

**For Discussion
on 18 October 2011**

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

**Establishment of
the Hong Kong Economic, Trade and Cultural Office in Taiwan**

Purpose

At the meeting of this Panel on 19 July 2011, Members were briefed (vide LC Paper No. CB(1)2641/10-11(01)) on the Administration's plan to set up a multi-functional office in Taiwan by the end of this year to enhance high-level exchanges between the two places. This paper briefs Members further on the proposed detailed arrangements for the establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO), and seeks Members' support for the creation of a directorate post to head the HKETCO and the proposed rates of Rent Allowance (RA) payable to officers to be posted to the HKETCO.

Background

Economic and Trade Cooperation between Hong Kong and Taiwan

2. Over the years, Hong Kong and Taiwan have established close economic and trade ties. Taiwan was the fourth largest trading partner of Hong Kong in 2010 with a total trade value amounting to over HK\$293 billion. The average growth rate in bilateral trade was 4% from 2006 to 2010. Taiwan is also a major source of inward direct investment for Hong Kong with a stock of HK\$41 billion as at the end of 2009. Up to June 2010, there were 30 regional headquarters, 184 regional offices and 238 local offices of Taiwanese enterprises in Hong Kong.

3. Invest Hong Kong and the Hong Kong Trade Development Council have already stepped up their efforts in Taiwan to attract and promote inward investment, and to assist Hong Kong businesses to establish or expand

their presence in Taiwan. In addition, the Hong Kong-Taiwan Business Co-operation Committee, comprising members from the local business sectors, was established in April 2010 to foster closer co-operation between the trade and industries in Hong Kong and Taiwan.

4. With the implementation of “Three Direct Links” in December 2008 and the signing of the Economic Co-operation Framework Agreement (ECFA) in June 2010 between the Mainland and Taiwan, it is important for us to take advantage of Hong Kong’s intrinsic strengths and leverage on the opportunities brought by these new developments.

5. On tourism, Taiwan is Hong Kong’s second largest visitor source. In 2010, there were over 2.1 million visitor arrivals from Taiwan, a 7.7% increase as compared to that in 2009. We have introduced in the past few years a number of entry facilitation measures to attract more visitors from Taiwan to Hong Kong. Separately, the Hong Kong Tourism Board has opened its official Taipei office since this September to further develop the Taiwanese visitor source market by strengthening cooperation with the Taiwanese travel trade and media to promote and publicise Hong Kong as an attractive tourist destination. With all these initiatives in place, we envisage there would be a greater inflow of Taiwan visitors to Hong Kong.

Cultural Exchanges between Hong Kong and Taiwan

6. Apart from close economic and trade cooperation, there have been frequent exchanges among cultural groups in Hong Kong and Taiwan. We established the Hong Kong-Taiwan Cultural Cooperation Committee (CCC) in August 2010. The CCC would work closely with the Cultural Cooperation Committee established under the Taiwan-Hong Kong Economic and Cultural Cooperation Council (THEC), its Taiwanese counterpart, in pursuing cultural cooperation between the two places at greater depths and along wider fronts.

7. In May 2011, the CCC hosted the “Hong Kong-Taiwan Cultural Co-operation Forum” with the theme of “Forming Cultural Co-operation Platform, Building Chinese Creative Branding”, to enhance mutual understanding and foster collaboration between the arts and cultural sector and creative industries in Hong Kong and their Taiwan counterparts, and to foster the establishment and development of creative brands in the region. During the Forum, the two committees reached consensus on a future cooperation plan, which lays the foundation for further developing and strengthening the relation between Hong Kong and Taiwan on cultural exchanges and cooperation initiatives.

Functions of the HKETCO

8. With the closer relations and cooperation between Hong Kong and Taiwan as mentioned above, there is a need to set up the proposed HKETCO. As we have briefed Members at the meeting on 19 July 2011, the HKETCO, apart from discharging similar functions of Hong Kong Economic and Trade Offices (HKETO) in the Mainland, will also place a strong focus on facilitating cultural cooperation between Hong Kong and Taiwan. Briefly, the HKETCO is expected to fulfil the following functions:

- (a) To promote economic relations, investment, financial services and business exchanges, etc between Hong Kong and Taiwan;
- (b) To enhance cultural, education, tourism and other exchanges between Hong Kong and Taiwan;
- (c) To strengthen cooperation between Hong Kong and Taiwan in areas such as technology, transport, medical services, public health and food safety, etc;
- (d) To provide assistance to Hong Kong residents in Taiwan to the extent possible;
- (e) To assist in handling matters relating to entry applications from Taiwanese residents where necessary; and
- (f) To perform other relevant services.

