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Panel on Commerce and Industry

Meeting on 20 December 2016

Updated background brief on plurilateral initiatives for promoting trade

Purpose

This paper provides updated background information on the plurilateral agreements relevant to Hong Kong conducted under the auspices of the World Trade Organization ("WTO") and the free trade agreement ("FTA") with Association of Southeast Asian Nations ("ASEAN")¹, as well as Hong Kong's participation in the Asia-Pacific Economic Cooperation ("APEC")². It also summarizes the views expressed by Members during previous discussions on relevant issues.

Background

The World Trade Organization

2. Established on 1 January 1995, WTO is the only international body dealing with the rules of trade among states and separate customs territories. The WTO

¹ The ten member countries of the Association of Southeast Asian Nations are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

² The Asia-Pacific Economic Cooperation 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.

agreements³ provide the legal ground-rules for international commerce, and are essentially contracts, binding governments to conduct their trade and trade policies according to principles and rules. Although negotiated and signed by governments, the goal of WTO agreements is to help producers of goods and services, exporters, and importers conduct their business. Hong Kong is a founding Member of WTO. Hong Kong's separate membership, under the name of "Hong Kong, China", continues after reunification with the Mainland of China on 1 July 1997. As at 29 July 2016, WTO has 164 Members.

3. WTO's highest decision-making body is the Ministerial Conference ("MC") which meets at least once every two years. At the Fourth MC of WTO held in 2001 in Doha, Qatar, the Doha Development Agenda ("DDA") negotiations were launched. DDA aims to liberalize trade in agricultural products, industrial goods and services, as well as to improve global trade rules. Addressing developmental concerns of the less developed economies, in particular the least developed ones, is a key objective underlying the DDA negotiations.

4. The Tenth MC of WTO ("MC10") was held in Nairobi, Kenya from 15 to 19 December 2015. Prior to MC10, Hong Kong joined other WTO Members in intensive discussions to advance negotiations under DDA, trying to break deadlocks and forge consensus on a wide range of issues. These efforts had contributed to building a solid and pragmatic foundation for MC10, at which WTO Members adopted nine Decisions on regular work and the Doha negotiations, the latter covering agriculture, cotton and issues related to least-developed countries. The Ministerial Declaration set out Members' views on the future work of WTO and made it clear that any decision to launch negotiations multilaterally would need to be agreed by all WTO Members.

Plurilateral agreements under the World Trade Organization context

5. Plurilateral agreements involve only some (and not all) WTO Members. The trade related plurilateral agreements under WTO context relevant to Hong Kong include the Agreement on Government Procurement ("GPA"), Information Technology Agreement ("ITA"), Trade in Services Agreement ("TiSA") and the Environmental Goods Agreement.

³ The World Trade Organization ("WTO") agreements cover goods, services and intellectual property. They spell out the principles of liberalization and the permitted exceptions and include individual members' commitments to lower customs tariffs and other trade barriers, to open and keep open services markets, and to protect intellectual property. In addition, they set procedures for settling disputes, and prescribe special treatment for developing economies. They require governments to make their trade policies transparent by notifying WTO about laws in force and measures adopted, and through regular reports by the secretariat on members' trade policies.

Agreement on Government Procurement

6. The GPA was first concluded in 1994. As a WTO Member, Hong Kong acceded to GPA in May 1997. Under GPA, the Hong Kong Government is obliged to, with respect to procurement of goods and services covered by its commitments, provide open and non-discriminatory treatment to all goods and services irrespective of their country of origin, and to provide for open and fair competition among domestic and foreign suppliers. At the formal meeting of the Committee on Government Procurement in June 2016, WTO Members adopted the draft decision on arbitration procedures relating to modifications to coverage under GPA.

Information Technology Agreement

7. Hong Kong is a signatory to ITA concluded in December 1996. Under ITA, Participants have eliminated their tariffs on specified information technology products originated from all WTO Members (including non-Participants). A second ITA was successfully concluded in Nairobi at the time of MC10, which will eliminate tariffs of 201 additional products. WTO Members which are not parties to ITA also benefit by virtue of the most-favoured nation ("MFN") principle.

Trade in Services Agreement

8. Twenty three WTO Members, including Hong Kong, which seek more ambitious liberalization in services trade, are taking a plurilateral approach to negotiate a TiSA. TiSA aims to improve market access and develop new and enhanced disciplines for a wide range of services sectors. It is expected to bring Hong Kong more business and employment opportunities, and drive further economic development. As at end September 2016, 19 rounds of formal negotiations had been conducted.

Environmental Goods Agreement

9. Hong Kong is one of the 17 WTO Members participating in the plurilateral negotiations on Environmental Goods Agreement formally launched in July 2014. The negotiations aim at eliminating tariffs on a wide range of environmental goods and addressing non-tariff issues relevant to the liberalization of trade in environmental goods. The benefits of the agreement will be extended to all other WTO Members on an MFN basis. As at end September 2016, 16 rounds of negotiations had been held.

