

立法會
Legislative Council

LC Paper No. CB(1)450/17-18

(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 21 November 2017, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon WU Chi-wai, MH (Chairman)
Hon SHIU Ka-fai (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon LAU Kwok-fan, MH
- Members attending** : Hon Andrew WAN Siu-kin
Hon Holden CHOW Ho-ding

**Public officers
attending**

: Agenda item IV

Innovation and Technology Bureau

Mr Nicholas W YANG, GBS, JP
Secretary for Innovation and Technology

Ms Annie CHOI, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and
Technology

Mrs Millie NG, JP
Deputy Secretary for Innovation and Technology

Agenda Item V

Commerce and Economic Development Bureau

Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic
Development

Mr Philip YUNG, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Clement LEUNG, JP
Commissioner for Economic and Trade Affairs,
USA

Ms Irene YOUNG, JP
Permanent Representative of the Hong Kong
Special Administrative Region of China to the
World Trade Organization

Ms Shirley LAM, JP
Special Representative for Hong Kong Economic
and Trade Affairs to the European Union

Miss Shirley YUNG, JP
Principal Hong Kong Economic and Trade
Representative, Tokyo

Mrs DO PANG Wai-ye, JP
Director-General, Hong Kong Economic and Trade
Affairs, Jakarta

Ms Priscilla TO
Director-General, Hong Kong Economic and Trade
Affairs, London

Mr Ivanhoe CHANG
Director, Hong Kong Economic and Trade Affairs,
San Francisco

Mr Arthur AU
Director, Hong Kong Economic and Trade Affairs,
Sydney

Ms Betty HO
Director, Hong Kong Economic and Trade Affairs,
Berlin

Mr Bruno LUK
Director, Hong Kong Economic and Trade Affairs,
Singapore

Miss Kathy CHAN
Director, Hong Kong Economic and Trade Affairs,
Toronto

Ms Joanne CHU
Director, Hong Kong Economic and Trade Affairs,
New York

Constitutional and Mainland Affairs Bureau

Miss Charmaine LEE, JP
Deputy Secretary for Constitutional and Mainland
Affairs 2

Ms Gracie FOO, JP
Director, Beijing Office

Mr Rex CHANG, JP
Director, Hong Kong Economic, Trade and Cultural
Office (Taiwan)

Mr Albert TANG, JP
Director, Hong Kong Economic and Trade Affairs,
Guangdong

Mr Vincent FUNG
Director, Hong Kong Economic and Trade Affairs,
Wuhan

Miss Victoria TANG
Director, Hong Kong Economic and Trade Affairs,
Shanghai

Miss Pamela LAM
Director, Hong Kong Economic and Trade Affairs,
Chengdu

**Attendance by
invitation** : Agenda Item IV

Mr Albert WONG
Chief Executive Officer
Hong Kong Science and Technology Parks
Corporation

Ms Emily LI
Senior Manager, Development
Hong Kong Science and Technology Parks
Corporation

Clerk in attendance : Mr Desmond LAM
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Senior Council Secretary (1)8

Miss Judy YEE
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)149/17-18 -- Minutes of meeting held on 12 October 2017)

The minutes of the meeting held on 12 October 2017 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)138/17-18(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 March to 31 May 2017

LC Paper No. CB(1)225/17-18(01) -- Letter dated 15 November 2017 from Hon Michael TIEN Puk-sun suggesting that a joint meeting of Panel on Commerce and Industry, Panel on Economic Development and Panel on Financial Affairs be held to discuss issues relating to the development of the Guangdong-Hong Kong-Macao Bay Area)

2. Members noted the above papers issued since the last meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)212/17-18(01) -- List of outstanding items for discussion

LC Paper No. CB(1)212/17-18(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 19 December 2017 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Free Trade Agreement between Hong Kong and the Association of Southeast Asian Nations; and
- (b) Proposed creation of directorate posts in Belt and Road Office.

Regular meeting in January 2018

4. The Chairman also informed members that the regular Panel meeting in January would be held on 16 January 2018 to discuss the following items proposed by the Administration –

- (a) Proposal for an Enhanced Tax Deduction for Research and Development Expenses;
- (b) Progress of the Establishment of the Innovation and Technology Venture Fund; and
- (c) Development of Lok Ma Chau Loop – advance works and main works package 1.

Meetings to obtain views from deputations

5. Members noted that deputations would be invited to attend the relevant Panel meetings to give views on the following items of the List of outstanding items for discussion ("the List") –

- (a) Latest position of the testing and certification industry in Hong Kong (item 6 of the List);
- (b) Progress of the implementation of the Dedicated Fund on Branding, Upgrading and Domestic Sales and enhancement of the various SME funding schemes (item 10 of the List); and
- (c) Progress Report on Research and Development Centres in 2017-2018 (item 15 of the List).

