

Speech by SCED at plenary session of APEC Ministerial Meeting (English only) (with photo)

Following is the speech by the Secretary for Commerce and Economic Development, Mr Edward Yau, at a plenary session themed "Improving Connectivity, Deepening Regional Economic Integration" at the 30th Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting in Port Moresby, Papua New Guinea today (November 15):

Chairman,

Since we met in May, the threat and danger imposed by protectionist measures are not merely imminent but also real. Two worsening signs have been imposed on world trade and our multilateral trading system:

(a) the sanctions triggered by trade disputes have reversed the otherwise positive and productive year of trade in 2018. Taking Hong Kong China (HKC) as an example, for the first nine months of 2018 as a whole, the value of total exports and import of goods rose by a double-digit growth, but the global outlook for 2019 has turned negative, gloomy and uncertain to say the least.

The International Monetary Fund and World Trade Organization (WTO) have knocked down the full year projection of world trade for 2018 by 0.5 per cent. The Director-General of WTO went even further to forecast that a full-blown global trade war, if it ever happened, would reduce global trade by around 17 per cent and GDP growth by 1.9 per cent.

(b) HKC's greater worry is for an inflicted wound of a systemic nature, seeing the proliferation of unilateral tariff increase and individual members tackling disputes outside the WTO mechanism.

This is widely seen as a retrogression from trade liberation since the founding of the WTO. We are certainly bothered by the increase rather than reduction or removal of tariffs in trade; and the continued blockage that threatens the effective functioning of dispute settlement mechanism of the WTO.

As I mentioned in May when we last met, trade disputes do not only hurt the rival parties, but also impose a heavy toll on world trade and economic development. Given the complexity of the global supply chains, trade barriers, be they tariff or non-tariff, will result in higher cost of business that would be borne not just by the producers or exporting party, but equally, if not more significantly, by the importing and consumer end. With the likely escalation of trade frictions, the uncertainties in the external environment have increased significantly. This could weigh on global economic sentiment as well as trade and investment growth, and the collateral

damage will be borne by most, if not all, members of our global trading communities.

As a staunch supporter of the multilateral trading system (MTS) and a free trade practitioner, HKC is highly vulnerable but it does not stop us from defending more rigorously the MTS. And only by defending the MTS could the interest of free traders be safeguarded. We must not underestimate the unprecedented challenges facing the MTS with the WTO at its core. All of us therefore have strong vested interest in upholding and strengthening the WTO, instead of letting it slowly slide into marginalisation.

We urge fellow APEC members to redouble our efforts to contain the escalating trade conflicts through constructive dialogue.

It would be naïve to think free trade is free of dispute. But the very purpose of maintaining an effective MTS is to allow disputes to be discussed, negotiated and settled through rules and mechanisms created for such purposes. HKC expresses our utmost concern about the ongoing impasse in filling the vacancies in the Appellate Body (AB), which is now left with three serving judges – the minimum for the AB to function. We object strongly to holding hostage the selection process under the pretext of any dissatisfaction over existing rules or practices.

In view of the indispensable role that the WTO plays in facilitating and safeguarding trade, HKC fully shares the need to constantly review and improve the functioning of the system. We note that efforts to reform or modernise the WTO are taking place and some members have already put forward proposals to improve the important pillars of the WTO and update global trade rules. We welcome constructive moves that will help facilitate members' discussions with a view to bringing the WTO forward instead of a standing still. Nevertheless, given the diverse interests and priorities among all WTO members, any improvements must be premised on a balanced approach recognising the rights and obligations of members, and must be done in good faith and with a firm commitment to strengthening rather than weakening the rules-based MTS.

While there may be barriers in trade, HKC and like-minded economies and supporters of WTO are strengthening our alliances. Following the free trade agreement (FTA) with ASEAN, HKC is expecting to conclude an FTA negotiation with Australia. We also signalled our intention to start FTA negotiations with the Pacific Alliance and to join the Regional Comprehensive Economic Partnership when time is ripe.