Proposed Establishment of the HKETCO

Head of the HKETCO

9. The head of the HKETCO, designated as “Director, Hong Kong Economic, Trade and Cultural Office (Taiwan)”, will be responsible to the Permanent Secretary for Constitutional and Mainland Affairs. The incumbent will be entrusted to oversee the proper and effective delivery of the full range of functions mentioned in paragraph 8 above. He will work in close consultation with senior officials within the Government of the Hong Kong Special Administrative Region and liaise with relevant authorities in Taiwan in order to discharge his duties effectively. He will also need to maintain an extensive network of liaison with the Hong Kong business community in Taiwan in order to provide better support services for them and to address their concerns. In

addition, he will help promote exchange between cultural and creative industries of the two places. Given the extensive functions of the HKETCO and the scope of responsibilities and level of seniority required in handling liaison with the Taiwan authorities, it is necessary for the HKETCO to be headed by a senior directorate officer with extensive administrative experience.

10. Having regard to the job requirements, sensitivity and complexity of the tasks involved, and making reference to the ETOs in the Mainland, we consider it appropriate that the ranking of the head of the HKETCO be pitched at Administrative Officer Staff Grade B (AOSGB) (D3) level. The proposed job description of the post is set out at **Annex A**.

11. In June 1991, Finance Committee (FC) approved a flexible ranking system to facilitate the posting and retention of directorate heads and deputy heads of overseas offices. Under this system, in certain specified situations a supernumerary post at a pre-determined higher rank can be created and held against the permanent post of the lower rank. In March 2002, after considering Paper No. EC(2001-02)26 for the Establishment Sub-committee, FC approved the extension of the flexible ranking system to all directorate head and deputy head posts in ETOs in the Mainland. Accordingly, it is proposed that the same ranking arrangement should apply to the HKETCO. Details and rationale of the system are at **Annex B**. The pre-determined higher rank in this case would be set at the Administrative Officer Staff Grade B1 (D4) level.

Non-Directorate Staff

12. The HKETCO will be supported by 14 non-directorate staff. We intend to create six permanent non-directorate posts and one two-year time-limited post for various duties relating to administrative and public relations, commercial relations and investment promotion. Another seven supporting personnel will be engaged locally to provide support on various fronts. The proposed organisation chart of the HKETCO is at **Annex C**.

13. One of the core functions of the HKETCO is to promote cooperation and exchanges between Hong Kong and Taiwan. Therefore, the skeleton staff of the office should be familiar with the social and economic environment and development on various fronts of Hong Kong, as well as the policies and mode of operation of the HKSAR Government. We thus consider it necessary to deploy a small number of staff from Hong Kong to work in the HKETCO.

14. We hope that the HKETCO will commence operation within 2011. We therefore propose to create one permanent post of AOSGB with

effect from 1 December 2011. As regards the non-directorate staff and local supporting personnel, they will assume office according to the progress in establishing the HKETCO.

Allowance for Officers Posted Outside Hong Kong

15. The Hong Kong-based officers posted to the HKETCO will be subject to the terms and conditions of service applicable to officers posted outside Hong Kong. Among other things, they will receive a Rent Allowance (RA).

16. The RA is to assist officers to rent accommodation in the city of posting. To this end, we have engaged an independent consultant to make recommendations on the RA rates applicable to the various ranks of officers to be posted to the proposed HKETCO. With reference to the policies and broad standards of accommodation provided by major Hong Kong organisations and multi-national corporations to their expatriate executive / managerial personnel of comparable levels in Taipei, the consultant has drawn up a set of standards of accommodation for officers of different levels and family size which can reasonably apply to the civil service. Based on these standards, the consultant has conducted accommodation surveys to collect relevant residential rental data and drawn up specific RA rates for officers of different level and family size. The proposed RA rates for officers to be posted to the HKETCO are set out in **Annex D**. The RA is paid on a reimbursement basis and the proposed rates represent the ceiling for reimbursement of accommodation expenses by officers. We will seek approval from FC on the proposed RA rates in November 2011.

Financial Implications

17. The proposed creation of the permanent AOSGB (D3) post will require an additional notional annual salary cost at mid-point of \$1,870,200, and a full annual average staff cost (including salaries and staff on-costs) of \$2,397,180.

18. As for the six permanent non-directorate civil service posts and one two-year time-limited civil service post mentioned in paragraph 12 above, the notional annual salary cost at mid-point is \$5,311,020 and the full annual average staff cost (including salaries and staff on-costs) is \$7,267,656.

19. Based on the proposed RA rates for officers to be posted to the HKETCO under the proposed staffing establishment, the net additional recurrent costs on RA are estimated at around the range of \$1,971,000 to

\$2,731,000¹ for Head 144 – Government Secretariat: Constitutional and Mainland Affairs Bureau annually.

