SIU Yu-bun, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Information Services Department

Mrs Ella TAM
Deputy Director of Information Services (2)

Leisure and Cultural Services Department

Ms Cynthia LIU
Assistant Director of Leisure and Cultural Services
(Performing Arts)

Agenda Item V

Commerce and Economic Development Bureau

Mr Frederick MA, JP
Secretary for Commerce and Economic Development

Miss Yvonne CHOI Ying-pik, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

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

Miss Margaret FONG, JP
Commissioner for Economic and Trade Affairs, USA

Mr Martin GLASS, JP
Permanent Representative of the Hong Kong Special
Administrative Region of China to the World Trade
Organization

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

Mr Stephen WONG
Director, Hong Kong Economic and Trade Affairs,
Berlin (Designate)

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

Ms Lorna WONG, JP
Director, Hong Kong Economic and Trade Affairs,
Sydney

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

Mr Eddie MAK
Director-General, Hong Kong Economic and Trade
Affairs, Washington

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

Ms Maureen SIU
Director, Hong Kong Economic and Trade Affairs,
Toronto

Ms Subrina CHOW
Director, Hong Kong Economic and Trade Affairs,
Singapore

Constitutional and Mainland Affairs Bureau

Mr Ivan LEE
Acting Deputy Secretary for Constitutional and

Mainland Affairs (2)

Mr Thomas TSO, JP
Director, Beijing Office

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

Mr Patrick CHAN
Director, Hong Kong Economic and Trade Affairs,
Shanghai

Mr Richard LUK
Director, Hong Kong Economic and Trade Affairs,
Chengdu

**Attendance by
invitation**

: Agenda Item III

Nano and Advanced Materials Institute Limited

Professor NG Ka-ming
Chief Executive Officer

Hong Kong Research Institute of Textiles & Apparel

Mr Haider BARMA
Chief Executive Officer

Hong Kong R&D Centre for Logistics and Supply
Chain Management Enabling Technology

Professor C J TAN
Chief Executive Officer

Automotive Parts and Accessory Systems R&D Centres

Dr Tony LEE
Chief Executive Officer

Hong Kong Applied Science and Technology Research
Institute Company Limited

Professor Edward S YANG
Chief Executive Officer

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Ms Guy YIP
Senior Council Secretary (1)5

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1863/07-08 -- Minutes of meeting held on
20 May 2008

LC Paper No. CB(1)1865/07-08(01) -- List of outstanding items for
discussion

LC Paper No. CB(1)1865/07-08(02) -- List of follow-up actions)

The minutes of the meeting held on 20 May 2008 were confirmed.

II. Information paper issued since last meeting

2. Members noted that no paper had been issued since the last meeting held
on 20 May 2008.

III. Progress report on Research and Development Centres

(LC Paper No. CB(1)1865/07-08(03) -- Paper provided by the
Administration

LC Paper No. CB(1)1865/07-08(04) -- Background brief prepared by
the Legislative Council
Secretariat)

Briefing by the Administration

3. At the invitation of the Chairman, the Commissioner for Innovation and Technology (CIT) briefed members on the progress of the five Research and Development (R&D) Centres, namely R&D Centre for Automotive Parts and Accessory Systems (APAS), R&D Centre for Logistics and Supply Chain Management Enabling Technologies (LSCM), the Nano and Advanced Materials Institute (NAMI), the Hong Kong Research Institute of Textiles and Apparel (RITA) and R&D Centre for Information and Communications Technologies (ICT), for the period July 2007 to May 2008. He highlighted the following:

(a) Projects and operating costs

As in May 2008, a cumulative total of 75 platform projects, 6 collaborative projects and 40 contract research/service projects had been approved by the five R&D Centres. The total project cost of the platform projects and the collaborative projects was \$462.5 million. With regard to platform projects, the R&D Centres were generally able to secure industry contribution at 10% of the total project cost despite they had difficulties in finding private sponsorship.

