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Statement Circulated by Mr. Chau Tak Hay,
Secretary for Trade and Industry

1. Few Members' economies are so dependent upon external trade as Hong Kong, China's. The well-founded prosperity resulting from our economic growth over the last 50 years bears vivid testimony to the benefits of the open and non-discriminatory multilateral trading system. Hong Kong, China's own policies, particularly our adherence to the principles of open markets and free trade, have certainly made a major contribution to our economic growth but, without the multilateral trading system, the opportunities to expand trade might have been drastically reduced. We owe a great debt indeed to the founding fathers of the General Agreement on Tariffs and Trade.
2. The multilateral trading system has incontestably been successful in fostering the growth of international trade in general to the benefit of all Members. What Hong Kong, China can attest from its own experience is that the system has been particularly important for smaller economies. The fundamental strength of the system is that it is rule-based, operating transparently and providing predictable outcomes for all participants. The basic principle of non-discrimination guarantees Members equal rights under the rules, independent of their political weight. The system's commitment to consensus in decision-making has kept the scope for coercion within bounds and ensured that ultimately the system depends on the willingness of all its Members to sustain it.
3. In the three years since it came into existence, it has been evident that the World Trade Organization has established itself convincingly as the pre-eminent forum for the conduct of trade relations. The transition from the GATT, a fundamental change, has been successfully achieved. Not only is the WTO's coverage far broader, but also its nature is significantly different to the GATT's. Notably the rule-based multilateral trading system now has a more distinct legal underpinning, providing automaticity and predictability. The new rules and procedures for dispute settlement are working effectively and have yielded tangible benefits in many areas. We welcome the review of the dispute settlement system to be conducted this year, but it would be premature to embark on radical changes. At this stage, all that would be appropriate is some refinement in the practical working of the system.
4. As befits its pre-eminent status, the WTO is making progress towards becoming universal, but there are still significant gaps in its membership. 31 applications are pending and it is important that these are handled efficiently. We particularly support the early accession of China, a major economy and our largest trading partner, on the basis that China is prepared to accept WTO principles and rules and to offer meaningful access commitments, commensurate with the level of development in China.
5. The increasing membership of the WTO is much to be welcomed, but this by itself means that in the conduct of its internal affairs there has been a major change from earlier days in the GATT. There is a need to reflect on how best to manage proceedings in the enlarged WTO. The aims must

be efficiency and transparency without any compromise of the commitment to consensus in decision-making.

6. There is one respect in which the Marrakesh Agreement establishing the WTO has not been fulfilled. We are disappointed that there has not yet been any agreement on the question of the Secretariat. We accord a very high priority to the successful conclusion of the Working Group's remit and look to the formal establishment of the Secretariat by 1 January 1999 at the latest.

7. Overall, given the breath and complexity of the Uruguay Round Agreements, it must be said that we have had relatively few problems over implementation to date. There is cause for some satisfaction, but certainly not complacency. There are still a number of areas where implementation, in our view, has not been entirely satisfactory.

8. We took a major step in introducing multilateral rules on trade in services when we launched the WTO. Services make up an increasingly large percentage of all economies, and well over half in many, including Hong Kong, China's: in fact 84 per cent. But we also left many gaps and unfinished business. It is very important that we make progress on the many rules issues that are mandated in the GATS: emergency safeguards, subsidies and government procurement. On domestic regulation, the Working Party on Professional Services has made a good start in developing disciplines in accountancy and we hope that it can complete its work on that in the very near future. It can then move on to develop multilateral disciplines for other professional services and a horizontal approach seems the most promising. But there still remains the much broader question of domestic regulation in general and its effect on trade. This is recognized to be one of the key barriers to trade, and one we need to tackle if we are truly to achieve progressive liberalization of services trade.

9. One sector for which the WTO represents a clear advance over practice under the GATT is textiles and clothing. Under the Agreement on Textiles and Clothing (ATC) discriminatory quantitative restrictions must be terminated by 2005. The ATC lays down a phased programme for achieving this and also requires Members to allow for continuous autonomous industrial adjustment and increased competition in their markets. The aim is that there should be a smooth transition from the ATC regime to normal GATT rules. Unfortunately, ATC implementation in its first three years gives no encouragement that this aim will be achieved. Restraints, due in part to misuse of transitional safeguards, have actually increased on balance as the phase-out programmes have had little practical effect to date; trade has been hindered by unilateral actions; disciplines have been undermined by bilateral arrangements circumventing the ATC; and small suppliers have not been treated fairly. Ultimately it is the responsibility of each Member concerned to ensure that its domestic industry is prepared for the complete transition in 2005, but since other Members will be affected by the failure of any Member to achieve this, all Members have a legitimate interest in seeing that ATC obligations are fully observed. We expect the Council for Trade in Goods faithfully to carry out its mandate for regularly evaluating progress under the ATC.

10. As one of the early proponents of the Agreement on Rules of Origin, we attach great importance to the completion of the Harmonization Work Programme, although we appreciate that this will require a massive effort by all Members. Political will and more flexibility in consensus-building will be required if success is to be achieved.

11. Increased and ongoing attention is also required to the marginalization of least-developed countries. We support the provision of technical assistance to these countries and were pleased to announce a donation for this at the High Level meeting last year.