20. The set-up cost of the HKETCO is estimated at \$5.8 million and the total annual recurrent cost, including staff costs in full, is estimated at around \$21 million per annum. We have included sufficient provision in the 2011-12 Estimates to meet the cost of this proposal and will reflect the resources required in the Estimates of subsequent years.

Advice Sought

21. Members are invited to note the detailed proposal for the establishment of the HKETCO, and to support the creation of a permanent directorate post to head the office and the relevant RA rates for officers posted to the HKETCO as set out in this paper. Subject to Members' views, we will seek the ESC's endorsement for the creation of the AOSGB (D3) post in end October, and seek FC's approval for the creation of the said post and the proposed RA rates for officers to be posted to the HKETCO in November 2011.

Constitutional and Mainland Affairs Bureau October 2011

¹ The estimated costs are calculated based on the exchange rate at NTD100 = HK\$25.63, as at 10 October 2011.

Proposed Job Description

Post Title : Director, Hong Kong Economic, Trade and Cultural Office (Taiwan) (“Director (Taiwan)”)

Rank : Administrative Officer Staff Grade B (D3)

Responsible to Permanent Secretary for Constitutional and Mainland Affairs on the following main duties and responsibilities –

- (a) to undertake the role of the Hong Kong Special Administrative Region (HKSAR)’s principal representative on economic, trade, cultural and other issues in Taiwan; and to develop and reinforce bilateral relations over these issues between HKSAR and Taiwan;
- (b) to promote the HKSAR’s exchanges and cooperation with Taiwan;
- (c) to facilitate communication, cooperation and to enhance understanding between the HKSAR and Taiwan;
- (d) to assist bureaux/departments of HKSARG and the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council (ECCPC) in taking forward cooperation initiatives with Taiwan;
- (e) to advise the HKSARG and the ECCPC on policies and initiatives for fostering relations with Taiwan;
- (f) to provide support services for Hong Kong businesses and service providers in Hong Kong including enhancement of liaison, follow-up on matters of common concern, and collection and dissemination of information relating to commercial operations in Taiwan;
- (g) to provide assistance to Hong Kong residents in Taiwan to the extent possible;

- (h) to assist in handling matters relating to entry applications from Taiwan residents where necessary;
- (i) to provide information and assistance to local enterprises and to attract them to invest in Hong Kong;
- (j) to organise cultural and publicity activities to promote Hong Kong, with a view to promoting relationship, as well as business and cultural exchanges between Hong Kong and Taiwan; and
- (k) to oversee day-to-day operation of the HKETCO and other relevant services.

Flexible Ranking System for HKETOs

In June 1991 and after considering EC 1991-92 Item 18, the Finance Committee approved a flexible ranking system to facilitate the posting and retention of directorate heads and directorate deputy heads of overseas offices. Owing to their representation role, the directorate heads and deputy heads of the overseas offices should be mature and experienced officers with well-honed skills in negotiation, lobbying and public relations. Based on past experience, it could be difficult to attract and retain suitable officers to fill these overseas posts because –

- (a) the pool of suitable candidates at the designated ranks of the senior overseas posts is relatively small in view of the special qualities required of them;
- (b) an overseas posting involves disruption to family and social life. In case of married officers, it could also involve loss of income and interruption to the career of working spouses; and
- (c) since the normal duration of an overseas posting is approximately three years, officers who are selected as directorate heads and deputy heads of overseas officers are often unwilling to accept such postings for fear that they will lose the opportunity to act in a higher rank which they might otherwise be given if they remained in Hong Kong. They also consider that their promotion prospects will be adversely affected if they are denied access to opportunities for acting appointment.

2. The flexible ranking system expanded the pool of potential candidates for overseas posts and removed a major disincentive for potential candidates by ensuring that officers in overseas posts receive the same opportunities for acting appointments and promotion as their counterparts in Hong Kong.

3. Under this system, the Secretary of Civil Service may exercise delegated authority in the following situations to create supernumerary posts at a pre-determined higher rank held against the permanent directorate head and

deputy head posts of the lower rank in the following situations –

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

4. In June 1996, after considering EC(96-97)10 and the Supplementary Note, Finance Committee approved the extension of approved flexible ranking system to D6 Heads of overseas offices subject to a set of conditions as set out in the Supplementary Note.

