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## HONG KONG, CHINA

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

1. As we stand on the threshold of the new Century, it is worth reflecting on what the major achievements have been in the second half of the 20<sup>th</sup> Century. One major achievement must certainly be the attainment of the governance of their own futures by many peoples who were formally under colonial rule. But together with that must rank the crucial part that world trade has played, both in terms of bringing people of different cultures together and improving living standards in many parts of the world. The GATT and now the WTO have made a huge contribution over the last 50 years to peace, prosperity and the rule of law in international commercial relations.
2. Far too little recognition is accorded to the achievements of this Organization. More and more Members have put in place increasingly liberal economic and trade policies, in Asia and in South America for example, and reaped the benefits. Many nations seek to join the WTO in order to pursue and cement their integration into the world economy. While of course the picture is not uniform, huge numbers of people are experiencing a new freedom in economies which are becoming more and more free and open.
3. But just when we should be celebrating the benefits of global trade expansion and a more inter-dependant world economy, segments of society in some countries have come to the view that globalization is responsible for many of the world's ills. This reflects both misunderstanding and, sometimes, misinformation.
4. In fact, globalization is neither evil nor a creation of the WTO. Globalization is a very positive force, integrating trade and economies and promoting growth in a way that can only benefit the world. Globalization flows from a combination of freer markets for goods, services and investment, improved communications and transport and technological advances. It allows for specialisation in areas of comparative advantage by countries in different stages of development. The WTO provides a predictable framework of rules in which this can all take place. Without it, the law of the jungle would prevail.
5. Against this background, the multilateral trading system today faces three major challenges:
  - (a) To sustain the momentum of liberalization which is vital for global growth, peace and prosperity;
  - (b) to update and develop the framework of existing rules, which in some respects has become outdated, in order to ensure that regulations are relevant, trade orientated and no more burdensome than necessary;
  - (c) to ensure that the WTO becomes truly universal, while maintaining its present character and keeping the agenda focused on its core activities.

Sustaining the momentum of liberalization

6. We are here in Seattle to launch what many have called the Millennium Round. We should not sell the new millennium short. Our peoples are not so much concerned about globalization or liberalization. It is the pace of the change that unsettles them. The bigger picture, that there are more jobs available and that they pay more, is lost in the understandable but ultimately wrong-minded wish to delay or postpone change. Such thinking during the 1930s led to the worst recession this century. We Members have a major job to do to carry the good story to our publics. We have not been doing it adequately. Increased trade and liberalization can never be taken for granted. We urge all to defend vigorously the multilateral trading system, to promote its further development and to retain its focus on matters directly related to trade.

7. What specific trade issues should be tackled to sustain liberalization? The list is impressive but achievable – if we work hard together.

8. The process in Geneva leading up to this week has, regrettably, shown little sign that Members are willing to put substantial liberalization and the long term good of their people before some narrow special interests. Hong Kong, China supports a broad-based and balanced New Round which: fully encompasses the built-in items of agriculture and services; tackles the still large number of tariff and non-tariff barriers in the non-agricultural goods sector; develops rules in the important area of investment; and takes some immediate decisions which show our publics that we mean business.

9. Agriculture is a central issue for many countries and clearly has been one of the main stumbling blocks so far in the preparations. It is perhaps inappropriate for Hong Kong, China to enter the fray on this issue but we urge those most closely involved to respect the underlying purpose of the WTO.

10. Hong Kong, China does, however, have a very strong interest in another vital part of each Member's economy and the world trading system - services. Trade in Services occupies an increasingly large proportion of international trade. In many economies, services comprises more than two thirds of GDP. For Hong Kong the figure is over 84 per cent. We have the most services-orientated economy in the world. Clearly, anything which promotes the efficiency of services industries will have a major impact on the efficiency of the overall economy. This is part of what the new Round of negotiations in services should be about: ensuring that the regulations in place both internationally and domestically are the least trade restrictive necessary and provide for the most transparency and consistency of application. Of equal importance in providing efficiency is allowing more access to and competition in services markets. This means broadening commitments under the GATS in both the market access and national treatment areas. We shall be pushing vigorously for both.

