

Structured Dialogue meeting between EU and HKSARG explores ways to deepen relations

The 12th annual Structured Dialogue meeting between the European Union (EU) and the Government of the Hong Kong Special Administrative Region (HKSARG) was successfully concluded today (December 7) in Brussels. The Structured Dialogue comprehensively reviews all aspects of, and gives further impetus to, even closer EU-Hong Kong cooperation.

The meeting was co-chaired by the Deputy Managing Director for Asia and the Pacific of the European External Action Service, Ms Paola Pampaloni, and the Deputy Secretary for Commerce and Economic Development (Commerce and Industry) of the HKSARG, Ms Vivian Sum. Both sides discussed a wide range of subjects and identified areas for further cooperation.

As a key deliverable, the EU and the HKSARG agreed to strengthen their cooperation within the World Trade Organization (WTO), pledging to work together and support ongoing efforts to reform the WTO as a key pillar of rules-based, multilateral, open, free and non-discriminatory trade. Constructive discussions also took place with a view to removing obstacles to bilateral trade. They also took stock of the good progress under the ongoing EU-Hong Kong Action Plan on Cooperation in the Customs Enforcement of Intellectual Property Rights and looked forward to potential further collaboration under the initiative. The EU and the HKSARG will continue the preparatory work on the innovation and technology aspects of a Mutual Recognition (MR) of Authorised Economic Operators and look forward to conducting other preparatory activities towards MR in due course. Looking ahead, the EU and Hong Kong identified the circular economy (including waste plastics) as an important area for future cooperation. The circular economy is a priority field for international cooperation for the EU, in which Hong Kong shares great interest.

The EU and Hong Kong enjoy an excellent relationship. The close trade and investment partnership between the two sides is evident in the high value of trade in goods and services as well as the flow of foreign direct investment. As in previous years, the EU as a single customs entity remains Hong Kong's second largest trading partner after Mainland China, while Hong Kong is the EU's 17th largest trading partner in goods, and remains its key partner for trade in services. Hong Kong is one of the EU's major direct investment destinations. As at end 2016, the EU was the third largest source of foreign direct investment in Hong Kong. In turn, Hong Kong remains the EU's second most important direct investor from Asia, after Japan.

Ms Pampaloni stated, "The EU is looking forward to further strengthening and expanding its relations with the HKSARG. Hong Kong's success is founded on the high degree of autonomy, robust rule of law, independent judiciary and respect for fundamental rights and freedoms, such as freedom of expression

and freedom of press, that are guaranteed under the Basic Law and enshrined in the 'one country, two systems' principle, to which the EU is strongly committed. In light of recent developments, it is important to safeguard the uniqueness of Hong Kong's system which will be key for maintaining business confidence and Hong Kong's competitive edge in the future." She added that, "According to the latest survey by the HKSARG, over 2 200 EU companies have set up their businesses in Hong Kong and around half of them are using Hong Kong as their regional headquarters or regional offices. The EU is an interested party and a stakeholder in the future of Hong Kong, as well as a keen observer of its development."

Ms Sum said, "Under the 'one country, two systems' principle enshrined in our Basic Law, Hong Kong is a free port and a separate customs territory. Hong Kong remains one of the most open and liberal economies in the world. We are encouraged by the commendation of Members of the WTO, including the EU, on our free and open trade policies as well as our unwavering commitment to the rules-based multilateral trading system during the Trade Policy Review just concluded in Geneva last week. The HKSARG, as always, respects, abides by and upholds the 'one country, two systems' principle. We will continue to promote Hong Kong's unique status and advantages under the Basic Law and the 'one country, two systems' principle which empower Hong Kong to establish and maintain a mutually beneficial collaboration relationship with economies around the world in our own right. We particularly treasure our strong and longstanding connections with the EU. We look forward to working even more closely with the EU in further strengthening our ties on all fronts".

The Dialogue provides an opportunity to discuss recent developments before exploring in detail the trade and regulatory agendas. The EU informed the HKSARG that despite the current economic slowdown and a less favourable international environment, the sound fundamentals of the European economy should allow the economy to grow further. The two sides updated each other on the latest developments relating to their respective initiatives on free trade agreements and investment agreements. They further exchanged views on the potential negotiations on investment agreement, taking into account the strong and ever-growing trade and investment relations.

The opportunity was then taken to update each other on the latest developments on platforms for cooperation on connectivity. The HKSARG briefed the EU on its work in taking forward the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. The EU presented its recent 'Strategy on Connecting Europe and Asia' which provides a new platform for cooperation with partners on sustainable connectivity. The HKSARG also informed the EU of its latest progress in implementing various international tax co-operation initiatives. Both sides exchanged views on the implementation of their respective competition laws. The EU and the HKSARG also provided updates on their respective key initiatives to support scientific research, innovation and technology development, as well as updates on their respective data protection regimes, such as the General Data Protection Regulation adopted by the EU recently and the current reflection in Hong Kong on its review of legislation on protection of personal data. The Dialogue provided an opportunity for the two sides to exchange views on their

respective legal and institutional framework on anti-money laundering and countering terrorist financing. The EU informed on its latest regulatory developments, and in particular the 5th Anti-money Laundering (AML) Directive and the policy towards identifying high risk third countries based on a new methodology. Hong Kong updated on its implementation of AML measures, particularly those following Financial Action Task Force recommendations, including measures on transparency of beneficial ownership and licensing regime for trust and company service providers, etc.

In the margins of the Structured Dialogue, a technical meeting on financial services took place on December 6. Participants updated each other on latest developments in the financial sector, and exchanged information on several strands of work, such as asset and wealth management, sustainable finance, fintech, derivatives and the securities market.