Work plan and list of outstanding items for discussion for 2017-2018 session

6. The Chairman informed members that he and the Deputy Chairman had met with the Administration on 6 November 2017 to discuss the work plan of the Panel in the 2017-2018 legislative session. Items to be discussed in the 2017-2018 session, including the items suggested by members at the meeting on 12 October 2017, were incorporated in the List for the 2017-2018 session.

7. Dr CHIANG Lai-wan referred to the List and suggested that item 17 "Development Plan for a City Cluster in the Guangdong-Hong Kong-Macao Bay Area" be arranged for discussion by the Panel as soon as possible. Taking this opportunity, the Chairman drew members' attention to Hon Michael TIEN's suggestion of holding a joint meeting of the Panel on Commerce and Industry, Panel on Economic Development ("ED Panel") and Panel on Financial Affairs ("FA Panel") to discuss issues relating to the development of the Guangdong-Hong Kong-Macao Bay Area. Members noted that the discussion of the said item might likely involve various policy matters which would be of concern to members of ED Panel and FA Panel, and hence raised no objection to the suggestion. The Chairman directed that Hon Michael TIEN's suggestion be referred to ED Panel and FA Panel for consideration.

8. Dr CHIANG Lai-wan enquired about the expected meeting date for discussion on item 18 "Promoting the industrialization of the beauty industry in Hong Kong" on the List and the progress of the joint subcommittee under the Panel and Panel on Health Services ("HS Panel") on issues relating to the regulation of devices and development of the beauty industry. The Chairman said that the Clerk would bring Dr CHIANG's concern to the attention of the Administration for further consideration. He also reminded members that the aforesaid joint subcommittee had been on the waiting list of subcommittees on policy issues to be activated.

IV. Development of the InnoCell adjacent to Hong Kong Science Park

(LC Paper No. CB(1)212/17-18(03) -- Administration's supplementary information to the paper on "Development of the InnoCell adjacent to Hong Kong Science Park"

LC Paper No. CB(1)212/17-18(04) -- Paper on the development of InnoCell prepared by the Legislative Council Secretariat (updated background brief)

Relevant paper issued for the Panel meeting on 18 July 2017

LC Paper No. CB(1)1293/16-17(03) -- Administration's paper on "Development of the InnoCell adjacent to Hong Kong Science Park")

Presentation by the Administration

9. At the invitation of the Chairman, Secretary for Innovation and Technology Bureau ("S for IT") briefed members on the supplementary information regarding the proposed InnoCell to be developed by the Hong Kong Science and Technology Parks Corporation ("HKSTPC") adjacent to Hong Kong Science Park ("HKSP"), details of which were set out in the Administration's paper (LC Paper No. CB(1)212/17-18(03)).

Discussion*Proposed scope and programme*

10. In response to Mr CHAN Chun-ying's enquiry on whether the plot ratio of 5.4 for the proposed InnoCell had reached its maximum plot ratio usage of building residential units, Commissioner for Innovation and Technology ("CIT") said that the total maximum gross floor area of 15 300 square metres ("sq m"), equivalent to a plot ratio of 5.4 would be the maximum plot ratio permitted on the lot concerned.

11. Referring to an earlier remark by the Secretary for Development that modular construction technology would be employed in the construction of the residential units of the InnoCell project, Mr Andrew WAN sought clarification on the proposed construction method for the InnoCell. In response, CIT said that although the estimated development cost of \$800 million of the InnoCell at money-of-the-day prices was calculated on the assumption that the 18-storey tower would be constructed conventionally, the Administration would adopt an open attitude to the construction method selected for the InnoCell. HKSTPC would invite bidders to submit tenders for constructing the InnoCell by ways of both conventional construction and permanent modular construction for further consideration.

Financial analysis of the project

12. In response to Mr CHAN Chun-ying's and the Chairman's enquiry about the cash flow projection of the InnoCell, Chief Executive Officer, Hong Kong Science and Technology Parks Corporation ("CEO, HKSTPC") replied that assuming an occupancy rate of 95%, the InnoCell was anticipated to generate an annual rental income of about \$58 million. With variable costs of around \$29 million and depreciation of about \$27 million per year respectively, the rental income would provide adequate operating cash flow for the InnoCell to make the project financially viable and self-sustainable.

13. Mr MA Fung-kwok expressed support for the development of the InnoCell.

Noting that in the proposed loan (30%) : equity (70%) scenario, HKSTPC's cash balance would be above the safety threshold of \$200 million for the entire period from 2017-2018 to 2030-2031, but fall below the threshold in 2024-2025, Mr MA enquired about the criteria for determining the \$200 million threshold, whether HKSTPC's cash balance had ever fallen below the threshold, and what measures HKSTPC would take to raise the level of cash balance should it fall below the threshold.

