

立法會
Legislative Council

LC Paper No. CB(1)1402/17-18

(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

**Minutes of meeting
held on Tuesday, 17 July 2018, 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 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, SBS, JP
Hon CHUNG Kwok-pan
Hon Jimmy NG Wing-ka, JP
Hon Tanya CHAN
Hon LAU Kwok-fan, MH
- Members absent** : Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Hon CHAN Chun-ying, JP
- Members attending** : Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Alvin YEUNG
Hon Vincent CHENG Wing-shun, MH

**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 Ivan LEE, JP
Deputy Commissioner for Innovation and Technology

Mrs Millie NG, JP
Deputy Secretary for Innovation and Technology

Agenda Item V

Invest Hong Kong

Mr Stephen PHILLIPS
Director-General of Investment Promotion

Mr Vincent TANG
Associate Director-General of Investment Promotion 3

Commerce and Economic Development Bureau

Ms Leona LAW
Principal Assistant Secretary for Commerce and Economic
Development (Commerce and Industry)²

Agenda Item VI

Commerce and Economic Development Bureau

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

Miss Eliza LEE, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry & Tourism)

Ms Vivian SUM, JP
Deputy Secretary for Commerce and Economic
Development (Commerce & Industry)1

Miss Connie CHEUNG
Principal Executive Officer(Administration)
Commerce, Industry and Tourism Branch

**Attendance by
invitation**

: Agenda Item IV

Hong Kong Science and Technology Parks Corporation

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

Mr Patrick SIU
Chief Operating Officer
Hong Kong Science and Technology Parks Corporation

Hong Kong Information Technology Joint Council

Mr Duncan CHIU
President

Individual

Mr LEUNG Kwok-hung

Democratic Alliance for the Betterment and Progress of
Hong Kong

Mr Michael HUI Wah-kit
Deputy Spokesperson of Commerce and Industry

Liberal Party Youth Committee

Mr CHEUNG King-fan
Chief

The Hong Kong Chinese Importers' and Exporters'
Association

Mr PANG Chor-fu
Vice Honorary Secretary

Asia Pacific Youth Development Foundation Limited

Miss Edith LEUNG Yik-ting
Co-Founder

The Lion Rock Institute

Mr Laurence PAK
Director of Operations

Internet Professional Association

Mr Johnny KWAN Chun-wah
Vice President

Individual

Mr Paul FUNG

Hong Kong Electronics & Technologies Association

Mr CHOI Kim-shing
Chairman

Asia Pacific Youth Club

Mr CHEUNG Lok-kan
Director

Hong Kong Computer Society

Ir Stephen LAU
Secretary General (Hon)

The Institution of Engineering and Technology Hong Kong

Miss Justina HO Chun-yin
Honorary Secretary

GS1 Hong Kong

Miss FUNG Mei-chu
Head of Corporate Marketing

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

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

Mr Terence LAM
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

Action

I. Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)1239/17-18 -- Minutes of meeting held on
15 May 2018

LC Paper No. CB(1)1238/17-18(01) -- List of outstanding items for
discussion

LC Paper No. CB(1)1238/17-18(02) -- List of follow-up actions)

The minutes of the meeting held on 15 May 2018 were confirmed.

II. Information papers issued since last meeting

(File Ref: CITB CR 106/53/1 -- Legislative Council Brief on United Nations Sanctions (Democratic People's Republic of Korea) (Amendment) Regulation 2018

LC Paper No. CB(1)1237/17-18(01) -- Information paper on "Proposed Technical Amendment to the Import and Export (Electronic Cargo Information) Regulation (Cap. 60L) to tie in with the commissioning of the Heung Yuen Wai Boundary Control Point"

LC Paper No. CB(1)1277/17-18(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 December 2017 to 28 February 2018)

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

III. Proposed deferment of order of activation of the Joint Subcommittee on Issues Relating to the Regulations of Devices and Development of the Beauty Industry

(LC Paper No. CB(1)1238/17-18(03) -- Memorandum from the Clerk to Panel on Health Services on "Priority setting for activation of the subcommittees on policy issues under the Panel on Health Services")
(*Memo in English only*)

3. Members considered the request from the Panel on Health Services ("HS Panel") for agreeing on its proposed deferment of order of activation of the Joint Subcommittee on Issues Relating to the Regulations of Devices and Development of the Beauty Industry, which was jointly appointed by the HS Panel and the Panel on Commerce and Industry ("the Panel"), from the second place to the third place, leaving the second place for the Subcommittee on Issues Relating to the Support for Cancer Patients which was newly appointed under the HS Panel.

