

**For Discussion
on 19 November 2013**

Legislative Council Panel on Commerce and Industry

**Establishment of the Hong Kong Economic
and Trade Office in Wuhan**

Purpose

At the meeting of this Panel on 23 January 2013, Members were briefed (vide LC Paper No. CB(1)436/12-13(04)) on the Administration's plan to set up a new Economic and Trade Office (ETO) of the Government of Hong Kong Special Administrative Region (HKSAR) in Wuhan City of Hubei Province to seize the opportunities arising from the development of the Central Region of the Mainland. This paper briefs members on the arrangements for the establishment of the Hong Kong Economic and Trade Office in Wuhan (WHETO), and seeks members' support for the proposed creation of a permanent Administrative Officer Staff Grade C (AOSGC) (D2) post to head the WHETO.

Need for setting up the WHETO

2. The Central Region occupies a strategic location connecting the vibrant economies in the Eastern part and the vast hinterland in the Western part. The region covers Hubei Province, Hunan Province, Henan Province, Jiangxi Province, Anhui Province and Shanxi Province, stretching across an area of about 1.03 million square kilometers with a population of about 361 million, accounting for about 28.1% of the national population.

3. The Central Region is an integral part of the overall regional development strategy of the Mainland¹. With national support policies,

¹ In September 2009, the State Council promulgated the "Plan to Promote the Rise of the Central Region", which sets out the overall planning targets. The National 12th Five-Year Plan promulgated in March 2011 further highlighted the strategic functions and positioning of the Central Region in the overall development plan, including the importance of the region as a link between the Eastern Region and the Western Region, as a base for transfer of capital and investment from the Eastern Region and the international market, and as a platform for spearheading the national policy of development city clusters and modern industries.

the Central Region has seen rapid economic growth in recent years. The total Gross Domestic Product (GDP) of the region has increased from about RMB7,020 billion in 2009 to about RMB11,600 billion in 2012, with its share in the national GDP increased from around 20.7% to 22.4%. In 2012, the growth rate of individual provinces in the Central Region ranged from about 10% to 12%, above the national average of around 7.8%. In addition, there has been an increase in the number of Hong Kong enterprises and Hong Kong's direct investment in the Central Region. In 2011, the number of Hong Kong enterprises in the region was about 33 000 and Hong Kong's cumulative contracted direct investment amounted to about US\$132.7 billion, representing increases of about 10.4% and 42.8% respectively as compared with 2009. The total trade between Hong Kong and the Central Region has also seen an increase of about 43.7% from about US\$6.9 billion in 2011 to about US\$10 billion in 2012.

4. Wuhan City of Hubei Province is regarded by the Central Government as the centre of the Central Region. It is also an integral transport hub in the region, with solid economic foundation as well as close economic and trade ties with Hong Kong. In 2012, the total value of trade between Hong Kong and Hubei Province was about US\$1.3 billion, among which about US\$0.7 billion was trade between Hong Kong and Wuhan City, representing increases of about 13.7% and 2.3% respectively as compared with 2009. Hong Kong's contracted direct investment in Hubei Province in 2012 was about US\$2.4 billion, among which about US\$2 billion was invested in Wuhan City, representing increases of about 123.0% and 244.8% respectively as compared with 2009.

5. At present, provinces in the Central Region are separately covered by the four offices of the HKSAR Government in the Mainland, i.e. the Beijing Office (BJO) and the three ETOs in Guangdong (GDETO), Shanghai (SHETO) and Chengdu (CDETO) respectively. To facilitate Hong Kong residents and enterprises to better grasp the business opportunities arising from the development in the Central Region, the Chief Executive announced in the 2013 Policy Address the plan to set up a new ETO in Wuhan.

