

LEGISLATIVE COUNCIL

PANEL ON COMMERCE AND INDUSTRY

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

Purpose

This paper briefs Members on the details of the proposals to establish additional overseas Economic and Trade Offices (ETOs), and to set up the new ETO Policy Division in the Commerce, Industry and Tourism Branch (CITB) of the Commerce and Economic Development Bureau. Members are invited to support –

- (a) establishment of five new ETOs in Bangkok, Dubai, Moscow, Mumbai and Seoul respectively;
- (b) creation of five directorate Administrative Officer posts, including two Administrative Officer Staff Grade B (AOSGB) (D3) permanent posts to head the new ETOs in Dubai and Mumbai respectively and three Administrative Officer Staff Grade C (AOSGC) (D2) permanent posts to head the new ETOs in Bangkok, Moscow and Seoul respectively;
- (c) re-ranking the head of the Tokyo ETO from Administrative Officer Staff Grade A (AOSGA) (D6) to AOSGB (D3) upon establishment of the Seoul ETO;
- (d) delegating the authority to approve, based on existing mechanism, the pay for locally-engaged (LE) staff of new and existing overseas ETOs to the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) or an officer designated by PSCIT; and
- (e) creation of a time-limited supernumerary AOSGC (D2) post (up to 31 March 2021) to head the new ETO Policy Division in CITB.

Background

2. The current term of Government continues to proactively raise Hong Kong's profile in international arena and promote Hong Kong's advantages. We adopt the following three major principles in expanding our external relations –

- (a) to underline Hong Kong's core values, geographical advantages as well as our free and open market;
- (b) to capitalise on the unique advantages of “One Country, Two Systems” to raise our profile in the international community; and
- (c) to take full advantage of the significant opportunities under the Belt and Road (B&R) Initiative and the Guangdong-Hong Kong-Macau Bay Area Development.

3. In her 2017 Policy Address, the Chief Executive pointed out that external promotion work should cover a number of areas, including promoting innovation and technology (I&T)/research and development/smart city; attracting inward investment and fostering the expansion of Hong Kong enterprises into overseas markets; showcasing the arts, culture and creative soft powers of Hong Kong; attracting talents and renowned international institutions/organisations to Hong Kong; promoting our services (including finance, legal and other professional services); and enhancing financial market development.

4. The HKSAR Government has a total of 12 overseas ETOs located in Berlin, Brussels, Geneva, Jakarta, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington DC respectively, covering Asia, Australia, Europe and North America, as well as Hong Kong's many principal trading and investment partners. The ETOs are the official representatives of the HKSAR Government in countries under their respective coverages. With the exception of the Geneva ETO¹, the other 11 ETOs handle bilateral matters (including economic and cultural matters) among Hong Kong and countries under their purviews. The ETOs maintain close contact with local government officials, chambers of commerce, the media, etc., and organise/co-organise with other Hong

¹ The Geneva ETO represents Hong Kong, China at the World Trade Organization and the Trade Committee of the Organisation for Economic Co-operation and Development, and is mainly responsible for handling matters in relation to these organisations.

Kong overseas agencies various promotional activities to publicise the advantages and latest developments of Hong Kong.

5. An Investment Promotion Unit (IPU) is set up within an ETO (except for the Geneva and Washington ETOs). The main responsibilities of the IPUs are to promote the business advantages of Hong Kong and to encourage overseas enterprises to set up or expand businesses in Hong Kong through organising promotional activities overseas and conducting investment promotion visits. The ETOs and Invest Hong Kong (InvestHK) have all along been working closely with each other. Specifically, InvestHK advises the ETOs, in particular the IPUs, on the strategies for investment promotion and attraction of Foreign Direct Investment (FDI), and provide the ETOs with target enterprises of the priority industries, such as financial technology (fintech), I&T, maritime services, etc., which are jointly identified with relevant policy bureaux/departments. On the other hand, under the leadership of the heads of the respective ETOs, the IPUs visit target enterprises and/or meet with their top management to encourage them to make use of Hong Kong as a base to undertake projects under the B&R Initiative or other investment projects, and to collaborate with Hong Kong professionals and enterprises to jointly explore more opportunities. Furthermore, the ETOs and InvestHK organise and sponsor a variety of promotional activities including seminars, exhibitions, etc. in order to attract more target enterprises to develop business in Hong Kong or make use of Hong Kong as a springboard to venture into the huge Mainland and world markets. From 2013 to 2017, with the efforts of the ETOs and InvestHK, a total of 118 investment projects² from India, Korea, Russia, Thailand and the United Arab Emirates (UAE) were completed. These projects brought in direct investment of more than HK\$1.5 billion. Over 800 jobs were created for Hong Kong within the first year of operation or expansion of these companies³. Setting up new ETOs would effectively enhance the attraction of FDI from countries under the ETOs' respective purviews and bring greater benefits to Hong Kong.

² A "completed" project refers to a project where an overseas company has established a presence or undergone a significant expansion in Hong Kong. The figure only includes companies assisted by the ETOs and InvestHK, but not those set up in Hong Kong without their assistance.

³ The figure is based on the information provided by the companies which received assistance from the ETOs and InvestHK. Not all companies were willing to disclose the information.

6. To consolidate and enhance Hong Kong's status and importance among our trading partners, as well as further explore new business opportunities, an important step is to expand the network of the overseas ETOs. Having considered the potentials of economic development of our trading partners and their economic and trade relations with Hong Kong, we have identified Bangkok (Thailand), Dubai (UAE), Moscow (Russia), Mumbai (India) and Seoul (Korea) for setting up new ETOs.

