

**Information Paper for
LegCo Panel on Trade & Industry**

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

Attached at Appendices 1 to 11 for Members' reference are reports on the work of the Hong Kong Economic and Trade Offices (ETOs) overseas and the latest developments on various economic and trade matters in the countries concerned since the last meeting between the Panel and the Heads of Overseas Offices (HOOs) on 5 July 1999.

Trade and Industry Bureau
January 2000

Brief Report on the Work of the London ETO

The London Office is responsible for Hong Kong's economic and trade relations with the UK, as well as our relations with the non-European Union (EU) member states in the continent including Norway, Switzerland and the Central and Eastern European countries.

The UK

Business and consumer sentiment in the UK continued to improve in the second half of 1999, with real GDP growth forecast at 1.6% for the whole year and 2% for 2000. The Labour Government maintains the position that the UK should join the European Economic and Monetary Union when the economic conditions are right, but public opinions are still divided. The political parties were also actively jockeying for position over the first election of the London Mayor on 4 May 2000.

Incoming Visits

The London Office organised the Financial Secretary's visit to the UK in early November. He updated the UK government and the financial/business community on the latest developments in Hong Kong and urge ongoing efforts in reforming the international financial architecture. The Secretary for Information Technology visited London in early September to promote Hong Kong as the information technology centre in the region. In late September, the Secretary for Economic Services led a delegation comprising the Director of Marine and members of the Port and Maritime Board to promote the HKSAR Shipping Registrar. The Commissioner of Customs and Excise visited London in end November/early December. He spoke on the work of his department, notably on intellectual property rights protection.

Outgoing Visits

During the period, the office invited ten influential opinion formers to visit Hong Kong under the government's sponsored visitor programme.

Public Relations and Inward Investment Promotion Activities

For the reporting period, the London Office organised four receptions, five briefings and six luncheon speeches. In August, we hosted a concert for the Symphony Orchestra of the Hong Kong Academy for Performing Arts. It was well-received by over 250 guests.

We also conducted 52 company visits and had been successful in helping 13 British companies set up their business in Hong Kong.

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The Office continued to liaise closely with the opinion formers in the UK, including politicians, businessmen, journalists, rating agencies, think tankers, academics and professional groups. Hong Kong's new positioning into the 21st century, as espoused in the Chief Executive's Policy Address, was the predominant theme in the second half of 1999. We also underscored the vote of confidence given to Hong Kong by the International Monetary Fund and by the Heritage Foundation.

Other Countries

The London Office arranged for the visit of the Director of Immigration to Bern in October. The Swiss Government announced after the meeting its in-principle agreement to grant visa-free access to HKSAR passport holders. We also liaise regularly with the International Institute for Management Development, a major ranking agency based in Lausanne.

Apart from the Bern visit, the office also made six bilateral visits including Oslo and the capitals of Central and Eastern Europe. We organised, together with the Hong Kong Trade Development Council, four seminars in Budapest, Oslo, Prague and Warsaw. We also conducted 10 company visits in Norway and Switzerland.

The London Office monitored closely the progress of the first wave countries' accession to the European Union, namely Hungary, Poland, the Czech Republic, Slovenia, Estonia and Cyprus. At the Helsinki summit in December, the EU agreed to open negotiations with the second wave countries i.e. Slovakia, Bulgaria, Romania, Latvia, Lithuania and Malta. Turkey was also formally accorded as a "candidate state" for EU membership.

Brief Report on the Work of the Brussels ETO

Commercial Relations

We follow closely developments within the European institutions e.g. intergovernmental conference and enlargement. We also monitor the European Union (EU)'s anti-dumping policy and report specific anti-dumping or anti-circumvention cases of interest to Hong Kong. We report new or proposed technical regulations and standards promulgated by the EU and individual Member States (MSS). Where Hong Kong's interests are being affected, we make representations to the European Commission and MSS. We continue to follow closely discussions and developments in the European Economic and Monetary Union which was launched in January last year. Other issues also monitored by us include the EU's position on multilateral trade issue, particularly the WTO Seattle Ministerial Conference, and the EU's bilateral relations with other countries. Where necessary, we also assist in the negotiation of bilateral agreements between Hong Kong and the European Commission.

