

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

ASIA-PACIFIC ECONOMIC COOPERATION

Purpose

This paper informs Members of the background of Asia-Pacific Economic Cooperation (APEC), Hong Kong's participation in APEC and its importance to Hong Kong, as well as some current APEC issues which are of interest and relevance to Hong Kong.

Background of APEC

2. APEC was established in 1989 with the following objectives –
 - (a) to sustain the growth and development of the region;
 - (b) to enhance the positive gains of increasing economic inter-dependence for both the region and the world economy;
 - (c) to develop and strengthen the open multilateral trading system; and
 - (d) to reduce barriers to trade and investment among members.

APEC operates on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants, and requires no treaty obligations of its members. Decisions made within APEC are reached by consensus, and commitments are undertaken on a voluntary basis.

3. APEC currently has 21 member economies, namely Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States and Viet Nam.

4. In 1994, APEC set a goal to achieve free and open trade and investment in the Asia-Pacific region by its industrialised economies by 2010 and developing economies by 2020. This is known as the Bogor Goals. Each APEC economy is required to produce an Individual Action Plan (IAP) setting out its own voluntary plan of action to reduce or eliminate trade barriers in 15 specific areas including, *inter alia*, tariff, non-tariff measures, investment, services, standards and conformance, customs procedures, and rules of origin.

Hong Kong's Participation in APEC

5. Hong Kong was admitted to APEC in November 1991, and has continued to be a separate and full member under the name of "Hong Kong, China" (HKG) since 1 July 1997.

6. Since its admission to APEC in 1991, HKC has been taking an active role in a range of major activities of APEC. For example, we are the Vice Chair of the Committee on Trade and Investment¹ and the Vice Chair of the Economic Committee²; and will become the Convenor of the Intellectual Property Rights Experts' Group³ from January 2008. Further, we have hosted a number of APEC meetings, seminars and workshops in Hong Kong. A recent example is the *APEC Symposium on Trade Facilitation* held in June 2007, which provided a forum for dialogue between the public and private sectors so as to better match trade facilitation measures with the needs of businesses.

7. Hong Kong's open and liberal trade and investment regimes are widely acknowledged in APEC. At an IAP Peer Review exercise conducted in January 2007, Hong Kong was held as one of the most liberal and open economies in the world, strongly committed to the multilateral trading system, and a "model member economy" in trade and investment liberalization and facilitation.

Importance of APEC to Hong Kong

8. Trade among APEC economies is significant and growing. APEC economies account for more than half of the global Gross Domestic Product (GDP) and nearly half of the world trade, and intra-APEC merchandise trade has more than doubled since 1994. Eighty percent of our trade is with APEC members.

9. APEC provides us with a good opportunity to cooperate with APEC economies on a wide range of economic and trade issues in the Asia-Pacific region. Over the years, APEC economies have been working together to take forward trade facilitation initiatives such as simplifying customs procedures, enhancing business mobility (through, for example, the APEC Business Travel Card Scheme), promoting electronic commerce, reducing

¹ The role of the Committee on Trade and Investment is to oversee and coordinate APEC's work in trade and investment liberalisation and facilitation.

² The role of the Economic Committee is to analyse economic trends and issues in support of APEC's work in trade and investment liberalisation, facilitation and economic cooperation.

³ The role of the Intellectual Property Rights Experts' Group is to ensure adequate and effective protection, including legislation, administration and enforcement, of intellectual property rights in the Asia-Pacific region.

paperwork and establishing mutual recognition arrangements⁴ for telecommunication equipment, and electrical and electronic equipment, etc. Such work helps improve the region's business environment by cutting business costs and time.

Current APEC Issues

10. Australia is the host economy for 2007. The theme of APEC 2007 is "*Strengthening our Community, Building a Sustainable Future*". Some of the major areas of work which are of more relevance to HKC include the following:

(a) Strengthening the multilateral trading system

APEC will continue to provide any necessary political impetus for the successful conclusion of the WTO's Doha Development Agenda negotiations.

(b) Regional economic integration

APEC is working on a report to explore ways and means to enhance regional economic integration, including a Free Trade Area of the Asia-Pacific (FTAAP) as a long term prospect.

(c) Structural reform and trade facilitation

APEC will continue to take forward the structural reform agenda to improve institutional framework, regulations and government policies so that the efficient functioning of markets is supported, and behind-the-border barriers inhibiting cross-border trade and investment are reduced.

(d) Clean development and climate change

APEC will continue to promote development of cleaner energy and improvement of energy efficiency, and address climate change issues, while further enhancing the interface between these objectives and APEC's overall goal of trade and investment facilitation and liberalisation.

(e) APEC reform

In view of the increasing complication in the environment for trade and investment in the region, it is necessary to ensure that APEC maintains a clear and focused policy agenda. There is also a need

⁴ These include mutual recognition of test reports and mutual recognition of equipment certification.

to further enhance the professionalism and research capacity of the APEC Secretariat to better support the development of APEC.

Progress in the above areas would be reported to Leaders at the APEC Economic Leaders' Meeting, to be held in September 2007 in Sydney, Australia. Leaders would take decisions on the recommendations put to them, give guidance on how outstanding work should be taken forward, and set policy agenda for the future work.

Trade and Industry Department

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