Functions of the WHETO

6. Similar to the existing three ETOs in the Mainland, the functions of the WHETO include –

- (a) economic and trade liaison – to enhance economic and trade relations between Hong Kong and the provinces concerned by cooperating closely with the local authorities and relevant organisations;
- (b) enhancing mutual understanding – to report to the HKSAR Government on the development of the provinces concerned and to provide information on the HKSAR to the local authorities and relevant organisations;
- (c) enhancing cooperation – to enhance cooperation with the provinces concerned, which include exploring cooperation opportunities, and assisting in the formulation and implementation of cooperation initiatives;
- (d) assisting in taking forward initiatives – to assist bureaux/departments of the HKSAR Government to take forward initiatives related to the provinces concerned such as liaison with relevant local authorities and organisations, data collection and monitoring progress etc.;
- (e) tendering advice – to advise the HKSAR Government on policies and initiatives on fostering relations between Hong Kong and the provinces concerned. Relevant tasks may include information collection, research, formulation of strategies, and assessment of proposed initiatives, etc.;
- (f) supporting Hong Kong residents and enterprises – to liaise with Hong Kong residents and enterprises in the provinces concerned and provide them with information and assistance as far as possible, to reflect and follow up on issues of general concern among Hong Kong residents and enterprises through effective channels, and to collect and disseminate to the Hong Kong residents and enterprises information on local policies, regulations and measures as well as on local economic development;
- (g) attracting investment – to attract local companies to invest in Hong Kong and to proactively provide information and assistance to them; and

- (h) promoting Hong Kong – to promote Hong Kong’s strengths and positive image through communication and publicity targeted at different sectors in the provinces concerned, with a view to nurturing economic and trade relations and enhancing mutual understanding and respect.

Geographical coverage of the Mainland Offices

7. We have reviewed the geographical coverage of the Mainland Offices in light of the establishment of the WHETO in the Central Region of Mainland to optimise operational efficiency. We will adjust the geographical coverage of the Mainland Offices after the setting up of the WHETO as follows –

- (a) BJO – coverage for ten provinces / municipalities / autonomous regions, namely Beijing, Tianjin, Hebei, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Gansu, Ningxia, Xinjiang;
- (b) GDETO – coverage for five provinces / municipalities / autonomous regions, namely Fujian, Guangdong, Guangxi, Hainan, Yunnan;
- (c) SHETO – coverage for five provinces / municipalities / autonomous regions, namely Shanghai, Jiangsu, Zhejiang, Anhui, Shandong;
- (d) CDETO – coverage for six provinces / municipalities / autonomous regions, namely Chongqing, Sichuan, Guizhou, Tibet, Shaanxi, Qinghai; and
- (e) WHETO – coverage for five provinces, namely Hubei, Hunan, Henan, Jiangxi and Shanxi (the central provinces).

Proposed establishment of the WHETO

Head of the WHETO

8. The head of the WHETO, designated as “Director, Hong Kong Economic and Trade Office in Wuhan”, will be responsible to the Permanent Secretary for Constitutional and Mainland Affairs. The incumbent will take on the role of the HKSAR’s principal representative

in the central provinces and handle relevant issues involving the HKSAR. Moreover, he will be entrusted to oversee the proper and effective delivery of the full range of functions mentioned in paragraph 6 above. In order to discharge his duties effectively, he will work in close consultation with senior officials with the HKSAR Government and liaise with the relevant officials from the central provinces. He will also need to maintain an extensive network of liaison with the Hong Kong community in these provinces so as to provide better support services for them and to address their concerns.

9. Having regard to the extensive functions of the WHETO, the job requirements and operational need of the post, the scope and the complexity of tasks involved, the extent and level of official liaison required, as well as the business potential and cooperation opportunities for Hong Kong, we consider it appropriate to pitch the head of the WHETO at AOSGC (D2) level. The proposed job description of the post is at Annex 1.

10. In June 1991, Finance Committee (FC) approved a flexible ranking system to facilitate the posting and retention of directorate heads and deputy heads of overseas offices. Under this system, in certain specified situations a supernumerary post at a pre-determined higher rank can be created and held against the permanent post of the lower rank. In March 2002, after considering Paper No. EC(2001-02)26 for the Establishment Sub-committee (ESC), FC approved the extension of the flexible ranking system to all directorate head and deputy head posts in ETOs in the Mainland. Accordingly, the same ranking arrangement should apply to the WHETO. Background and justifications of the system are at Annex 2.