Public Relations

We continue our efforts in updating European government officials, businessmen, journalists and think-tanks on the situation in Hong Kong, in particular, on the gradual economic recovery in Hong Kong, and on the policy initiatives announced in the Chief Executive's Policy Address. We also brief our contacts on developments on the right of abode issue, underlining the HKSARG's commitment to the rule of law and independence of judiciary. At the same time, we continue to lobby for support for visa free access for HKSAR passport holders. We organized the Secretary for Information Technology and Broadcasting's visit to Finland, the Secretary for Economic Services and Members of the Port and Maritime Board's visit to the Netherlands, the Secretary for Education and Manpower's visit to Sweden, the Director of Immigration's visit to Europe and the Financial Secretary's visit to Ireland. We also organized a seminar in Antwerp to promote Hong Kong as a logistic hub in Asia and hosted a luncheon in Milan for the Commissioner, ICAC, and one in Brussels for Commissioner of Customs and Excise. We also assisted in the re-establishment of the European Parliament-Hong Kong Friendship Group.

On the media front, we continue to monitor about 160 European newspapers and periodicals. Over the past 6 months, we issued three newsletters and held 17 press briefings to update European journalists on the situation in Hong Kong.

Investment Promotion

We continue to run an active investment program, to promote Hong Kong as a regional business center. In the third quarter of 1999, four European firms visited Hong Kong under the Incoming Investment Mission programme organized by the Industry Department. During the reporting period, we have conducted two direct mailing exercises, one targeted at Italy and the other targeted at France covering a total of 4 000 companies.

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In November, we organized an investment seminar on Hong Kong together with the Milan Chamber of Commerce. The seminar was well attended by 100 senior executives from companies in Milan and its vicinities. We also conducted a more focus direct mailing exercise in early December 1999 to attract logistics companies to set up logistics centers in the Hong Kong international airport.

Brief Report on the Work of the Geneva ETO

Almost the entire focus of the work of the Geneva Office in the last several months has been in preparations for the Seattle Ministerial Conference (MC) which was held from 30 November to 3 December 1999.

In the run up to autumn, the WTO had had a series of Special Sessions of its General Council to consider proposals for incorporation into the future work programme of the WTO for consideration by Ministers at the MC. These culminated in the circulation in mid-October a 32-page draft Ministerial Declaration (MD) setting out the bulk of the many disparate proposals. Some of these proposals were contradictory and many were unacceptable as they stood to one grouping or the other. The main issues of contention were: agriculture; anti-dumping; requests by developing WTO members to examine provisions in existing WTO agreements with a view to making changes; and proposals for negotiations on competition and investment. In addition, some members had proposed to include in the work programme issues not directly related to trade such as labour standards and other civil society concerns.

There followed a series of intensive negotiations to try to reduce the differences and to hone down the proposals into a manageable number with as few as possible unresolved ones. Some revised sections of the draft MD were produced in mid-November. Regrettably, in spite of great effort, it proved impossible to close the differences in a significant number of areas and we had to present to Ministers in Seattle a large set of papers, with only a few areas where agreement seemed clearly possible.

The MC again involved intensive day and night negotiations. But for a number of reasons, including the breadth and complexity of the outstanding issues and a lack of time, no agreement was achievable and no declaration was issued. Ministers agreed to suspend the discussions and instructed that further intensive work should take place in Geneva with a view to resolving the remaining issues as soon as possible.

The Geneva Office staff were involved throughout the process, both in Geneva and in Seattle. We succeeded in putting our positions across forcefully and with good support from other WTO members in a number of key areas of offensive and defensive interests to Hong Kong, notably, Services, labour standards and competition. We were well positioned in all the processes and are disappointed that a new round of trade negotiations have not been launched. Together with like-minded members, we shall work hard to launch a new round of broad-based and balanced multilateral trade negotiations as soon as possible.

Brief Report by Commissioner for Economic & Trade Affairs, USA

The Commissioner oversees three Hong Kong Economic and Trade Offices in the USA (Washington, D.C., New York and San Francisco) which are responsible for :

- (a) safeguarding Hong Kong's commercial interests and strengthening economic and trade ties with the US;
- (b) looking after Hong Kong's public relations interests in the US; and
- (c) promoting US investments into Hong Kong.