11. On the goods side, although important strides have been made in the last 50 years to reduce tariffs and non-tariff barriers, regrettably there are still far too many. We place the highest priority on launching negotiations on non-agricultural market access. Such negotiations should achieve comprehensive liberalization through substantial tariff reduction and substantial reduction or elimination of tariff peaks and tariff escalation, particularly in products of interest to developing and least-developed countries, as well as the eliminations of nuisance tariffs. Hong Kong, China itself has benefited enormously from the fact that it has no tariffs. In this connection, we also firmly support the "advance tariff liberalization" package, initiated by APEC, which aims to eliminate tariffs in a wide range of products.

12. As regards non-tariff barriers, I have to record our great disappointment at the lack of progress in liberalization of trade in textiles and clothing, one of the few sectors of trade in which developing countries enjoy comparative advantage. In this connection, I wish to draw attention to the Joint Statement which has been issued by the Ministers of the International Textiles and Clothing Bureau. The begrudging manner in which the Agreement on Textiles and Clothing is being implemented – including back-loading of integration, minimum growth rates, unjustified safeguard actions and harassment through anti-dumping – is probably more responsible, more than almost any other single factor, for the feeling which has emerged among developing countries that they have so far been denied the anticipated benefits of the Uruguay round. A feeling which has poisoned the atmosphere for future liberalization across the board.

13. Hong Kong, China also believes that the time is ripe to take steps to bring investment under the WTO umbrella. A significant step on the services side has already been taken in respect of the commercial presence provisions under the GATS. But the disciplines regarding other types of investment are either non-existent or inadequate. Investment and trade go hand in hand. It is time to have international rules governing investment.

14. There are also important immediate decisions we should take in Seattle. Several concern ensuring that developing countries' needs are better met by the WTO - and are detailed below. Electronic Commerce is becoming a central part of trade: we should extend the moratorium on imposing customs duties on electronic transmissions until our next Conference.

#### Updating Rules

15. Hong Kong has long been urging a fresh look at key WTO Rules. In Singapore we proposed a review of "*WTO Rules in a Globalizing Economy*". We believe these ideas are still pertinent. What could be more appropriate, as we enter the new Century, than to update rules which are 50 years old and seriously showing their age? Key areas are in respect of regional trading arrangements and anti-dumping. But other issues which are now being tackled within the WTO agenda also involve issues in rule making - such as services, government procurement, and trade facilitation.

16. With regard to Regional Trade Agreements (RTAs), the existing framework is no longer workable and has resulted in a dangerous state of paralysis in the WTO. It is in everyone's interests to work together to devise a clear set of rules which will ensure that RTAs make a positive contribution, and are complementary, to the multilateral trading system.

17. As regards anti-dumping, nearly all reputable commentators and institutions recognize Article VI of the GATT as outdated and inappropriate. It is all too often abused as an instrument for protectionism. There is a strong need for it to be reformed in a more pro-competitive manner.

18. It is our firm belief that it is such anti-competitive aspects of governmental trade measures which should be the focus of our attentions in the WTO. This is the traditional GATT/WTO approach. Proposals for introducing new competition rules on private anti-competitive practices will remain lop-sided and lack credibility so long as governments themselves continue at the same time to implement policies which undermine the quality of the competitive market.

19. Government procurement represents a sizeable proportion of most countries' GNP and it is appropriate for the WTO to do more to bring government procurement within its framework of rules. We strongly support the proposals for rules currently being considered on Transparency in Government Procurement. We also support the work being done to try to make the Government Procurement Agreement more acceptable to the wider body of WTO Members – and more in tune with the basic WTO principles of most-favoured-nations and national treatment. Trade facilitation is another key area in ensuring that the administrative and border measures which regulate and

administer trade do so with the least restricting and inhibiting effects. Again Hong Kong, China fully supports the work being undertaken.

20. Market access and rule making issues are, generally, inextricably interlinked and we believe it is right to tie together these two strands of negotiation in such a way as to maximize results. Hong Kong, China thus favours a three-year Round in the form of a single undertaking. We also support the early implementation on a provisional basis, where agreed, of results of both market access and rule making negotiations.

21. Before leaving rules, let me state that one area which is by and large working well is dispute settlement. No major overhaul is needed, but there are one or two key provisions which do need adjustment. We believe that, subject to these few necessary modifications, the DSU is well-equipped to serve the needs of the Organization.

#### Universality and maintaining character of the WTO

22. When we met to launch the Uruguay Round in Punta del Este, there were just 93 Contracting Parties in the GATT. Now there are 135 WTO Members with some 32 countries seeking to join. Clearly the WTO is seen as a very worthwhile body and it is only right that its membership should reflect its key role in global affairs.

