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Panel on Commerce and Industry

Meeting on 21 November 2017

Updated background brief 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

Purpose

This paper provides updated background information on the work of the 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 from October 2015 to September 2016. This paper also provides updated background information on the trade relations between Hong Kong and Taiwan. It also summarizes the views and concerns expressed by members on the subject matters.

Background

Overseas Hong Kong Economic and Trade Offices

2. The HKSAR Government has set up a total of 12 overseas $ETOs^1$ in major cities of economies around the world. With the exception of the Geneva ETO,² the overseas ETOs seek to promote Hong Kong's economic and trade

¹ Overseas Hong Kong Economic and Trade Offices ("ETOs") include Geneva ETO, Washington ETO, New York ETO, San Francisco ETO, Toronto ETO, Brussels ETO, London ETO, Berlin ETO, Tokyo ETO, Sydney ETO, Singapore ETO and Jakarta ETO.

² The principal function of the Geneva ETO is to represent Hong Kong, China ("HKC") as a Member of the World Trade Organization ("WTO"). It also represents HKC as a Member of the Advisory Centre on WTO Law, and as a participant of the Trade Committee of the Organization for Economic Cooperation and Development in Paris.

interests by enhancing understanding of Hong Kong among opinion-formers; closely monitoring developments that may affect Hong Kong's economic and trading interests; and liaising closely with the business and commercial sectors, politicians and the news media in the countries/places which fall within their respective purviews. They also regularly organize events to promote the overall image of Hong Kong. In conjunction with Invest Hong Kong ("InvestHK"), the ETOs help attract more inward investment into Hong Kong and assist overseas business entities to set up their regional offices or headquarters in Hong Kong. The major work and functions of the 12 overseas ETOs are set out in **Appendix I**.

Planning of setting up an overseas Hong Kong Economic and Trade Office in Thailand

3. In her 2017 Policy Address delivered in October 2017, the Chief Executive announced that to further expand the network of ETOs and strengthen the HKSAR Government's work on external promotion, in addition to the new ETOs proposed earlier (such as those to be set up in India, Russia and the United Arab Emirates), the Government is planning to set up an ETO in Thailand, which will be the third ETO in Association of Southeast Asian Nations ("ASEAN") region,³ after Singapore and Indonesia.⁴

4. According to the Administration, the plan to set up a new ETO in Thailand takes into account the fact that ASEAN is currently Hong Kong's second largest merchandise trading partner and the fourth largest services trading partner. It is also an economic region with significant development potential under the Belt and Road Initiative. The addition of an ETO in Thailand will make the ETO network in ASEAN on par with that in the European Union.

Offices of the Hong Kong Special Administrative Region Government in the Mainland

5. Pursuant to Article 22 of the Basic Law, 5 an office of the HKSAR

⁵ Article 22 of the Basic Law provides that "[t]he Hong Kong Special Administrative Region may establish an office in Beijing".

³ The Association of Southeast Asian Nations comprises Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

⁴ The Administration briefed the Panel on Commerce and Industry on the proposed establishment of a new ETO in Jakarta at the meeting on 15 March 2016. Subsequently, the Finance Committee approved the proposal at the meeting on 24 June 2016. The temporary office of the Jakarta ETO commenced operation in June 2016, and the Jakarta ETO officially opened in July 2017.

Government was established in Beijing ("BJO") in March 1999. The functions of BJO are matters for HKSAR which include: (a) enhancing liaison and communication between the HKSAR Government, the Central People's Government and Mainland authorities in the ten provinces/municipalities/ autonomous regions under its coverage; (b) promoting Hong Kong in general and particularly its economic and trade relations with the ten provinces/ municipalities/autonomous regions; (c) handling immigration-related matters; and (d) providing assistance to Hong Kong residents in distress.

6. The main functions of the four ETOs in the Mainland⁶ include: promoting economic and trade co-operation and ties between the HKSAR Government and their respective provinces/municipalities/regions, and seeking to attract investment into Hong Kong; promoting Hong Kong and enhancing liaison and communication between the HKSAR Government and their respective provinces/municipalities/regions; and providing appropriate assistance to Hong Kong residents in need.

Office of the Hong Kong Special Administrative Region Government in Taiwan and the trade relations between Hong Kong and Taiwan

7. Over the years, Hong Kong and Taiwan have established close trade relations. With the concerted efforts of the Hong Kong and Taiwan authorities, the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council ("ECCPC") and the Hong Kong-Taiwan Business Co-operation Committee ("BCC") were established on 1 April 2010. In December 2011, the Hong Kong Economic, Trade and Cultural Office ("HKETCO") in Taiwan commenced operation in Taipei. It was officially opened in May 2012.

Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council and Hong Kong-Taiwan Business Co-operation Committee

8. ECCPC is a non-governmental entity which works with its Taiwan counterpart, i.e. the Taiwan-Hong Kong Economic and Cultural Co-operation Council ("THEC"), to serve as the discussion platform for co-operation matters relating to public policies between Hong Kong and Taiwan. The communication mechanism of ECCPC and THEC has been institutionalized and

⁶ The four ETOs in the Mainland and their respective coverage are as follows –

⁽a) Guangdong ETO was set up in July 2002. Its coverage includes the five provinces/region of Fujian, Guangdong, Guangxi, Hainan and Yunnan;

⁽b) Shanghai ETO was set up in September 2006. Its coverage includes the Municipality of Shanghai and the four provinces of Jiangsu, Zhejiang, Anhui and Shandong;

⁽c) Chengdu ETO was set up in September 2006. Its coverage includes the six provinces/municipality/autonomous region, namely Sichuan, Chongqing, Guizhou, Shaanxi, Qinghai and Tibet; and

⁽d) Wuhan ETO commenced operation on 1 April 2014. Its coverage includes the five provinces of Hubei, Hunan, Shanxi, Jiangxi and Henan.

six joint meetings have been held, taking forward various priority areas of co-operation between the two places.⁷

Hong Kong-Taiwan Business Co-operation Committee

9. BCC, with members coming from the local business sector, is to promote closer co-operation between Hong Kong and Taiwan business sectors. BCC and the Economic Co-operation Committee under THEC have continued to promote exchanges between Hong Kong and Taiwan on issues relating to trade and investment. In 2016, BCC had planned to conduct a series of events with the aim of strengthening co-operation between Hong Kong and Taiwan in the areas of logistics and maritime, finance and intellectual property trading. BCC also participated in the "2016 Hong Kong-Taiwan Economic Co-operation Forum" organized by HKETCO in 2016 to jointly promote Hong Kong's innovative and technological advantages.

Hong Kong Economic, Trade and Cultural Office in Taiwan

10. As Hong Kong's multi-functional office in Taiwan, HKETCO has been leveraging on its local presence to enhance liaison and provide services, and forging close ties with key economic, cultural, academic and media organizations to promote economic, trade and cultural exchanges between Hong Kong and Taiwan. HKETCO also promotes Hong Kong's strengths and image through organizing and joining various activities, allowing the Taiwan community to appreciate the developments and unique culture of Hong Kong. The functions of HKETCO are set out in **Appendix II**.

Trade relations between Hong Kong and Taiwan

11. The Administration continues to foster the trade relations between Hong Kong and Taiwan through the ECCPC and THEC platform, with a view to enhancing the overall competitiveness of the two places. HKETCO also makes use of its local presence to promote the business advantages of Hong Kong, strengthen liaison with various parties as well as enhance support to Hong Kong people and businesses in Taiwan.

12. In 2016, Taiwan was Hong Kong's third largest trading partner. Reciprocally, Hong Kong was Taiwan's fourth ranking trading partner in 2016. Bilateral trade in goods between Hong Kong and Taiwan amounted to

⁷ The Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council and the Taiwan-Hong Kong Economic and Cultural Co-operation Council held their sixth joint meeting on 17 September 2015 in Hong Kong to review the achievements and progress made through this co-operative platform in the previous year. The two sides also agreed to explore five new co-operation areas, namely wetland conservation, trade in endangered species of wild fauna and flora, intellectual property rights, urban renewal and promotion of water conservation.

HK\$366,587 million in 2016, increased by 8.0% from 2015. The average annual growth rate from 2012 to 2016 was 3.0%. Reflecting Hong Kong's role as an important entrepôt for merchandise trade between Taiwan and Mainland China, re-export trade between the two economies through Hong Kong has grown by 6.6% annually since 2012 to HK\$310,445 million in 2016.

Previous discussions of the Panel on Commerce and Industry

13. The Panel on Commerce and Industry ("the Panel") was previously briefed on the work of the overseas ETOs and the Offices of the Government of HKSAR in the Mainland and Taiwan, as well as the trade relations between Hong Kong and Taiwan at the meeting on 20 October 2015. Members also raised questions on related issues at the policy briefing-cum-meetings on 19 January 2016, 25 January and 17 October 2017. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Enhancing the networks of Economic and Trade Offices in specific regions

The Belt and Road Initiative

14. At the meeting on 20 October 2015, some members urged the Administration to make necessary preparations to actively lead and support Hong Kong's business and professional services sectors and various industries to seize the business opportunities arising from the Belt and Road-related strategy, and to ensure timely dissemination of the latest information and relevant policies to Hong Kong enterprises. Some other members further called on the Administration to allocate additional resources for ETOs in the Belt and Road region, and consider setting up new ETOs in countries along the region.