We adopt a proactive approach in representing Hong Kong's interests. Our targets include the US Administration, Congress, political leaders, business community, media, think-tanks and academic institutions. We maintain regular dialogue with our interlocutors through personal calls, meetings, briefings, public speeches, seminars, conferences, interviews and media-related activities. We raise our public visibility through newsletters, press releases, websites and electronic mail distribution services. We also work closely with our network of advocates who are opinion-formers and influential leaders prepared to speak up for Hong Kong.

It has continued to be a challenging period for us in the USA. There was no let up in our momentum in lobbying on the issue of Hong Kong's vigorous strategic trade controls. Although we have been successful on this occasion in securing the removal of Hong Kong-specific language from the State Department Authorization Act, we need to be vigilant against renewed attempts to attach similar language to other pieces of legislation. The interpretation of the Basic Law by the Standing Committee of the National People's Congress on right of abode in Hong Kong attracted much publicity and required careful explanation. The aftermath of the Belgrade bombing created further difficulties for the Sino-US relations which had affected Hong Kong over such issues as US naval visits. Against this background we have been reinforcing in our messages: Hong Kong's commitment to the level playing field, the rule of law, free flow of information and corruption-free government. Other key issues dealt with by the ETOs are set out in their individual reports.

On the domestic front in the US, Congress was preoccupied in heated debates on the budgets. Campaigning for the Presidential election gained momentum. The conclusion of the Sino-US WTO bilateral was a great encouragement to many US businesses with which we have been working closely over the years on the MFN/NTR renewal. The anti-trade and WTO protests in Seattle, the failure to launch a new round and domestic politics in an election year will make the process of granting PNTR to China more difficult.

Brief Report on the Work of the Washington ETO

The Washington Office maintains relations with a number of agencies and departments of the US Government including the White House, State Department, US Treasury, US Trade Representative Office, Department of Commerce and US Customs Service. It maintains a network of contacts among Senators, Congressmen and their staff in the US Capitol. It has developed relations with the members of the media, Washington “think tanks” and academia with a particular interest in Hong Kong and US business.

Key issues over the past six months have included regular presentations on the state and prospects of the Hong Kong economy, the plans for Hong Kong’s future (including the agreement with Disney), strategic trade issues, textiles issues, matters pertaining to the Asia Pacific Economic Cooperation and the WTO (including preparations for the Seattle Ministerial), the rule of law in Hong Kong (including issues raised by the Right of Abode case), and the protection of intellectual property rights in Hong Kong.

In addition to speeches, presentations, briefings and meetings the office issues its own monthly newsletter, and maintains a regular output of press releases. It organises special functions which during the last six months included the annual Film Festival and a musical event at the Washington Kennedy Centre.

Also important to the work of the office are regular visits made to Washington by Hong Kong officials, businessmen, politicians, academics and members of the media.

Brief Report on the Work of the New York ETO

The New York Office continues its vigorous and proactive programme of activities to reach out to companies, business groups, think-tanks and economic and trade officials in 31 states under its purview. We also liaise with the electronic and print media to provide them with information on Hong Kong.

The visit by the Financial Secretary in September 1999 was highly successful in that the steady recovery of Hong Kong's economy was explained in detail to the media, credit rating agencies and think tanks. We also organised programmes for Justice Mortimer to visit New York and Connecticut (Yale University Law School) to express his objective view on the rule of law in Hong Kong.

Apart from specific topics, the overall theme of our message is that Hong Kong is recovering well from the Asian financial crisis. With its strong economic fundamentals, Hong Kong continues to offer business opportunities in a free and fair environment. Increasingly, our contacts have shown interest in doing business with Hong Kong and mainland China. The level of interest was evidently higher after agreement was reached between the US and China regarding the latter's accession to the WTO.

We are continuing with our visits to states outside the New York tri-state areas to give talks and have meetings with a view to furthering their understanding of the economic and trade opportunities in Hong Kong, mainland China and Asia as a whole.