14. CEO, HKSTPC said that it was estimated that the threshold of \$200 million would be adequate to meet about 3 months of the operating costs of HKSTPC. He said that HKSTPC's cash balance had never fallen below the threshold in the past 15 years. CEO, HKSTPC was confident that, with the implementation of stringent cost control and revenue-raising measures, HKSTPC could maintain the cash balance above the safety threshold at all times.

15. In response to Mr MA Fung-kwok's concern about possible shortfall in the projected occupancy rate and hence the projected income from InnoCell rentals, CIT said that according to the findings of the demand studies as carried out at the InnoCell's planning stage, there would be robust demand for the accommodation to be offered by the InnoCell. In the unlikely event of a shortfall in demand, HKSTPC would implement responsive measures to boost the occupancy rate of the InnoCell. CEO, HKSTPC added that with the initial Government equity injection plus the commercial loan guaranteed by the Government totalling \$800 million, and together with the projected income from rentals, it was anticipated that the InnoCell would be able to cover its operating costs and breakeven by the 5th or 6th year of operation.

16. In response to the Chairman's enquiry on the impact of depreciation on the cash flow situation of the InnoCell, S for IT said that the HKSTPC management would prudently budget for the maintenance costs of the InnoCell arising from depreciation. In this connection, the Chairman requested the Administration to provide supplementary information on the breakdown of the components of the average annual operating costs and each type of other costs as set out in footnote 5 of the Administration's paper (LC Paper No. CB(1)212/17-18(03), with elaboration on whether there would be any overlapping between property management costs and staff costs, as well as the impact of depreciation on the cash flow situation of the InnoCell.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(1)477/17-18(01) on 15 January 2018.)

17. The Chairman enquired about the scenario under which HKSTPC would need to make up for shortfall in cash by increasing the overall rental of HKSP by around 8% every year for seven years from 2018-2019 to 2024-2025, in addition

to the normal cost and market rent adjustments. CIT explained that such a scenario would only happen under the 100% commercial loan arrangement which would likely lead to negative cash balance of HKSTPC in 2024-2025 and another three years' of cash balance below the safety threshold of \$200 million.

18. In response to Dr CHIANG Lai-wan's enquiry on whether previous projects of HKSTPC were financed based on the loan (30%) : equity (70%) ratio, CEO, HKSTPC said that the development projects of HKSP and Industrial Estates were financed based on roughly the same ratio of 70% government equity and 30% loan.

Anticipated demand

19. Mrs Regina IP expressed concern that the actual demand for accommodation might fall short of the 500 residential units to be provided by the InnoCell if a high proportion of employees were from the nearby Pearl River Delta region who could commute daily to and from their homes without the need for the accommodation of the InnoCell. As such, Mrs IP enquired about the anticipated composition of the tenants of the InnoCell.

20. CIT replied that the findings of the demand studies undertaken by HKSTPC indicated that around 600 cubicles at the InnoCell would be required by HKSP tenants/incubatees. Without the InnoCell, these tenants/incubatees would have to stay at rental flats/hotel rooms in the vicinity and travel daily to and from HKSP, which would be both inconvenient and costly for them. To make the best use of the InnoCell, all applications would be considered based on a scoring system which covered both "Merit" and "Need" considerations.

21. CEO, HKSTP added that currently there were 13 000 employees working in HKSP with 20% coming from outside Hong Kong, and the total number of employees was expected to reach 17 200 in 2020 on completion of Science Park Expansion Stage 1.

22. Mr CHAN Chun-ying expressed support for the InnoCell and that the development be financed by a high proportion of government-backed commercial loan. Noting that the Government of the Shenzhen Municipality had promulgated the "Measures on Improving the Talents Housing System" in order to make Shenzhen a more attractive place for talents, Mr CHAN enquired if the Administration would draw reference to the Shenzhen Government's practice by formulating an overall policy to address the housing needs of innovation and technology ("I&T") talents.

23. S for IT said that as Shenzhen had a high proportion of migrant population, it had traditionally maintained a policy on providing housing for immigrants. In

comparison, Hong Kong's housing policy was not so much focused on addressing the housing needs of overseas/mainland talents. The InnoCell was a project of HKSTPC.

