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**Panel on Commerce and Industry**

**Meeting on 17 July 2018**

**Updated background brief on the work of the  
overseas Hong Kong Economic and Trade Offices**

**Purpose**

This paper provides updated background information on the work of the overseas Hong Kong Economic and Trade Offices ("ETOs"). It also summarizes the views and concerns expressed by Members on the subject.

**Background**

The Government's major principles in expanding its external relations

2. According to the Administration, the current-term Government adopts the following three major principles in expanding its external relations –

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

3. The Chief Executive announced in her 2017 Policy Address that the Government's external promotion work should also cover the following important policy areas –

- (a) innovation and technology/research and development/smart city;
- (b) inward investment and overseas markets for Hong Kong enterprises;
- (c) arts, culture and creative soft powers of Hong Kong;
- (d) talents and renowned international institutions/organizations to Hong Kong;
- (e) services promotion, including finance, legal and other professions; and
- (f) financial market development.

### Overseas Hong Kong Economic and Trade Offices

4. The Government has set up a total of 12 overseas ETOs in major cities of Hong Kong's major trading partners.<sup>1</sup> With the exception of the Geneva ETO,<sup>2</sup> ETOs' primary tasks are to seek to foster closer ties with the local authorities at government-to-government ("G2G") level and handle bilateral matters relating to social, economic and cultural issues, etc. between Hong Kong and the countries under their respective purviews. ETOs actively organize/participate in events and activities every year to promote Hong Kong. ETOs also collaborate closely with the Hong Kong Trade Development Council ("HKTDC") and the Hong Kong Tourism Board ("HKTB"). Together, they make joint efforts to raise the international profile of Hong Kong and promote Hong Kong's economic development. In conjunction with Invest Hong Kong ("InvestHK"), 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 ETOs are set out in **Appendix I**.

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<sup>1</sup> The 12 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. The Government has also established in the Mainland and Taiwan the Beijing Office, four ETOs in Guangdong, Shanghai, Chengdu and Wuhan as well as the Hong Kong Economic, Trade and Cultural Office (Taiwan) in Taipei.

<sup>2</sup> 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.

### *Planning of setting up new overseas Hong Kong Economic and Trade Offices*

5. The Panel on Commerce and Industry ("the Panel") was briefed at the meeting on 21 November 2017 that, riding on the signing of the Free Trade Agreement ("FTA") with the Association of Southeast Asian Nations ("ASEAN")<sup>3</sup> and the strong economic development of ASEAN, the Administration had been discussing with the Thai Government on the establishment of a new ETO in Thailand. The Administration would also continue its discussion with the Korean Government on establishing an ETO in Seoul, as well as the respective host governments on the plan to set up new ETOs in the countries such as India, Russia and the United Arab Emirates.

### **Previous discussions by the Panel on Commerce and Industry**

6. The Administration briefed the Panel on the proposal to set up a new ETO in Jakarta on 15 March 2016 and on the work of the 12 ETOs on 21 November 2017. Major views and concerns expressed by members are summarized in the ensuing paragraphs.

### New overseas Hong Kong Economic and Trade Offices

7. At the meeting on 21 November 2017, noting that the Administration would establish a new ETO in Thailand, some members suggested that in view of the geographical proximity of the new ETO, it should take up the responsibility of promoting bilateral economic, trade and cultural relations between Hong Kong and three ASEAN countries including Myanmar, Cambodia and Laos which were currently covered by the Singapore ETO.

8. Noting that it took a whole year of preparation for the Jakarta ETO to move into its long-term accommodation and recruitment of permanent locally-engaged staff was still underway, some members enquired whether the slow progress of work at the Jakarta ETO had affected the follow-up work arising from the signing of FTA and the related Investment Agreement with ASEAN in November 2017.

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

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

visits to all permanent missions of ASEAN member states ("AMS").

10. Members also enquired about the work and difficulties associated with the setting up of the Jakarta ETO. In view of the long lead time required for the establishment of a new ETO, members further enquired how the future ETO in Thailand which was still under discussion with the Thai Government could leverage on the opportunities arising from the signing of FTA with ASEAN in a timely manner.

11. The Administration advised that similar to other newly established ETOs, the major difficulties associated with the setting up of the Jakarta ETO included the need to learn new practices and adapt to a new environment with different culture and work procedures. The Thailand ETO would be the next ETO to be set up in the ASEAN region. The idea of setting up the Thailand ETO was brought up by the Thai Government, and with its support, it was envisaged that the ETO could be set up as soon as possible.