Brief Report on the Work of San Francisco ETO

The San Francisco Office looks after the economic and trade interests of Hong Kong on the West Coast (19 western states of the US). To this end, the Director and staff of the Office meet with members of the business community, government officials, academics, local community leaders and the media to update them on Hong Kong issues and to promote greater understanding of our free trade philosophy and practices.

After the Chief Secretary's promotional tour to Mexico City in June 1999, the office was heavily involved in the organisation of the Chief Executive's first official visit to the West Coast in July 1999. Apart from updating the business community in the San Francisco Bay Area on developments in Hong Kong since the handover, the Chief Executive engaged CEOs of major high tech companies in Silicon Valley in an exchange of views on Hong Kong as an innovation and technology hub.

The Office also made arrangements for the Financial Secretary's visit to San Francisco and Las Vegas in September 1999. We received the Secretary for Information Technology and Broadcasting, and Chairman of the Listing Committee, Growth Enterprise Market (GEM), among others. Their visits brought to the West Coast news of the latest developments in Hong Kong, particularly in the fields of financial services and information technology.

With the strong support of the Office, HongKong-SV.com, a non-profit business organisation based in Silicon Valley, was formally launched in October 1999. The new organisation, with membership focus on high tech professionals, is established with a charter to promote awareness of high tech development activities and business opportunities in Silicon Valley and Hong Kong, and to stimulate and facilitate high tech business collaboration and networking opportunities between the two communities. The organisation has already mapped out its promotional events for 2000, with active participation from the Office.

Americans on the West Coast continued to show interest in events in Hong Kong. Our contacts generally welcomed the announcement of the Hong Kong Disneyland project, the conclusion of the US-China bilateral negotiation on China's accession to the WTO and bottoming out of our economy. Other events which caught their attention included developments on the information technology front, the launch of the Tracker Fund, the outcome of the District Council election and the Court of Final Appeal's ruling on the right of abode. Overall the sentiments have improved and remained positive.

Brief Report on the Work of the Tokyo ETO

Japan's Economy

Japan's GDP declined by 1.0 % in the second quarter of fiscal 1999. Growths in last two quarters were primarily attributable to tax cuts and public spending, the effects of which were short-lived. Private demand including personal consumption, capital and housing investment remained weak, casting a dim light on the prospect of a self-sustained economic recovery. The unemployment rate continued to hover around 4.6% which is exceptionally high by Japanese standards. The recent upsurge in the value of the yen has also blunted Japan's competitive edge in exports.

On the positive side, however, the government's ninth economic stimulus package of 18 trillion yen unveiled in November 1999 should be able to inject new momentum to the public demand. Overall, it is expected that the government projection of an annual growth rate of 0.6% is achievable. Meanwhile, the recent restructuring of the banking industry, notably in the form of the alliance forged amongst the Dai-Ichi Kangyo Bank, Fuji Bank and Industrial Bank of Japan on the one hand, and that between Sumitomo Bank and Sakura Bank on the other, has been generally well received as a major step in the right direction.

Politics

Immediately following his re-election as president of the ruling Liberal Democratic Party (LDP), Prime Minister Keizo Obuchi launched a new coalition cabinet in October 1999 comprising LDP, the Liberal Party and the New Komeito. The tripartite coalition gives Obuchi a much needed majority in the Upper House to push through his policy initiatives. How to get Japan back on a firm recovery path remains Obuchi's top priority.

ETO(Tokyo) Activities

We have continued to arrange regular briefings for our interlocutors, including those at the highest levels in government and political circles, business sector, credit rating agencies and the media on the general political and economic developments in Hong Kong, and on other topical issues such as the Chief Executive's Policy Address, the launch of the Tracker Fund, and the construction of the Disney Theme Park. Tourism has been one of the central themes of our promotional activities. Apart from regular meetings with tourism representatives, a special forum was held with the senior tourism executives in conjunction with the Hong Kong Tourist Association to give them an update on Hong Kong's latest initiatives to promote inbound tourism. We also co-hosted together with the Radio Tampa a special three-hour radio programme entitled 'Hong Kong Paradise' in October 1999 on how Hong Kong's economy and cultural life had fared after the handover.