Tenancy and rental arrangements

24. In response to the Chairman's enquiry, S for IT said that the InnoCell's accommodation arrangements would comply with the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) ("HGAO"), in particular the requirement which provided that any premises providing sleeping accommodation at a fee with a tenancy term of less than 28 consecutive days should obtain a licence before commencing operation. In this regard, the Chairman requested the Administration to provide details on the compliance of the InnoCell's accommodation arrangements with the aforesaid requirement under HGAO.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(1)477/17-18(01) on 15 January 2018.)

25. Mr Andrew WAN and Mr LAU Kwok-fan raised no objection to the proposed development of the InnoCell. Mr WAN sought clarification on the proposed rental level of the InnoCell.

26. CIT explained that the internal floor area of an individual InnoCell cubicle would be about 18 sq m in size. The expected monthly rental of the InnoCell in year 2020 when the project was completed would be in the range of \$8,000 to \$10,000 for a furnished unit, or around \$33 per square foot. This was about 60% of the market rent of units of similar quality in the nearby area by that time plus utilities and management fees.

27. Dr CHIANG Lai-wan considered that the proposed rental of the InnoCell units was still close to the market rent, which was not competitive enough to attract I&T talents to Hong Kong. She urged the Administration to take into consideration the income range for the relevant talents in the market when determining the rental level for the InnoCell, so as to set a competitive level of rent which would appeal to the target group of tenants. S for IT responded that miscellaneous charges, including water and electricity charges as well as government rates, had been covered by the monthly rental of the InnoCell. Moreover, unlike an ordinary residential unit available in the market, common facilities and co-working space for interaction would also be provided to the tenants.

Motion moved by Dr CHIANG Lai-wan

28. The Chairman referred members to the following motion moved by

Dr CHIANG Lai-wan which was tabled at the meeting –

"本事務委員會促請政府在釐定創新斗室的租金時，需考慮市場相關人才的收入以顧及青年創業家及其僱員可負擔的承租能力，以免失去創新斗室有效吸引力和挽留創新及科技人才。"

(Translation)

"This Panel urges the Government, when setting the rent for the InnoCell, to take into account the income of relevant talent in the market, having regard to the affordability to young entrepreneurs and their employees, so as to avoid losing the effective attractiveness of the InnoCell and retain talent in innovation and technology."

29. The Chairman decided that the proposed motion was directly related to the agenda item. Members had no objection to the Panel dealing with the motion. The Chairman then put the motion to vote. Of the members present, 10 members voted for and no member voted against the motion. The votes of individual members were as follows –

For

Mr WU Chi-wai

Mr MA Fung-kwok

Mr Martin LIAO

Mr CHUNG Kwok-pan

Mr CHAN Chun-ying

(10 members)

Mr WONG Ting-kwong

Mr Christopher CHEUNG

Dr CHIANG Lai-wan

Mr SHIU Ka-fai

Ms Tanya CHAN

Against:

(0 member)

Abstained:

(0 member)

30. The Chairman declared that the motion was carried.

(*Post-meeting note:* The wording of the motion passed was issued to members vide LC Paper No. CB(1)253/17-18(01) on 22 November 2017 and was provided to the Administration for response on the same date. The Administration's response was issued to members vide LC Paper No. CB(1)438/17-18(01) on 8 January 2018.)

Summing up

31. The Chairman concluded that the Panel supported in principle the Administration's proposal for the development of the InnoCell adjacent to HKPC, and agreed that the proposal be submitted to the Finance Committee for consideration and approval.

V. Report on the work of the overseas Hong Kong Economic and Trade Offices and the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland and Taiwan in 2016-2017

(LC Paper No. CB(1)212/17-18(05) -- Administration's paper on "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)212/17-18(06) -- Administration's paper on "Report on the Work of The HKSAR Government's Offices in the Mainland and Taiwan" provided by the Constitutional and Mainland Affairs Bureau

LC Paper No. CB(1)212/17-18(07) -- Paper on the work of the overseas Hong Kong Economic and Trade Offices and the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland and Taiwan prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

32. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the work of the 12 overseas Hong Kong Economic and Trade Offices ("ETOs") and the Offices of the Government of the Hong Kong Special Administrative Region ("HKSAR") in the Mainland and Taiwan since the last written report in November 2016. SCED said that to raise Hong Kong's international profile and build closer economic relationship with trading partners, the Administration would continue to discuss with the respective

host governments its plan to establish new overseas ETOs in Thailand, South Korea, India, Russia and the United Arab Emirates. Details of the work of these offices were set out in the Administration's papers (LC Paper Nos. CB(1)212/17-18(05) and (06)). As agreed by the Chairman, SCED invited the heads of the Beijing Office ("BJO") and five selected overseas ETOs to brief the Panel on their work.

