

World Trade Organization Trade Policy Review
on Hong Kong, China
(6 & 8 December 2023)

Hong Kong, China Opening Statement

Introductory Remarks

Thank you, Chair. It gives me great pleasure to be here today to represent Hong Kong, China at its ninth Trade Policy Review.

2. I would like to thank Ambassador Almoqbel of the Kingdom of Saudi Arabia for chairing the meeting, Mr Bravo of Peru for serving as the discussant, and all of you for taking your time to join this review meeting. I would also like to register our appreciation of the professionalism and the arduous efforts of the World Trade Organization (WTO) Secretariat in preparing the Secretariat Report.

The Macro Picture

3. Since Hong Kong, China's last TPR in 2018, the world has gone through a pandemic of unprecedented scale. Geopolitical tensions, rise of protectionism, supply chain shifts, elevated inflation, high interest rates, as well as volatility in energy and commodity prices have all affected the pace of post-pandemic economic recovery.

4. As Hong Kong, China is a small, open and externally-oriented economy, our economic growth would inevitably be impacted by the global economic situation. In 2018, the year of our last Review, Hong Kong, China's economy posted solid growth; then we experienced a broad downturn from 2019 to 2022 mainly due to the pandemic and the challenging external environment. This year, we came out of the pandemic with strength. After growing by 2.2% year-on-year in the first half of the year, the economy continued to revive and expanded by 4.1% in the third quarter of 2023. Inbound tourism and private consumption will continue to underpin economic growth for the rest of the year. Yet, the difficult external environment amid increasing geopolitical tensions and tight financial conditions would continue to weigh on exports of goods and investment and consumption sentiment. For 2023 as a whole, real GDP is forecast to grow by 3.2%.

Staunch Supporter of Free Trade

International Recognition

5. Hong Kong, China is one of the freest and most competitive economies in the world and our status is recognised internationally. The International Institute for Management Development (IMD) rated Hong Kong, China as the world's seventh most competitive economy in 2023. We also rank among the top of the world's freest economies in the Fraser Institute's Economic Freedom of the World Annual Report, and the global first in "Freedom to trade internationally". The absence of foreign investment regulations has served us well; we were ranked fourth and

seventh globally for foreign direct investment inflows and outflows respectively in 2022. And as pointed out in the Secretariat Report, we are one of the leading international financial centres and one of the major global maritime hubs.

Supporting Multilateral Trading System with the WTO at its Core

6. The story of Hong Kong, China showcases the importance of keeping trade policies open, transparent and predictable. Being a founding Member of the WTO, we are a staunch supporter of the rules-based multilateral trading system with the WTO at its core.

7. Hong Kong, China congratulates the conclusion at MC12 of the Agreement on Fisheries Subsidies, which demonstrates the value of WTO's negotiating function in meeting present day challenges. Hong Kong, China deposited our Instrument of Acceptance for the Agreement on Fisheries Subsidies on 21 August 2023, and we look forward to the conclusion of the second-round negotiations by MC13.

8. The MC12 Outcome Document has also mandated, among other things, commencement of discussion on necessary reform of the WTO to improve all its functions. We consider that having a credible and well-functioning dispute settlement system at the WTO and revitalising its negotiation function are top reform priorities. With MC13 fast approaching, Hong Kong, China will continue to participate constructively in taking forward the Geneva Package, as well as negotiating priorities and possible deliverables for MC13.

9. We take our rights and obligations in the WTO seriously. We participate in the various Joint Statement Initiatives. We have also joined the Multi-Party Interim Appeal Arbitration Arrangement for resolving WTO disputes. Members can rest assured of Hong Kong, China's unwavering commitment to the WTO as we navigate the challenging global economic and geopolitical environment.

Free Trade Agreements and Investment Promotion and Protection Agreements

10. Apart from promoting regional economic co-operation through platforms like the Asia-Pacific Economic Cooperation (APEC) and Pacific Economic Cooperation Council (PECC). We also seek to forge free trade agreements (FTAs) as part of our efforts to promote global trade liberalisation.

11. So far, Hong Kong, China has signed eight FTAs with 20 economies. Amongst them, the FTA with Chile was enhanced with updated services commitments, and the "Mainland and Hong Kong Closer Economic Partnership Arrangement" (CEPA) (our FTA with mainland China) has been upgraded with two subsidiary agreements on goods and services added during the review period. At the moment, Hong Kong, China is working at full steam with the FTA negotiations with Peru, and striving for early accession to the Regional Comprehensive Economic Partnership (RCEP).