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During the reporting period, there were active bilateral exchanges between Hong Kong and Japan at senior levels. These included, inter alia, the meeting between the Japan/ Hong Kong Business Cooperation Committee and its counterparts in Hong Kong, visits of the Secretary for Housing, Commissioner of Independent Commission Against Corruption, and Chairman of the Hong Kong Securities and Futures Commission to Japan.

In November 1999, the Japanese government decided to reduce the visa application fees for Hong Kong Special Administrative Region passport holders to the same levels applicable to British National (Overseas) passport holders. The fact that the new arrangements could be put in place was due in no small measure to the lobbying efforts of the legislators from both Hong Kong and Japan.

ETO(Tokyo) also arranged the visit of the Chief Executive to the Republic of Korea(ROK) from 7 to 8 December 1999, during which the Chief Executive held warm discussions with the President, the Minister of Foreign Affairs and Trade, top business leaders, tourism and shipbuilding representatives of ROK.

Looking ahead, we plan to hold two business seminars in 2000/2001 to further promote the Hong Kong/Japan partnership. Cultural exchanges will continue to top our agenda. Amongst others, a Hong Kong film festival will be staged in Tokyo in 2000.

Perception of Hong Kong

Overall, Hong Kong continues to enjoy a broad-based support from Japan. Most of our interlocutors are appreciative of the steps that the HKSARG has taken to re-invigorate the economy. This has been reinforced by a spate of good news including the positive economic indicators released during the reporting period, the construction of the Disney Theme Park, the successful launch of the Tracker Fund, etc. The operation of the rule of law under 'one country, two systems', the linked exchange rate system and the business environment in Hong Kong are amongst the key issues that would continue to be closely watched by our contacts in Japan.

Brief Report on the Work of the Toronto ETO

Economic Developments

Canada's economy has continued to grow robustly in 1999 after achieving 3.1% real growth last year. Both the International Monetary Fund and local think-tanks projected the economy would expand by 3.6% in 1999 but moderate to 2.6% to 3.1% in 2000 due to expected slowdown in the US economy next year. Unemployment rate in November fell further to 6.9% - the lowest level since 1981. Inflation was kept at a modest rate of 2.6% in September. The hottest debate in the economic arena right now is how to allocate the fiscal surplus on national debt retirement, tax cuts and new socio-economic programme spending.

Political Development

The Liberal Government led by Prime Minister Chretien remains firmly in power. The Progressive Conservatives decided to reject the proposed establishment of a new political party with the Reform Party (the Official Opposition). The failure of ally formation makes it even more difficult for other political parties to pose any serious challenges to the ruling Liberal Party in the Parliament. There have been speculations that Chretien will run for the next general election. Recently, the Quebec sovereignty issue surfaced again after Chretien commented that the federal government would only negotiate this with the Quebec government if the latter captures more than a simple majority of 51% in a Quebec referendum on the sovereignty issue. It was reported that the Liberal Government led by Chretien was drafting legislation defining a referendum framework in preparing for the next possible referendum in 2000.

Work of the Toronto Office

The Toronto Office continues to reach out the three levels of governments, legislators, the business community, the media, and think-tanks/academia across Canada through a range of proactive programmes (including speaking engagements, seminars, media interviews/briefings, press releases, exhibitions, receptions, etc.) to keep them abreast of Hong Kong's strong economic fundamentals, the latest state of play, and the excellent business opportunities awaiting them in Hong Kong. We also keep the Canadians updated on developments in Hong Kong through our newsletters and website and newsletters to 5 300 plus interlocutors. To bring our contacts more up-to-date on Hong Kong issues, the Toronto Office has published bi-weekly updates since mid-November 1999. The Vancouver Office, established in January 1999, continues to consolidate its network linkage with the West.

In collaboration with the Canadian Consulate-General in Hong Kong, the Toronto Office has completed a Hong Kong roadshow in four major Canadian cities to promote Hong Kong's IT initiatives in November 1999 and will embark on another promotional drive in other Canadian cities in early 2000. The Secretary for Information Technology and Broadcasting visited Vancouver in November to attend the Softworld and meet with senior Canadian Government officials and high-level representatives of IT/telecommunications companies. The visit has certainly further reinforced the ties between Canada and Hong Kong and made the Canadian business community more aware of the opportunities in Hong Kong.