33. Director, BJO briefed members on the work of five Mainland Offices viz. the BJO, the Guangdong ETO, the Shanghai ETO, the Chengdu ETO and the Wuhan ETO. She highlighted that the five Mainland Offices were responsible for strengthening communication and liaison between Hong Kong and the Mainland, including enhancing government-to-government co-operation, comprehensively enhancing and promoting Hong Kong's trade and commercial relations with Mainland provinces and municipalities, fostering exchange and co-operation between the two places, facilitating investment, promoting Hong Kong, and providing support to the Hong Kong people and enterprises in the Mainland. Director, BJO said that the Mainland Offices had been maintaining close contact with the Mainland authorities at central, provincial and municipal levels so as to understand the latest development of the Mainland's policies, laws and regulations relating to economic and trade matters and their impact on Hong Kong. The range of subjects included the Belt and Road Initiative, Beijing-Tianjin-Hebei development, Guangdong-Hong Kong-Macao Bay Area ("Bay Area") development, the National 13th Five-Year Plan and the development of Free Trade Zones, etc.

34. Director, BJO added that to celebrate the 20th anniversary of the establishment of the HKSAR, the HKSAR Government organized the "Together · Progress · Opportunity - Exhibition in Celebration of the 20th Anniversary of the Return of Hong Kong to the Motherland" at the National Museum of China from 27 June to 16 July 2017. In order to deepen the understanding of Hong Kong's developments in the past 20 years amongst the people in provinces/municipalities/autonomous regions, BJO held roving exhibitions carrying the theme of the 20th anniversary in the regions served by BJO, including Tianjin, Hebei, Gansu, Xinjiang, Ningxia, Inner Mongolia and the three Northeastern Provinces, welcoming over 400 000 visitors.

35. Director-General, Hong Kong Economic and Trade Affairs, Jakarta ("DGJ") briefed members on the work of the Jakarta ETO and the Singapore ETO. She said that the Jakarta ETO represented the HKSAR Government in matters between Hong Kong and the Association of Southeast Asian Nations ("ASEAN") as a whole, and promoted bilateral economic, trade and cultural relations between Hong Kong and four ASEAN countries, namely Indonesia, Malaysia, Brunei Darussalam and the Philippines, whereas the Singapore ETO was responsible for promoting bilateral economic, trade and cultural relations between Hong Kong

and six member countries of ASEAN, namely Cambodia, Laos, Myanmar, Singapore, Thailand and Vietnam. She added that ASEAN countries were anticipated to have a buoyant economy in 2018, with an estimated growth rate of the gross domestic product exceeding 5% for ASEAN as a whole. On the political front, general elections were expected to be held in 2018 in three ASEAN countries, i.e. Malaysia, Cambodia and Thailand. The Jakarta ETO and the Singapore ETO would closely monitor the developments in this respect.

36. DGJ said that the Jakarta ETO commenced operation in June 2016. During the reporting period, one of its priorities was to set up the Jakarta ETO's long-term office. After around one year of preparation, the Jakarta ETO moved into its long-term office in May 2017. To establish its presence within Indonesia and to gain a deeper understanding of the country, apart from holding events in Jakarta, the capital city, the Jakarta ETO also reached out to three major cities in Indonesia during the reporting period to establish ties in these cities and promote Hong Kong. The Jakarta ETO also organized and supported visits by Principal Officials of the HKSAR Government to the countries under its purview.

37. DGJ added that Hong Kong and ASEAN signed a Free Trade Agreement ("FTA") and an Investment Agreement on 12 November 2017. The two Agreements would further facilitate the flow of trade and investment between ASEAN and Hong Kong, and make it easier for companies in ASEAN to use Hong Kong's services platform to tap opportunities arising from the Belt and Road Initiative. The Jakarta ETO and the Singapore ETO would support the work related to the implementation of the Hong Kong-ASEAN FTA. They would also continue to promote the strengths of Hong Kong, and more exchanges between Hong Kong and ASEAN on various fronts.

38. Commissioner for Economic and Trade Affairs, USA ("C, USA") briefed members on the work of the Washington ETO, the New York ETO and the San Francisco ETO. He said that since the inauguration of President Trump in January 2017, there had been notable changes in personalities in the United States ("US") Administration and its policies. The three ETOs would continue to develop working relationship with senior officials in the Trump Administration whose portfolios were relevant to Hong Kong. The three ETOs would also continue to closely monitor the policy direction of the Trump Administration and political landscape in the US, particularly on developments that might affect Hong Kong and its bilateral relationship with the US. They would also keep in view policies of the Trump Administration, such as withdrawal of the US from the Trans-Pacific Partnership ("TPP") and Paris Climate Accord, the re-negotiation of the North American Free Trade Agreement, and its efforts to reduce trade deficits, and economic and trade issues relevant to the Mainland and Hong Kong, as well as US fiscal and monetary policies which would have an impact on Hong Kong's economy.