Details of Proposal

I. Setting up the five new ETOs

A. Distribution of the new ETOs

(i) Bangkok ETO

7. Over the years, Hong Kong has established close economic and trade relations with the Association of Southeast Asian Nations (ASEAN). ASEAN, as a bloc, is Hong Kong's 2nd largest merchandise trading partner and 4th largest services trading partner. Five out of the ten ASEAN countries are among our top 20 merchandise trading partners, viz. Malaysia, the Philippines, Singapore, Thailand and Vietnam. Following the signing of the Free Trade Agreement between Hong Kong and ASEAN in November 2017, the HKSAR Government will further strengthen its economic and trade ties with these ten countries to explore the huge business opportunities there. In addition, Hong Kong actively participates in and implement the B&R Initiative. The HKSAR Government is committed to strengthening its links with countries along the B&R, particularly with ASEAN as a priority region. Being an important region of the Maritime Silk Road, ASEAN plays an indispensable role in driving the participation of the Asia-Pacific region in the B&R Initiative.

8. The HKSAR Government has two ETOs in the ASEAN region, namely the Jakarta and Singapore ETOs. In view of ASEAN's strong economic potentials, we consider it necessary to establish a third ETO in ASEAN to further strengthen our bilateral ties with the region and capitalise on new business opportunities for Hong Kong. Thailand is Hong Kong's 8th largest merchandise trading partner and ranks second among the ASEAN member states in terms of goods trade with Hong Kong. In Thailand, the potential target business sectors include information and

communication technology, consumer products, transportation, etc. The relevant enterprises will actively expand their business overseas under the B&R Initiative, which would increase the potential of them investing in Hong Kong. Therefore, we consider Thailand the most suitable country for setting up an additional ETO in the ASEAN region. We recommend that the ETO be located in Bangkok, the capital of Thailand.

9. With the proactive efforts of the Thai Government and full assistance of the Singapore ETO, our discussion with the Thai Government on the arrangements of setting up the Bangkok ETO (including the privileges and immunities (Ps and Is) to be given by the Thai Government for the Bangkok ETO) has come to a final stage. The Thai Government will commence their internal and legislative procedures on the proposal. In view of this, the HKSAR Government also needs to initiate the relevant mechanism as soon as possible to take forward the establishment of the Bangkok ETO. Subject to Members' agreement to setting up the Bangkok ETO, we will submit our proposal to the Legislative Council (LegCo) for approval as soon as possible after the summer recess. Having regard to the latest discussion progress for individual new ETOs, we expect that the first ETO to be established will be the Bangkok ETO. It is hoped that the Bangkok ETO can commence operation in early 2019 the earliest.

(ii) Dubai ETO

10. Under the trend of globalisation, we have to establish a wide global network to expand new economic and trade ties. In recent years, the Middle East countries are committed to developing diversified economies. The Middle East is also one of the important regions along the B&R. There are strong potentials for FDI from the Gulf Cooperation Council (GCC) countries to Hong Kong in the fields of fintech, transportation, logistics and advanced manufacturing industries. The HKSAR Government will strengthen ties with the Middle East countries, in particular the GCC countries, with a view to encouraging local governments and companies to make more use of Hong Kong's financial services and use Hong Kong as a financing platform. In addition, there are huge potentials in the Islamic financial market. Strengthening Hong Kong's links with the Middle East countries will help promote the development of the Hong Kong Islamic bond market. Therefore, we consider it necessary to strengthen Hong Kong's representation and raise its profile in the Middle East region.

11. Hong Kong and the UAE have established close trade and economic relations. In 2017, the UAE was Hong Kong's 15th largest merchandise trading partner and the largest among the Middle East countries. Reciprocally, Hong Kong was the UAE's 16th largest merchandise trading partner. The average annual growth rate in bilateral trade between the two places was 3.9% from 2013 to 2017. In the UAE, Dubai not only possesses advantages in business and financial services, tourism, logistics and trade, but also is well known for its rapid infrastructure and construction development. We therefore propose to set up an ETO in Dubai.

12. The discussion on the establishment of the Dubai ETO has been in good progress. We held a series of meetings with the UAE Consul General (CG) in Hong Kong. The Director of the Berlin ETO has also assisted in the discussion, including having several meetings with the relevant government officials in the UAE to exchange views on the proposal of setting up the Dubai ETO. We will continue to closely discuss with the UAE Government on the detailed arrangements (including Ps and Is) with a view to achieving more substantial progress.

(ii) Moscow ETO

13. Russia is currently Europe's 8th largest merchandise trading entity, as well as the largest trading entity in Eastern Europe. It is also a country along the B&R which can bring great business opportunities to Hong Kong. Russia is Hong Kong's 26th largest merchandise trading partner, and the bilateral merchandise trade between Hong Kong and Russia amounted to HK\$29.7 billion in 2017, representing an increase of 41.3% over 2016. The country has potentials in the fields of I&T, financial services, logistics and transportation, etc., which are expected to bring about substantial FDI to Hong Kong. Besides, Russia is seeing a boom in a number of technology industries, such as fintech, smart city, etc. It also has a growing number of biotechnology talents and innovative companies, and they may seek the opportunities arising from Hong Kong's development into a biomedical/biotechnology hub. While Russia is currently under the geographical coverage of the London ETO, we consider it necessary to set up an ETO in Moscow so as to make focused efforts to handle bilateral ties between Hong Kong and Russia, capitalising on the increasing opportunities brought by the growing relations between the two places, as well as open up new markets in the region. Furthermore, in view of the

establishment of the Eurasian Economic Union (EAEU) which aims to promote economic cooperation in the region, setting up an ETO in Russia will be conducive to the promotion of the relations among Hong Kong and the relevant countries.

14. The Russian Government is very supportive of setting up the Moscow ETO. The Russian CG in Hong Kong has proactively facilitated the discussion of the proposal and we had a series of meetings with him to discuss the detailed arrangements. With the full assistance of the London ETO, we will continue to closely discuss with the Russian side with a view to achieving more substantial progress.

(iv) Mumbai ETO

15. Hong Kong and India have established close trade and economic relations over the years. India is Hong Kong's 7th largest merchandise trading partner. Reciprocally, Hong Kong is India's 5th largest merchandise trading partner. Bilateral trade in goods between Hong Kong and India amounted to HK\$266 billion in 2017, representing an increase of 27% over 2016. The average annual growth rate in bilateral merchandise trade between the two economies was 11.7% from 2013 to 2017. Furthermore, there have been increasing potentials for FDI from India to Hong Kong, particularly in the field of I&T, including information and communications technologies, fintech, biotechnology, electronics, pharmaceuticals, medical equipment/products, etc. In view that Mumbai is the most important commercial city in India, we plan to set up an ETO in Mumbai in order to strengthen our presence in India and capitalise on business opportunities.