4. While recognizing the need to activate the Subcommittee on Issues Relating

to the Support for Cancer Patients, the Deputy Chairman considered that there was an equally pressing need to activate the Joint Subcommittee on Issues Relating to the Regulations of Devices and Development of the Beauty Industry, which had been on the waiting list since end-February 2017. Noting the arrangement for the order of activation of policy subcommittees on the waiting list as agreed at the House Committee meeting on 6 July 2018 that three vacant slots would be expected to be available in around early March 2019 for the activation of the second to fourth policy subcommittees on the waiting list, Mr CHUNG Kwok-pan was of the view that the expected timeline for the activation of the Subcommittee on Issues Relating to the Support for Cancer Patients would remain unchanged should it be accorded the third place on the waiting list. Mr CHAN Chi-chuen shared a similar view.

Clerk

5. In the light of the above, the Chairman concluded that the Panel decided not to accede to the HS Panel's proposed deferment of order of activation of the Joint Subcommittee on Issues Relating to the Regulations of Devices and Development of the Beauty Industry. The Chairman of HS Panel would be informed of the Panel's decision. Members agreed.

(Post-meeting note: The Clerk to HS Panel was informed of the Panel's decision via a memorandum dated 23 July 2018.)

IV. Latest development of the Hong Kong Science Park and industrial estates, and the Administration's measures to support re-industrialization

(LC Paper No. CB(1)1238/17-18(04) -- Administration's paper on "Government's Measures to Promote "Re-industrialisation" and the Latest Development of the Hong Kong Science Park and Industrial Estates"

LC Paper No. CB(1)1238/17-18(05) -- Paper on the development of Hong Kong Science Park and Industrial Estates, and the policy on re-industrialization prepared by the Legislative Council Secretariat (updated background brief))

Meeting with deputations and the Administration

Submissions from deputations not attending the meeting

(LC Paper No. CB(1)1238/17-18(12) -- Submission from The Hong Kong Institution of Engineers (English version only)

LC Paper No. CB(1)1238/17-18(13) -- Submission from The Chinese Manufacturers' Association of Hong Kong (Chinese version only)

LC Paper No. CB(1)1278/17-18(03) -- Submission from Federation of Hong Kong Industries (Chinese version only))

Briefing by the Administration

6. At the invitation of the Chairman, Secretary for Innovation and Technology ("S for IT") briefed members on the Administration's measures to promote re-industrialization and the latest development of the Hong Kong Science Park ("HKSP") and Industrial Estates ("IEs"), which were essential infrastructure and facilities for fostering industrial research and development ("R&D") and advanced manufacturing, thereby promoting re-industrialization. Details of the briefing were set out in the Administration's paper (LC Paper No. CB(1)1238/17-18(04)).

Presentation of views by deputations

7. At the invitation of the Chairman, a total of 14 deputations presented their views on the latest development of HKSP and IEs, and the Administration's measures to support re-industrialization. A summary of the views of deputations/individuals was set out in the **Appendix**.

Consolidated response of the Administration to the views expressed by deputations/individuals

8. At the invitation of the Chairman, S for IT provided a consolidated response to the views expressed by the deputations/individuals at the meeting. S for IT thanked the deputations/individuals for their attendance and valuable views on the development of innovation and technology ("I&T") and the measures to support re-industrialization. The Administration shared the view that Hong Kong should leverage the opportunity of the development of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop and the development of the Guangdong-Hong Kong-Macao Bay Area ("Bay Area") to bolster its efforts in

promoting re-industrialization. S for IT said that the scope of the Technology Talent Admission Scheme would be reviewed no later than 18 months from its launch. Besides, the Steering Committee on Innovation and Technology led by the Chief Executive would examine and steer measures regarding I&T development, including the procurement arrangements. S for IT added that the enhanced tax deduction for expenditure incurred by enterprises on R&D was an important policy initiative to encourage private investment in I&T. Moreover, the Technology Voucher Programme ("TVP") had so far approved about \$100 million in funding, benefitting over 700 local enterprises in using technological services and solutions to upgrade or transform their business processes.