Hong Kong-Association of Southeast Asian Nations Free Trade Agreement

10. In 2013, ASEAN continued to be Hong Kong's second largest trading

partner taken as a bloc since 2010. With a view to enabling Hong Kong's goods, services and investments to access the ASEAN market under more favourable conditions, the negotiation of the Hong Kong-ASEAN FTA commenced in July 2014. As at October 2016, the negotiation of the Hong Kong-ASEAN FTA was progressing steadily, with the completion of the fifth to eighth rounds of negotiation.

Hong Kong's participation in the Asia-Pacific Economic Cooperation

11. APEC is an important regional economic forum established in 1989 to support and promote sustainable economic development and prosperity in the Asia-Pacific region. Hong Kong was admitted to APEC in November 1991 and has since been participating in APEC actively, including the APEC Finance Ministers' Meetings, which have been held annually in different locations since 1994. When China assumed the chairmanship of APEC in 2014, the Central People's Government decided to hold the APEC Finance Ministers' Meeting in Hong Kong in September 2014.

12. To help improve the region's business environment, Hong Kong has also participated actively in the activities under the APEC Committee on Trade and Investment, which is a coordinating body for all APEC's work in trade and investment liberalization and facilitation. An important work under the Committee on Trade and Investment relates to the realization of the Free Trade Area of the Asia-Pacific. In 2014, APEC Economic Leaders adopted the Beijing Roadmap for APEC's Contribution to the Realization of the Free Trade Area of the Asia-Pacific to advance the process in a comprehensive and systematic manner. A Collective Strategic Study to identify the related issues, benefits and challenges of advancing the FTA in Asia-Pacific is scheduled for completion by the end of 2016.

13. As part of the efforts in support of APEC's supply chain connectivity agenda, Hong Kong has been working with New Zealand to jointly promote the wider use of global data standards in the region. The two places co-organized a capacity building workshop and a trade policy dialogue on the use of the global data standards in 2014, and have been leading work on launching pilot studies and conducting related assessment since 2015.

Previous discussions

14. The Panel on Commerce and Industry ("the Panel") was briefed on Hong Kong's participation in APEC and its importance to Hong Kong at its meeting on 17 July 2007. In addition, the Panel was updated on the negotiations in relation to DDA and on plurilateral trade negotiations in which Hong Kong participated in

the reports of the Hong Kong Economic and Trade Office ("ETO") in Geneva at its meetings on 21 October 2014 and 20 October 2015. The Administration also briefed the Panel on the relevant developments at the meeting on 17 November 2015, and updated the Panel on the progress made by way of an information paper in November 2016.

15. The Panel was briefed by the Administration on the negotiation on the Hong Kong-ASEAN FTA at the meeting on 22 October 2013, and was updated on the progress in the reports of the ETO in Singapore at the meetings on 21 October 2014 and 20 October 2015 and by way of an information paper in November 2016. The major views and concerns on Hong Kong's participation in APEC, the Hong Kong-ASEAN FTA and DDA negotiations expressed by members are summarized in the ensuing paragraphs.

Asia-Pacific Economic Cooperation's role in advancing World Trade Organization's negotiations

16. At the meeting on 17 July 2007, members enquired whether and if so, how APEC had helped advance the then limited progress of the DDA negotiations. The Administration advised that key players of APEC, such as the United States, Canada, Australia, China and some developing economies belonging to ASEAN were also WTO Members. They had all along advocated, through various channels, including the APEC platform, bringing the Doha Round to an early and successful conclusion.

Hong Kong-Association of Southeast Asian Nations Free Trade Agreements

17. At the meeting on 22 October 2013, some members asked whether the negotiation work could be made with individual member nations instead of ASEAN en bloc so as to expedite the process. Some other members opined that Hong Kong's presence in ASEAN should be strengthened by the setting up of ETOs in ASEAN. The Administration advised that negotiations on the framework agreement were required to be done with ASEAN as a bloc rather than with individual member nations.

Doha Development Agenda

18. Members were concerned at the meetings on 20 October and 17 November 2015 that with more regional trade agreements taking shape and the impasse in the DDA negotiations, there appeared to be a trend for regional trade negotiations to take the place of multilateral negotiations of WTO. Some of these members were worried that these trade agreements would create trading blocs, thereby posing a threat to WTO.

19. At the meeting of 20 October 2015, the Administration responded that bilateral and plurilateral agreements forged by WTO Members could be seen as building blocks for the progressive liberalization of international trade. Moreover, the bilateral and plurilateral agreements should be consistent with WTO rules and WTO Members which were not parties to plurilateral agreements would also benefit by virtue of the MFN principle.