12. Hong Kong, China firmly supports the various aspects of ongoing work in the WTO related to bringing the rules up-to-date so that they are relevant to current and anticipated developments. One area where there have been, and continue to be, major developments is in the proliferation of

Regional Trade Agreements (RTAs) in recent years. Three quarters of the 91 RTAs currently in place have entered into force in the last four years. It is not surprising that the limited exceptions to the rules for most-favoured nation trade drawn up for RTAs 50 years ago look ill-equipped to deal with this proliferation when membership of a RTA has become the norm rather than the exception. Even before this, the compatibility of many RTAs with the existing rules had been called into question.

13. Not only do the rules for RTAs need to be brought up to date, but also consideration needs to be given to the implications their proliferation has for the primacy of the multilateral trading system. There are issues at stake beyond legal conformity with the multilateral system. We doubt whether regionalism can meet the challenge of deepening global economic integration. When regional groupings provide preferences, the result is a complex web of differing regional and multilateral rules with an inevitably adverse impact on the integration of the global trading system.

14. Looking ahead, as we approach the 21st Century, Hong Kong, China expects the WTO to chart an agenda in both furthering trade liberalization and strengthening of rules which will fully meet the needs and challenges of an increasingly globalized and technology-driven economy. This should be the focus of the WTO's future activities.

15. Although the built-in agenda already comprises a sizeable work programme, it does not provide an optimum basis for future work because it is now slightly dated, lacks linkages that provide the opportunities for trade-offs, and would benefit from an agreed deadline to impose discipline on the negotiations. In the light of these limitations, the WTO needs to complement the built-in agenda through developing a balanced and more comprehensive package of multilateral trade negotiations, in order to sustain the momentum for further trade liberalization. Such an initiative should also embrace issues arising from implementation of past commitments, where these are identified by Members as requiring further action.

16. Future work would include all areas of work envisaged under the "built-in agenda". Hong Kong, China would accord priority to the mandated negotiations on trade in services which are due to commence before 2000. Preparations for these negotiations need to be intensified, including accelerating the information exchange programme, developing negotiating guidelines, reviewing the methodology of GATS schedules, and clarifying the ambiguities arising from the applications of the four modes of supply.

17. The GATT provides that negotiations should take place from time to time directed at the reduction of tariffs. In addition to the continuing work on the Information Technology Agreement, the over 40 per cent of trade in goods still subject to tariffs deserve our further attention in this regard, aiming especially to lower tariff peaks and eliminate nuisance tariffs.

18. Prior to the Singapore Ministerial Conference, Hong Kong, China launched a major proposal which we called "WTO Rules in a Globalizing Economy". The concept was that work should be started in the WTO with a view eventually to formulating new rules, and reforming old rules, in order to take into account the rapidly changing business environment. We noted in particular that some of the existing GATT rules are looking less relevant, or less adequate, in the modern globalizing world. We were pleased that some important aspects of our proposal were incorporated in two Working Groups established under the Singapore Ministerial Declaration.

19. Depending on progress in the Working Group on the Relationship between Trade and Investment, consideration should be given to the pursuit of global liberalization in investment, going beyond existing rules which cover only limited aspects of the relationship between trade and investment.

20. Depending on progress in the Working Group on the Interaction between Trade and Competition Policy, various inconsistencies between trade and competition rules need to be addressed. The aim should be to develop a coherent framework to ensure the free play of competitive forces in markets, without distortion by governmental measures.

21. In a somewhat similar vein, negotiations on a multilateral agreement on transparency in government procurement, as foreseen at Singapore, should commence as soon as the current study process in the Working Group on Transparency in Government Procurement is complete.

22. We also regard the WTO's current exploratory work on Trade Facilitation as important. Subject to agreement on the need and clarification on the scope for negotiations, we are in principle prepared to support future negotiations.

23. Furthermore, future broad-based negotiations would provide a timely opportunity and context for clarification and/or modification of existing disciplines to ensure that regional trading agreements are coherent with and complementary to the multilateral trading system.

24. Modern telecommunications and computing technology are revolutionizing the way we do business. Electronic commerce is going to have a huge impact on all Members. Hong Kong, China firmly supports having a comprehensive work programme to look into the issues and to consider the multilateral rules which may be relevant to this trade.

25. Overall, it is essential that any agenda to be developed for future work is balanced and manageable. In terms of balance, the dissatisfaction which many developing Members are currently expressing over aspects of implementation of some Uruguay Round agreements should not be ignored. Implementation is in some cases placing severe strains on resources. It is natural, too, that in certain contexts some Members may feel that anticipated benefits may not have been fully realized. While we must be careful not to give the impression that the Uruguay Round is still open, it would be healthy for the system if those Members who are experiencing genuine difficulties could develop concrete proposals in particular areas of concern.

26. In terms of future manageability, a balance should be struck between the need to keep producing positive results at regular intervals and the need to make progress on a broad front. The system will not be seen as efficient if it appears either to be incapable of decisive action or to be ignoring important issues.

27. The current Ministerial Conference in Geneva is not faced with any decisions with regard to the possible launching of future broad-based negotiations. Its central task is merely, without in any way prejudging future decisions, to set in train the development of a comprehensive range of options. Ministers meeting at the Third Ministerial Conference would then, on this basis, be well placed to make a considered decision on the scope and pace of future negotiations in the new millennium. For Hong Kong, China, we expect such future negotiations to be broad-based, balanced and comprehensive, in order to ensure the continued leadership and relevance of the WTO.