9. In response to some deputations' query that certain grantees at premises under the management of Hong Kong Science and Technology Parks Corporation ("HKSTPC") had contravened lease conditions by subletting their leased premises to a third party, Chief Executive Officer, Hong Kong Science and Technology Parks Corporation ("CEO, HKSTPC") said that IE (including data centre) grantees were bound by the lease conditions, which stipulated, inter alia, that they should: (a) be engaged in the provision of specified products or services; (b) make a certain amount of investment in equipment or machinery; and (c) always retain exclusive possession of the premises and subletting would not be allowed. Staff of HKSTPC conducted site inspections of the premises at least twice a year to ensure the proper use of the premises by the grantees. In the event of suspected violation of the lease conditions, HKSTPC would look into the case concerned. If the breach was substantiated and the grantee failed to take appropriate remedial actions after verbal warnings and written notice, HKSTPC would take lease enforcement measures such as charging additional land premiums and initiating re-entry of premises in accordance with the lease.

10. CEO, HKSTPC added that the rentals of HKSP had not been raised in the past two years, and would not be raised in the coming year. All tenants of HKSP were required to have at least 50% of their staff engaging in R&D. No office accommodation would be leased to companies which failed to meet the above requirement. There had been cases of termination of lease by HKSTPC for tenants which failed to meet the requirement.

11. In respect of the concern over rental, CEO, HKSTPC said that under HKSTPC's 3-year Incu-Tech Programme, incubatees would be entitled to free rental for the first year, and half-rate rental for the second and third years. HKSTPC also offered programmes to help graduates of the incubation programme tide over the transitional period when they were no longer entitled to rental subsidy after graduation. In response to a deputation's comment on the deposit of six to nine months' rental charged by HKSTPC, CEO, HKSTPC clarified that tenants were only required to make deposit of three months' rental at present. Other facilitation measures which HKSTPC had taken included communal laboratories

for shared use and three hours of free air-conditioning after normal office hours.

Discussion*Creating favourable conditions for re-industrialization*

12. Mr Charles Peter MOK noted that many start-ups, which were graduates of the incubation programmes operated by HKSTPC, had been facing numerous problems such as increase in rentals due to their non-incubatee status. He opined that HKSTPC should, when setting the rental level of HKSP, take into account the affordability of its tenants, in particular start-ups which were newly-graduated from the incubation programmes, as most of them usually operated on a tight capital. He also suggested that public transport facilities should be improved to allow easier commutation into HKSP. On this, Mr MOK enquired about the on-going assistance provided to start-ups which were graduates of the incubation programmes operated by HKSTPC, the Administration's efforts to improve public transport facilities to allow easier commutation into HKSP and IEs, and its efforts to meet the demand for land and premises for R&D processes with special requirements. He also enquired how the Administration would, in pursuance of its objective to develop I&T as mentioned in the Chief Executive's 2017 Policy Address, review existing legislation and regulations in order to remove outdated provisions that impeded the development of I&T, and in so doing, facilitate the use of I&T to benefit the elderly and the underprivileged groups. At the request of the Chairman, S for IT agreed to provide a written response to Mr MOK's enquiries above.

Admin

13. Mr Jimmy NG declared that he was a member of the Board of Directors of HKSTPC and expressed his appreciation for the views expressed by deputations/individuals attending the meeting. Sharing a similar view of Mr Charles Peter MOK, Mr NG also urged the Administration to remove outdated provisions that impeded the development of I&T. He further suggested that in order to drive such legislative reform, the Administration should consider appointing experienced professionals from the I&T industry into the Law Reform Commission to carry out the relevant work.

14. Commissioner for Innovation and Technology ("CIT") said that the Administration attached great importance to reforming laws which might hinder the development of I&T. The newly established Policy Innovation and Co-ordination Office would collaborate with relevant bureaux/departments to carry out the relevant work. On the other hand, the Administration introduced the Public Sector Trial Scheme under the Innovation and Technology Fund ("ITF") to provide funding support to public organizations in conducting trials to facilitate and promote the realization and commercialization of R&D results under ITF projects. For private enterprises seeking to adopt I&T in their operations, they

could make use of the subsidy under TVP in using technological services and solutions to improve productivity, upgrade or transform their business processes. Regarding the improvement measures for the public transport facilities connecting to HKSP, CIT said that the Administration and HKSTPC had been looking into the relevant issue, and would devise corresponding measures as and when necessary. For example, to cater for the sharp rise in the working population in HKSP, part of the funding approved by the Finance Committee on 13 July 2018 to be allocated to HKSTPC had been earmarked to enhance HKSP's accessibility through improving its transportation infrastructure, including the construction of a public transport interchange.