#### Enhancing the network of overseas Hong Kong Economic and Trade Offices

12. At the Panel meeting on 15 March 2016, some members suggested that the Administration should enhance the ETO network in the Belt and Road region, including the suggestion of setting up a "Hong Kong Desk" in overseas offices of the Government-related organizations, such as HKTDC and HKTDB, and the overseas offices of the Ministry of Commerce of the People's Republic of China to promote Hong Kong's trade interests in and strengthen its trade ties with the Belt and Road economies.

13. The Administration advised that given the large number of countries in the Belt and Road region, the Administration would need to consider priorities in setting up new ETOs with a view to utilizing resources effectively. Besides, HKTDC would also engage local consultants in other emerging economies. The geographical coverage of ETOs and HKTDC offices was broadly comparable and despite their different roles and functions, they cooperated with and complemented the work of each other. ETOs would continue to cooperate with HKTDC overseas offices in promoting Hong Kong's unique strengths and the roles that could be played by Hong Kong in the Belt and Road Initiative to help the Hong Kong business sector tap the business opportunities in Belt and Road countries. As for overseas offices of the Ministry of Commerce of the People's Republic of China, they were normally set up within the local Chinese Embassy.

14. At the same meeting, some members were concerned that there might be overlapping of resources in some overseas cities where both ETOs and HKTDC offices were set up. Opining that HKTDC should focus on trade promotion work in emerging markets, they suggested relocating HKTDC offices in cities where ETOs had been set up to other cities to expand the overseas network of

Hong Kong.

15. The Administration advised that ETOs and HKTDC offices had different functions despite their broadly comparable geographical coverage. Being the official representative of the Government, ETOs sought to establish close relationships between Hong Kong and their host countries at a G2G level. They were tasked to promote Hong Kong's economic and trade interests by monitoring regularly developments that might affect Hong Kong, and handled all bilateral matters between Hong Kong and the respective countries under their purview. On the other hand, overseas HKTDC offices mainly dealt with trade-related matters, such as promotion of commercial relations and assisting Hong Kong enterprises to tap the business opportunities in overseas markets.

#### Enhancing the functions of overseas Hong Kong Economic and Trade Offices

16. At the Panel meeting on 21 November 2017, members noted that the Israeli Government had been using the Export Request Management System to assess the performance of individual economic offices in terms of the volume of export matched. They opined that the Administration could make reference to Israel's experience and put in place a set of standardized key performance indicators ("KPIs") in respect of each ETO to evaluate its work effectiveness.

17. In the Administration's response to a similar suggestion made by the delegation of the Panel in its report on the duty visit to Israel in July 2017, the Administration advised that it had adopted a set of indicators to evaluate the performance of ETOs. The indicators, focusing on three major areas of work including commercial relations,<sup>4</sup> public relations<sup>5</sup> and investment promotion,<sup>6</sup> were similar to those of the Israeli Missions. In addition to the annual publication of performance indicators by ETOs, the Administration had reported annually to the Panel the work of ETOs (including details of the ETOs' work in the past year as well as their work objectives and strategies). ETOs had also submitted bi-monthly reports to the Council on economic developments, political situation, major activities organized by ETO, media coverage on Hong

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<sup>4</sup> For commercial relations, the Administration said that it had been publishing indicators on: (a) number of meetings on trade-related matters attended; (b) number of visits to host governments and trade organizations; (c) number of seminars/exhibitions/workshops organized and participated; (d) number of public speeches given; (e) number of media interviews/briefings given; and (f) number of circulars/newsletters/press releases issued.

<sup>5</sup> For public relations, the Administration had been publishing indicators on: (a) number of calls on senior government officials/organizations; (b) number of public relations functions/events organized and participated; (c) number of newsletters, pamphlets and press releases issued; (d) number of visitors assisted; (e) number of public speeches given; (f) number of media interviews/briefings given; and (g) number of enquiries handled.

<sup>6</sup> On investment promotion, the indicators were the number of new projects generated and number of projects completed.

Kong, etc. in the trading partners under their respective purviews.

18. Some members also suggested that the following areas be covered in the next report by ETOs to the Panel for consideration: (a) clear and concrete work objectives and strategies of ETOs to deal with issues relating to the political and economic developments in the countries under their purviews that might affect Hong Kong, such as Brexit and the new trade policies of the United States ("the US") Administration; (b) strengths, weaknesses, opportunities and threats analysis of the countries under the purviews of ETOs; and (c) a set of standardized KPIs for ETOs to evaluate their work effectiveness.

19. The Administration advised that the work objectives and strategies of ETOs and the related performance indicators had been included in the Administration's papers for discussion at the meeting. In particular, ETOs' work would continue to be aligned with the focuses and priorities of the Administration as a whole, including the important policy areas announced in the 2017 Policy Address. ETOs would maintain close collaboration with relevant partners such as HKTDC, HKTB, InvestHK, Create Hong Kong, etc. in promoting trade and other exchanges. At the same time, different ETOs had been adopting appropriate strategies in carrying out their external relations work having regard to the changes in the political and economic situations of the countries under their purview. The above efforts would be sustained in the year ahead and reflected in the next report.