In 2007-2008, the actual expenditure on R&D projects of the four newly-established R&D Centres, i.e. NAMI, RITA, LSCM and APAS, was well below the original estimate. This was mainly due to the longer time required by these Centres to recruit suitable project staff, confirm industry sponsorship and make other start-up arrangements. During the same period, the actual expenditure on operation of each of these Centres was in the region of \$10 million to \$16 million whereas that of ICT was about \$100 million. The estimated expenditure on the operation of the five R&D Centres was estimated to increase by about 13% to 38% in 2008-2009.

(b) Mid-term review

A mid-term review would be conducted by the end of 2008 to examine the operation, financial situation and performance of the R&D Centres with a view to recommending the proposed way forward for these Centres. The outcome of the review would be reported to the Panel in due course.

Discussion

Operating costs of the R&D Centres

4. Mr Jeffrey LAM expressed concern that the R&D Centres were only able to secure industry contribution at 10% of the total project cost of the platform projects. He queried whether the original target for the Centres to progressively generate up to 40% of their expenditure from the industry would be achievable.

5. CIT replied that the achievements of the R&D Centres in securing industry contribution would be duly examined during the mid-term review. As he understood from the heads of the R&D Centres, they had practical difficulties in persuading the industry to make contributions towards the projects. Therefore, it was quite unlikely that the R&D Centres would be able to achieve the original target of obtaining progressive contribution from the industry. He advised that the issue would be further studied under the upcoming review. Members would be briefed on the relevant findings and recommendations in due course.

6. Pointing out that most of the R&D projects were being undertaken at present, Mr Jeffrey LAM was of the view that the industry would be interested in making more contribution if the projects succeeded in bringing about economic gains in the end. Nevertheless, he remained concerned about the financial independence or otherwise of the R&D Centres when they ramped up to the fifth year of operation. Expressing similar concern, Mr SIN Chung-kai was keen to ensure that the R&D Centres were able to generate investment income to cover their relevant expenses.

7. CIT stressed that the prevailing policy for the R&D Centres to secure at least 10% of the project cost from the industry and progressively increase the contribution to 40% of the R&D expenditure would be revisited under the mid-term review. By then, most of the projects currently undertaken by the four newly-established R&D Centres would have been completed for meaningful assessment in areas such as commercialization and effectiveness in boosting industry contribution. Meanwhile, no income had yet been generated by these four Centres from the project deliverables. He re-iterated that the R&D Centres had been facing difficulties in securing financial support from the industry. He also remarked that while risks were inevitable in R&D, not all projects would bear fruit in the end. Nevertheless, the resources committed for these projects had helped Hong Kong nurture R&D talents for sustainable development in future.

8. Mr WONG Ting-kwong sought information on the reason for an estimated increase at about 13% to 38% of the expenditure on the operation of the five R&D Centres for 2008-2009. He also enquired about the expenditure for the R&D Centres in organizing or participating promotion and marketing events in 2007-2008 and that estimated for 2008-2009.

9. CIT advised that to use public money prudently, only a limited number of key staff were recruited to kick start basic projects during the initial operation of the R&D Centres. Based on operational experience and project needs, the Centres had estimated higher funding requirements in 2008-2009 to enhance their R&D activities, including the appointment of academics, consultants or experts to co-ordinate, monitor or undertake R&D projects. He undertook to provide the figures on promotion and marketing expenditure after the meeting.

Admin

(Post-meeting note: The requested information was circulated to members vide LC Paper No. CB(1)2246/07-08(01) on 5 August 2008.)

Research deliverables and industry support

10. Dr LUI Ming-wah remarked that the HK\$5 billion injection into the Information Technology Fund in 1999 to support R&D in Hong Kong was way below that of the financial commitments in R&D in other places, such as Singapore. He stressed the importance of research deliverables and opined that in assessing the achievement of the R&D Centres, rather than focusing on their expenditure, one should put more emphasis on the research results and their impact on Hong Kong's economy in the long run. To attract more private investment in R&D projects, he

suggested the R&D Centres to exhibit their research results, in particular ICT which was hosted by the Hong Kong Applied Science and Technology Research Institute (ASTRI) and the only Centre which had completed R&D projects so far. Mr WONG Ting-kwong echoed Dr LUI's suggestion which he considered would be conducive to encouraging young talents to join R&D work.

