

For Information  
On 17 November 2015

**LEGISLATIVE COUNCIL  
PANEL ON COMMERCE AND INDUSTRY**

**Progress of Negotiations under  
the World Trade Organization and on  
Plurilateral Trade Agreements**

**PURPOSE**

This paper informs Members of the progress made on negotiations in relation to the Doha Development Agenda (DDA) of the World Trade Organization (WTO), and on plurilateral trade negotiations in which Hong Kong, China (HKC) participates.

**DOHA DEVELOPMENT AGENDA**

2. The DDA negotiations were launched at the Fourth Ministerial Conference of the WTO held in 2001 in Doha, Qatar. The DDA aims to liberalise trade in agricultural products, industrial goods, and services, as well as to improve global trade rules. Addressing developmental concerns of developing economies, in particular the least developed ones, is a key objective underlying the DDA negotiations.

3. At the Ninth Ministerial Conference (MC9) held in December 2013 in Bali, Indonesia, WTO Members agreed on a “Bali Package” which comprised a new Agreement on Trade Facilitation (TFA) and nine other decisions on agriculture and development issues. They also agreed to formulate a clearly defined post-Bali work programme (PBWP) on the outstanding issues of the DDA, with a view to overcoming the key stumbling blocks to the conclusion of the DDA negotiations.

## **PROGRESS OF THE BALI PACKAGE**

4. WTO Members have been working actively to follow up on the decisions made at MC9, as highlighted below.

### **Agreement on Trade Facilitation**

5. TFA sets out binding obligations for all WTO Members to improve and harmonise their import/export and customs formalities and procedures. It has been opened for WTO Members' acceptance since last November, and will come into force upon acceptance by two-thirds of the membership. As of end October, 51 WTO Members have accepted the TFA. More WTO Members are expected to follow suit.

6. HKC accepted the TFA in December 2014, being the first among the 161 WTO Members to do so. This has demonstrated our commitment to, and strong desire for, early implementation of the TFA.

### **Agriculture and Development**

7. It was agreed in principle at MC9 that Developing Country Members of the WTO should be entitled to greater flexibility in holding stocks of staple food crops for food security purposes, and that WTO Members should refrain from challenging such public stockholding programmes<sup>1</sup> pending adoption of a permanent solution by the 11<sup>th</sup> WTO Ministerial Conference (i.e. around end 2017). In November 2014, WTO Members agreed to make concerted efforts to agree on a permanent solution by 31 December 2015, two years ahead of the original target date. It was also clarified that WTO Members should refrain from challenging

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<sup>1</sup> Public stockholding programmes are considered to distort trade when they involve purchases from farmers at prices fixed by the governments, instead of at market prices. Pursuant to existing WTO Agreements, WTO Members which maintain such programmes may be challenged if they exceed an agreed limit.

those programmes that were put in place before MC9, until a permanent solution is found.

8. At MC9, WTO Members also agreed to improve the administration of tariff rate quota (TRQ)<sup>2</sup> and to take measures to rectify cases of persistent under-utilisation of TRQs. They have since agreed to use a modified notification template to report the TRQ utilisation rates for greater transparency.

9. Another MC9 decision was to provide Least Developed Country (LDC) Members with better overseas market access for trade in services, so as to facilitate their integration into the multilateral trading system. Arising from this decision, around 25 WTO Members, including HKC, have indicated willingness in offering special treatments to LDC Members. As of end October 2015, 17 WTO Members, including HKC, have notified the WTO of the preferential treatments they offer to LDC Members.

## **POST-BALI WORK PROGRAMME**

10. At MC9, WTO Members agreed to produce the PBWP by December 2014. This deadline slipped due to differences in opinion among Members on the priorities to be accorded to various DDA issues. Members agreed to extend the deadline to July 2015 to try to work out their differences on the PBWP. On 31 July 2015, the Director-General of the WTO (DG/WTO) announced that the WTO would not be able to deliver a clearly defined PBWP on the remaining DDA issues and urged Members to reflect on what might be doable from their perspective.

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<sup>2</sup> TRQ is a quota for determining the tariffs of imported goods. Imports within the quota enjoy a tariff lower than those exceeding the quota. Some WTO Members are concerned that the under-utilisation of TRQ would mean restricted market access for agricultural exports.

## **WORK ON A NAIROBI PACKAGE**

11. After the summer break, Members started to consider the possibility of concluding a package of deliverables for the Tenth Ministerial Conference (MC10) to be held in Nairobi, Kenya. The substance of this package is still subject to negotiation and may include development issues with a particular focus on improving market access for LDCs, eliminating export subsidies in agriculture, and enhancement of transparency to facilitate trade. WTO Members are engaged in intensive discussions with a view to reaching consensus on the possible deliverables for MC10.