12. Hong Kong, China's FTAs are in full compliance with the WTO rules, and can serve as building blocks for global trade and investment liberalisation. Being complementary to and mutually reinforcing with the multilateral trading system, we believe that Hong Kong, China's FTAs can help generate momentum for further liberalisation, including that under the agenda of the WTO.

13. In addition to FTAs, to date, we have signed 23 Investment Promotion and Protection Agreements (IPPAs) with 32 trading partners around the globe. Hong Kong, China will continue to explore and forge FTAs and IPPAs with other economies so as to demonstrate our firm commitment to trade liberalisation, and to continue to enhance our role as an investment and trading hub.

Major Developments since the Last Review

14. The Secretariat and Government Reports have set out major developments in Hong Kong, China's trade and economic policies since the last Review. As you may be aware, our Chief Executive delivered his 2023 Policy Address at end October, which sets out an array of policy measures to realise the vision of a "Vibrant Economy for a Caring Community". Taking this opportunity, I would like to highlight some of the new developments that may be of greater interest to you.

Financial Services

15. The financial services industry has all along been the stronghold of Hong Kong, China's economy, contributing over one-fifth of our GDP and 7.6% of our total employment. According to the Global Financial Centres Index 34 (GFCI 34) Report published in September this year, Hong Kong, China was ranked fourth globally.

16. Over the past few years, we have been enhancing the competitiveness of our listing platform and improving our connectivity, so as to embrace new trends, explore new markets, and adapt to development of new financial tools. For example, listing of pre-profit or pre-revenue biotech companies, new-economy companies with weighted voting right structures, and hard-tech companies on our stock exchange are now allowed. We are now the second largest biotech fund-raising hub. And new-economy companies now represent about one-fourth of our stock market capitalisation and daily transaction value, even though they constitute only a tenth of the companies listed.

17. Renminbi has become one of the major currencies for trade settlement and reserve, and with growing importance. As an international financial and trading hub connecting mainland China and the rest of the world, Hong Kong, China has enhanced our role as the offshore Renminbi business hub. We hold about one trillion in Renminbi deposits representing nearly half of all offshore Renminbi deposits. We also handle 75% of the world's Renminbi trade settlements. Hong Kong, China will continue to strengthen the offshore Renminbi business through, for example, the

introduction of offshore mainland government bond futures and the enrichment of the variety of Renminbi investment products.

Intellectual Property Rights

18. With regard to intellectual property (IP) protection, Hong Kong, China is fully committed to upholding a robust and effective regulatory and enforcement regime. According to the 2023 World Competitiveness Yearbook, Hong Kong, China was ranked the 12th (out of 64 jurisdictions) on the sub-category "intellectual property rights".

19. Our IP legal framework complies with our international obligations under various treaties such as the Agreement on Trade-Related Aspects of Intellectual Property Rights of the WTO. Since the last Review, Hong Kong, China has been taking forward a number of major initiatives to enhance our IP regime, including amending the Copyright Ordinance so as to strengthen copyright protection in the digital environment. Going forward, we will conduct consultation next year to explore further enhancement to the Ordinance regarding protection for artificial intelligence (AI) technology development.

20. On enforcement, we have been working closely with counterparts in other jurisdictions and international organisations in mounting joint operations, intelligence exchange and best practice sharing to tackle piracy and counterfeiting activities.

Trade Facilitation

21. I now turn to trade facilitation. According to the OECD Trade Facilitation Indicators published in March 2023, Hong Kong, China is one of the top performers in the area of trade facilitation. In this regard, we are pressing ahead with the development of the Trade Single Window (TSW) to provide a one-stop electronic platform for lodging over 40 types of trade documents with the government for trade declaration and customs clearance. Currently, 34 types of trade documents are already covered. Our target is to start rolling out the last phase in 2026 and fully implement the Trade Single Window by 2027.