15. In response to the Chairman's enquiry on the Administration's policies or measures to encourage private enterprises to relocate their production lines back to Hong Kong, CIT said that the Administration had been actively creating favourable conditions for the industries, through the promotion of re-industrialization, to encourage enterprises to relocate their production lines back to Hong Kong. An Advanced Manufacturing Centre ("AMC") was under construction in the Tseung Kwan O IE with a view to promoting smart production and catering for modern production processes with less spatial requirement. Apart from the provision of land, the Administration would provide additional resources for HKSTPC to attract advanced manufacturing suitable for establishment in IEs. The Administration also attached importance to the grooming of talents, and regularly organized events to promote the popularization of science among members of the public and students, including the annual InnoCarnival.

16. The Chairman referred to the suggestion by the Institution of Engineering and Technology Hong Kong and agreed that the Administration should consider requiring enterprises which pilot-used local research outcomes to retain part of the relevant production lines in Hong Kong. S for IT said that Hong Kong had strong upstream R&D capabilities but lacked the capability to commercialize the R&D results. In this regard, the future AMC in Tseung Kwan O IE would aim at linking up the upstream capability of Hong Kong with midstream and downstream manufacturing processes. The Administration was also actively attracting world-class R&D institutions to groom local talents and share their experience in commercialization of R&D results.

Sandboxes

17. In response to the Chairman's enquiry on sandbox as a platform for conducting pilot trials of new I&T solutions, CIT said that Fintech Supervisory Sandboxes were now available for banks, insurance companies and securities dealers to conduct pilot trials of their new Fintech solutions so as to promote financial innovations. CEO, HKSTPC added that a Fintech sandbox had been set up and operated by the Hong Kong Applied Science and Technology Research

Institute in HKSP, and HKSTPC was discussing with the Transport and Housing Bureau on an auto-pilot trial route sandbox in HKSP.

V. Promotion of inward investment

(LC Paper No. CB(1)1238/17-18(06) -- Administration's paper on "Promotion of Inward Investment"

LC Paper No. CB(1)1238/17-18(07) -- Paper on promotion of inward investment prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

18. At the invitation of the Chairman, Director-General of Investment Promotion ("DGIP") briefed members on the work of Invest Hong Kong ("InvestHK") in 2017 and outlined its work plan for 2018-2019, the details of which were set out in the Administration's paper (LC Paper No. CB(1)1238/17-18(06)).

Discussion

Playing an active role in major Mainland initiatives

19. Noting that InvestHK had completed 59 investment projects in respect of the tourism and hospitality industry in 2017, and would leverage the Belt and Road Initiative and the Bay Area development to further strengthen Hong Kong's status as the regional hub for foreign direct investment ("FDI"), and given that major infrastructures such as the Hong Kong – Zhuhai – Macao Bridge, the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Liantang/Heung Yuen Wai Boundary Control Point would be commissioned one after another, Mr YIU Si-wing enquired about the Administration's strategy to support the development of the tourism and hospitality industry, for example, by increasing investment and widening the mix of its collaboration partners, including organizations in Guangdong and overseas countries, and whether the Administration had set a target to progressively increase the number of projects to be completed in the years to come.

20. DGIP advised that the Belt and Road Initiative and the Bay Area development would be the major growth engines of the tourism and hospitality industry. Specifically on the Bay Area development, the Administration had been engaging in on-going discussion with other Bay Area cities. Members' views on

setting targets for the tourism and hospitality industry would be taken into account in the planning process for the next financial year. Associate Director-General of Investment Promotion ("ADGIP") added that, in order to encourage Mainland food trading companies and restaurants to "go global", the Administration would work together with the Macao Government to conduct seminars in Sichuan in November 2018.

Creating a favourable environment for foreign direct investment

21. Mr Charles Peter MOK considered that apart from contributing actively to the work of investment promotion, the Administration should review its policies and remove any regulatory or legal hurdles facing foreign technology companies looking to set foot in Hong Kong. He urged the Administration to formulate long-term land development policies to facilitate companies looking to build data centres in Hong Kong, and provide one-stop hand-holding service to assist those interested companies. Mr Alvin YEUNG shared a similar view and urged the Administration to review and reform any outdated legislation causing barriers to the potential investors.

22. DGIP advised that investment promotion remained important for Hong Kong in a competitive global environment, and would allow new companies and entrepreneurs to get to know Hong Kong, and to introduce to overseas companies the unique advantages Hong Kong had to offer. InvestHK would act as a conduit of communication between the overseas companies and the policy bureaux and regulatory authorities. The dialogue in this regard had taken great strides over the past year. InvestHK would advise potential investors to seek their own proper and independent legal advice when in need, and point them in the right direction when they actually did so. If the companies faced any regulatory and legal hurdles, InvestHK would reflect their problems to the relevant policy bureaux or refer them to the relevant authorities for further assistance. ADGIP added that on some occasions, InvestHK would involve representatives of the relevant bureaux/departments in its promotion efforts to answer questions from potential investors. At the request of Mr YEUNG and the Chairman, DGIP agreed to provide a list of typical issues (e.g. legal and regulatory compliance hurdles) raised by overseas and Mainland entrepreneurs, small and medium enterprises ("SMEs") and multinationals companies when seeking to invest in Hong Kong.