Non-directorate staff

11. The WHETO will be supported by 20 non-directorate staff. We intend to create five permanent non-directorate posts and one two-year time-limited post² for various duties relating to the administrative and public relations, commercial relations and investment promotion. Another 14 supporting personnel will be engaged locally to provide support in various areas of work. The proposed organisation chart of the WHETO is at Annex 3.

² This time-limited post will assist in handling administration work during the initial stage of operation of WHETO.

Implementation timetable

12. We hope that the WHETO will commence operation in the second quarter in 2014. We therefore propose to create one permanent AOSGC (D2) post with effect from 1 April 2014 to take forward the initiative. As regards the non-directorate staff, they will assume office according to the progress in establishing the WHETO.

Financial implications

13. The proposed creation of the permanent AOSGC (D2) post will require an additional notional annual salary cost at mid-point of \$1,739,400, and a full annual average staff cost (including salaries and staff on-costs) of \$2,503,000.

14. As for the five permanent non-directorate civil service posts and one two-year time-limited civil service post mentioned in paragraph 11 above, the notional annual salary cost at mid-point is \$5,086,260 and the full annual average staff cost (including salaries and staff on-costs) is \$7,881,000.

15. The set-up cost of the WHETO is estimated at \$8,900,000 and the total annual recurrent cost, including staff costs in full, is estimated at around \$22,004,000 per annum. We will include sufficient provision in the draft Estimates of 2014-15 and subsequent financial years to meet the resources required for this proposal.

Advice sought

16. Members are invited to note the arrangements for the establishment of the WHETO, and to support the proposed creation of a permanent AOSGC (D2) post to head the WHETO as set out in this paper. Subject to Members' support, we will seek the endorsement of the ESC of the proposed creation of the said directorate post in December 2013.

**Constitutional and Mainland Affairs Bureau
November 2013**

**Proposed Job Description of
Director, Hong Kong and Economic Trade Office in Wuhan**

Post Title : Director, Hong Kong Economic and Trade Office in Wuhan

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Permanent Secretary for Constitutional and Mainland Affairs

Main Duties and Responsibilities –

1. To undertake the role of the Hong Kong Special Administrative Region (HKSAR)'s principal representative in Shanxi Province, Jiangxi Province, Henan Province, Hubei Province and Hunan Province (the central provinces); to handle economic and trade issues relating to Hong Kong; and to develop and reinforce relations between the HKSAR and the provinces concerned.
2. To promote cooperation between the HKSAR and the central provinces including exploring cooperation opportunities, advising bureaux/departments of the HKSAR Government on taking forward initiatives relating to the provinces concerned, and liaising with local authorities.
3. To advise the HKSAR Government on policies and initiatives to foster relations with the central provinces, provide assessment on local political and economic development and the implications to Hong Kong, and provide input in formulating cooperation strategies.
4. To provide support for Hong Kong residents and enterprises in the central provinces, including enhancement of liaison and providing information and assistance as far as possible.
5. To oversee the work to attract local companies to invest in Hong Kong.

6. To steer the publicity and promotion work targeted at different sectors in the central provinces with a view to promoting the positive image and strengths of Hong Kong.
7. To supervise the overall operations of the Office.

Flexible Ranking System for HKETOs

In June 1991 and after considering EC 1991-92 Item 18, the Finance Committee approved a flexible ranking system to facilitate the posting and retention of directorate heads and directorate deputy heads of overseas offices. Owing to their representation role, the directorate heads and deputy heads of the overseas offices 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 because –

- (a) the pool of suitable candidates at the designated ranks of the senior overseas posts 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 approximately three years, officers who are selected as directorate heads and deputy heads of overseas officers 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 expanded the pool of potential candidates for overseas posts and removed 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.