16. The Indian Government supports our proposal of setting up the Mumbai ETO. We have been following up on the proposal closely through discussion with the Indian CG in Hong Kong. We will continue to discuss the detailed arrangements with the Indian Government.

(v) Seoul ETO

17. The Korean business community plays an important role in Hong Kong's economic development. Korea's electronic giants, major banks and airlines have set up businesses in Hong Kong. The Korean culture, consumer electronic products, foods and beverages, as well as fashion and accessories are popular in Hong Kong, which will bring greater FDI

potentials to Hong Kong. Reciprocally, Hong Kong companies are keen to expand their economic and investment links with Korea. Korea has remained Hong Kong's 6th largest merchandise trading partner since 2014. In 2017, Hong Kong was Korea's 5th largest merchandise trading partner. Bilateral trade between the two places amounted to HK\$308.7 billion, representing an increase of 23.4% over 2016. From 2013 to 2017, the average annual growth rate in bilateral trade between Hong Kong and Korea was 8.5%. In 2017, HK\$238.9 billion worth of trade between the Mainland and Korea was routed through Hong Kong, representing about 11% of the total trade between the two countries. In addition, Korea is one of the important countries covered under the B&R Initiative. While Korea is currently under the geographical coverage of the Tokyo ETO, we consider it necessary to set up an ETO in Korea to further strengthen the bilateral relations between Hong Kong and Korea at government level, and to better capitalise on the business opportunities brought by the growing importance of Korea. We therefore plan to set up a new ETO in Seoul.

18. The Tokyo ETO has been discussing with the Korean Government the proposal to set up the Seoul ETO since early 2016 and will continue the relevant work.

B. Geographical coverage of the ETOs

19. Upon the establishment of the five new ETOs, our ETOs' network will be expanded to cover the Middle East and Eastern Europe, and Hong Kong's representation in Asia will be enhanced. In working out the geographical coverage of the new ETOs, we have taken account of their respective locations, the commercial and trade relationships among individual countries and Hong Kong, etc., as well as reviewed the coverage of the relevant existing ETOs, so as to make appropriate adjustments in a holistic manner. The proposed country-coverage of the five new ETOs as well as the revised coverage of the relevant existing ETOs upon the establishment of the new ones are as follows⁴ (new ETOs are highlighted in bold) –

⁴ We will review the coverage of the ETOs from time to time and, having regard to operational needs, make appropriate adjustments.

- (a) **Bangkok ETO:** Thailand, Cambodia, Myanmar and Bangladesh;
- (b) The Singapore ETO⁵: Singapore, Laos, Vietnam and India⁶;
- (c) **Dubai ETO:** Member states of GCC, namely UAE, Bahrain, Kuwait, Oman, Qatar and Saudi Arabia;
- (d) **Moscow ETO:** Member states of EAEU, namely Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan;
- (e) London ETO⁷: the United Kingdom, Denmark, Estonia, Finland, Latvia, Lithuania, Norway and Sweden;
- (f) **Mumbai ETO:** India;
- (g) **Seoul ETO:** Korea; and
- (h) Tokyo ETO: Japan.

C. Functions of the five new ETOs

20. The main responsibilities of the five new ETOs will be –
- (a) to handle bilateral matters among Hong Kong and countries under the ETOs' respective purviews;
 - (b) to liaise closely with government officials, politicians, business and cultural sectors, the media, local communities, etc. to enhance their understanding of Hong Kong and to promote Hong Kong's interests;
 - (c) to organise a variety of events to promote the advantages of Hong Kong and raise the profile of Hong Kong in the international arena; and
 - (d) to promote economic and trade ties with the markets under the ETOs' respective coverages and attract inward investment to Hong Kong.

⁵ Currently, the Singapore ETO is responsible for the bilateral ties among Hong Kong and six countries, namely Singapore, Cambodia, Laos, Myanmar, Thailand and Vietnam. The geographical coverage of the Jakarta ETO will remain unchanged. It is responsible for the bilateral ties among Hong Kong and Indonesia, Brunei Darussalam, Malaysia and the Philippines. It also represents the HKSAR Government in matters between Hong Kong and the ASEAN as a whole, and maintains close liaison with the ASEAN Secretariat in Jakarta.

⁶ Before the establishment of the Mumbai ETO, the Singapore ETO will cover India as well. The Singapore ETO will also assist in discussion with the Indian Government and carry out preparatory work on the proposed establishment of the Mumbai ETO.

⁷ In view of very heavy workload of the London ETO, particularly brought by the Brexit process, Russia will be removed from the geographical coverage of the London ETO upon transfer of the country to the Moscow ETO.

D. Establishment of the five new ETOs

(i) Heads of the ETOs

21. Having regard to the responsibilities and ranking of the heads of the existing ETOs, we propose -

- (a) **The heads of the Dubai and Mumbai ETOs be pitched at AOSGB (D3) level**, designated as “Director-General, Hong Kong Economic and Trade Affairs, Dubai” and “Director-General, Hong Kong Economic and Trade Affairs, Mumbai” respectively. Given the huge economic potentials of the Middle East region and India, and the expected extensive exchanges among these regions and Hong Kong on various fronts, the Dubai and Mumbai ETOs should each be headed by a directorate officer of higher ranking (i.e. AOSGB(D3)) to enable them to establish and maintain close contact with senior officials, high level business leaders, etc. of countries under their respective purviews with a view to fostering the interests of Hong Kong.
- (b) **The heads of the Bangkok, Moscow and Seoul ETOs be pitched at AOSGC (D2) level**, designated as “Director, Hong Kong Economic and Trade Affairs, Bangkok”, “Director, Hong Kong Economic and Trade Affairs, Moscow” and “Director, Hong Kong Economic and Trade Affairs, Seoul” respectively.
- (c) At present, the post of the Tokyo ETO head (i.e. Principal Hong Kong Economic and Trade Representative, Tokyo (PR(T))) is ranked at Administrative Officer Staff Grade A (AOSGA) (D6) level. The main duties of the incumbent are to serve as Hong Kong’s official representative in Japan and Korea and promote Hong Kong’s interests in these two countries. He/she also maintains close contact with senior government officials, parliamentarians, political parties, chambers of commerce, major enterprises, scholars, think tanks, the media, etc. to enhance bilateral relations among Hong Kong and the two countries. Upon the establishment of the Seoul ETO to cover Korea, PR(T) will mainly focus on handling the bilateral ties between Hong Kong and Japan. Therefore, we propose to **adjust the rank of the PR(T) post from AOSGA (D6) to AOSGB (D3)**.