Admin

Promoting Hong Kong's business and professional services

23. Mr Dennis KWOK urged the Administration to formulate an action programme for promoting the professional services, including legal, arbitration, accounting and information technology, in the face of keen competition from neighbouring countries such as Singapore, and to work with members of the

relevant professions in carrying out its promotion work.

24. DGIP advised that professional services were one of the major areas of focus of InvestHK. The strength of Hong Kong's professional services such as legal, accounting and engineering consultancy was much emphasized in InvestHK's promotion work in the Belt and Road Initiative and the Bay Area development. In promoting arbitration and dispute resolution services in Hong Kong, InvestHK had conducted a number of joint seminars with the Department of Justice and the Law Society of Hong Kong in Malaysia and the Mainland. The Administration would reflect the outcome of such programmes more clearly in future reports to the Panel for consideration. On Mr KWOK's suggestion, DGIP agreed to also involve the Hong Kong Bar Association in its future promotion work.

Assessing the performance of Invest Hong Kong

25. Noting that InvestHK had attracted direct investment of over \$16.6 billion in 2017, the Chairman urged the Administration to set key performance indicators ("KPIs") to assess the performance of InvestHK's promotion work.

26. DGIP advised that InvestHK's primary KPI was the number of projects completed. InvestHK completed 402 projects in 2017, and had set a target of 425 projects for 2018. The secondary KPI was the number of jobs created. In the context of Hong Kong where inflows and outflows of capital abound, the capital value of direct investment created was not overly useful as a KPI. The amount of capital investment in different places was not directly comparable. For example, whereas the capital investment in the Mainland might be driven by capital investment in factories, the major capital investment in Hong Kong might be in real estate which had little direct impact on the number of jobs created. Meanwhile, InvestHK would make reference to benchmarks used by its overseas counterparts.

Scope of Invest Hong Kong's work

27. The Chairman enquired about the division of work among InvestHK, the overseas Economic and Trade Offices ("ETOs") and the Hong Kong Trade Development Council ("HKTDC"), which were involved in similar scope of work in trade and investment promotion.

28. DGIP advised that the respective scope of work of InvestHK, ETOs and HKTDC was complementary to one another and clearly defined. Whereas InvestHK's remit was focusing purely on attracting FDI, HKTDC's primary focus was to assist Hong Kong companies to do business overseas and promote Hong Kong in overseas countries. The InvestHK teams in the Investment Promotion

Unit ("IPUs") sat within the overall ETO infrastructure. IPUs reported to the Heads of the ETOs concerned on the day-to-day management and also to InvestHK which set the overall direction of promotional efforts and targets.

29. In response to the Chairman's enquiry about InvestHK's achievements in bringing in high-technology production lines into Hong Kong, DGIP advised that InvestHK worked with a number of companies which had set up high-end production facilities, such as robotics, in Hong Kong.

Impact of the trade conflict between China and the United States

30. Mr Christopher CHEUNG was concerned about the impact of the trade conflict between China and the United States ("US") on the global investment sentiment and financial market. He enquired whether there would be any major changes in the promotion strategy of InvestHK in the face of the trade conflict between the two economies, and whether there was any change in interest to invest in Hong Kong by foreign companies, especially after two Mainland stock exchanges' barring of Mainland investors from buying shares with weighted-voting rights in Hong Kong.

31. DGIP advised that the Administration had been watching closely the development of the China-US trade conflict and the change in global trade and investment landscape. On a more positive note, the Belt and Road Initiative would open up new investment opportunities. At the moment, there was no direct impact on the work of InvestHK, which tended to be related to longer-term investment rather than the stock market or export-related sector, which might be more likely to be impacted in the shorter term.