11. In reply, CIT referred to Annex V of LC Paper No. CB(1)1865/07-08(03) which gave an account of the work of ICT/ASTRI and remarked that the Centre had spared no efforts in promoting intellectual property commercialization. He cited the licence income from transferring technologies to the industry as an example, which were about \$4 million and \$8 million in 2006-2007 and 2007-2008 respectively. The Chief Executive Officer, ASTRI (CEO, ASTRI) added that a number of research deliverables achieved by ASTRI had been successfully commercialized by the industry, such as the Wi-Fi technology used by a local telecommunications operator to provide territory-wide Wi-Fi services. He assured members that ASTRI would continue to strive to transfer more technologies to the industry. He also reported that while ASTRI had been able to secure industry contribution at not less than 10% of the project cost, it was estimated that the increased industry contribution at 14% to 15% of the project cost would be achieved in 2008-2009.

12. Dr LUI Ming-wah referred to Appendix II to Annex V of LC Paper No. CB(1)1865/07-08(03) which listed 93 technology transfers by ASTRI from April 2006 to May 2008. While expressing doubt that less than half of the transfers were made to Hong Kong enterprises, he criticized that a considerable portion of Hong Kong's commitments in R&D was in fact being used to subsidize non-local enterprises. He also suggested that ASTRI should make reference to the modus operandi of the Industrial Technology Research Institute (ITRI) in supporting the Taiwan industry.

13. In response, CEO, ASTRI advised that the commercialization of R&D deliverables was made to enterprises within ASTRI's network which were not necessarily local enterprises. Nevertheless, he assured members that the Centre was mindful to groom local talents and enhance local network for the long term benefits of Hong Kong. On the industry support model, he pointed out that in fact ASTRI had adopted a modus operandi similar to that adopted by ITRI. For instance, while ITRI put more emphasis on supporting Taiwan's well-developed electronic industry, ASTRI had been collaborating with Hong Kong enterprises engaged in the semi-conductor industry and such collaboration was expected to bear fruit in the near future.

14. While considering it worthwhile to invest in R&D, Mr CHIM Pui-chung opined that the efforts made in this regard should gear to facilitating the development of the local industries, thereby achieving the best value for money in the long run. He pointed out that there was no automobile manufacturing industry in Hong Kong. He criticized that it was a waste of public money to provide funding for financing the operation of APAS and its R&D projects. He also reminded the Administration to review regularly the effectiveness of its R&D

strategy for timely adjustment.

15. In reply, CIT advised that extensive consultation on the development of 13 proposed technology focus areas was conducted to canvass views from the industries and academics, and the five R&D Centres were selected for development with dedicated resources as a result of the public consultation. On APAS, he explained that the Centre was set up in response to calls for R&D assistance from Hong Kong enterprises operating in the Pearl River Delta which engaged in the production of auto parts and accessory system. The Centre aimed to assist the industry to develop competitive new products and technologies to meet international requirements.

16. Mr Jeffrey LAM said that many Hong Kong-owned enterprises operating in the Pearl River Delta were facing changes such as restructuring, upgrading and relocating. In addition, there were other changing circumstances in the Mainland, such as the development of new technology, which necessitated operational changes of the enterprises from time to time. He was keen to ensure that the support given by the R&D Centres would be adjusted accordingly.

17. In reply, CIT advised that the R&D Centres would pay heed to the latest development of the business environment, such as the impact of the policies and technological development in the Mainland, to ensure suitable support would be provided by the Centres. He added that the mission of the R&D Centres would also be reconsidered under the mid-term review.

The way forward

18. Noting the Administration's plan to conduct a mid-term review on the operation of the five R&D Centres by the end of 2008, Mr SIN Chung-kai reminded the Administration that objective assessment framework and criteria should be adopted for this purpose. In his view, R&D Centres which failed to achieve their mission should be faded out gradually. Moreover, taking into account changing circumstances and technological advancement, consideration should also be given to establishing new R&D centre(s) which would focus in areas with high potential for development.

