

**For discussion on
15 January 2019**

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

**Discussion at Multilateral and Regional Fora on
Trade Facilitation Initiatives**

PURPOSE

Trade facilitation, which seeks to simplify and harmonise import and export processes, has emerged as an important issue for the global trading system. This paper briefs Members on the discussions on trade facilitation initiatives in the World Trade Organization (WTO) and Asia-Pacific Economic Cooperation (APEC) in the past two years.

WTO'S WORK ON TRADE FACILITATION

WTO Agreement on Trade Facilitation

2. WTO Members concluded negotiations on the Agreement on Trade Facilitation (TFA)¹ at the 9th Ministerial Conference held in Bali, Indonesia in December 2013. The TFA, which is the first multilateral trade agreement concluded by the WTO since its establishment, entered into force on 22 February 2017 following its ratification by two-thirds of the WTO membership. As at end 2018, 140 out of 164 WTO Members have accepted the TFA.

¹ The full text of the TFA can be found at the link below:
https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm.

3. The TFA seeks to make cross-boundary trade in goods easier, reduce costs and improve efficiency in doing business² under a more transparent and predictable trading environment. It contains binding obligations for all WTO Members on expediting the movement, release and clearance of goods, as well as on cooperation between customs and relevant authorities, including -

- (a) enhancement of transparency on information related to the requirements and procedures for clearing goods for import or export;
- (b) prevention of arbitrary imposition of fees and penalties;
- (c) expedited release and clearance of goods;
- (d) simplification of customs formalities and documentation requirements; and
- (e) enhancement of customs cooperation and coordination.

There are also provisions setting out special and differential treatments for developing and least-developed WTO Members, including greater flexibility in the timing of implementation and assistance for building the capacity necessary for implementing the TFA.

4. Hong Kong is strongly committed to facilitating trade. We are the first WTO Member to accept the TFA in December 2014. We have also committed to fully implementing all relevant provisions of the TFA upon its entry into force. All along, Hong Kong maintains a highly transparent and efficient regulatory regime, with relevant information on procedures, fees and charges, documentary requirements, and contact information, etc. relating to importation, exportation and transit published on the websites of relevant bureaux and departments.

² According to the *World Trade Report 2015* published by the WTO, the full implementation of the TFA is forecast to reduce Members' trade costs by an average of 14.3%. The TFA is also likely to reduce the time needed to import goods by over a day and a half and to export goods by almost two days, representing a reduction of 47% and 91% respectively over the 2012 averages.

5. Hong Kong is a free port and does not impose any tariffs. Hong Kong is renowned for its customs clearance efficiency. According to the Global Competitiveness Report released by the World Economic Forum in October 2018, Hong Kong is ranked 9th worldwide for “efficiency of the clearance process”. In line with the provisions stipulated in the TFA, the following measures have been or are being implemented by the Government:

- (a) The TFA provides that WTO Members shall, to the extent practicable, allow the option of electronic payment of fees and charges collected by customs incurred upon importation and exportation. In Hong Kong, traders are provided with the option to pay trade declaration charges through electronic means;
- (b) The Hong Kong Authorized Economic Operator (AEO) Programme, administered by the Customs and Excise Department since April 2012, provides AEOs with benefits in customs procedures, such as reduced inspection and prioritised clearance of cargoes in Hong Kong and in other economies under the Mutual Recognition Arrangements concluded with Hong Kong³. Likewise, AEOs accredited in those economies enjoy similar facilitation in Hong Kong. This is in line with the TFA requirement that WTO Members shall provide additional trade facilitation measures to “authorized operators” meeting specified criteria;
- (c) Under the TFA, WTO Members shall endeavour to establish or maintain a single window to enable traders to submit documentation for importation, exportation or transit of goods through a single entry point. Hong Kong is taking forward the development of the Trade Single Window (TSW) as a one-stop platform for the lodging of various types of import and export trade documents with the Government for trade declaration and customs clearance purposes. We just launched Phase 1 of TSW on 28 December 2018, providing a voluntary e-option for the trade to lodge five types of import and export trade documents

³ Hong Kong’s existing AEO MRA network covers nine economies, namely Mainland China, Australia, India, Japan, Korea, Malaysia, New Zealand, Singapore and Thailand.

for specific types of commodities through a single electronic platform. We aim to progressively extend Phase 1 to cover some 13 types of trade document in total in the first half of 2019 the earliest⁴; and

- (d) The TFA also attaches great importance to boundary agency cooperation. In 2016, the Government launched the Single E-lock Scheme (SELS) with a view to reducing repeated inspections on the same shipment at the boundary by customs authorities of Guangdong and Hong Kong. We will actively explore with the Mainland authorities the extension of SELS to more customs clearance points in the Greater Bay Area, so as to facilitate cross-boundary cargo flow and enhance clearance efficiency.

6. To facilitate coordination and implementation of the TFA in Hong Kong, we have established a Coordinating Mechanism for the Implementation of the TFA. We also launched a webpage to enhance public awareness and facilitate the public to provide feedback.

7. In the WTO, the Committee on Trade Facilitation (TFC) monitors Members' acceptance and implementation of the TFA, provides developing Members with assistance in their TFA implementation, and serves as a platform for Members to share experience and engage in thematic discussions on topics relating to trade facilitation⁵. Hong Kong made a presentation and shared our experience on our AEO Programme at the TFC meeting held in October 2018. The presentation was well-received by WTO Members.

