

**Supplementary Information to
the Legislative Council Panel on Manpower**

**Implication of the World Trade Organization (WTO)
Agreement on Government Procurement (GPA)
on Local Employment**

As undertaken at the meeting of the Panel on Manpower on 17 November 2005, we provide the following supplementary information to the Panel for information:

GPA Thresholds and Additional Conditions Imposed

- Hong Kong, China (HKC)'s thresholds under the WTO GPA are not lower than the norm of other GPA parties. The GPA thresholds adopted by the GPA parties are as follows:

For central government entities, the GPA thresholds are:

- Goods and non-construction services: Special Drawing Rights (SDR)¹ 130,000 (viz. about HK\$1.5 million) for all GPA Parties.
- Construction services: SDR5 million (about HK\$57.6 million) for all except for Japan (SDR4.5 million).

HKC, Singapore and Aruba do not have sub-central government entities and the GPA thresholds of these entities are not applicable to us. The thresholds are set out below for general reference:

- Goods and non-construction services: SDR200,000 for all, except for Israel (SDR250,000), Canada and the US (SDR355,000).
- Construction services: SDR5 million for all except for Japan and Korea (SDR15 million).

¹ SDR is an international currency unit set up by the International Monetary Fund (IMF). For years 2006-2007, SDR1 is equivalent to HK\$11.5272548.

For other public entities, the GPA thresholds are:

- Goods and non-construction services: SDR400,000 for all except for Japan (SDR130,000), Canada and Israel (SDR355,000) and Korea (SDR450,000).
 - Construction services: SDR5 million for all except for Japan (SDR 4.5 million for some entities and 15 million for the rest) and Korea (SDR15 million).
- The additional conditions imposed by individual GPA parties are set out in their respective General Notes to GPA Appendix I which can be found at the following WTO website:
http://www.wto.org/english/tratop_e/gproc_e/apend_e.htm - isr

Services Sectors covered by the GPA

- The list of services sectors that are covered in HKC's schedule of commitments under the GPA is at **Annex**.
- HKC's GPA offer was drawn up in consultation with the then policy branches and departments before accession to the GPA. At that time, policy branches and departments did not procure printing service. Besides, other GPA parties had not requested for inclusion of this service in our offer. As a result, our GPA offer, which eventually becomes our current GPA commitments, did not include printing service.

Securing the Best Terms in Joining the GPA

- The Government had taken into account our own economic and social conditions in formulating our commitments under the GPA. We had also tried our best to secure terms that were in the best interests of Hong Kong and object to those that were detrimental to our interests during the accession process. For example, when the GPA was negotiated by contracting parties of the Tokyo Round Agreement on Government Procurement, the predecessor of the GPA, in early 1990's, some members such as the EU, Norway and

Switzerland included in their respective offers a new provision to deny benefits of the GPA in certain sectors to specified parties. As our power companies are privately owned, we resisted the request to include them in our offer. As a result, Hong Kong was denied by these parties of the benefits in respect of their electricity sectors. We objected to this and other discriminatory measures. Eventually, Hong Kong did not sign the GPA when it was concluded in 1994. It was until all the discriminatory measures in the Agreement targeted against Hong Kong were removed, and considering that being a party to the GPA would serve the commercial interests of Hong Kong in the longer term, that Hong Kong acceded to the GPA in 1997.

Improvement in Market Access Opportunities

- As mentioned in paragraph 21 of the minutes of the Panel on Manpower meeting of 17 November 2005, the Government does not have statistics on companies bidding for overseas government tenders as companies are not required to report such cases to the Government.
- The GPA provides Hong Kong suppliers of goods and services with non-discriminatory access to the government procurement markets of other GPA parties. One important example relate to the Buy American Act of the US. Under the Act, for purchases above certain thresholds, only the US domestic end products² would be procured for public use. This requirement is however waived for acquisitions from suppliers of GPA parties. In other words, the US Government in general does not grant market access to their government procurement market to non-GPA parties. After joining the GPA, Hong Kong suppliers can compete equally with domestic suppliers in the US government procurement market. Similarly, if Hong Kong is not a signatory of the GPA, we would not be entitled to the GPA commitments of other GPA parties, and hence we would

² To qualify as “domestic end product”, an article must be manufactured in the US and the cost of domestic components must exceed 50% of the cost of all the components.

not be able to compete equally with other suppliers in the government procurement markets of other GPA parties. Improvement in market access opportunities after joining GPA provides our local companies with more business opportunities which, in turn, encourage investments and creates jobs.

ANNEX 4

Services

The following services, classified according to the United Nations Central Product Classification (CPC) Code on Goods and Services, will be covered:

	<u>CPC</u>
1. <i>Computer and Related Services</i>	
- Data base and processing services	843+844
- Maintenance and repair service of office machinery and equipment including computers	845
- Other Computer Services	849
2. <i>Rental/Leasing Services Without Operators</i>	
- Relating to ships	83103
- Relating to aircraft	83104
- Relating to other transport equipment	83101+83102+83105
- Relating to other machinery and equipment	83106+83109
3. <i>Other Business Services</i>	
Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment)	633+8861-8866
Market Research & Public Opinion Polling Services	864
Security Services	87304
Building-Cleaning Services	874
Advertising Services	871
4. <i>Courier Services</i>	
5. <i>Telecommunications Services</i>	(Provisions of certain types of service may require licensing under the Telecommunication Ordinance)
Value-added telecommunications services	7523, 843
Basic telecommunications services	7521, 7529
Telecommunications-related services	754
6. <i>Environmental Services</i>	
- Sewage services	9401

- Refuse disposal services 9402
- 7. *Financial Services* ex 81
 - All Insurance and Insurance-Related Services (exceptions are set out in paragraph 5 of General Conditions)
 - Banking and other financial services
- 8. *Transport Services*
 - Air transportation services (excluding transportation of mail) 731, 732, 734
 - Road transport services 712, 6112, 8867

ANNEX 5

Construction Services

Definition:

A construction services contract is a contract which has as its objective the realization by whatever means of civil or building works, in the sense of Division 51 of the Central Product Classification (CPC).

List of Division 51 CPC

All services of Division 51 of the CPC

Threshold: 5,000,000 SDR