39. Special Representative for Hong Kong Economic and Trade Affairs to the European Union briefed members on the work of the Brussels ETO, the London ETO and the Berlin ETO. In collaboration with Invest Hong Kong ("InvestHK"), the Hong Kong Trade and Development Council ("HKTDC"), the Hong Kong Tourism Board ("HKTb") and professional organizations, the three ETOs organized a number of events to promote Hong Kong's distinct role in connecting the Mainland and Europe, as well as providing business opportunities for European companies and individuals in Hong Kong. In particular, the three ETOs organized seminars to promote the unique role of Hong Kong under the Belt and Road Initiative in European countries. During the reporting period, the three ETOs had promoted the signing of comprehensive avoidance of double taxation agreements with European countries. On the trade and investment fronts, the Brussels ETO would continue to facilitate discussions between Hong Kong and the European Union ("EU") regarding the possibility of a Hong Kong/EU investment agreement. Looking ahead, with the Brexit talks formally started in June 2017, the Brussels ETO and the London ETO would keep a close watch on the developments and explore possible opportunities to deepen cooperation and relations with the EU and the United Kingdom ("UK") in this new dynamics.

40. Director, Hong Kong Economic and Trade Affairs, Sydney briefed members on the work of Sydney ETO in promoting Hong Kong's bilateral economic and trade relations with Australia and New Zealand. In May 2017, Australia and Hong Kong launched FTA negotiations. The FTA would be instrumental in fostering closer economic relations between the two economies. It would also provide a platform for traders and investors on both sides to capitalize on new business opportunities and further expand their businesses. During the reporting period, the Sydney ETO continued to promote the unique strengths of Hong Kong under "One Country, Two Systems", Hong Kong as the gateway for doing business with the Mainland and Asia, and opportunities arising from the Belt and Road Initiative. Looking ahead, the Sydney ETO would continue to strengthen dialogues with its interlocutors, as well as organize and support various business, public relations and cultural events in Australia and New Zealand, with a view to enhancing bilateral ties, raising Hong Kong's profile, encouraging companies to make use of Hong Kong's platform to explore business opportunities in Mainland China and Asia, and attracting talents.

41. Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization briefed members on the work of the Geneva ETO in representing Hong Kong, China ("HKC") as a Member of the World Trade Organization ("WTO"). With a view to delivering further outcomes at the Eleventh Ministerial Conference to be held in Buenos Aires, Argentina from 10 to 13 December 2017, WTO Members were engaged in intensive negotiations on various fronts. As trade in services accounted for over 90% of the Gross Domestic Product of HKC and played an increasingly important role in the global

economy, HKC had been particularly proactive in the services negotiations. During the past year, HKC joined hands with a number of WTO Members to put up proposals as envisaged by the General Agreement on Trade in Services, which sought to ensure that domestic regulations of Members did not become barriers to trade. In the coming year, the Geneva ETO would continue to advance and defend the commercial interests of HKC; uphold the multilateral trading system; and support the work of the WTO. The Geneva ETO would also continue to participate actively in trade negotiations to seek greater market access and reduce trade barriers for HKC's services sectors and industrial goods.

Discussion

Coping with Brexit and the trade policy of the new US Administration

42. Noting that Brexit could have profound effect on Hong Kong's trade relations with the UK, Mr Holden CHOW opined that the London ETO should keep an eye on the developments in this respect, and suggested that the Administration should formulate responsive measures to deal with Brexit developments at different stages, and make corresponding announcements on such measures, so that Hong Kong enterprises could be better prepared to take advantage of Brexit to build stronger economic and trade ties and explore new business opportunities with the UK.

43. Director-General, Hong Kong Economic and Trade Affairs, London responded that the London ETO had been closely monitoring Brexit developments and would continue to liaise with the concerned parties including the government and the business community to watch out for any impact on the economic and trade relations between Hong Kong and the UK. The London ETO had also been actively reaching out to the UK's business community to introduce the opportunities Hong Kong could offer if they wished to set foot or expand their operations in Asia to diversify their business interest after Brexit.

44. SCED added that Hong Kong had started a strategic dialogue with the UK on how the economic and trade relations between Hong Kong and the UK should develop after Brexit. In addition to the existing areas of cooperation between Hong Kong and the UK such as fintech, other potential areas of cooperation, including creative industry, were identified for further discussion.

45. Mr CHUNG Kwok-pan enquired about the progress of the strategic dialogue with the UK Government in preparation for Brexit, and whether Hong Kong could initiate similar strategic dialogue with the US Government, and whether Hong Kong would explore the possibility of joining TPP now that the US had withdrawn from TPP which had to be re-negotiated.