23. No international organization can truly be considered universal if it does not include China. We thus welcome the bilateral agreement reached between China and the United States and look forward to other negotiations being completed speedily and to China becoming a Member in the next few months.

24. It is worth repeating here the factual and legal result of China's entry on Hong Kong, China's participation in the WTO. In brief there will be no change to Hong Kong's status and Hong Kong will continue to be a separate Member of the WTO using the name of "Hong Kong, China". This is provided for in the Basic Law of Hong Kong. We will continue to be a separate customs territory. Our trade and economic policies will continue to be separate from China's under the "one country two systems" principle. We greatly look forward to working with China, on the same friendly basis as we work with other delegations in the WTO.

25. but having a wide and representative membership does not mean that all Members automatically have the ability to participate effectively in the WTO. We must take very seriously Members' abilities to exercise not only their obligations but also their rights. All Members must feel that the system works to their benefit. This issue is behind the many implementation proposals which have emerged in recent months at Geneva, as an expression of frustration felt by many developing countries that the benefits envisaged in the Uruguay Round have not accrued to them. It is clear to Hong Kong, China that these issues must be addressed seriously – some here this week and some in the coming months and years – if the WTO is to retain the trust and support of a large number of Members.

26. But there is also another element. That is, to ensure that developing countries have the administrative structures and understanding in order properly to participate in the trading system. There are proposals before us specifically to address the concerns of the least-developed countries, who, perhaps, have benefited least thus far from the multilateral trading system. We strongly support the EU initiative to grant duty free access for all goods of least-developed countries.

27. We must also do more in terms of technical assistance and cooperation in order to provide developing countries with the help and assistance they need both to understand the various rules and issues and to participate in their development and implementation. Again there is a very sensible proposal before us to increase the WTO budget devoted to this area and Hong Kong, China firmly

supports it. The dispute settlement mechanism is rightly viewed as the jewel in the WTO crown. But it is not an area all Members are equally equipped to use, either for offensive or defensive purposes.

28. There is a third excellent initiative to form a Legal Advisory Centre to provide greater certainty that developing countries will have the resources and expertise, properly to argue their case. Hong Kong, China is proud to be a founding member of this Centre.

29. The agenda outlined above is a very substantial one and one which, if managed well, will set out the WTO on an excellent track for the 21<sup>st</sup> century. But it is clear that the organization and the system are already creaking under the strain of issues that need to be tackled. We have the excellent principle of decision-making by consensus. This is something we cherish and which we should strive to maintain. But it is also becoming clear that, with 135 and soon 160 or 170 Members, this process is becoming more difficult. We saw such difficulties in the selection exercise for the Director-General. Hong Kong, China does not have a panacea for this issue. We should simply state that the inter-governmental nature of the WTO must be maintained; the universality and the ability of all Members to feel they are part of the process must remain; but at the same time we need to find ways to streamline what we do. This matter should be given some priority in the coming year.

30. It should be clear from the above that the WTO is in no position to take on extraneous activities which are not directly related to trade. We have been somewhat alarmed at the suggested proliferation of working groups to study areas of activity which may not be central to the WTO's functions. There are proposals for working groups on biotechnology, on new technologies and on trade and labour. All these are no doubt very important subjects in their own right which deserve to be looked at in an appropriate forum.

31. But the WTO is not an appropriate forum to solve all the world's problems, nor is it as well equipped to study some of these issues as other institutions. The introduction of matters such as labour into the WTO would do the Organization irreparable damage. As we already acknowledged and decided at Singapore, the International Labour Organization is the competent body to deal with labour issues. Let there be no doubt that Hong Kong, China strongly supports labour standards and the work of the ILO. The WTO's contribution to the question of improved social conditions is indirect, through raising the prosperity of people everywhere through increased trade. That is the only relationship there can be between trade and labour standards. We should concentrate on our core business of progressive multilateral trade liberalization and leave labour standards to the ILO.

### Conclusion

32. Hong Kong, China believes that we must seize the opportunity here in Seattle to take forward our trade agenda with vigour and commitment. There should be no resting on our laurels or aiming for second best. We need to push the agenda forward so that, in the 21<sup>st</sup> century, the benefits of trade will reach every corner of the globe and our collective aim of raising the standards of living of all peoples will finally be realized.

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