Encl. 1

22. To ensure consistent alignment of our overall strategies among all member states of ASEAN, the Director of the Bangkok ETO will report to the Director-General of the Jakarta ETO. The heads of the other four new ETOs will report directly to CITB. The proposed job descriptions of the five new ETO head posts are set out at **Enclosure 1**.

(ii) Flexible ranking system

Encl. 2

23 In June 1991, the Finance Committee (FC) approved a flexible ranking system to facilitate the posting and retention of directorate heads and deputy heads of overseas ETOs. Under the system, the Secretary for the Civil Service may exercise delegated authority to create a supernumerary directorate head or deputy head post at a pre-determined higher rank so that the post can be filled by a staff member of the relevant ranking. Details and rationale of the system are at **Enclosure 2**. We propose that the application of the flexible ranking system be extended to the directorate head posts of the five new ETOs. Besides, the system will continue to apply to the re-ranked PR(T) post.

(iii) Non-directorate staff of the new ETOs

Encl. 3

24. It is planned that the head of each new ETO will be supported by about 16 non-directorate staff, comprising about four Hong Kong-based officers and about 12 LE staff. The non-directorate Hong Kong-based officer posts in the ETOs will be filled by officers of the Administrative Officer, Trade Officer, Information Officer and Executive Officer grades. Together with LE staff, they will form three units, namely "Investment Promotion Unit", "Public Relations and Administration Unit" and "Commercial Relations Unit", to discharge various duties. The proposed organisation chart of the ETOs is at **Enclosure 3**.

E. Mechanism for devising remuneration packages for LE staff of the ETOs

(i) Existing mechanism

25. As mentioned in para. 24 above, we recruit LE staff in the host cities/countries. They are mainly supporting staff for performing clerical and secretarial duties, and investment promotion staff whose work requires good local knowledge and contacts. This arrangement is more

economical than sending Hong Kong-based officers to fill the posts concerned. Besides, having regard to the ability of LE staff to command the local language in non-English speaking countries, recruiting the local staff is more conducive to the work of the ETOs.

26. In general, we follow the principles below in devising the remuneration packages (including pay scales, annual pay adjustment methods and fringe benefits) to recruit LE staff, which are broadly comparable to those of the local employment market –

- (a) In line with the principles of the Hong Kong civil service pay policy, the pay scales of LE staff should be maintained at a reasonable and sufficiently competitive level so as to attract, retain and motivate suitable staff to join and continue to work in the ETOs; and
- (b) Different remuneration packages should be devised having regard to the respective circumstances of the overseas ETOs.

27. To comply with the above principles, it is our established practice to devise the remuneration packages for LE staff of the respective ETOs by making reference to the pay scales and pay adjustment methods adopted by international organisations (e.g. the World Trade Organization, the United Nations, etc.) or the local governments in remunerating their local staff performing jobs of comparable nature and responsibilities in the respective host cities/countries. The pay arrangements (including pay scales and annual pay adjustment methods) for LE staff in the existing ETOs were approved by FC, and subsequent pay adjustments in accordance with the respective approved pay adjustment methods are approved by the Secretary for Financial Services and the Treasury. The existing mechanism for devising the remuneration packages for LE staff of the ETOs is at **Enclosure 4**.

Encl. 4

(ii) Proposed delegation of authority

28. The remuneration packages for LE staff of the existing ETOs have been devised in accordance with an objective mechanism. As the remuneration packages for LE staff of most of the existing ETOs were approved some 20 years ago, some organisations/departments of the local civil service, from which we drew reference, no longer exist, or some governments no longer publish the full details of pay adjustments for their

staff in recent years, etc. Having regard to the circumstances of individual ETOs, we may need to review the remuneration packages of LE staff and make adjustments as appropriate to ensure that they are maintained at a reasonable and sufficiently competitive level which can attract suitable people to join the respective ETOs, and retain and motivate suitable staff to continue serving in the offices.

Encl. 4

29. In order to streamline the process of devising/reviewing the remuneration packages for LE staff of the ETOs, we propose to delegate to PSCIT, or an officer designated by PSCIT, the authority to approve the pay arrangements (including pay scales and annual pay adjustment methods) for LE staff of new and existing ETOs which are devised/reviewed in accordance with the mechanism as set out at **Enclosure 4**, as well as future annual pay adjustments according to the relevant annual pay adjustment methods.

II. Setting up of the ETO Policy Division under CITB

30. At present, PSCIT oversees the work of the overseas ETOs with the support of Deputy Secretary (Commerce and Industry)¹ (DS(CI)¹). The Administration Division headed by Principal Executive Officer (Administration) renders support to the ETOs on personnel, financial resources management, general administrative matters etc., as well as assists in the preparatory work for setting up new ETOs. At the same time, the Administration Division is also heavily engaged in providing a variety of administrative support services to all the divisions under CITB.

31. To cope with the heavy workload related to the preparatory work for setting up new ETOs and to enhance the functions of the ETOs more effectively, we propose to set up a dedicated division in CITB, namely ETO Policy Division, to strengthen relevant support.