Connecting the Region through Regional Economic Integration

Free Trade Area of the Asia-Pacific

Turning to regional economic integration, HKC supports efforts in achieving the Bogor Goals and deeper economic integration in the Asia-Pacific region. We are committed to pursuing FTAs with our trading partners, and to pursuing the long-term vision of the Free Trade Area of the Asia-Pacific

(FTAAP) as a concrete step towards greater regional economic integration. We welcome progress on various fronts under the FTAAP undertaken by member economies. All the more important against the backdrop of trade war, our concerted efforts must continue to maintain momentum for the early realisation of FTAAP.

Post-2020 Vision for APEC

We welcome the establishment of the APEC Vision Group with members from business community, academic institutions and governments around the region. I am sure that the Group, with its deep knowledge and insight, will come up with useful and constructive recommendations to set APEC on the right path for deeper trade liberalisation, and a sustainable and more inclusive growth in the region to address the emerging opportunities and challenges arising from digital technologies, thereby bringing further benefits and prosperity to the general community of the Asia-Pacific region.

Potential of Internet and Digital Economy to Support Micro, Small and Medium Enterprises (MSMEs)' Internationalisation

As a concrete step to foster participation by MSMEs in the international trade in the digital era, HKC has, over the past two years, been spearheading the development of an APEC-wide co-operative online dispute resolution (ODR) framework for MSMEs with a view to strengthening MSMEs' competitiveness and internationalisation in the digital era. The high legal cost and language barriers associated with dispute resolution are one of the greatest challenges for MSMEs involved in international trade. The ODR will assist MSMEs with limited resources through the use of digital technology to facilitate speedy dispute resolution in cross-border trade. We are glad that this initiative is well-supported by APEC member economies, with 14 economies co-sponsoring the proposal.

Meanwhile, HKC also supports other APEC projects that help MSMEs stay competitive through internationalisation, modernisation and innovation, and achieve sustainable and inclusive growth. We have co-sponsored a number of projects at the SME Working Group in areas including developing young entrepreneurs, empowering women in business, business ethics, and e-commerce. We look forward to further collaboration with APEC members.

Domestically, HKC administers a wide range of supporting measures to encourage research and development (R&D) investment by enterprises. In this regard, we will roll-out a tax deduction scheme for their qualifying R&D expenditure up to a 300 per cent tax rebate. We also have a vibrant and well-developed private venture capital market that provides an enabling environment for MSMEs to thrive in the digital market.

APEC's Action Agenda on the Digital Economy

The APEC Internet and Digital Economy Roadmap was adopted by senior officials last year. The Roadmap serves as a useful framework providing guidance on key areas and actions to facilitate technological and policy

exchanges among APEC member economies. This year, under the able chairmanship of Papua New Guinea (PNG) and the concerted efforts of member economies, we are glad that a new APEC governance mechanism is established to co-ordinate various APEC fora and take forward the work of the Internet and digital economy. Furthermore, the APEC's Action Agenda on the Digital Economy (Action Agenda) put forward by PNG has outlined concrete directions for the implementation work next year. I am pleased to join hands with other ministers in recommending the Action Agenda for endorsement by our leaders as a key 2018 deliverable of APEC.

Connectivity

HKC fully supports strengthening the physical, institutional, and people-to-people connectivity of the region by 2025. To share our efforts in addressing connectivity challenges, HKC has contributed a case study on our newly operated Guangzhou-Shenzhen-Hong Kong Express Rail Link project to the report on "Case Studies on Addressing Connectivity Challenges in APEC economies", which is a key connectivity initiative this year.

Services

Being a predominantly services-oriented economy, HKC welcomes the progress made in the implementation of the APEC Services Competitiveness Roadmap. We support the initiatives under the Roadmap to enhance competitiveness in the services sector and spur on progress towards the goal of 2025, and we have been actively working with member economies in developing the APEC Principles for Domestic Regulations in Services Sector and studying the index to measure the regulatory regime of services trade in APEC. We stand ready to work with other APEC member economies in taking forward the Roadmap, so as to develop an efficient and competitive services sector.

Thank you.