⁴ The TSW will be implemented in three phases. On top of the 13 types of trade documents covered by Phase 1, Phase 2 will cover some 28 additional types of trade documents. The 41 in total of trade documents covered by these two phases are mainly those for specific types of commodities (e.g. licences for the import and export of specific controlled products). Phase 3 will cover trade documents required or proposed to be required for all cargoes (e.g. Import and Export Declaration, Advance Cargo Information and Cargo Report). Subject to satisfactory progress of all the preparatory work, the Government plans to roll out Phase 2 in 2022 and Phase 3 in 2023 the earliest.

⁵ These topics include national committee on trade facilitation, transit procedures, regional cooperation, authorised operator programmes and consultation procedures.

APEC'S WORK ON TRADE FACILITATION AND DIGITAL ECONOMY

8. Promotion of trade facilitation is a key initiative being advanced by APEC. To demonstrate the commitment of APEC to contributing to the work of the WTO, all APEC member economies have accepted the TFA.

9. APEC is committed to the full implementation of the TFA through various initiatives. Continuous monitoring of the implementation progress of member economies is in place with a view to identifying potential technical assistance and developing practical guides to improve member economies' ability to implement the TFA. In this regard, a trade policy dialogue and targeted capacity-building projects have been held to enhance member economies' capacity to comply with the obligations under the TFA.

10. Hong Kong supports various APEC initiatives to advance trade facilitation. For instance, we take the lead in the APEC project of Global Data Standards (GDS)⁶ to promote a wider use of interoperable data standards as an effective trade facilitation tool to improve supply chain performance. The project, co-led with New Zealand and co-sponsored by Australia, Malaysia, Mexico and Peru, includes a suite of pilot projects on product traceability, capacity building activities and a study by APEC Policy Support Unit (PSU)⁷ on the cost-effectiveness to adopt GDS in supply chains.

11. PSU's study showed that by providing particularly the traceability of goods flow, GDS would enhance the overall performance of supply chains, in terms of time, cost and certainty. GDS would also strengthen institutional connectivity by contributing to better compliance

⁶ GDS are standardised coded product information which can be shared among all stakeholders involved in a supply chain so that they can track and trace the products in real time to address the concerns of integrity and efficiency. It provides a unique identification for all products, business locations and traders, allowing automatic sharing of relevant information to help track and trace goods from the source to the final destination in real time via Supply Chain Visibility Information Platform. Barcodes, QR (Quick Response) codes and RFID (Radio Frequency Identification) tags are common carriers of GDS.

⁷ APEC Policy Support Unit (PSU) is a research and analysis arm under the APEC Secretariat, funded by voluntary contributions.

of supply chain stakeholders and enhancing risk management of customs and boundary agencies in the region. Hong Kong, together with fellow APEC member economies, will continue to work together to identify policy-based principles or recommendations for future GDS initiatives.

12. APEC also recognises the importance of internet and digital economy in facilitating trade, as well as increasing productivity, nurturing innovation, improving connectivity and enhancing inclusive growth. The APEC Internet and Digital Economy Roadmap (the Roadmap) was endorsed in November 2017 and serves as a framework to provide guidance on key areas and actions⁸ to facilitate technological and policy exchanges among APEC member economies. The APEC Action Agenda for the Digital Economy adopted in November 2018 establishes a new governance mechanism in APEC to coordinate work in relevant APEC fora and to advise further on the Roadmap implementation. “Digital society” will feature as one of the priority subjects that Chile, as the host for APEC 2019, will pursue in the year.

13. To enhance the competitiveness and internationalisation of micro, small and medium-sized enterprises (MSMEs) in the digital era, Hong Kong has been spearheading the development of an APEC-wide cooperative online dispute resolution (ODR) framework for MSMEs in business-to-business transactions and the use of modern technology for dispute resolution and electronic agreement management. The high legal cost and language barriers associated with dispute resolution pose significant challenges to MSMEs involved in international trade. The proposed ODR supports MSMEs with limited resources to have speedy dispute resolution in cross-boundary trade through the use of digital technology. The initiative has gained wide support in APEC with 14 co-sponsoring member economies.

⁸ Examples of key focus areas of the Roadmap include facilitation of e-commerce and advancing cooperation on digital trade, development of digital infrastructure, achievement of universal broadband access, development of holistic government policy frameworks for the internet and digital economy, etc.

CONCLUSION

14. Hong Kong's trade facilitation efforts have been widely recognised internationally. In the WTO Trade Policy Review⁹ conducted in November 2018, WTO Members generally commended Hong Kong for its free and open trade policies and its unwavering support for the multilateral trading system, including its continuous efforts in maintaining a liberal trade and investment regime, its achievements in trade facilitation as well as its strong engagement in various aspects of WTO work. We will continue to cooperate with other member economies in APEC and the WTO to advance trade facilitation.

ADVICE SOUGHT

15. Members are invited to note the content of this paper.

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⁹ The WTO Trade Policy Review mechanism aims to achieve greater transparency in the trade objectives, policies and practices of individual WTO Members, thereby facilitating the smooth functioning of the multilateral trading system. Before the 2018 Review, the last review of Hong Kong took place in 2014.