19. CIT replied that the mid-term review would examine, inter alia, the operation and funding allocation of the R&D Centres and views from the industry on the effectiveness of R&D efforts. To a certain extent, the outcome of the review would form the basis for future R&D strategy, including the need or otherwise for establishing new R&D centre(s). He also remarked that although only five out of the 13 proposed technology focus areas were selected for development with dedicated resources, funding support had been provided for R&D projects belonging to the remaining seven focus areas to help specific industries meet their identified technology needs.

20. In summing up the discussion, the Chairman appreciated the achievements made by the five R&D Centres within one year's full operation. He nevertheless

remarked that R&D efforts should be made to meet the need of the local industry.

IV. Progress report on Hong Kong Special Administrative Region's participation in the World Exposition 2010 Shanghai China

(LC Paper No. CB(1)1865/07-08(05) -- Paper provided by the Administration)

Briefing by the Administration

21. At the invitation of the Chairman, the Permanent Secretary for Constitutional and Mainland Affairs (PSCMA) updated members on the latest developments regarding Hong Kong Special Administrative Region (HKSAR)'s preparations for participating in the World Exposition 2010 Shanghai China (Shanghai Expo) as detailed in the Administration's Paper (LC Paper No. CB(1)1865/07-08(05)).

22. On the current financial proposal, PSCMA advised that with a view to fine-tuning the estimate on the non-recurrent cost implications, over the past month, relevant bureaux and departments had sought further information from the organizer of the Shanghai Expo and attempted to work out further details regarding the technical requirements, activity programmes and manpower requirement. The latest estimate of the total non-recurrent cost (excluding costs to be absorbed through internal redeployment of resources and before adding the estimated civil service staff cost) was revised to \$201 million, representing a reduction of 10.6% as compared with the original estimate of \$224.7 million. He invited members' support for the revised funding application.

Discussion

Estimated cost of HKSAR's participation in the Shanghai Expo

23. Mr Jeffrey LAM pointed out that the construction cost in the Mainland would rise in the next few years due to the need for reconstruction after the Sichuan earthquake on 12 May 2008. He asked whether the Administration had reviewed its estimate in anticipation of the possible increase in construction cost in the Mainland. He also sought information on the latest progress in seeking private sponsorship to cover some of the HKSAR's planned activities in the Shanghai Expo.

24. PSCMA replied that a contingency of about 10% of the estimated cost had been included in the previous and current financial proposals to cover unforeseen expenses arising from operational changes of the Shanghai Expo. If the construction cost exceeded the estimate, the contingency would, in the first place, be used to cover the increased cost. On private sponsorship, he assured members that the Administration would endeavour to secure sponsorship and undertook to report the progress made in this regard to the Panel in due course.

25. Mr CHIM Pui-chung suggested that the Administration should leverage on the private sector by actively engaging representative companies with business bases in Hong Kong, such as the Hong Kong and Shanghai Banking Corporation Limited and Cathay Pacific Airways Limited, in HKSAR's participation in the Shanghai Expo. In his view, it was a normal practice for companies to support commercially viable events promoting Hong Kong in the international arena and therefore it was feasible to secure financial sponsorships from them. He called on the Administration to reach out to the private sector so as to secure sponsorships without delay.

26. PSCMA advised that while initial preparation of HKSAR's participation in the Shanghai Expo in respect of financial and manpower requirements was still in the pipeline, focus group sessions had already been set up to discuss with the trade and industry sector how best to showcase Hong Kong's strengths and advantages, including successful business cases. He said that the Administration would continue its efforts in engaging the private sector in preparing for the event.

Urban Best Practices Area (UBPA) Exhibition

27. Mr SIN Chung-kai re-iterated his concern expressed at the Panel meeting on 15 April 2008 that there was only a handful of smartcard systems, namely the Octopus Card, Smart Identity Card and Autotoll System, which might be exhibited in the UBPA Exhibition to showcase Hong Kong as a city of creativity and innovation to the rest of the world. He was keen to ensure that new smartcard systems or applications would be developed for inclusion in the UBPA Exhibition.