32. The proposed ETO Policy Division will take the lead in discussing with the prospective host governments (including the respective CGs in Hong Kong) on the detailed arrangements and carrying out preparatory work for setting up new ETOs. We will also further strengthen the functions of the ETOs, particularly their role and work on external promotion and inward investment promotion. The Division will review the functions of the ETOs having regard to the relevant policy directives, draw up strategies, plans and guidelines, and monitor closely the work of the ETOs regarding the progress and effectiveness of implementation of

the relevant measures. In view that the Administration Division is fully tied up by its heavy workload, and all the other divisions in CITB have no room to absorb the duties of the proposed ETO Policy Division, we consider it essential to set up the Division to take up the relevant policy formulation work in order to enhance the functions of the ETOs and expand the ETOs' network. This will strengthen the provision of support to DS(CI)1 accordingly. We propose that the Division be headed by an AOSGC (D2) who will be supported by a Senior Executive Officer (SEO) and a Personal Secretary (PSI). These posts will be created initially on a time-limited basis up to 31 March 2021. We will, at an appropriate juncture, review the need for retention of these posts having regard to operational needs. The proposed job description of the Division head and the organisation chart are at **Enclosures 5 and 6** respectively.

Encls. 5&6

Financial Implications

33. The proposed creation/deletion of the directorate posts will bring about an additional notional annual salary cost at mid-point (NAMS) of \$10,573,800 for establishing the five new ETOs and \$2,094,600 for setting up the ETO Policy Division, as follows –

Post	NAMS (\$)	No. of Post
<u>Five new ETOs</u>		
<i>(a) Creation of permanent posts</i>		
3 AOSGB posts (D3)	7,295,400	3
3 AOSGC posts (D2)	6,283,800	3
<i>(b) Deletion of permanent post</i>		
1 AOSGA post (D6)	3,005,400	1
Additional NAMS (a) – (b)	10,573,800	5
<u>New ETO Policy Division</u>		
<i>(a) Creation of supernumerary post</i>		
1 AOSGC posts (D2)	2,094,600	1
Additional NAMS	2,094,600	1

34. The additional full annual average staff cost (including salaries and staff on-costs) of the above proposals for the establishment of the five new ETOs and the ETO Policy Division are \$14,878,128 and \$2,915,688 respectively.

35. For the non-directorate civil service posts for the five new ETOs and the ETO Policy Division mentioned in paragraphs 24 and 32 above, the NAMS are about \$21,788,460 and \$1,410,120 respectively, The full annual average staff cost (including salaries and staff on-costs) are about \$31,819,308 and \$2,124,120 respectively.

36. The estimated one-off set-up cost of the five new ETOs is about \$49,600,000 in total. After offsetting the savings arising from re-ranking the head of the Tokyo ETO, the proposed establishment of the five new ETOs will require an additional annual recurrent cost (including staff cost) of about \$153,526,400 per year. Besides, the operating cost of the ETO Policy Division (including staff cost) for 2018-19 will be about \$7,404,400. We have earmarked sufficient funding provision to meet the operating costs of the five ETOs and the ETO Policy Division.

Next Step

37. Among the five new ETOs, discussion on the establishment of the Bangkok ETO has come to a final stage. We expect that the Bangkok ETO will be the first established ETO, and hope that it will commence operation in early 2019 the earliest. Furthermore, our discussion with the UAE Government and the Russian Government on setting up the Dubai and Moscow ETOs respectively has been in good progress. We have also received positive response from the respective host governments on the proposals to set up the Mumbai and Seoul ETOs. We will continue our discussion work.

Advice Sought

38. Members are requested to note and comment on our proposals. Subject to Members' support, we would follow the established procedures to seek LegCo's approval. We will submit our proposals to set up the Bangkok ETO and the ETO Policy Division to the LegCo as soon as possible after the summer recess. We will also regularly review the

progress of our discussion on the remaining new ETOs. When the discussion on these ETOs has come to a final stage, we will also submit the relevant proposals to LegCo so as to take forward our work for setting up new ETOs as soon as possible.

Commerce and Economic Development Bureau
July 2018

Proposed Job Description for Head of the Dubai ETO

Post Title	Director, Hong Kong Economic and Trade Affairs, Dubai
HKETO	Dubai
Rank	Administrative Officer Staff Grade B ¹
Responsible to	Deputy Secretary for Commerce and Economic Development (Commerce & Industry) ¹

Main Duties and Responsibilities

- (1) To facilitate the economic and trade interests of Hong Kong in the member states of Gulf Cooperation Council, namely the United Arab Emirates, Bahrain, Kuwait, Oman, Qatar and Saudi Arabia².
- (2) To deepen and widen the scope of bilateral ties among Hong Kong and countries under the ETO's purview through cooperation with governments, business communities, the media, think tanks, academia, etc.; in the countries.
- (3) To expand our network of contacts through speaking engagements, promotional activities, cultural events, publicity work, etc., and to introduce the latest developments in Hong Kong to important decision makers and various stakeholders in countries under the ETO's purview.
- (4) To promote and attract foreign direct investment, and the enterprises of the relevant countries to set up or expand their businesses in Hong Kong.
- (5) To plan, organise and provide logistical support for the visits of Hong Kong government officials and business delegations to countries under the ETO's purview; and to advise on visit programmes for government officials, sponsored visitors and business delegations from countries under the ETO's purview to visit Hong Kong.
- (6) To keep abreast of important socio-cultural, economic and political developments in countries under the ETO's purview, and provide relevant bureaux/departments with regular updates on subjects of interest to Hong Kong; and to gather information at the request of bureaux/departments and provide inputs for policy formulation and legislative reviews in Hong Kong.
- (7) To provide support for the negotiation of bilateral Free Trade Agreements, if necessary.
- (8) To oversee the overall operation of the Dubai ETO.

¹ The post may be filled by an Administrative Officer Staff Grade B1 officer under the flexible ranking system.

² The coverage of the ETO may be adjusted having regard to operational needs.