SMEs

22. SMEs have always been the cornerstone of Hong Kong, China's economy. They account for more than 98% of our business establishments and employ more than 44% of our workforce in the private sector. Their vitality and business performance are of crucial importance to the development and growth of Hong Kong, China's economy. To ensure the sustainable and inclusive growth of our economy, we will support SMEs to rise to challenges and accelerate their participation in the global value chain. New initiatives announced in this year's Policy Address include the promotion of digital transformation, the provision of easier access by SMEs to export credits, trade finance as well as e-commerce platforms.

Women

23. Hong Kong, China attaches great importance to the contribution of women. We established the Women's Commission in 2001 to advise the government on strategies for the development and advancement of women. A new Women Empowerment Fund was set up in June 2023 to promote the use of new information and communication technology among women, help women cope with different roles in family and society and enhance their physical and mental health, etc. Furthermore, the office of the Commissioner for Women Affairs will be set up to holistically steer work related to women's affairs. The importance we attach to enabling women's meaningful participation in Hong Kong, China's development has led to encouraging results. You may be interested to note that female students have continued to outnumber their male counterparts in Hong Kong, China's government-funded higher education programmes.

Green Transition

24. On green transition, Hong Kong, China spares no effort in tackling the climate crisis through ambitious and bold policy measures. In the next 15 to 20 years, the government will devote about USD 30 billion to implement a wide array of climate-change mitigation and adaptation measures, including the implementation of Hong Kong, China's Climate Action Plan 2050. We have also been supporting green transformation in the Asia-Pacific region through our role as an international financial centre.

In 2022, green and sustainable debt, including bonds and loans, issued in Hong Kong, China rose to more than USD 80 billion. The volume of green and sustainable bonds arranged in Hong Kong, China accounted for one-third of Asia's total issuance. Hong Kong, China also aspires to be a global market for high-quality, voluntary carbon credits.

Strategic Directions

25. Looking ahead, Hong Kong, China's development direction would converge on four key areas. First, Hong Kong, China will uphold the "One Country, Two Systems" principle and continue to capitalise on our distinctive advantages. Under "One Country, Two Systems", Hong Kong, China as a separate customs territory, has developed and flourished into one of the world's most open and freest economies. We will continue to leverage our fundamental strengths, including our rule of law founded on the common law system, free flow of goods, capital, information and people, as well as our network of international trading partners and our seamless connectivity with economies in the region.

26. Second, Hong Kong, China will continue to maintain our free and open trade and investment regime, providing a business-friendly and predictable environment and a level-playing field for all companies in Hong Kong, China regardless of their origin. We remain committed to our WTO obligations and seek to further liberalise trade. To ensure sustainable and diversified growth, Hong Kong, China will endeavour to attract enterprises from all over the world to set up headquarters and/or corporate

divisions in Hong Kong, China. In this regard, expatriates living in Hong Kong, China may now travel to mainland China on "multiple-entry visas", and benefit from the connectivity between the two places. The latest visa facilitation measure is set to contribute to our "Headquarters Economy" strategy.

27. Third, in order to strengthen our competitiveness, we will drive Hong Kong, China's economy towards high-quality development and long-term growth. To this end, innovation and technology (I&T) is the key. We promulgated the "Hong Kong Innovation and Technology Development Blueprint" in December 2022 setting out the strategic planning for I&T development over the coming decade. We will press ahead with the digitalisation of government services, using AI and opening up more government data to accelerate development of digital economy.

28. Last but not least, we will strive to foster a sustainable and inclusive economy. Hong Kong, China has promulgated our Climate Action Plan and adopted a multi-pronged strategy to achieve sustainable growth. According to the World Bank data, Hong Kong, China's women labour force participation rate is higher than the world average in 2022. We continue to pursue various initiatives to foster gender equality and to further promote women's development in Hong Kong, China. Also, we will step up support to SMEs to help them grow, innovate and embrace future opportunities.

Concluding Remarks

29. Your excellencies and distinguished delegates, in the midst of increasing unpredictability of the world economy, a rules-based, non-discriminatory and transparent multilateral trading system with the WTO at its core becomes all the more important. Hong Kong, China takes our rights and obligations in the WTO seriously. We are committed to working with all WTO Members to address the challenges, the WTO negotiations and reform discussions, thereby strengthening the multilateral trading system.

30. Thank you again for your questions and participation in Hong Kong, China's TPR meeting today. We look forward to listening to your observations and engaging in productive exchanges with you on our trade policies and practices.