15. The Administration responded that efforts would be made to enhance Hong Kong's economic and trade relations with the Belt and Road countries, including negotiating Free Trade Agreements ("FTAs") and agreements for avoidance of double taxation so as to assist Hong Kong enterprises to tap the markets of these countries. The Administration also advised that it planned to set up a new ETO in Jakarta of Indonesia, which was one of the countries on the 21st Century Maritime Silk Road.⁸

16. At the meeting on 17 October 2017, members noted the immense development opportunities presented by the Belt and Road Initiative, and enquired whether the Administration had plans to set up new ETOs in other regions along the Belt and Road region apart from Thailand, and the additional manpower and resources required for the purpose.

⁸ The Jakarta ETO officially opened in July 2017.

17. The Administration advised that apart from Thailand, it was also studying the possibilities of setting up new ETOs along the Belt and Road region including India, the Middle East, Russia and Africa, and in other regions such as America and South Korea. The Administration would seek the Panel's support for the staffing proposal for the creation of directorate posts in the Belt and Road Office, and would brief the Panel on its focus and approach of work in pursuing the Belt and Road Initiative in Hong Kong in due course.

The Association of Southeast Asian Nations region

18. Some members enquired at the meeting on 17 October 2017 about the division of work among the three ETOs in the ASEAN region after the establishment of the additional ETO in Thailand.

19. The Administration advised that with ASEAN's strategic location at a key intersection of Belt and Road and its status as Hong Kong's second largest trade partner, Hong Kong would undoubtedly continue to collaborate closely with ASEAN countries in trade matters. Moreover, the successful conclusion of a Hong Kong-ASEAN FTA recently would significantly boost Hong Kong's links with ASEAN, and further enhance flows of trade and investment between Hong Kong and ASEAN. The Administration added that the detailed division of work among the three ETOs in the ASEAN region, namely the ETOs in Thailand, Jakarta and Singapore had yet to be worked out.

Improving the functions of Economic and Trade Offices

20. Members enquired about the policies and measures to enhance the functions of ETOs during the discussion at the meeting on 17 October 2017. They suggested that the Administration should review the division of work among the various overseas ETOs under the Commerce and Economic Development Bureau ("CEDB"), Mainland Offices under the Constitutional and Mainland Affairs Bureau, Investment Promotion Units under InvestHK and the overseas offices of the Hong Kong Trade Development Council, and draw reference from the Israeli Export Request Management System in formulating key performance indicators for the various offices responsible for trade and investment promotion.

21. The Administration advised that the functions of the ETOs had evolved over the years from liaison and collaboration between Governments to engaging in more investment promotion activities. Looking forward, ETOs would be required to undertake more work in relation to attracting talents, innovation and technology enterprises and research and development institutions from overseas.

Strengthening Hong Kong's trade relations with Taiwan

22. At the meeting on 19 January 2016, members enquired about the latest

development of the Administration's intention to establish between Hong Kong and Taiwan a comprehensive and institutionalized economic and trade co-operation arrangement similar to Hong Kong Closer Economic Partnership Arrangement or "Cross-Straits Economic Co-operation Framework Agreement" to enhance the trade ties of the two places.

23. The Administration advised that it had followed up on the matter with Taiwan through the platform of ECCPC and THEC and that the Taiwan side was of the view that the industries of Taiwan in respect of trades in goods and services did not have a strong demand for such an arrangement possibly because Hong Kong was already a free port and did not apply tariffs on imports. Taiwan's professional service sectors were also not keen to enter the Hong Kong market. However, the Taiwan side had expressed interest to deepen co-operation for individual industry sectors between the two places.

24. At the meeting on 25 January 2017, some members enquired about the division of work between HKETCO in Taiwan and the office of the Hong Kong Tourism Board ("HKTB") in Taipei in promoting Hong Kong tourism. The Administration advised that HKETCO in Taiwan had been providing support to CEDB and the Tourism Commission in the Government's efforts in tourism promotion while the office of HKTB in Taipei mainly focused on publicity and promotion. That notwithstanding, the two offices collaborated with and complemented the work of each other.

