

LEGISLATIVE COUNCIL BRIEF

PROPOSED PLURILATERAL SERVICES AGREEMENT

INTRODUCTION

At the meeting of the Executive Council on 23 April 2013, the Council ADVISED and the Chief Executive ORDERED that Hong Kong should participate in the negotiations for a plurilateral services agreement (PSA) among some World Trade Organization (WTO) members.

JUSTIFICATIONS

2. Trade in services contributes substantially to our economy. In 2011, total trade in services amounted to HK\$1,285 billion, of which 55% (HK\$706 billion) was exports of services⁽¹⁾. To help secure better trading conditions for service suppliers, Hong Kong has all along been an active demandeur in services negotiations in the WTO, and participates actively in an informal group of WTO members – Really Good Friends for Services (RGF)⁽²⁾ – to pursue further liberalisation of trade in services.

3. RGF has since last year been exploring a plurilateral approach to advance services liberalisation. Several rounds of technical discussion were held to define the key negotiation elements of the PSA (which is also known as Trade in Services Agreement). The PSA will be a high-ambition and comprehensive agreement with broad participation that could be multilateralised in the future. Besides a

Note ⁽¹⁾ All the Hong Kong trade in services statistics and its breakdown in this paper are compiled under the new international statistical standards (i.e. adopting the change of ownership principle set out in the Sixth Edition of the Balance of Payments and International Investment Position Manual, BPM6). The figures are different from the trade in services statistics quoted in the Gross Domestic Product, which are still compiled under the old standards.

Note ⁽²⁾ As of April 2013, membership of RGF comprises 22 WTO members, namely, Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the European Union (EU), Hong Kong, China (HKC), Iceland, Israel, Japan, Korea, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Switzerland, Turkey and the United States (US).

schedule of commitment covering market access issues, new and enhanced disciplines to liberalise trade in services would also be covered in the negotiations.

Potential benefits of the PSA

4. Our participation in the PSA will be strategically important. The other 21 RGF members which are potential participants in the PSA account for 70% of world trade in services and 49% of Hong Kong's services trade in 2010. The group includes eight of our top ten services trading partners. We have already established preferential trade arrangements with our largest trading partner for services, the Mainland of China (accounting for 38% of our trade in services), through CEPA. If the PSA is successfully concluded, we will be able to secure preferential trade arrangements for 87% of our services trade.

5. RGF members are the major export markets for many of our service suppliers. In particular, our exports of financial services and transport services to RGF members are very significant, respectively accounting for about 80% and 70% of our total exports in those two sectors.

6. The PSA is at this time the most effective platform for us to secure preferential treatments for our services and service providers - apart from the WTO. RGF has already agreed that there shall be no *a priori* exclusion of any sectors or mode of supply in the PSA negotiations. Our participation in the PSA would give us the opportunity to press for the removal of restrictive measures maintained by RGF members.

7. Under the negotiation framework for the PSA, participants will seek "to make commitments that correspond as closely as possible to actual practice and provide opportunities for improved market access through negotiation". This level of ambition, if achieved, would be a major achievement in services liberalisation and would provide a good foundation for participants to negotiate further market access commitments in the future.

8. The binding of the existing services regimes of RGF members under the PSA will provide legal certainty to Hong Kong's service suppliers covering some 57% of our services exports. Similarly, the binding of our existing regime will provide certainty to overseas service suppliers, which will be conducive to attracting them to operate in Hong Kong, bringing in investments and creating jobs.

9. Since the 2008 global financial crisis, some economies have or are contemplating to put in place trade restrictive measures as a means to protect their domestic manufacturers and service providers. The PSA will help to safeguard our service providers against any such protectionist measures by PSA participants. Negotiations for the PSA will also cover new and enhanced disciplines for trade in services which will be beneficial to our service suppliers.

BASIC LAW IMPLICATIONS

10. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. Negotiation and conclusion of the PSA are within the high degree of autonomy of the Hong Kong Special Administrative Region (HKSAR) as provided for under Article 151 of the Basic Law. The Article provides, inter alia, that the HKSAR may on its own conclude and implement agreements with foreign states in the economic, trade and other appropriate fields.

FINANCIAL AND CIVIL SERVICE IMPLICATIONS

11. The conduct of the PSA negotiations has no financial and civil service implications. We will absorb any additional work relating to the PSA negotiations within the existing manpower resources.

ECONOMIC IMPLICATIONS

12. Generally speaking, the PSA aims at facilitating trade in services by providing improved market access and enhancing the related disciplines. The PSA, if successfully concluded, should provide Hong Kong with better access to the services sectors of the participating members and hence create more business opportunities beneficial to our long-term economic growth. In addition, this should help foster closer economic and trade relations not only with our major trading partners but

also with some relatively new markets. An expanded service sector should create the cluster effect to attract growing investment interest in Hong Kong from both domestic and external sources. These developments taken together will further augment the international business and commercial centre role of Hong Kong.

SUSTAINABILITY IMPLICATIONS

13. In overall terms, the PSA can bring better and more access to the participating economies' markets, create more business opportunities for Hong Kong businessmen and increase trade in services among the parties to the agreement. These would help sustain the economic development of Hong Kong and reinforce Hong Kong's position as an international trade, economic and financial hub.

PUBLIC CONSULTATION

14. To help develop our negotiation strategy and to better gauge our service suppliers' areas of interest in the markets involved, we will consult the Trade and Industry Advisory Board, major trade and industrial associations as well as professional bodies.

PUBLICITY

15. A press release will be issued before public consultation and a spokesman will be available to answer media enquiries.

ENQUIRIES

16. For enquiries, please contact Mr Howard Yam, Assistant Director-General of Trade and Industry Department, at 2398 5306.

Trade and Industry Department
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