## **TENTH MINISTERIAL CONFERENCE**

12. MC10 will be held from 15 to 18 December 2015. As a staunch supporter of the multilateral trading system, HKC will attend MC10 and actively participate in the negotiations. Given Members' very different negotiating positions, it is difficult to predict how the Nairobi package will take shape. Nonetheless, most WTO Members agree that it is necessary to work out how the outstanding issues under the DDA should be followed up after MC10. Some WTO Members also consider that the Ministerial Conference should affirm the vital role of the WTO and give guidance on future work of the WTO, not limited to its negotiating functions. HKC is open-minded and stands ready to participate in the discussions.

## **PLURILATERAL AGREEMENTS**

### **Expansion of the Information Technology Agreement**

13. The Information Technology Agreement (ITA) was concluded in December 1996. Under the ITA, Participants have eliminated their tariffs on specified information technology products

originated from all WTO Members (including non-Participants). There are 53 Participants (including HKC) of the ITA at present.

14. Since mid-2012, some Participants including HKC have been discussing possible expansion of the product coverage of the ITA in the light of technological developments. A consensus to eliminate tariffs for another 201 IT products was reached in July 2015. Upon completion of the review on individual Participants' implementation timetables, the negotiation may be concluded by the end of 2015. Participants shall then eliminate tariffs on those newly covered products originated from all WTO Members in three years starting from July 2016, unless otherwise agreed by the Participants.

15. HKC has a significant trade interest in the IT sector. In 2014, our domestic export and re-export of IT-related products to the world amounted to \$8 billion and \$2,324 billion respectively, or approximately 14% of total domestic exports and 64% of re-exports. Upon implementation of the expanded ITA, our manufacturers and traders will benefit from the enhanced market access resulting from the tariff concessions by the Participants which account for around 90% of world trade in the relevant products. Manufacturers can also source IT components and sub-assemblies at a lower price, thereby reducing their production costs.

### **Trade in Services Agreement Negotiation**

16. The Trade in Services Agreement (TISA) aims to be a high-ambition and comprehensive services agreement with broad participation that could be multilateralised in the future. It was initiated by some WTO Members in November 2011 as a plurilateral approach to take forward the Services negotiations in light of the impasse in the DDA negotiations.

17. As a service-oriented economy with the service industry constituting 93% of our Gross Domestic Product (GDP), HKC aims to secure more favourable market conditions for our services trade in the negotiation of TISA. Currently, 23 WTO Members are taking part in the

negotiation. They include eight of our ten largest services trading partners and account for about half of Hong Kong's total trade in services.

18. Thirteen rounds of negotiations have been held in Geneva since 2013. Most participants have presented their initial offers on market access, and good progress has been made on the core text and annexes on new or enhanced disciplines in a number of areas including domestic regulation, financial services, telecommunications services, and maritime transport services.

19. The TISA participants are aiming at an early conclusion of the agreement though there is no timetable for completing the talks. HKC will continue to work with other TISA participants with a view to bringing about a high-standard services agreement which is in Hong Kong's interest.

### **Environmental Goods Agreement Negotiation**

20. In view of the lack of progress in the Doha Round negotiations, in July 2014, 14 WTO Members<sup>3</sup> (including HKC) started the negotiations for a plurilateral Environmental Goods Agreement (EGA). The negotiations aim at cutting tariffs on a wide range of environmental goods, and will also attempt to address relevant non-tariff issues.

21. EGA participants have been engaging in intensive negotiations with a view to working out an agreed product list for tariff cut. The latest consolidated product list under negotiation contains

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<sup>3</sup> The 14 WTO Members are Australia; Canada; China; Costa Rica; the European Union; HKC; Japan; Korea; New Zealand; Norway; Singapore; Switzerland (on behalf of the customs union of Switzerland and Liechtenstein); Chinese Taipei and the United States. Subsequently, Iceland, Israel and Turkey have also joined the negotiations.

some 650 items encompassing 10 broad categories<sup>4</sup>. The participants aim to conclude the negotiations on the product list by MC10.

22. Hong Kong has considerable trade interest in the environmental goods under discussion. In 2014, Hong Kong's domestic exports and re-exports of relevant products to the world amounted to \$6 billion and \$864 billion respectively, representing 11% of total domestic exports and 24% of total re-exports. A number of the participants of the negotiation are Hong Kong's key markets.

23. Our manufacturers and traders will benefit from enhanced market access opportunities arising from the tariff concessions provided by the EGA. The reduction of tariffs on EGs covered by the EGA will also lower the cost of those products, which will be conducive to their wider use and to environmental protection generally.

24. As in the case of ITA, when the EGA takes effect, the benefits of the agreement will be extended to all other WTO Members by applying the most-favoured-nation principle. These plurilateral initiatives are therefore viable building blocks for multilateral trade liberalisation.

Trade and Industry Department  
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<sup>4</sup> The categories are (1) air pollution control, (2) cleaner and renewable energy, (3) energy efficiency, (4) environmental monitoring, analysis and assessment, (5) environmentally preferable products, (6) noise and vibration abatement, (7) environmental remediation and clean-up, (8) resource efficiency, (9) solid and hazardous waste management, and (10) wastewater management and water treatment.