46. SCED said that the UK could not enter into separate trade agreements with other countries/regions prior to its formal withdrawal from the EU. As such, the UK was undertaking a review of its relationship with trading partners. Hong Kong's strategic dialogue with the UK Government would cover as many aspects as possible, including not only conventional trade in goods and services, but also collaboration in creative industry. SCED added that the HKSAR Government would adopt an open attitude towards the possibility of signing other regional or plurilateral trade agreements, including TPP or the Regional Comprehensive Economic Partnership, on the condition that they were consistent with WTO rules.

47. C, USA said that the Washington ETO would keep a close watch on the trade policy of the new US Administration, and continue to monitor the US Administration's renewed negotiations on the North American Free Trade Agreement with Mexico and Canada, and its renewed negotiations on the United States-Korea Free Trade Agreement with South Korea.

New ETOs

48. Noting that the Administration would soon establish a new ETO in Thailand, Mr Holden CHOW suggested that in view of the geographical proximity of the new ETO, it should take up the responsibility of promoting bilateral economic, trade and cultural relations between Hong Kong and three ASEAN countries including Myanmar, Cambodia and Laos which were currently covered by the Singapore ETO.

49. Noting that it took a whole year of preparation for the Jakarta ETO to move into its long-term accommodation and recruitment of permanent locally-engaged staff was still underway, Mr Martin LIAO enquired whether the slow progress of work at the Jakarta ETO had affected the follow-up work arising from the signing of the FTA and the related Investment Agreement with ASEAN in November 2017. In view of the long lead time required for the preparation work relating to the establishment of a new ETO, Mr LIAO further enquired how the future ETO in Thailand which was still under discussion with the Thai Government could leverage the opportunities arising from the signing of the FTA with ASEAN in a timely manner.

50. DGJ responded that although the long-term office for the Jakarta ETO was not available until May 2017, staff of the ETO had all along been engaging in their regular work, including supporting duty visits of senior officials from Hong Kong and the organization of major seminars on the Belt and Road Initiative. Given its role in representing the HKSAR Government in handling all matters between Hong Kong and ASEAN, the Jakarta ETO had wasted no time in building up contacts with the ASEAN Secretariat and paying courtesy visits to all permanent missions of ASEAN member states.

51. SCED supplemented that as details of the FTA were kept confidential during the negotiation stage, more substantial follow-up work could only be taken upon the signing of the FTA. The Administration had spared no effort in this regard, as evident from the visits paid by the Chief Executive to various ASEAN countries during the past few months. More visits to the ASEAN countries would be organized in the year ahead. The ETOs would also maintain on-going contacts with Government authorities and the business sector of the ASEAN countries regardless of whether an ETO was established in a particular country.

52. Mr WONG Ting-kwong enquired about the work and difficulties associated with the setting up of the Jakarta ETO. He also enquired about the next ETO to be set up in the ASEAN region and the timing for its establishment.

53. DGJ said that similar to other newly established ETOs, the major difficulties associated with the setting up of the Jakarta ETO included the need to learn new practices and adapt to a new environment with different culture and work procedures. SCED added that the Thailand ETO would be the next ETO to be set up in the ASEAN region. He said that there were two prerequisites for an ETO to be set up in a particular country. First, the Administration should establish the need for setting up an ETO in the country concerned, and second, the proposal had to be agreed by the country concerned. The idea of setting up the Thailand ETO was brought up by the Thai Government, and with its support, it was envisaged that the ETO could be set up as soon as possible.

Belt and Road Initiative and development of the Guangdong-Hong Kong-Macao Bay Area

54. Mr Christopher CHEUNG noted that the BJO supported the "Road to IPO Seminar in Zhongguancun" and "One Belt One Road Forum - Leveraging the Hong Kong Capital Markets" in July and October 2017 respectively to promote Hong Kong's competitive edge of capital markets and business-friendly environment for innovation and entrepreneurship. However, no similar promotional campaigns had been organized by the Guangdong ETO or its Shenzhen Liaison Unit in the Bay Area. Mr CHEUNG suggested that in order to provide an opportunity for the financial services sector in Hong Kong to forge ties with their counterparts in the Bay Area, the Administration should organize similar events in the Bay Area and a duty visit for the sector.

55. Deputy Secretary for Constitutional and Mainland Affairs (2) responded that on 1 July 2017, the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area was signed in Hong Kong. After the promulgation of the plan, the Administration would take follow-up actions including making arrangements for various sectors to visit the

Bay Area cities. Director, Hong Kong Economic and Trade Affairs, Guangdong ("GDETO") supplemented that the Guangdong ETO and its Investment Promotion Unit regularly co-organized promotional activities with the Hong Kong Exchanges and Clearing Limited in the cities under its purview, including Shenzhen. Individual activities had not been listed in GDETO's part of the report to the Panel on this occasion to keep the report concise.