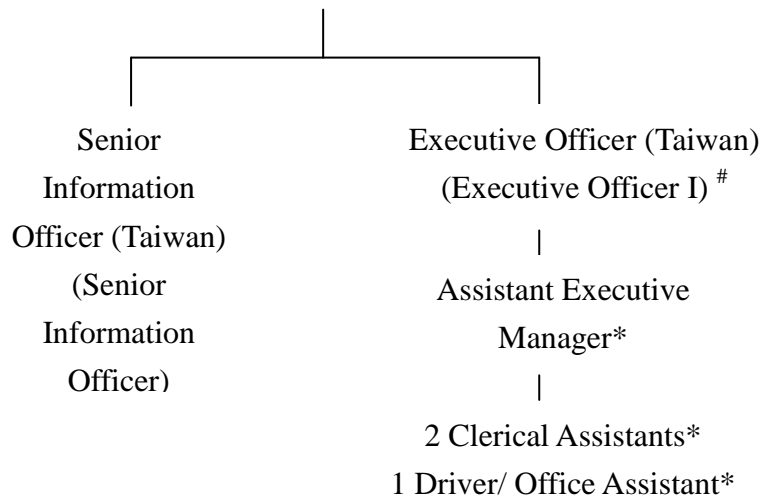
Organisation Chart of the Hong Kong Economic, Trade and Cultural Office in Taiwan

Director (Taiwan)
(Administrative Officer Staff Grade “B” (D3))

Personal Secretary (Taiwan)
(Personal Secretary I)

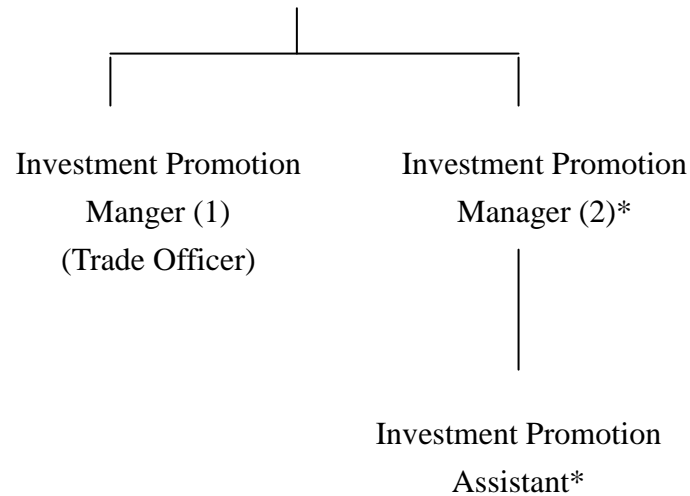
Culture and Strategic Development Division

Deputy Director (Culture and Strategic Development)
(Senior Administrative Officer)



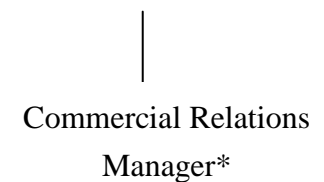
Investment Promotion Division

Deputy Director (Investment Promotion)
(Principal Trade Officer)



Commercial Relations Division

Head, Commercial Relations Division
(Trade Officer)



Time-limited post to be created for 2 years

* Locally-engaged staff

**Proposed Rent Allowance for
Hong Kong-based Officers posted to the HKETCO¹**

Rank	No. of Posts	Family size	Total rental allowance² (New Taiwan Dollars)
AOSGB1 (D4) ³	1	Single/married	219,900
		Family	255,000
AOSGB (D3)		Single/married	154,100
		Family	198,800
SAO/PTO or ranks with equivalent pay scales (MPS 45-49)	2	Single/married	97,300
		Family	148,100
TO/SIO/EOI or ranks with equivalent pay scales (MPS 28-44)	4	Single/married	62,000
		Family	70,100
PSI or ranks with equivalent pay scales (MPS 27 and below)	1	Single/married	44,100
		Family	56,200

Legend –

AOSGB1	-	Administrative Office Staff Grade B1
AOSGB	-	Administrative Office Staff Grade B
SAO	-	Senior Administrative Officer
PTO	-	Principal Trade Officer
TO	-	Trade Officer
SIO	-	Senior Information Officer
EO I	-	Executive Officer I
PS I	-	Personal Secretary I
MPS	-	Master Pay Scale

Notes:

- ¹ The proposed RA rates are determined having regard to the policies and broad standards of accommodation provided by major Hong Kong organisations and multi-national corporations for their expatriate executive/managerial personnel of comparable levels in Taipei, and the results of accommodation surveys conducted by the independent consultant engaged by the Government.
- ² The proposed Rent Allowance (RA) rates for officers posted to the HKETCO are in New Taiwan Dollars. These rates cover rent, furniture rental and other mandatory charges such as service charges, management and car parking fees. For reference, the exchange rate between New Taiwan dollars and Hong Kong dollars as at 10 October 2011 is NTD100=HK\$25.63.
- ³ The HKETCO is proposed to be headed by an AOSGB (D3) officer. The proposed RA rates for AOSGB1 (D4) will only be invoked when an AOSGB1 (D4) officer is posted to the HKETCO under the flexi-ranking system.