Council question

25. At the Council meeting of 28 June 2017, Mr Holden CHOW asked an oral question on the promotion of tourism. Given that the numbers of visitors to Hong Kong from South Korea, Thailand and the Philippines had all increased over the past five years, Mr CHOW enquired whether the Administration had plans to set up ETOs in those Asian countries which had shown a substantial increase in visitors to Hong Kong, with a view to strengthening the liaison between Hong Kong and such countries in respect of tourism, trade and economic activities.

26. The Administration advised that as regards the three countries referred to in the question, viz South Korea, Thailand and the Philippines, the Jakarta ETO was responsible for enhancing economic ties and cultural exchanges between Hong Kong and the Philippines, while the Singapore ETO was responsible for strengthening ties and networks between Hong Kong and Thailand. In addition, the Administration was actively preparing for the setting up of the Seoul ETO to strengthen bilateral ties and exchanges between Hong Kong and South Korea. The Administration would continue to promote Hong Kong under existing resources of ETOs, and would review at appropriate juncture the need for setting up ETOs in other cities.

Latest position

27. The Administration will brief the Panel at the meeting on 21 November 2017 on the work of the 12 overseas ETOs, BJO, the ETOs in Guangdong, Shanghai, Chengdu and Wuhan, as well as HKETCO in Taiwan in 2016-2017, including the latest developments of the trade relations between Hong Kong and Taiwan.

Relevant papers

28. A list of relevant papers is shown in the **Appendix III**.

Council Business Division 1 Legislative Council Secretariat 16 November 2017

Appendix I

The work and functions of the 12 overseas Hong Kong Economic and Trade Offices ("ETOs")

Geneva ETO

The principal function of the Geneva ETO is to represent Hong Kong, China ("HKC") as a Member of the World Trade Organization ("WTO"). It also represents HKC as a Member in the Advisory Centre on WTO Law, and as a participant of the Trade Committee of the Organization for Economic Cooperation and Development in Paris.

Washington ETO

The Washington ETO was established in 1987. Its main functions are to monitor political and economic developments of the United States of America ("US"), and to represent Hong Kong's economic and trade interests in the US capital. The Washington ETO keeps a close watch on legislative proposals, executive actions and general sentiments in the US capital that may affect the interests of Hong Kong. The Washington ETO also promotes Hong Kong's image as an international city with a vibrant and free economy, as well as a diverse and law-abiding community under the "One Country, Two Systems" principle.

New York ETO

The New York ETO was set up in 1983. It is responsible for promoting the economic and trade relations between Hong Kong and the 31 eastern states in the US.

San Francisco ETO

The San Francisco ETO, established in 1986, is responsible for promoting the economic and trade interests of Hong Kong, and strengthening economic ties and network between Hong Kong and the 19 western states in the US.

Toronto ETO

The Toronto ETO was established in 1991. It promotes Hong Kong's bilateral economic and trade interests in Canada through close partnership with major business bodies and think-tanks, and raises the profile of Hong Kong through various public relations efforts.

Brussels ETO

The Brussels ETO became the "Head" ETO for Europe in July 2006 to take on a coordinating role among the ETOs in Brussels, London and Berlin. It represents Hong Kong's economic and trade interests in the European Union. It is also responsible for promoting Hong Kong's bilateral economic and trade relations with 15 European countries, namely Belgium, Bulgaria, Croatia, Cyprus, France, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Romania, Spain and Turkey.

London ETO

The London ETO was first established in 1946. It is responsible for promoting Hong Kong's bilateral economic and trade relations with nine European countries, namely Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Russia, Sweden, and the United Kingdom.

Berlin ETO

The Berlin ETO commenced operation in March 2009. It is responsible for promoting Hong Kong's bilateral economic and trade relations with eight central and eastern European countries, namely Austria, the Czech Republic, Germany, Hungary, Poland, the Slovak Republic, Slovenia and Switzerland.

Tokyo ETO

The Tokyo ETO is responsible for promoting Hong Kong's economic and trade interests in Japan and the Republic of Korea.

Sydney ETO

The Sydney ETO was established in 1995. It is responsible for promoting Hong Kong's bilateral economic and trade relations with Australia and New Zealand.

Singapore ETO

The Singapore ETO was set up in 1995. Prior to the establishment of the new ETO in Jakarta, it was responsible for promoting the bilateral economic and trade relations between Hong Kong and the ten member countries of the Association of South East Asian Nations ("ASEAN").⁹

⁹ The ten Association of Southeast Asian Nations member countries are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Since the Director-General Hong Kong Economic and Trade Affairs, Jakarta assumed office on 13 September 2016, part of the responsibilities of the Singapore ETO has been formally transferred to the Jakarta ETO. Specifically, the Singapore ETO is responsible for strengthening economic ties and network between Hong Kong and Singapore, Cambodia, Laos, Myanmar, Thailand and Vietnam.