VI. Establishment of five new Overseas Economic and Trade Offices ("ETO") and the ETO Policy Division

(LC Paper No. CB(1)1238/17-18(08) -- Administration's paper on "Establishment of Five New Economic and Trade Offices (ETOs) and the ETO Policy Division in the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau"

LC Paper No. CB(1)1238/17-18(09) -- Paper on the work of the overseas Hong Kong Economic and Trade Offices 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") sought members' support for the Administration's proposals on the establishment of five new ETOs in Bangkok, Dubai, Moscow, Mumbai and Seoul respectively, setting up of the new ETO Policy Division in the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau ("CEDB"), as well as the related arrangements including the creation of the relevant directorate posts. Details of the Administration's proposals were set out in the paper (LC Paper No. CB(1)1238/17-18(08)).

Discussion

Setting up the five new Economic and Trade Offices

33. Noting that the progress of discussion with the relevant governments varied among the proposed ETOs, the Chairman and Mr WONG Ting-kwong enquired about the reasons for the Administration to seek the Panel's support in one go on the establishment of the five proposed ETOs.

34. SCED advised members that the Administration had been discussing the detailed arrangements for setting up the five new ETOs with the respective host governments for some time. Overall speaking, the governments of the host countries had responded positively to the Administration's proposals. Nonetheless, the progress of discussion varied due to the individual circumstances of the countries concerned. Also, the way to effect the agreed arrangements for establishing an ETO varied among the five countries. Specifically, some host governments could implement the arrangements through administrative procedures, whereas some others would require passage of legislation. Furthermore, discussion progress could be adversely affected when there was a change of government of the host country. The discussion with the Thai Government on the Bangkok ETO had come to a final stage. It was expected that among the five proposed ETOs, the Bangkok ETO would be the first to be established. With the significant progress made on the Bangkok ETO as well as the discussion on the other four proposed ETOs all progressing satisfactorily, the Administration considered it opportune to brief the Panel on the matter and seek members' support for the proposals for setting up these five ETOs in one go. With the Panel's support, once the discussion on any of the new ETOs came to a final stage, the

Administration could proceed with the necessary procedures, including seeking the approval of Legislative Council ("LegCo") for the creation of the relevant directorate posts, so that the ETOs concerned could commence operation the soonest possible.

Geographical coverage of the Economic and Trade Offices

35. Noting that the geographical distribution of the five new ETOs would primarily cover Asian cities, Mr Alvin YEUNG enquired whether the direction of the Administration's strategy in promoting trade relations would be re-focused on Asia. In this connection, the Chairman enquired whether the Administration had conducted any assessment on the potential of the markets corresponding to the five proposed ETOs, and its strategies in tapping such markets.

36. SCED replied that in selecting the locations for setting up the five new ETOs in India, Russia, South Korea, Thailand and the United Arab Emirates respectively, the Administration had taken into account a number of factors, including the countries' trade relations with Hong Kong, their economic development potentials, and whether there was scope for Hong Kong to enhance its presence in the regions around the countries. For example, the Bangkok ETO would be the third ETO in the Association of Southeast Asian Nations ("ASEAN") region. ASEAN, as a bloc, was Hong Kong's second largest merchandise trading partner. Following the signing of the Free Trade Agreement ("FTA") between Hong Kong and ASEAN in November 2017, Hong Kong had further strengthened economic and trade ties with the 10 ASEAN countries. As regards India, it was Hong Kong's seventh largest merchandise trading partner and an emerging market with strong trade and FDI potentials. Setting up the Mumbai ETO would enable Hong Kong to capitalize on the business opportunities in the country. Setting up the Dubai and Moscow ETOs would expand Hong Kong's global ETO network and strengthen Hong Kong's presence in the respective regions. Looking ahead, further expansion of the ETO network would continue and it would be guided by the above considerations as well as the development of the Belt and Road Initiative.

37. Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) ("PSCIT") added that in determining the locations for setting up the new ETOs, the Administration had carefully identified the target businesses in the respective countries/regions that had potentials for bringing more trading and investment activities to Hong Kong. For example, in Thailand, the potential target business sectors included information and communication technology, consumer products and transportation, etc. Russia had potentials in the fields of I&T, financial services, etc., and was seeing a boom in a number of technology industries such as fintech, smart city, etc. Details of the business potentials of the host countries/regions were provided in the

Administration's paper.

38. Mr WONG Ting-kwong welcomed the setting up of new ETOs, and enquired about the distribution of duties among the three ETOs in the ASEAN region with the establishment of the Bangkok ETO.

