

Legislative Council
Panel on Commerce and Industry

Background Note on Hong Kong, China's
Participation in the World Trade Organization

Purpose

This paper sets out the details on Hong Kong, China (“HKC”)’s participation in the agreements of the World Trade Organization (“WTO”), the details of these agreements, and the implications of such agreements to Hong Kong.

The WTO Agreements

2. Hong Kong became a separate contracting party to the General Agreement on Tariffs and Trade (GATT) in 1986 and thereby participated in the Uruguay Round of multilateral trade negotiations launched in the same year. The Uruguay Round was completed in 1994, and the outcome is set out in “The Results of the Uruguay Round of Multilateral Trade Negotiations : The Legal Texts” (“The Legal Texts”)¹. The WTO agreements governing the rules of trade among all WTO Members are embodied in the Legal Texts and include other new agreements subsequently agreed among WTO Members.

3. In brief, the WTO agreements cover trade in goods, services and intellectual property. For **goods** and **services**, they spell out the principles of liberalization, and the permitted exceptions. They also include individual Members’ commitments to lower customs tariffs and other trade barriers in goods, and to open and keep open services markets. The WTO agreements also provide for the protection of **intellectual property** where trade is involved. They also include a **dispute settlement mechanism** which sets out the procedures for settling

¹ The Legal Texts can be found in WTO’s website at http://www.wto.org/english/docs_e/legal_e/legal_e.htm

disputes among WTO Members and a **trade policy review mechanism** which subjects Members' trade policies under regular peer reviews to enhance transparency.

4. The WTO agreements are legally binding and are subscribed to by all Members except for a few plurilateral agreements which are signed by a smaller group of Members. The Agreement on Government Procurement ("GPA") constitutes one of these plurilateral agreements. (See also paragraphs 8 – 9 below.)

Hong Kong's Acceptance of the WTO Agreements

5. The WTO agreements currently applicable to HKC were signed as our acceptance of the overall results of the Uruguay Round and the subsequent negotiations of WTO Members. The Uruguay Round agreements were accepted under a "single-undertaking". This means that each participating party was allowed either total acceptance or rejection of the Uruguay Round agreements but not selective acceptance of specific agreements.

6. Hong Kong accepted the Uruguay Round outcomes and the subsequent agreements as they contained commitments and concessions beneficial to our trade. Specifically, we noted that the tariff concessions made by our principal trading partners could lead to an estimated tariff savings of over US\$420 million a year on our exports at that time. The improved trade rules agreed in the areas of anti-dumping and technical barriers could also help guard our exports against protectionist and arbitrary trade measures. The Agreement on Textiles and Clothing particularly helped phase out the quantitative restrictions on textiles and clothing products that had been discriminatorily applied against our exports since the 1960s. We also believed that the new agreement on services could provide our services industry with opportunities to capture a larger share of the growing international services trade, and that the new agreement on intellectual property would enable us to enjoy better intellectual property protection overseas and provide greater certainty for our businesses.

7. Apart from trade advantages, we also welcomed the institutional changes embodied in the Uruguay Round agreements. The agreements formally established the WTO to ensure compliance with the agreements on trade in goods, services, and intellectual property. We considered this would substantially strengthen the multilateral trading system upon which we relied heavily for our external trade. The provision for an integrated dispute settlement system would also help safeguard our rights and interests in case of dispute with our trading partners.

HKC's Accession to the GPA

8. HKC acceded to the GPA in May 1997. The GPA aims at ensuring that its contracting parties conduct government procurement in accordance with the two major principles of “non-discrimination” and “transparency” so as to obtain the best value for money. The spirit and objectives of the GPA are fully consistent with the Government’s procurement policy. Joining the GPA has not led to any change in our procurement policy².

9. We believe that the GPA enables Hong Kong’s suppliers to compete on an equal footing with other suppliers in the government procurement markets of other GPA parties, which include our major export markets like the US, the EU and Japan. It also reinforces investors’ confidence, promotes investments and creates jobs in Hong Kong.

Implications of the WTO Agreements on Hong Kong

10. As a small and externally oriented economy, Hong Kong requires a strong multilateral trading system to promote and protect its trade interests. Through the WTO agreements, we are provided with a non-discriminatory trading environment for our goods and services exports as well as an equal voice with all WTO Members on international trade matters. Under the WTO trading system, our trade has continued

² See also submission to Panel on Manpower- LC Paper No. CB(2)356/05-06(03)

to prosper and our trade volume is now three times that of our Gross Domestic Product. We are now the 11th largest trading entity of the world in trade in goods and the 15th largest trading entity in services trade.

Trade and Industry Department

January 2006