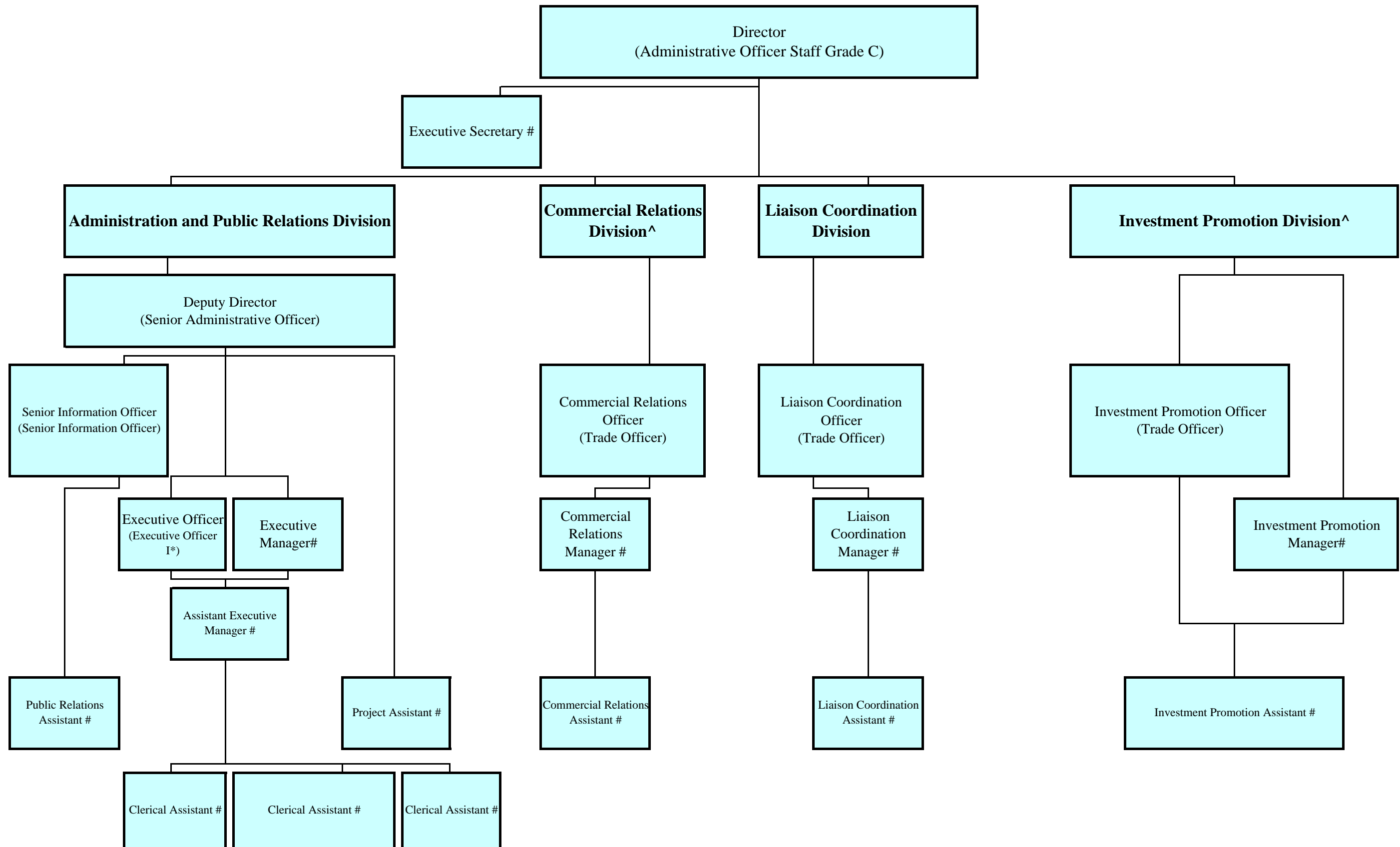
3. Under this system, the Secretary for the Civil Service may exercise delegated authority in the following situations to create supernumerary posts at a pre-determined higher rank held against the permanent directorate head and deputy head posts of the lower rank in the

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 posting overseas of an officer whose substantive rank, at the time of posting, is already higher than the rank of the post in the overseas office to which he is posted;
- (c) the appointment of an officer to act in a rank higher than the rank of the post he occupies 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, Finance Committee approved the extension of approved flexible ranking system to D6 Heads of overseas offices subject to a set of conditions as set out in the Supplementary Note.

Proposed Organisation Chart of the Hong Kong Economic and Trade Office in Wuhan



NOTE

Locally-engaged staff.

^ Staff costs of the Commercial Relations Division and the Investment Promotion Division will be funded by the Commerce and Economic Development Bureau.

* Time-limited post to be created for two years.