28. In reply, PSCMA advised that a working group chaired by the Permanent Secretary for Commerce and Economic Development (Communication and Technology) had been set up to drive forward the UBPA Exhibition. The estimated expenditure in this regard would be \$67.9 million. The Deputy Secretary for Commerce and Economic Development (Communications and Technology) supplemented that smartcard applications would be adopted as the main theme of HKSAR's participation in the UBPA Exhibition. Acknowledging members' concern about the use of smartcard systems to improve efficiency in Hong Kong people's everyday city life, he advised that the Administration would make use of the opportunity to use smartcard to facilitate the rollout of elderly health care voucher as well as reliable access to electronic health records of patients, and the use of smartcard to encourage green citizen behaviour through the implementation of a Green Reward Scheme. The core idea of the Reward Scheme was to make use of the smartcard to encourage citizens to adopt a green living style which would earn bonus points. The more they engaged in green activities, the more bonus points they would earn for the Reward Scheme. The Administration would also explore the use of effective technologies to enhance school administration, schools' communication with parents, and students' learning.

29. Mr SIN Chung-kai remained concerned that despite the above initiatives, there was still room for bureaux and departments to ride on the existing smartcard systems widely used by the public. While considering the use of smartcard

systems conducive to reducing operating cost, he called on bureaux and departments to actively promote the wider application of these systems in the run-up to the Shanghai Expo in 2010.

Way forward

30. The Chairman appreciated the efforts made by the Administration in adjusting downward the estimate expenditure of the non-recurrent costs required for HKSAR's participation in the Shanghai Expo. He said that the Panel supported in principle the current financial proposal. He also called on the Administration to take into account members' views that more efforts should be made to brand Hong Kong in collaboration with the business sector and enrich the content of the UBPA exhibits.

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

(LC Paper No. CB(1)1865/07-08(06) -- Reports on the work of the overseas Hong Kong Economic and Trade Offices provided by the Commerce and Economic Development Bureau

LC Paper No. CB(1)1865/07-08(07) -- Report on the work of Hong Kong Special Administrative Region's Offices in the Mainland provided by the Mainland Liaison Affairs Office, Constitutional and Mainland Affairs Bureau)

Briefing by the Administration

31. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the work of the overseas/Mainland Economic and Trade Offices (ETOs) and the Office of the HKSAR Government in Beijing (BJO) between November 2007 and May 2008. He said that one of the major initiatives made by the ETOs and BJO in the Olympic Year was to promote Hong Kong as the Olympic co-host city of Equestrian Events. In fact, the San Francisco ETO had entered into partnership with NBC, the official United States (US) broadcaster of the Beijing Olympics, to promote the Equestrian Events and Hong Kong as a prime destination for international events by releasing a special television programme on Hong Kong and running an online campaign in the US from June 2008. Looking ahead, the ETOs and BJO would continue their efforts in promoting Hong Kong as the international financial, trading, logistics, convention and tourism hub, as well as the two-way platform for overseas corporations to access the Mainland market. To strengthen Hong Kong's competitiveness in these areas, emphasis would also be placed on attracting more

talents to live and work in Hong Kong by stepping up publicity of the Quality Migrant Admission Scheme.

Discussion

The Sichuan earthquake

32. Mr Jeffrey LAM appreciated the various support provided by the ETOs and BJO in the business trips undertaken by the commercial and industrial sectors. He highlighted the dedicated efforts made by the HKSAR Government, Chengdu ETO and BJO in providing relief and rescue assistance to Hong Kong residents and businessmen after the mega earthquake in Sichuan on 12 May 2008. He highly commended their dedicated work on behalf of the Liberal Party and Hong Kong citizens. The Chairman said that Panel members were appreciative of the efforts made by the Administration in the Sichuan earthquake incident.