Proposed Job Description for Head of the Mumbai ETO

Post Title	Director, Hong Kong Economic and Trade Affairs, Mumbai
HKETO	Mumbai
Rank	Administrative Officer Staff Grade B ¹
Responsible to	Deputy Secretary for Commerce and Economic Development (Commerce & Industry) ¹

Main Duties and Responsibilities

- (1) To facilitate the economic and trade interests of Hong Kong in India².
- (2) To deepen and widen the scope of bilateral ties between Hong Kong and India through cooperation with governments, business communities, the media, think tanks, academia, etc..
- (3) To expand our network of contacts through speaking engagements, promotional activities, cultural events, publicity work, etc.; and to introduce the latest developments in Hong Kong to important decision makers and various stakeholders in India.
- (4) To promote and attract foreign direct investment, and the enterprises in India to set up or expand their businesses in Hong Kong.
- (5) To plan, organise and provide logistical support for the visits of Hong Kong government officials and business delegations to India; and to advise on visit programmes for government officials, sponsored visitors and business delegations from India to visit Hong Kong.
- (6) To keep abreast of important socio-cultural, economic and political developments in India, and provide relevant bureaux/departments with regular updates on subjects of interest to Hong Kong; and to gather information at the request of bureaux/departments and provide inputs for policy formulation and legislative reviews in Hong Kong.
- (7) To provide support for the negotiation of bilateral Free Trade Agreements, if necessary.
- (8) To oversee the overall operation of the Mumbai ETO.

¹ The post may be filled by an Administrative Officer Staff Grade B1 officer under the flexible ranking system.

² The coverage of the ETO may be adjusted having regard to operational needs.

Proposed Job Description for Head of the Bangkok ETO

Post Title	Director, Hong Kong Economic and Trade Affairs, Bangkok
HKETO	Bangkok
Rank	Administrative Officer Staff Grade C ¹
Responsible to	Director-General, Hong Kong Economic and Trade Affairs, Jakarta

Main Duties and Responsibilities

- (1) To facilitate the economic and trade interests of Hong Kong in the countries under the ETO's purview, namely Thailand, Bangladesh, Cambodia and Myanmar².
- (2) To deepen and widen the scope of bilateral ties among Hong Kong and countries under the ETO's purview through cooperation with governments, business communities, the media, think tanks, academia, etc. in the countries.
- (3) To expand our network of contacts through speaking engagements, promotional activities, cultural events, publicity work, etc.; and to introduce the latest developments in Hong Kong to important decision makers and various stakeholders in countries under the ETO's purview.
- (4) To promote and attract foreign direct investment, and the enterprises of the relevant countries to set up or expand their businesses in Hong Kong.
- (5) To plan, organise and provide logistical support for the visits of Hong Kong government officials and business delegations to countries under the ETO's purview; and to advise on visit programmes for government officials, sponsored visitors and business delegations from countries under the ETO's purview to visit Hong Kong.
- (6) To keep abreast of important socio-cultural, economic and political developments in countries under the ETO's purview, and provide relevant bureaux/departments with regular updates on subjects of interest to Hong Kong; and to gather information at the request of bureaux/departments and provide inputs for policy formulation and legislative reviews in Hong Kong.
- (7) To provide support for the negotiation of the bilateral Free Trade Agreements, if necessary.
- (8) To oversee the overall operation of the Bangkok ETO.

¹ The post may be filled by an Administrative Officer Staff Grade B officer under the flexible ranking system.

² The coverage of the ETO may be adjusted having regard to operational needs.

Proposed Job Description for Head of the Moscow ETO

Post Title	Director, Hong Kong Economic and Trade Affairs, Moscow
HKETO	Moscow
Rank	Administrative Officer Staff Grade C ¹
Responsible to	Deputy Secretary for Commerce and Economic Development (Commerce & Industry) ¹

Main Duties and Responsibilities

- (1) To facilitate the economic and trade interests of Hong Kong in the member states of the Eurasian Economic Union, namely Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan².
- (2) To deepen and widen the scope of bilateral ties among Hong Kong and countries under the ETO's purview through cooperation with governments, business communities, the media, think tanks, academia, etc. in the countries.
- (3) To expand our network of contacts through speaking engagements, promotional activities, cultural events, publicity work, etc.; and to introduce the latest developments in Hong Kong to important decision makers and various stakeholders in countries under the ETO's purview.
- (4) To promote and attract foreign direct investment, and the enterprises of the relevant countries to set up or expand their businesses in Hong Kong.
- (5) To plan, organise and provide logistical support for the visits of Hong Kong government officials and business delegations to countries under the ETO's purview; and to advise on visit programmes for government officials, sponsored visitors and business delegations from countries under the ETO's purview to visit Hong Kong.
- (6) To keep abreast of important socio-cultural, economic and political developments in countries under the ETO's purview, and provide relevant bureaux/departments with regular updates on subjects of interest to Hong Kong; and to gather information at the request of bureaux/departments and provide inputs for policy formulation and legislative reviews in Hong Kong.
- (7) To provide support for the negotiation of the bilateral Free Trade Agreements, if necessary.
- (8) To oversee the overall operation of the Moscow ETO.

¹ The post may be filled by an Administrative Officer Staff Grade B officer under the flexible ranking system.

² The coverage of the ETO may be adjusted having regard to operational needs.

Proposed Job Description for Head of the Seoul ETO

Post Title	Director, Hong Kong Economic and Trade Affairs, Seoul
HKETO	Seoul
Rank	Administrative Officer Staff Grade C ¹
Responsible to	Deputy Secretary for Commerce and Economic Development (Commerce & Industry) ¹

Main Duties and Responsibilities

- (1) To facilitate the economic and trade interests of Hong Kong in Korea².
- (2) To deepen and widen the scope of bilateral ties between Hong Kong and Korea through cooperation with governments, business communities, the media, think tanks, academia, etc.
- (3) To expand our network of contacts through speaking engagements, promotional activities, cultural events, publicity work, etc.; and to introduce the latest developments in Hong Kong to important decision makers and various stakeholders in Korea.
- (4) To promote and attract foreign direct investment, and the enterprises in Korea to set up or expand their businesses in Hong Kong.
- (5) To plan, organise and provide logistical support for the visits of Hong Kong government officials and business delegations to Korea; and to advise on visit programmes for government officials, sponsored visitors and business delegations from Korea to visit Hong Kong.
- (6) To keep abreast of important socio-cultural, economic and political developments in Korea, and provide relevant bureaux/departments with regular updates on subjects of interest to Hong Kong; and to gather information at the request of bureaux/departments and provide inputs for policy formulation and legislative reviews in Hong Kong.
- (7) To provide support for the negotiation of the bilateral Free Trade Agreements, if necessary.
- (8) To oversee the operation of the Seoul ETO.