Brief Report on the Work of the Singapore ETO

The Singapore Office is responsible for promoting the overseas image and interests of Hong Kong among the Association of South East Asian Nations (ASEAN) countries, as well as to provide a reliable feed of information on economic, social and political developments in the region.

Through meetings, business seminars, speaking engagements and other social activities, the Singapore Office aims to enhance the level of understanding on Hong Kong among government authorities and organisations, chambers of commerce, think-tanks, academic institutions and private corporations. On the public relations front, regular press conferences are held in different ASEAN countries to update journalists on the latest developments and government policies in Hong Kong. This is complemented by more in-depth briefings for the editorial board to clarify their perspectives and to enrich their background knowledge on the territory.

Given the similarities between Hong Kong and Singapore, there are many ways in which the two economies could share ideas and experience, explore scope for partnership and develop synergy in areas such as education, information and communications technology and environmental protection industry etc. To this end, the Singapore Office assists in conducting research and establishing contacts for the benefit of mutual exchange.

Furthermore, the Singapore Office serves as the point of liaison with governmental agencies in ASEAN countries and provides logistical support for official delegations from Hong Kong attending conferences or functions held in the region by major international bodies such as the Asia Pacific Economic Cooperation and the World Economic Forum.

Economic recovery in most of the major ASEAN countries is picking up momentum. However, the sustainability of this positive trend hinges on the progress of structural reforms, the most important of which includes debt restructuring and improvement in corporate governance. The Singapore Office will keep a close tab on developments in the region. We will also continue to promote Hong Kong as the gateway to China which will offer even more business opportunities upon its accession to WTO.

Brief Report on the Work of the Sydney ETO

The Sydney Office continues vigorously to promote Hong Kong as Asia's premier international city and to explain government policies to political leaders, government officials, the business community and the general public in both Australia and New Zealand. This is done through regular liaison, speaking engagements, exhibitions, press interviews, press conferences/media briefings, and press releases and op-ed/letters to editors. The Investment Promotion Unit conducted investment promotion visits to Australian companies and assisted them in establishing/expanding their presence in Hong Kong. In September 1999, the Sydney Office attended the APEC Economic Leaders' Meeting as a member of the Hong Kong, China delegation in New Zealand.

In November 1999, the Chief Secretary for Administration visited Sydney, Canberra and Melbourne for a week-long promotional visit as an official guest of the Australian Government. She was joined on the visit by a delegation which comprised the Secretary for Information Technology and Broadcasting and prominent business leaders in the financial and information technology fields. In association with the Hong Kong Trade Development Council and the Hong Kong Tourist Association in Sydney, we organised a series of business conferences, tourism promotion activities, film festivals and meetings with federal and state government leaders, senior politicians, think tanks and leading business executives. A number of radio and TV interviews as well as editorial board meetings were also arranged. The Chief Secretary's visit succeeded in raising the profile of Hong Kong in Australia and in highlighting the opportunities for further developing two-way trade and investment as Hong Kong recovered from the Asian financial crisis.

With the blessing of the Senate, Australia will implement a General Services Tax from July 2000, which is a 10% tax on all goods and services, except for a few necessity items like food and education. The Coalition Government is, furthermore, focussing on reforming the business tax system to make it internationally competitive. Some of the recommendations being considered include reduction of the corporate tax rate from 36% to 30%, abolition of the accelerated depreciation allowance and reduction of the capital gains tax. The required legislation is currently under the scrutiny of the Senate.

The Australian economy performed exceptionally strongly despite the Asian financial crisis. In the Treasurer's Budget released in May 1999, he forecast a GDP growth of 4.25% for 1998-99 and a 3% growth for 1999-2000. Although the latest figures indicate that the actual growth in the financial year 1998-99 might only be 4.1%, it is still much better than most of the economies in Asia and even those in Europe. The Australian Government also managed to keep inflation at historically low levels, averaging only around 1% per year over the last three years and to achieve the best employment position since 1990, with the current unemployment rate just below 7%.