39. PSCIT advised that ASEAN and its 10 member states were currently under the geographical coverage of the Jakarta and Singapore ETOs. The Jakarta ETO represented the Hong Kong Special Administrative Region ("HKSAR") Government in matters between Hong Kong and ASEAN as a whole, and was responsible for the bilateral matters between Hong Kong and Indonesia, Brunei Darussalam, Malaysia and the Philippines respectively. The Singapore ETO was responsible for Hong Kong's bilateral ties with six countries, namely Singapore, Cambodia, Laos, Myanmar, Thailand and Vietnam. The new Bangkok ETO, once set up, would take over our bilateral relations with three ASEAN countries, namely Thailand, Cambodia and Myanmar, from the Singapore ETO, and would also cover Bangladesh which was a Belt and Road country and Hong Kong's 31st largest merchandise trading partner. The functions and geographical coverage of the Jakarta ETO would remain unchanged.

Role of the Economic and Trade Offices Policy Division and the Economic and Trade Offices in mitigating the impact of the trade conflict between China and the United States

40. Mr Alvin YEUNG enquired about the role of the proposed ETO Policy Division in the Commerce, Industry and Tourism Branch of CEDB in mitigating the impact caused by the trade conflict between China and the US. Mr Dennis KWOK shared a similar concern and said that in the face of the trade conflict between the two countries, there was an increasing need for Hong Kong to go global and expand its overseas trade network, and make use of Hong Kong's separate membership under the World Trade Organization ("WTO"). He enquired about the Administration's effort in this regard.

41. SCED advised that the Administration had been seeking to expand its overseas trade and market network and reduce trade barriers through, among other things, the work of the 12 overseas ETOs. For example, the Geneva ETO, which supported Hong Kong's participation at WTO, had helped reinforce Hong Kong's separate WTO membership through its daily work. Leveraging the Belt and Road Initiative, ETOs would continue to forge trade ties with more overseas markets, such as the ASEAN countries, in order to avoid over-reliance on certain markets. Looking forward, the Administration would seek to forge more FTAs with Hong Kong's trading partners so as to enhance bilateral trade and investment ties.

42. Mr WONG Ting-kwong was concerned about the escalating China-US trade

conflict, which had already created uncertainty for the financial market and added volatility to the foreign exchange market. He enquired about the Administration's strategy in tackling the matter.

43. SCED responded that the Administration attached great importance to maintaining the financial stability of Hong Kong in the midst of the trade conflict between China and the US. In this connection, the Financial Secretary, Secretary for Financial Services and the Treasury, himself and other Government officials would attend a joint meeting of this Panel, the Panel on Economic Development and the Panel on Financial Affairs on 20 July 2018 to discuss with members the impact of the trade conflict between the two countries on Hong Kong's economy. SCED added that while it would be easier to assess the direct consequences of a trade conflict, it would be more difficult to gauge the indirect consequences, including those on the financial and monetary markets and investment environment. On the US' imposition of tariff, subsequent to the release of the "Section 232 investigation" reports by the US in February 2018, the US decided to impose quotas, or additional tariffs on imported steel and aluminium products globally including on Hong Kong, the Administration had followed up the matter with the US Government through bilateral channels as well as at WTO through the Geneva ETO, voicing objection to the US' measures which were unilateral, unfounded and inconsistent with WTO rules. As regards the US "Section 301 investigation" which did not target Hong Kong, the Administration was assessing in detail the impact of the tariff list on Hong Kong's trade. The Administration would continue to follow up the matters with the US Government bilaterally with the assistance of the Washington ETO, and multilaterally at the WTO platform through the Geneva ETO.

44. The Deputy Chairman supported the proposals to establish five new ETOs, which would help diversify Hong Kong's trading partners to avoid over-dependence on a single market such as the US. He enquired about the measures to support Hong Kong enterprises with production lines based in the Mainland to tide over the trade conflict.

45. SCED advised that Hong Kong exporters were concerned about rising credit risks and possible cuts in export orders brought by the China-US trade conflict. In this connection, the Hong Kong Export Credit Insurance Corporation introduced in June 2018 special enhanced measures to strengthen its support to Hong Kong exporters with a view to alleviating the rising credit risks caused by the China-US trade conflict. The special enhanced measures included increasing the number of free buyer credit assessment from three to six for each Hong Kong exporter, and providing special support to SMEs by offering additional pre-shipment cover for free to Small Business Policy holders who were affected by the US tariff measures. In addition, the on-going SME loan guarantee and financing schemes would continue to assist SMEs in obtaining loans to ease their financial burden. In the

longer term, the signing of FTAs and investment agreements between Hong Kong and its trading partners would provide preferential tariff treatment and protection of investment for SMEs which sought to "go global".