56. The Chairman added that the Panel would later hold a joint meeting with the Panel on Economic Development and Panel on Financial Affairs to discuss the issues and policy matters relating to the Bay Area which would be of concern to members of the other two Panels.

57. Mr WONG Ting-kwong enquired about Taiwan's interest and possible involvement in the Belt and Road initiative and the development of the Bay Area, and the possibility of collaborating with Hong Kong in these areas.

58. Director, Hong Kong Economic, Trade and Cultural Office (Taiwan) ("HKETCO") said that one of the main duties of the HKETCO was to promote exchanges with Taiwan in trade and culture. It was understood that there was widespread interest in the Belt and Road initiative and the development of the Bay Area among the enterprises in Taiwan. HKETCO would continue to keep close contact with these enterprises and provide support as appropriate.

Enhancing the functions of ETOs

59. Mr Holden CHOW noted that at the Panel meeting on 17 October 2017, members enquired about the policies and measures to enhance the functions of ETOs. Members noted that the Israeli Government had been using the Export Request Management System ("ERMS") to assess the performance of individual economic offices in terms of the volume of export matched. Similarly, the HKSAR Government could make reference to Israel's experience and put in place a set of standardized key performance indicators in respect of each ETO to evaluate its work effectiveness.

Other issues

60. Mr Holden CHOW noted that in Boston, the New York ETO co-hosted with the Hong Kong Association of Massachusetts a "Hong Kong Day" community reception on 11 July 2017 at the Massachusetts State House. The event was officially recognized by Massachusetts Governor Charlie BAKER and the Massachusetts House of Representatives, with about 300 guests attending. He suggested that the "Hong Kong Day" event be organized across the board in all overseas ETOs, similar to the "Great Britain Campaign" in the UK, to showcase to the world the best of what Hong Kong could offer. SCED said that ETOs

organized different events in collaboration with key stakeholders to promote Hong Kong. He informed Members that the UK Government would organize its Great Festival of Innovations in Hong Kong in 2018, using Hong Kong as the platform to showcase its innovation advances in Asia.

61. Noting that the BJO had reflected to the Hong Kong and Macao Affairs Office of the State Council the policy barriers and practical difficulties encountered by Hong Kong people in studying, working and living in the Mainland, and received positive feedback from the Office, Mr Martin LIAO suggested that follow-up actions should be taken to assist young people and young entrepreneurs in finding employment and starting up business in the Mainland.

62. Noting that there were many Hong Kong students studying in North America and Canada, Mrs Regina IP enquired whether the overseas ETOs concerned would reach out to the students to offer assistance in issues on studying and finding employment in the US. C, USA said that the ETOs concerned regularly liaised with university students, academia, universities and think tanks in North America and Canada, and co-organized seminars with them on various topics including economy and politics. The ETOs closely kept in touch with Hong Kong students and they were invited to events and activities organized by the ETOs to help them broaden their professional and career networks.

Summing up

63. The Chairman suggested that the following areas be covered in the next report by the ETOs to the Panel for consideration: (i) clear and concrete work objectives and strategies of the ETOs to deal with issues relating to the political and economic developments in the countries under their purviews that might affect Hong Kong, such as Brexit and the new trade policies of the US Administration; (ii) strengths, weaknesses, opportunities and threats analysis of the countries under the purviews of the various ETOs; and (iii) a set of standardized key performance indicators for ETOs to evaluate their work effectiveness.

64. SCED noted the Chairman's suggestion, and replied that he had similar discussion with the Chairman earlier, and the work objectives and strategies of the ETOs and the related performance indicators had been included in the Administration's papers for discussion at the meeting. In particular, as set out in the second and third paragraphs of the paper, the ETOs' work would continue to be aligned with the focuses and priorities of the Administration as a whole, including the important policy areas announced in the 2017 Policy Address. The ETOs would continue to support not only the Commerce and Economic Development Bureau but also other policy bureaux in promoting their initiatives outside Hong Kong. They would also maintain close collaboration with relevant partners such as HKTDC, HKTB, InvestHK, Create Hong Kong, etc. in promoting trade and

other exchanges. At the same time, different ETOs had been adopting appropriate strategies in carrying out their external relations work having regard to the changes in the political and economic situations of the countries under their purview. The above efforts would be sustained in the year ahead and reflected in the next report.

VI. Any other business

65. There being no other business, the meeting ended at 4:56 pm.

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Legislative Council Secretariat
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