¹ The post may be filled by an Administrative Officer Staff Grade B officer under the flexible ranking system.

² The coverage of the ETO may be adjusted having regard to operational needs.

**Flexible Ranking System
for the Hong Kong Economic and Trade Offices (ETOs)**

In June 1991, the Finance Committee of the Legislative Council, after considering EC 1991-92 Item 18, gave approval for the Government to adopt a flexible ranking system to facilitate the posting and retention of directorate heads and directorate deputy heads to/in the overseas ETOs. Having regard to their role as Hong Kong's official representatives overseas, the directorate heads and deputy heads of the overseas ETOs should be mature and experienced officers with well-honed skills in negotiation, lobbying and public relations. Based on past experience, it could be difficult to attract and retain suitable officers to fill these overseas posts, for example –

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

2. The flexible ranking system not only can expand the pool of potential candidates for overseas posts, but also remove a major disincentive for potential candidates by ensuring that officers in overseas posts receive the same opportunities for acting appointments and promotion as their counterparts in Hong Kong.

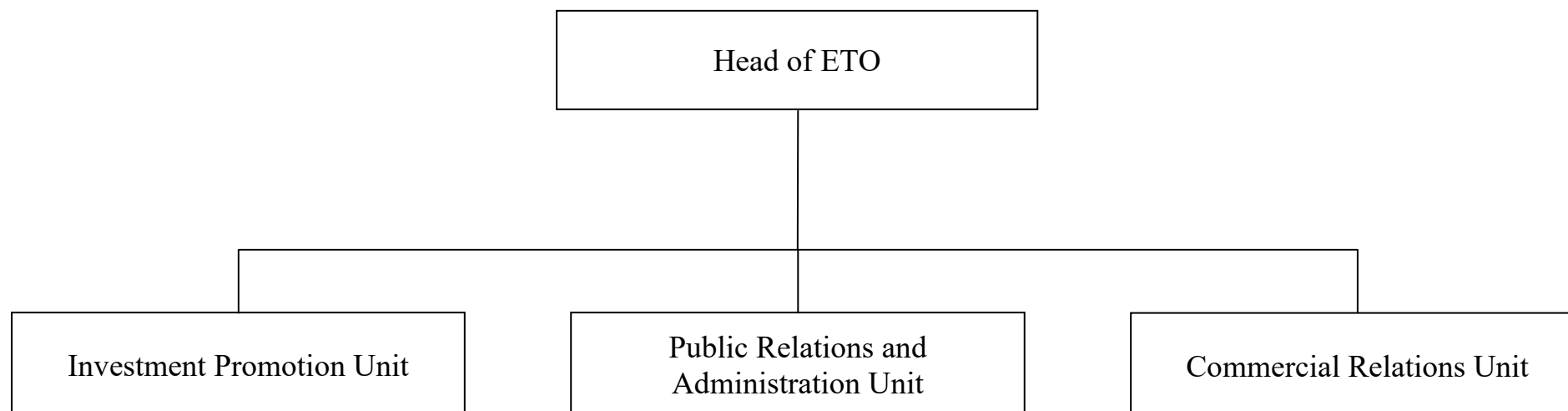
3. Under this system, the Secretary of Civil Service may exercise delegated authority in the following situations to create supernumerary posts at a pre-determined higher rank held against the permanent directorate head and deputy head posts of the lower rank in the following situations –

- (a) the promotion of an officer during his overseas tour to a rank higher than the rank of the post he currently occupies;
- (b) the substantive rank of an officer, at the time of accepting the overseas posting, is already higher than the rank of the post in the overseas ETO to which he is posted;

- (c) the appointment of an officer to act in a rank higher than the rank of the post he will occupy on being posted overseas, if it is considered that he would have been offered an acting appointment at that higher rank had he remained in Hong Kong; and
- (d) the appointment of an officer already serving overseas in his own substantive rank to act in the higher rank if, in all likelihood, he would have been offered an acting appointment at the higher rank had he remained in Hong Kong.

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

**Proposed organisation chart of the five new ETOs
in the Commerce, Industry and Tourism Branch
of the Commerce and Economic Development Bureau**



**Mechanism for Devising the Remuneration Packages
for Locally-engaged Staff of the Overseas Economic and Trade Offices**

To provide supporting services to Hong Kong-based officers posted to the overseas Economic and Trade Offices (ETOs), we recruit local staff in the host cities/countries. In general, we follow the ensuring principles in devising the remuneration packages (including pay scales, pay adjustment methods and fringe benefits) for recruiting LE staff, which are broadly comparable to those of the local employment market –

- (a) In line with the principles of the Hong Kong civil service pay policy, the pay scales of LE staff should be maintained at a reasonable and sufficiently competitive level so as to attract, retain and motivate suitable staff to join and continue working in the ETOs; and
- (b) Different packages should be devised having regard to the respective circumstances of the overseas ETOs.

2. To comply with the above principles, we adopt the following mechanism in devising the respective remuneration packages for LE staff of individual ETOs to ensure objectiveness and consistency for the packages –

- (a) **to devise suitable pay scales for LE staff of the ETOs** by fully considering a set of objective parameters (including the nature and level of complexity of the LE posts, entry requirements in terms of qualification and experience commensurate with the job, etc.) and the remuneration packages for comparable job positions in the local employment market (the civil service, or comparable international organisation(s) e.g. the World Trade Organization, the United Nations, etc. in the respective host cities/countries), so as to maintain broad comparability with the pay levels of similar job positions in the local employment market;
- (b) **to develop the pay adjustment methods for LE staff of the ETOs** by making reference to the relevant pay adjustment index of the local civil service or local staff of comparable international organisations, the economic/wage figures published by the local government/statutory bodies, or the latest market pay trend in the respective host cities/countries; and to adjust the pay of LE staff in accordance with the respective established pay adjustment

methods so as to keep in pace with the latest pay levels of the local employment market; and