33. SCED assured members that the HKSAR Government would make its best efforts to help Sichuan. The Director, Chengdu ETO reported that a number of emergency relief teams from different departments, including the Fire Services Department, Government Flying Service and medical practitioners, etc. had been deployed to Sichuan to assist in the relief and rescue work. The Chengdu ETO had worked closely with the Mainland authorities in ensuring smooth and expedient delivery of the team members and suitable relief supplies to the quake-stricken areas. He said that the Mainland authorities had time and again expressed their heartfelt gratitude to the rescue teams, in particular their thoughtfulness of bringing from Hong Kong the necessary supplies and equipments to provide immediate rescue to the earthquake victims. In general, work in respect of rescue, epidemic prevention and drainage of quake-formed lakes had been satisfactorily completed by now. In future, the Chengdu ETO would continue to liaise with the Hong Kong and Macao Affairs Office to identify the role to be played by HKSAR in the rebuilding and rehabilitation process of Sichuan.

The cross-strait relations

34. Mr Jeffrey LAM pointed out that a memorandum had been signed between the Mainland and Taiwan on promoting "three direct links" between the two sides and enquired about the possible implications of the thawing cross-strait relations on Hong Kong's economy.

35. SCED responded that, in the short term, direct links between the Mainland and Taiwan might affect some of the service industries in Hong Kong, such as aviation, transportation and logistics. Currently, there were about 2 million passengers a year arriving from Taiwan, among which 70% were transit passengers en route to or from the Mainland who spent about \$200 on average per person during transit. Visitation by this group of passengers was expected to drop in the near future. It was therefore necessary for the affected industries to make suitable adjustments in the face of the direct links between the Mainland and Taiwan. As reflected by some airline operators, it was feasible to adjust their modus operandi in

view of the thriving regional economy as a whole. In the long run, the improvement of regional relations would be conducive to fostering closer and more frequent socio-economic activities among the Mainland, Taiwan and Hong Kong, thereby giving impetus to the sustainable development of the region's economy. For instance, Taiwan enterprises would be motivated to seek listing in Hong Kong or to enter the Mainland market by leveraging on Hong Kong's strength as the gateway to the Mainland. In this connection, he advised that the Hong Kong Trade Development Council (HKTDC) would arrange a trade mission to Taiwan in July 2008. HKTDC also planned to set up a representative office in Taiwan to strengthen trade relations between both sides.

36. In response to Mr Jeffrey LAM's further enquiry on whether operational adjustment would be made by the ETOs and BJO in view of the thawing cross-strait relations, the Director, BJO advised that regular contacts had always been maintained between the BJO and the Taiwan Affairs Office of the State Council for apprising HKSAR policy changes on Taiwan. The BJO would make timely report to the head office on the latest development of the cross-strait relations. SCED added that in view of the normalization of the relations between the Mainland and Taiwan, promotional efforts would be stepped up in various aspects. On tourism, "single trip, multiple destinations" tours would be promoted. On investment promotion, Invest Hong Kong would enhance its efforts in promoting direct inward investment in the Taiwan market.

37. Mr Ronny TONG enquired if the Administration had any plan to set up an ETO in Taiwan. In response, SCED advised that the establishment of new ETOs must be premised on the prudent use of public resources. There was no imminent need for the HKSAR Government to set up its representative office in Taiwan since HKTDC had already planned to set up a representative office there to meet the service need of the commercial and industrial sectors in Hong Kong. Nevertheless, the Administration would keep in view various circumstances to assess the need for the establishment of an ETO in Taiwan.

38. Mr SIN Chung-kai said that Taiwan was considering offering visa-free access to holders of HKSAR passport. While pointing out that some Taiwan residents had been denied access to Hong Kong in the past, he asked whether the Administration would consider reviewing and relaxing the current visa policy applicable to Taiwan residents in view of the improved cross-strait relations.

39. In reply, SCED said that the Administration welcomed Taiwan's consideration of offering visa-free access to Hong Kong residents. In general, it would benefit the tourism industry of the respective country/place implementing the visa-free policy, as in the case of Japan which had greatly benefited from the boosting of visitation after the implementation of such policy for Hong Kong residents. On the visa policy for Taiwan residents visiting Hong Kong, he undertook to relay member's enquiry to the Secretary for Security for written response after the meeting.