Jakarta ETO

The temporary office of the Jakarta ETO commenced operation on 13 June 2016. The Jakarta ETO officially opened in July 2017. The main responsibilities of the Jakarta ETO are to represent the Government of the Hong Kong Special Administrative Region in matters between Hong Kong and the ASEAN as a whole, and handle in particular matters between Hong Kong and four ASEAN countries, namely Indonesia, Malaysia, Brunei Darussalam and the Philippines.

Functions of the Hong Kong Economic, Trade and Cultural Office (Taiwan)

The Hong Kong Economic, Trade and Cultural Office (Taiwan) is tasked to fulfill the following functions -

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

Appendix III

List of relevant papers

Date of meeting	Meeting	Paper
20/10/2015	Panel on Commerce and Industry	Administration's paper on "Reports on the work of the overseas Hong Kong Economic and Trade Offices" (LC Paper No.CB(1)15/15-16(03)) Administration's paper on "Reports on the work of the Hong Kong Special Administrative Region Government's Offices in the Mainland and Taiwan" (LC Paper No. CB(1)15/15-16(04)) Updated background brief 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 (LC Paper No. CB(1)15/15-16(05)) Administration's paper on "Trade relations between Hong Kong and Taiwan" (LC Paper No. CB(1)15/15-16(06)) Updated background brief on trade relations between Hong Kong and Taiwan prepared by the Legislative Council Secretariat (LC Paper No. CB(1)15/15-16(07)) Minutes of meeting (LC Paper No. CB(1)264/15-16)

Date of meeting	Meeting	Paper
19/1/2016	Panel on Commerce and Industry	Administration's paper on "2016 Policy Address - Policy Initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)436/15-16(03)) Administration's paper on "2016 Policy Address - Policy initiatives of Constitutional and Mainland Affairs Bureau in relation to Mainland and Taiwan co-operation" (LC Paper No. CB(1)436/15-16(04)) Administration's paper on "2016 Policy Address - Policy Initiatives of Innovation and Technology Bureau" (LC Paper No. CB(1)436/15-16(05)) Minutes of meeting (LC Paper No. CB(1)665/15-16)
15/3/2016	Panel on Commerce and Industry	Administration's paper on "Establishment of a new Economic and Trade Office in Jakarta" (LC Paper No. CB(1)642/15-16(05)) Background brief on the establishment of the Hong Kong Economic and Trade Office in Jakarta prepared by the Legislative Council Secretariat (LC Paper No. CB(1)642/15-16(06)) Minutes of meeting (LC Paper No. CB(1)902/15-16)

Date of meeting	Meeting	Paper
11/11/2016 (issue date)	Panel on Commerce and Industry	Administration's paper on "Reports on the work of the overseas Hong Kong Economic and Trade Offices" (LC Paper No. CB(1)115/16-17(02)) Administration's paper on "Reports on the work of the Hong Kong Special Administrative Region Government's Offices in the Mainland and Taiwan" (LC Paper No. CB(1)115/16-17(03)) Administration's paper on "Trade relations between Hong Kong and Taiwan" (LC Paper No. CB(1)115/16-17(04))
25/1/2017	Panel on Commerce and Industry	Administration's paper on "2017 Policy Address - Policy Initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)464/16-17(03)) Administration's paper on "2017 Policy Address - Policy initiatives of Constitutional and Mainland Affairs Bureau in relation to Mainland and Taiwan co-operation" (LC Paper No. CB(1)464/16-17(04)) Administration's paper on "2017 Policy Address - Policy Initiatives of Innovation and Technology Bureau" (LC Paper No. CB(1)464/16-17(05)) Minutes of meeting (LC Paper No. CB(1)678/16-17)
28/6/2017	Council meeting	Question No. 4 on "Promotion of tourism" raised by Hon Holden CHOW (<u>Hansard</u>) (Page 10548-10559)

Date of meeting	Meeting	Paper
17/10/2017	Panel on Commerce and Industry	Administration's paper on "2017 Policy Address - Policy initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)20/17-18(01)) Administration's paper on "2017 Policy Address - Policy initiatives of Constitutional and Mainland Affairs Bureau in relation to Mainland co-operation and Taiwan affairs" (LC Paper No. CB(1)20/17-18(02)) Administration's paper on "2017 Policy Address - Policy initiatives of Innovation and Technology Bureau" (LC Paper No. CB(1)20/17-18(03))