#### Coping with Brexit and the trade policy of the new United States Administration

20. At the Panel meeting on 21 November 2017, some members enquired about the progress of the strategic dialogue with the United Kingdom ("the UK") Government in preparation for Brexit, and enquired whether Hong Kong could initiate similar strategic dialogue with the US Government, and whether Hong Kong would explore the possibility of joining Trans-Pacific Partnership ("TPP").

21. The Administration advised that Hong Kong's strategic dialogue with the UK Government would cover as many aspects as possible, and would adopt an open attitude towards the possibility of signing other regional or plurilateral trade agreements, including TPP or the Regional Comprehensive Economic Partnership, on the condition that they were consistent with World Trade Organization rules. The Washington ETO would keep a close watch on the trade policy of the new US Administration, and continue to monitor the US Administration's renewed negotiations on other international trade agreements.

## **Council question**

22. At the Council meeting of 28 February 2018, Hon Jeffrey LAM asked a written question on the Administration's follow-up actions in relation to FTA and a related Investment Agreement entered between Hong Kong and ASEAN. He enquired whether the Administration would consider setting up offices in the Chinese embassies in AMS where no ETOs had been set up, so as to promote business and trades between Hong Kong and those AMS.

23. The Administration advised that the two ETOs in Jakarta and Singapore had covered all AMS for the time being. The Jakarta ETO handled matters between Hong Kong and ASEAN as a whole, and was responsible for fostering bilateral relations between Hong Kong and four AMS. The Singapore ETO was responsible for promoting bilateral relations between Hong Kong and six AMS. Including the proposed new ETO in Bangkok, there would have a total of three ETOs in ASEAN. The Administration had no plan to set up new ETOs in other places in ASEAN.

## **Latest position**

24. The Administration will brief the Panel at the meeting on 17 July 2018 on the proposals to set up five new ETOs in Bangkok, Dubai, Moscow, Mumbai and Seoul respectively, as well as the ETO Policy Division in the Commerce and Economic Development Bureau, the related directorate staffing proposals and resource requirements.

## **Relevant papers**

25. A list of relevant papers is shown in the **Appendix II**.

**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. It closely monitors the political and economic development in the United States ("the US") and reports to Hong Kong on legislative proposals, government policies, executive and regulatory actions that may affect Hong Kong. It also represents Hong Kong's trade and economic interest in the US and actively promotes bilateral cooperation between the two economies.

New York ETO

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

San Francisco ETO

The San Francisco ETO was established in 1986. It is responsible for promoting economic and trade relations between Hong Kong and the 19 western states in the US.

Toronto ETO

The Toronto ETO was established in 1991. It is responsible for promoting bilateral economic, trade and cultural relations between Hong Kong and Canada.



### 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, and is responsible for promoting Hong Kong's bilateral 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 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, Czechia, Germany, Hungary, Poland, Slovakia, Slovenia and Switzerland.

### Tokyo ETO

The Tokyo ETO promotes closer economic and trade ties, understanding and cooperation, as well as cultural and tourism exchanges with 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").<sup>1</sup>

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<sup>1</sup> 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 promoting bilateral economic, trade and cultural relations between Hong Kong and six ASEAN countries, namely Cambodia, Laos, Myanmar, Singapore, 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. It is responsible for matters between Hong Kong and ASEAN as a whole, and promotes bilateral economic, trade and cultural relations between Hong Kong and four ASEAN countries, namely Indonesia, Malaysia, Brunei Darussalam and the Philippines.

## Appendix II

### List of relevant papers

Date of meeting	Meeting	Paper
15/3/2016	Panel on Commerce and Industry	<p>Administration's paper on "Establishment of a new Economic and Trade Office in Jakarta"  <a href="#">(LC Paper No. CB(1)642/15-16(05))</a></p> <p>Background brief on the establishment of the Hong Kong Economic and Trade Office in Jakarta prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)642/15-16(06))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)902/15-16)</a></p>
21/11/2017	Panel on Commerce and Industry	<p>Administration's paper on "Reports on the work of the overseas Hong Kong Economic and Trade Offices"  <a href="#">(LC Paper No. CB(1)212/17-18(05))</a></p> <p>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  <a href="#">(LC Paper No. CB(1)212/17-18(07))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)450/17-18)</a></p>
28/2/2018	Council	<p>Question No. 2 on "Free Trade Agreement between Hong Kong and the Association of Southeast Asian Nations" raised by Hon Jeffrey LAM  <a href="#">(Hansard)</a> (page 7101 – 7105)</p>