

LCQ22: Hong Kong's participation in affairs of international organisations

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (February 27):

Question:

It has been reported that the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) collectively signed by 11 countries formally took effect in December last year, marking the birth of a new economic circle accounting for 13 per cent of the global gross domestic product and having a population of over 500 million as well as the world's third largest free trade area. On the other hand, Article 151 of the Basic Law provides that "[t]he Hong Kong Special Administrative Region may on its own, using the name "Hong Kong, China", maintain and develop relations and conclude and implement agreements with foreign states and regions and relevant international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, tourism, cultural and sports fields". Regarding Hong Kong's participation in the affairs of international organisations, will the Government inform this Council:

(1) of the decision-making mechanism concerning Hong Kong's participation in the affairs of international organisations and entering into agreements on regional co-operation, and whether the Government will discuss the relevant issues with the Central People's Government or its departments concerned; if so, of the details;

(2) whether it has conducted studies on Hong Kong's accession to CPTPP; if so, of the details; if not, the reasons for that; and

(3) as it has been reported that quite a number of countries around the Pacific Rim are going through the procedures for accession to CPTPP, whether it has assessed, under the circumstances that Hong Kong has yet to accede to CPTPP, the impact of those countries' accession to CPTPP on Hong Kong's economic and trade competitiveness in the coming three years; if so, of the outcome; if not, the reasons for that?

Reply:

President,

In accordance with Articles 116 and 151 of the Basic Law, the Hong Kong Special Administrative Region (HKSAR), as a separate customs territory, may, using the name "Hong Kong, China", participate in relevant international organisations, and sign and implement free trade agreements (FTAs) with its

trading partners.

Making full use of its unique status conferred by the Basic Law and the principle of "one country, two systems", Hong Kong has all along participated in international organisations such as the World Trade Organization (WTO) and Asia-Pacific Economic Cooperation as a full and separate member under the name "Hong Kong, China", and has negotiated and signed FTAs on its own with its trading partners, with a view to pursuing deeper economic integration with different parts of the world. Hong Kong enjoys a high degree of autonomy in the participation in external trade and economic matters. This exemplifies the successful implementation of the "one country, two systems".

With globalisation of the world economy, it has become a major trend for trading partners to enter into FTAs and regional economic co-operation arrangements. As an ardent advocate of free trade, Hong Kong welcomes any initiatives that promote free trade.

Replies to the three parts of the question are as follows:

(1) In selecting and determining Hong Kong's target FTA partners and their relative priorities, the Government takes into account the unique characteristics of Hong Kong's economy and devise a strategy that is in the best interest of Hong Kong, including through the signing of FTAs with economies that have strong economic and trade connections with Hong Kong, markets with development potential or at strategic locations, as well as like-minded trading partners, with a view to expanding Hong Kong's global economic and trade network. Once the priority targets are identified, the Government will explore with the concerned economies the possibility of an FTA initiative and ascertain whether the two sides would like to strengthen bilateral economic ties through an FTA.

So far, Hong Kong has reached agreement on nine FTAs with 21 economies, i.e. Mainland China, New Zealand, the four member states of the European Free Trade Association (Note 1), Chile, Macao, the ten member states of the Association of Southeast Asian Nations (ASEAN) (Note 2), Georgia, Maldives and Australia.

In the Policy Address announced in October 2018, the Chief Executive set out the Government's priorities in signing FTAs in future. Hong Kong is exploring an FTA with the Pacific Alliance (Note 3) and plans to seek accession to the Regional Comprehensive Economic Partnership (RCEP) (Note 4) after its negotiations have been completed. The Government is also exploring with the United Kingdom (UK) options for furthering the economic ties, including the possibility of an FTA in future.

The four members of the Pacific Alliance, namely Chile, Columbia, Mexico and Peru, account for nearly 40 per cent of the gross domestic product (GDP) of Latin America. They are also Hong Kong's major trading partners in that part of the world. Signing an FTA with the Pacific Alliance will help deepen Hong Kong's economic and trade co-operation with Latin America and bring new opportunities to Hong Kong businesses.

All the 16 RCEP participating economies are Hong Kong's important trading partners. Their combined GDP represents nearly one third of the world's total. In 2018, Hong Kong's total trade with the RCEP economies was US\$836.9 billion, accounting for 74 per cent of Hong Kong's total trade. Joining RCEP will enable Hong Kong's entry into the largest FTA in the Pan-Asia region and help strengthen Hong Kong's role as a trading and investment hub in the region.

The UK and Hong Kong have deep and long economic and trade relations. With the launch of the Strategic Dialogue on Trade Partnership, Hong Kong and the UK are exploring the possibility of signing a bilateral FTA after Brexit which will be vital to consolidating and further promoting bilateral trade relations.

The Government is making every effort to follow up on the various new FTA initiatives set out in the Policy Address mentioned above.

(2) As a staunch supporter of free trade, Hong Kong supports the removal of trade barriers and measures that promote free trade. The Government has all along been monitoring the bilateral and plurilateral FTA negotiations of other economies, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (Note 5) and the above-mentioned RCEP.

The Government has all along been actively seeking to forge FTAs with Hong Kong's trading partners and the Government has an open mind on accession to the CPTPP. The Government notes that, unlike WTO agreements and traditional FTAs, CPTPP has a very extensive coverage, including a number of policy areas beyond core trade issues. The Government will continue to assess the situation.

(3) Broadly speaking, the relaxation of trade restrictions among members of the CPTPP would improve the resources allocation efficiency in member economies, thereby improving their income and production capacity as well. This would in turn lead to strengthening of import demand in those economies and hence boosting worldwide trade flows as well as the global economy.

Such spill-over effect of the CPTPP would benefit both member and non-member economies. Given Hong Kong's close economic relationships with many of the CPTPP members, and that Hong Kong has reached agreement with many of them on FTAs, Hong Kong could potentially benefit from the more active regional economic and trade activities arising from the CPTPP.

CPTPP entered into force for some of the member economies just end of last year. The impact of CPTPP on the global and regional economy would depend on a complex array of factors, including the flexibility of the global supply chain and how businesses react to the new trade terms. Against the backdrop of today's dynamic and fast-evolving global trade and investment landscape, it would take time for the impact to surface.

Note 1: The European Free Trade Association comprises Iceland, Liechtenstein,

Norway and Switzerland.

Note 2: The member states of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Note 3: Pacific Alliance comprises Chile, Colombia, Mexico and Peru.

Note 4: RCEP participating economies are the ten member states of ASEAN and its six FTA partners, i.e. Australia, Mainland China, India, Japan, Korea and New Zealand.

Note 5: CPTPP participating economies are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.