20. At the meeting of 17 November 2015, the Administration advised that Hong Kong was a small and externally oriented economy that relied heavily on the multilateral trading system of WTO and its legally binding rules of international trade. Therefore, Hong Kong would continue to participate in the DDA negotiations. That notwithstanding, Hong Kong had also been participating in the negotiations of some plurilateral and regional trade agreements which were in Hong Kong's trade interests. In response to members' enquiry about the causes of the deadlock of the DDA negotiations, the Administration advised that the impasse in the DDA negotiations was attributed to the very different positions held by the developed and developing economies over a number of issues.

Council question

21. At the Council meeting of 25 June 2014, Hon CHUNG Kwok-pan asked a written question enquiring about the provisions for protection of Hong Kong businessmen to be put forward by the authorities in the negotiation of the Hong Kong-ASEAN FTA.

22. The Administration advised that the Hong Kong-ASEAN FTA would contain provisions on promotion and protection of investments, and it would draw reference from the Investment Promotion and Protection Agreements signed by Hong Kong with other economies. According to the Administration, an Investment Promotion and Protection Agreement requires a contracting party to take such measures as may be reasonably necessary to ensure the protection and security of the investment of an investor of the other contracting party. In particular, a contracting party is obliged to make reasonable compensation in the event of expropriation by the authorities of investments of investors and for destruction of investors' properties by the authorities under certain circumstances during war or other emergency situations (including insurrection or riot).

Latest position

23. The Administration will brief the Panel on 20 December 2016 on the latest development of plurilateral initiatives for promoting trade.

Relevant papers

24. A list of relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
16 December 2016

List of relevant papers

Date of meeting	Meeting	Minutes/Paper
17/7/2007	Panel on Commerce and Industry	<p>Administration's paper on "Asia-Pacific Economic Cooperation " (LC Paper No. CB(1)2088/06-07(03))</p> <p>Minutes of meeting (LC paper No. CB(1)120/07-08)</p>
22/10/2013	Panel on Commerce and Industry	<p>Administration's paper on "Reports on the work of the overseas Hong Kong Economic and Trade Offices" (LC Paper No. CB(1)72/13-14(03))</p> <p>Updated background brief on the work of the Hong Kong Economic and Trade Offices, the Office of the Government of the HKSAR in Beijing, and the Hong Kong Economic, Trade and Cultural Office (Taiwan) prepared by the Legislative Council Secretariat (LC Paper No. CB(1)72/13-14(05))</p> <p>Minutes of meeting (LC Paper No. CB(1)514/13-14)</p>
7/1/2014 (Paper date)	Panel on Commerce and Industry	<p>Administration's paper on "Progress of Negotiations under World Trade Organization" (LC Paper No. CB(1)691/13-14(01))</p>
25/6/2014	Council meeting	<p>Question No. 8 on "Impacts of riots in Vietnam on Hong Kong businessmen" raised by Hon CHUNG Kwok-pan (Hansard) (Page 15499-15503)</p>
21/10/2014	Panel on Commerce and Industry	<p>Administration's paper on " Reports on the work of the overseas Hong Kong Economic and Trade Offices" (LC Paper No. CB(1)53/14-15(03))</p>

Date of meeting	Meeting	Minutes/Paper
		<p>Updated background brief on the work of the Hong Kong Economic and Trade Offices, the Office of the Government of the HKSAR in Beijing, and the Hong Kong Economic, Trade and Cultural Office (Taiwan) prepared by the Legislative Council Secretariat (LC Paper No. CB(1)53/14-15(05))</p> <p>Minutes of meeting (LC Paper No. CB(1)212/14-15)</p>
20/10/2015	Panel on Commerce and Industry	<p>Administration's paper on " Reports on the work of the overseas Hong Kong Economic and Trade Offices" (LC Paper No. CB(1)15/15-16(03))</p> <p>Updated background brief on the work of the Hong Kong Economic and Trade Offices, the Office of the Government of the HKSAR in Beijing, and the Hong Kong Economic, Trade and Cultural Office (Taiwan) prepared by the Legislative Council Secretariat (LC Paper No. CB(1)15/15-16(05))</p> <p>Minutes of meeting (LC Paper No. CB(1)264/15-16)</p>
17/11/2015	Panel on Commerce and Industry	<p>Administration's paper on "Progress of Negotiations under World Trade Organization and on Plurilateral Trade Agreements" (LC Paper No. CB(1)148/15-16(05))</p> <p>Background brief on Doha Development Agenda and plurilateral agreements relevant to Hong Kong under World Trade Organization prepared by the Legislative Council Secretariat (LC Paper No. CB(1)148/15-16(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)434/15-16)</p>

Date of meeting	Meeting	Minutes/Paper
11/11/2016 (Paper date)	Panel on Commerce and Industry	Administration's paper on "Reports on the work of the overseas Hong Kong Economic and Trade Offices" (LC Paper No. CB(1)115/16-17(02))