(*Post-meeting note:* The Administration's reply was circulated to members vide LC Paper No. CB(1)2124/07-08(01) on 8 July 2008.)

The economic and political situation in the United States

40. The Chairman sought information on the possible implications of the US Presidential election and sub-prime mortgage crisis on Hong Kong's economy.

41. On the Presidential election, the Commissioner for Economic and Trade Affairs, USA (C, USA) said that the Washington ETO maintained a regular dialogue with interlocutors representing the camps of Senators John McCain and Barack Obama. While the former was a well-known free-trader, the latter advocated fair trade with emphasis on labour and the environment. Although both candidates acknowledged the importance of trade to the US economy, trade issues would unlikely be high on the agenda of the new US President as he would need to attend to more pressing issues such as the Iraq War and domestic problems such as health care. On the sub-prime mortgage crisis, she advised that in May 2008, the Secretary for Financial Services and the Treasury (SFST) paid a visit to US. In Washington, SFST met with the Chairman of the Federal Reserve and in New York he met with the banking industry. The general sense was that the financial sector might be near bottoming out though it remained to be seen what impact the next lot of sub-prime mortgages up for an interest rate review in September/October 2008 would have on property prices. If the review should trigger a further drop in housing prices, the knock-on effect to the mainstream US economy could be significant. This would have ramifications on the rest of the world, in particular export-oriented economies in Asia.

42. In response to Dr LUI Ming-wah, C, USA said that according to a number of major opinion polls, the chances for Senator John McCain and Senator Barack Obama winning the presidential election was almost evenly split at this point. The economy and national security weighed heavily on the voters' minds. A deteriorating economy would likely turn voters against the incumbent party hence would favour Senator Obama. A threat to national security could, however, tilt the balance in Senator McCain's favour given his strong military background. With the election still four months away, it was too early to tell which way it would go.

Strengthening ties with overseas countries

43. Mr CHIM Pui-chung opined that the ETOs and BJO should play an active role in Hong Kong's external affairs, in particular with the Mainland, European and North American countries. He sought information on their work in this regard.

44. SCED replied that as part of the People's Republic of China, the Mainland had provided much support in respect of Hong Kong's external affairs. For instance, on visits made by high-rank Government officials, the Office of the Commissioner of the Ministry of Foreign Affairs in HKSAR and the relevant Chinese embassies would provide assistance and give briefings on local affairs.

He observed that as the national strength of the Mainland grew stronger, overseas countries had attached greater importance to Hong Kong. While regarding Hong Kong as part of the People's Republic of China, they also valued Hong Kong's unique strength as a key international financial and trading hub.

45. Mr SIN Chung-kai considered that if HKSAR's representation in the Middle East and South America could be strengthened, it would bring about sustainable economic development to the territory. He enquired about the Administration's plan in this regard.

46. In reply, SCED said that Hong Kong had been maintaining good relations with its trading partners through the networks of its overseas ETOs and, where appropriate, the Office of the Commissioner of the Ministry of Foreign Affairs in HKSAR and HKTDC. While considering that new markets such as the Middle East, South America and Russia were high potential markets and therefore ties with these places should be strengthened, he nevertheless pointed out that it was incumbent upon the Administration to ensure that public fund was put to good use before embarking on the establishment of new ETOs. In the case of the aforesaid new markets, it was considered appropriate to continue to make use of HKTDC's representation and networks in these places for the promotion of Hong Kong.

Hong Kong as an Olympic co-host city

47. Mr CHIM Pui-chung enquired about the promotional efforts made by the ETOs and BJO in promoting Hong Kong as the Olympic co-host city of Equestrian Events.

48. In reply, SCED said that every ETO and BJO had placed much emphasis in promoting Hong Kong as the Olympic co-host city of Equestrian Events. He then invited the San Francisco ETO, the Brussels ETO and the Tokyo ETO to highlight their work in this regard.