Next step

46. The Chairman sought clarification on the Administration's intention to submit the proposals to set up the Bangkok ETO, including the creation of a directorate post to head the Bangkok ETO, and to set up the ETO Policy Division, including the creation of a time-limited supernumerary directorate post to head the ETO Policy Division, to LegCo for further consideration after the summer recess.

47. SCED advised that among the five new ETOs, the discussion on the establishment of the Bangkok ETO had come to a final stage. It was expected that the Bangkok ETO would be the first new ETO to be established, and could commence operation in early 2019. Judging from the progress achieved so far, the Administration would submit the proposals in relation to the creation of two directorate posts, one each for the Bangkok ETO and the proposed ETO Policy Division, to LegCo for consideration and approval after the summer recess. Meanwhile, the Administration would continue the discussion with the respective governments on the remaining four ETOs. When the discussion on those new ETOs had come to a final stage, such as conclusion of discussion on the detailed arrangements, the Administration would submit the relevant proposals to LegCo to take forward the setting up of these ETOs.

Other issues

48. In response to Mr WONG Ting-kwong's enquiry on whether staff of the overseas ETOs would enjoy diplomatic privileges, SCED replied in the negative. SCED advised that according to Article 156 of the Basic Law, HKSAR might, as necessary, establish official or semi-official economic and trade missions in foreign countries. While ETOs did not carry diplomatic or consular status, they (including their staff) were provided with certain privileges and immunities to ensure their effective functioning.

Summing up

49. The Chairman concluded that the Panel supported in principle the Administration's proposals as stated in paragraph 1(a) to (e) of LC Paper No. CB(1)1238/17-18(08), with the establishment proposals in relation to the creation of the two directorate posts in the Bangkok ETO and the new ETO Policy Division being the first to be submitted to LegCo for further discussion and approval. The Panel also raised no objection to the Administration's suggestion that when the discussion on the remaining new ETOs had come to a final stage, the

Administration would submit the relevant proposals to LegCo for approval.

VII. Any other business

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

Council Business Division 1
Legislative Council Secretariat
20 September 2018

Panel on Commerce and Industry

Meeting on Tuesday, 17 July 2018, at 2:30 pm

**Latest development of the Hong Kong Science Park and industrial estates,
and the Administration's measures to support re-industrialization**

Summary of views and concerns expressed by deputations/individuals

	Name of deputation/individual	Submission/Major views and concerns
1.	Hong Kong Information Technology Joint Council	<ul style="list-style-type: none">• LC Paper No. CB(1)1308/17-18(01) (Chinese version only)
2.	Mr LEUNG Kwok-hung	<ul style="list-style-type: none">• The Administration should invest in I&T projects (e.g. medical technologies) which would benefit the underprivileged groups and the elderly of Hong Kong.
3.	Democratic Alliance for the Betterment and Progress of Hong Kong	<ul style="list-style-type: none">• LC Paper No. CB(1)1308/17-18(02) (Chinese version only)
4.	Liberal Party Youth Committee	<ul style="list-style-type: none">• The Administration should increase R&D investment and encourage private investment in the respective areas by introducing tax relief measures to foster the development of "Industry 4.0".• The Administration should construct purpose-built premises for advanced manufacturing processes.• The Administration should formulate a long-term re-industrialization policy and nurture talent in targeted technology sectors accordingly.
5.	The Hong Kong Chinese Importers' and Exporters' Association	<ul style="list-style-type: none">• LC Paper No. CB(1)1308/17-18(03) (Chinese version only) (Confidential) (Restricted to members of the Panel on Commerce and Industry only)

	Name of deputation/individual	Submission/Major views and concerns
6.	Asia Pacific Youth Development Foundation Limited	• LC Paper No. CB(1)1278/17-18(01) (English version only)
7.	The Lion Rock Institute	• LC Paper No. CB(1)1308/17-18(04) (Chinese version only)
8.	Internet Professional Association	• LC Paper No. CB(1)1308/17-18(05) (Chinese version only)
9.	Mr Paul FUNG	• LC Paper No. CB(1)1278/17-18(02) (Chinese version only)
10.	Hong Kong Electronics & Technologies Association	• LC Paper No. CB(1)1238/17-18(10) (English version only)
11.	Asia Pacific Youth Club	• LC Paper No. CB(1)1238/17-18(11) (Chinese version only)
12.	Hong Kong Computer Society	• LC Paper No. CB(1)1275/17-18(01) (English version only)
13.	The Institution of Engineering and Technology Hong Kong	• LC Paper No. CB(1)1308/17-18(06) (Chinese version only)
14.	GS1 Hong Kong	• LC Paper No. CB(1)1271/17-18(01) (English version only)