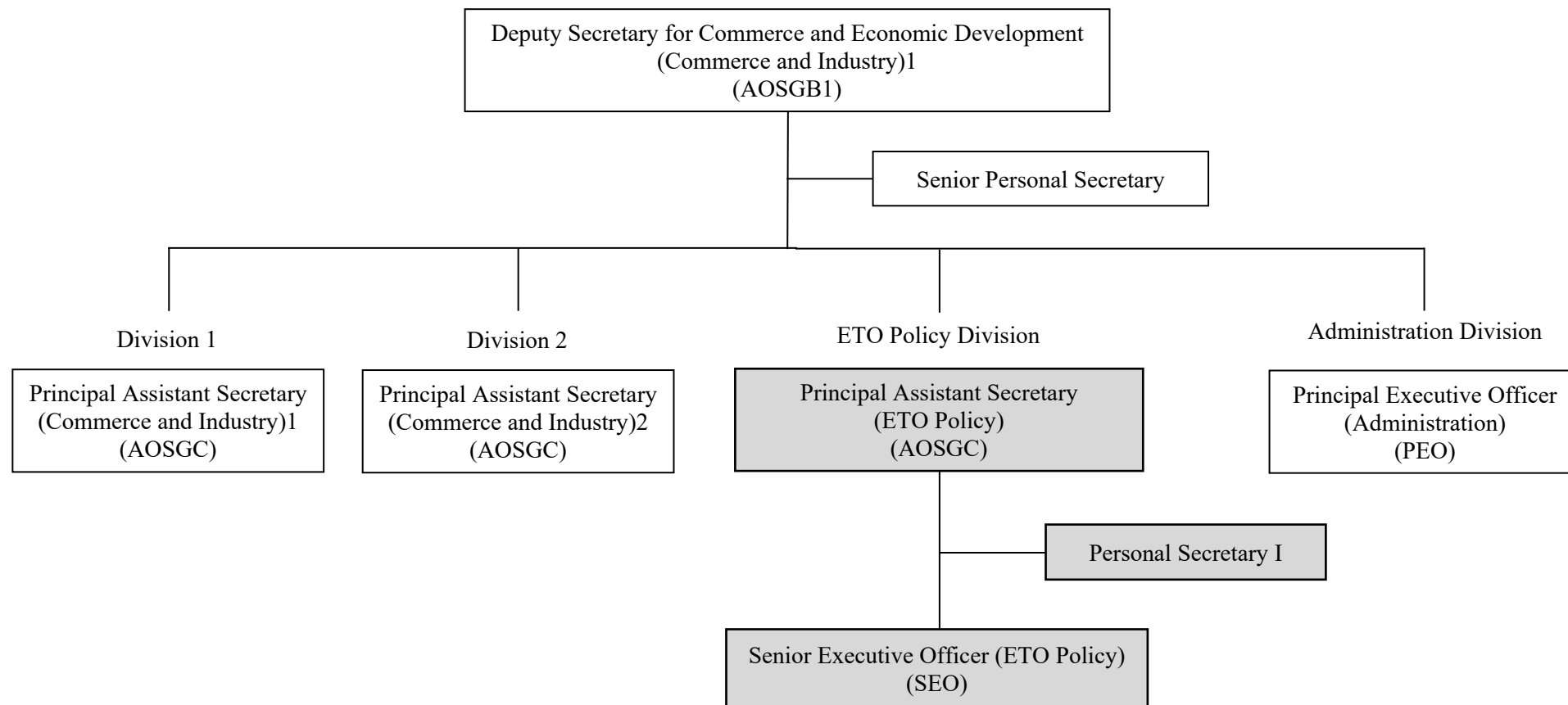
- (c) **to devise other terms and conditions of employment for LE staff**, including a range of fringe benefits such as leave, medical and dental benefits, employees' compensation, retirement benefits, etc. to ensure that they are in compliance with local legislations and comparable to the local employment practices.

3. In establishing the Jakarta ETO, we commissioned a Human Resources consultant to conduct a study and make recommendations on the remuneration packages for LE staff in accordance with the above principles and mechanism. The consultant had a comprehensive database of pay and benefits. During the process of conducting the study, it fully considered the employment market situation of the host city/country.

4. Having regard to the experience of the Jakarta ETO, we will continue to commission human resources consultants to conduct studies for devising/reviewing the respective remuneration packages for LE staff of the new and existing ETOs so as to ensure that the packages are at a reasonable level.

Commerce and Economic Development Bureau
July 2018

**Proposed Organisation Chart of
the Economic and Trade Office (ETO) Policy Division
in the Commerce, Industry and Tourism Branch
of the Commerce and Economic Development Bureau**



 Proposed posts

**Proposed Job Description for Principal Assistant Secretary
for the Economic and Trade Office (ETO) Policy Division**

Post Title	Principal Assistant Secretary (ETO Policy)
Rank	Administrative Officer Staff Grade C
Responsible to	Deputy Secretary for Commerce and Economic Development (Commerce & Industry) ¹

Main Duties and Responsibilities

- (1) To formulate strategies and plans to implement policy initiatives on enhancement of the network of overseas ETOs; liaise closely with the respective host governments (including the respective Consul Generals in Hong Kong) on the detailed arrangements for setting up new ETOs; and carry out the relevant preparatory work.
- (2) To formulate strategies and plans to implement policy initiatives on enhancement of the functions of the overseas ETOs, including external promotion work and attracting foreign direct investment.
- (3) To formulate strategies and plans for coordinating the work of the overseas ETOs in order to strengthen bilateral relations (including those on economic and cultural areas) with countries under the respective purviews of the ETOs; and step up government-to-government cooperation on various fronts.
- (4) To liaise with relevant bureaux and departments, and coordinate requests for ETOs' inputs and support on respective policy areas for policy formulation and implementation.
- (5) To analyse information related to important socio-cultural, economic and political developments in countries under the respective purviews of the overseas ETOs; and provide relevant bureaux and departments with updates on subjects of interest to Hong Kong.