49. The Director, San Francisco ETO said that San Francisco ETO was in partnership with NBC, the official US broadcaster of the Beijing Olympics, to promote Hong Kong as a co-host city of the Olympic and Paralympic Equestrian Events as well as a prime destination for staging international events. The TV and online campaign would cover San Francisco, New York and Washington DC as well as their neighbouring cities served by NBC's network. A dedicated site on Hong Kong and the Equestrian Events was created on NBC11.com; WNBC.com; and NBC4.com and would run for ten weeks, starting 18 June. For the TV campaign, three 30-second vignettes would be aired for six weeks with effect from 18 June; and a 30-minute special programme produced by NBC on Hong Kong would be shown in New York and Washington DC on 19 July, and in San Francisco on 8 August before NBC's airing of the Opening Ceremony of the 2008 Olympics. A mega event officiated by the Chief Executive to promote Hong Kong was held on 13 June in downtown San Francisco. It was also a kick-off of the publicity campaign with NBC and attracted thousands of San Franciscans and tourists. San Francisco ETO would also sponsor the 2008 USA Olympic Dressage Trials, to be

held in Orange County, Southern California on 28 and 29 June by setting up a Hong Kong booth and an exhibition on Hong Kong Equestrian Events.

50. The Special Representative for Hong Kong Economic and Trade Affairs to the European Communities, Brussels reported that in Europe, multi-pronged promotional activities had been conducted or were in the pipeline. These included the sponsoring of five specialist equestrian journalists from Belgium, Germany, the Netherlands and Switzerland to come to Hong Kong to cover stories about Hong Kong's hosting of the Equestrian Events, launching of television programmes, placing of advertisement, showing of videos relating to the Equestrian Events, and liaison with equestrian-related officials.

51. The Principal Hong Kong Economic and Trade Representative, Tokyo said that the Tokyo ETO held a number of public relations activities to publicize Hong Kong as an Olympic co-host city. In February 2008, a promotional booth with exhibition panels highlighting Hong Kong's hosting of the 2008 Olympics Equestrian Events was set up at the Tokyo Marathon. A similar exhibition was staged at all recent functions held by the Tokyo ETO in Japan and Korea. To spread this message to the Japanese equestrian community, the Tokyo ETO had sponsored the 54th annual international dressage competition organized by the Tokyo Riding Club from 6 to 8 June 2008, in which one of the competition events was named "Hong Kong Cup" and a reception was hosted for members of the Japan Olympic Committee and the Japan Equestrian Federation.

The Shanghai Expo

52. Mr WONG Ting-kwong pointed out that the Shanghai Expo was the next major international event to be hosted by the Mainland after the Olympic Games. He sought information on efforts made by the ETOs and BJO in promoting the Shanghai Expo and in attracting event participants to take side trips to Hong Kong.

53. In reply, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) said that the overseas ETOs, the Commerce and Economic Development Bureau, the Information Services Department as well as the Tourism Board would spare no efforts in promoting China's hosting of the Shanghai Expo through various promotional activities, including "single trip, multiple destinations" tours targeted for event participants to attract them to visit Hong Kong before or after the Expo. The Director, Shanghai ETO supplemented that close liaison had been maintained by the Shanghai ETO with the Expo organizer and relevant Government bureaux and departments for concerted efforts with the Tourism Board and relevant local industries in HKSAR's preparation for the Shanghai Expo. He cited that in February 2008, a delegation of the Expo organizer visited Hong Kong and had a meeting with the Tourism Commission, Tourism Board and local tourism trade to discuss issues relating to ticket promotion. As he understood, the Tourism Commission and Tourism Board would continue to liaise with the Expo organizer and work out appropriate promotional plans with a view for Hong Kong to reaping the maximum benefit from the Shanghai Expo.

54. In concluding the discussion, the Chairman thanked the ETOs and BJO for their dedicated efforts in maintaining Hong Kong as a key player in the international financial and trading arena.

VI. Any other business

55. The Chairman thanked members and representatives of the Administration for attending the last Panel meeting of this term of the Legislative Council and their contribution in past meetings.

56. There being no other business, the meeting ended at 5:40 pm.

Council Business Division 1
Legislative Council Secretariat
12 August 2008