

Press Releases

Closing Address by SCED at 9th World Chinese Economic Summit 2017
(English only)

Following is the closing address by the Secretary for Commerce and Economic Development, Mr Edward Yau, at the 9th World Chinese Economic Summit 2017 today (November 13):

Tan Sri Dr Michael Yeoh (Chairman of the World Chinese Economic Summit and Chief Executive Officer of the Asian Strategy and Leadership Institute), distinguished guests, ladies and gentlemen,

I am asked to give a concluding remark to your day-long programme on the topic of managing global uncertainty and exploring new opportunities. This is an impossible task given the little I know as a four-month long trade minister, when compared with the wisdom displayed by all the prominent and heavyweight speakers before me, including of course the Chief Executive who must have given you a full flavor of how she sees Hong Kong, China and the wider world.

Therefore, I will not try to conclude but to raise a few questions for you to take home, or for sharing over your well-earned and long-awaited dinner to come.

The three questions I would raise for your thoughts are:

First, Thomas Friedman said that the world is getting flatter and smaller, which obviously, is the result of globalisation. But is international trade getting easier or tougher?

Second, referencing Hong Kong as an example, what are the forces at play that shape our trade? And if such experience is any reference to go by, will these forces continue to shape regional and international trade?

Third, we are facing new ideas, new terms and new philosophy that are bombarding the multilateral trading system, the question before us is: is free trade free and is fair trade fair?

I will go over these questions with you one by one.

Question one, is international trade getting easier or tougher? This is important to me as a trade minister as it affects my work too.

Reviewing the past, we got some hints. First and foremost, I think that trade and investment flow between nations and economies have increased and we trade by and large easier and more freely than before. The strongest evidence is the removal of tariff barriers and the increase of global trade since the setting up of the World Trade Organization (WTO).

The Uruguay Round, which led to the creation of the WTO on January 1, 1995 had brought about the biggest reform of the world's trading system since the General Agreement on Tariffs and Trade was created at the end of the World War Two.

There is a significant increase in the number of "bound" tariffs. Developed countries increased the number of imports of which tariff rates are bound from 78 per cent of product lines to 99 per cent. For developing countries, the increase was considerable, from 21 per cent to 73 per cent.

Developed countries' tariff cuts were for the most part phased

in over five years from January 1, 1995. The result is 40 per cent cut in their tariffs on industrial products, from an average of 6.3 per cent to 3.8 per cent. The value of imported industrial products that receive duty-free treatment in developed countries jumped from 20 per cent to 44 per cent.

So, there has been substantial easing of tariff barrier among developed and developing countries. But the questions remain if non-tariff barriers will be substantially removed in the same way as tariff barriers, are we seeing a clear pathway for trade to be further liberalised through the same pathway that Uruguay Round had paved or when WTO was first established?

An easy reminder is that it took eight years for the Uruguay Round to complete but following that, the Doha Round, which was started some 20 years ago, is still in the process of negotiation. Moreover, the aspiration goals raised in the Doha Development Agenda are facing a big uncertainty, at least that was the case when we depart from the 10th WTO Ministerial Conference held in Nairobi two years ago.

I came back recently from the WTO Informal Ministerial Gathering held in Marrakesh last month with worries cried out loud by the WTO Director-General and Chair that without a clear consensus, the chance of having an agenda agreed remains gloomy.

Coming closer to this part of the world, the aspiration goal of establishing a Free Trade Area within the Asia-Pacific Region by the year 2020, what we called the Free Trade Area of the Asia-Pacific, was made in 1994 in Bogor. Again, two decades have gone by, and with a few years remaining from the target day, we only start to talk about forming an Asia-Pacific Economic Cooperation (APEC) Vision Group to look into this goal.

Also, it took ministers and senior officials four consecutive nights to reach a Trade Ministers' Declaration which seeks to reaffirm their commitment to regional cooperation and economic integration. I can tell you without breaching the Chatham House Rules that the major controversy was on trade. Trade, which used to be the common language among APEC members and the driving engine of growth among these 21 economies, has become the bone of contention that risk derailing from the strong consensus built among member economies, let alone the fine tradition of APEC being the driver for trade liberalisation for WTO.

So, I am puzzled if international trade is getting easier or tougher ahead, but I know for sure my life and my team are definitely getting tougher in these multilateral trade talks and negotiations.

Question two, what has shaped the regional trade pattern using Hong Kong as a reference?

The last two decades, we have seen a remarkable growth of trade not just within the Asia-Pacific region but also the trade of this region with the wider world. You may also say that Asia Pacific has been truly the economic driver of the global trade.

I pick Hong Kong as the reference point not because of my self-centeredness but because Hong Kong is a free trade entity as evident by the strong and widely recognised reputation of the world's freest economy, and that we are a territory with zero tariff. By looking at who are in the league in trading with Hong Kong over time might be indicative of what has shaped our regional trade scene.

Twenty years ago when I was a junior trade official, the brief I did for my senior told me that Hong Kong's major trading partners, in order of value was China, the United States (US), the

European Union (EU), followed by Japan. After two decades, the current pecking order has changed significantly. Not much surprise, China remains at the top, capturing 50 per cent of our trade. To my bigger surprise, the Association of Southeast Asian Nations (ASEAN) as a group, which was not even among the top five trading partners 20 years ago, ranks only second to China surpassing the US, the EU and Japan as their total share of trade volume with Hong Kong dropped by half. Four members of ASEAN, namely, Singapore, Vietnam, Thailand and Malaysia, have also emerged to be among the top 10 trading partners of Hong Kong bilaterally.

I must reiterate that Hong Kong does not pick who to trade with, nor do we protect one economy against the other. All of them enjoy equal and unhindered access to our market.

What does the above changing pattern shows? Clearly China, especially after its accession to WTO some 15 years ago, its significance in regional and global trade has increased. As a matter of fact, China was not even a member of WTO 20 years ago. China ranked 11th in terms of trade value. Today, China ranks second after the US. Hong Kong ranked 7th in trade in goods 20 years ago and has remained in this position after two decades. Therefore, Hong Kong has not changed its position, nor its policy towards trade, but the trade policy and openness of markets towards trade has changed significantly in this part of the region, namely China, and I would say the ASEAN as well. ASEAN's trade with Hong Kong and that with China have grown in parallel during this period of time.

I think the above provides a firm and solid background for you to realise why the Hong Kong - ASEAN Free Trade Agreement that was signed yesterday was not just timely but also a reflection of the close partnership between Hong Kong and these 10 emerging and fast growing trade regions in Asia.

The question is whether this pattern is being followed in areas outside Asia? I will let you find your answer by observing the experience in the wider Pacific.

Question three, every now and then, we talk about new trade order and it is not uncommon for us to toy with new terms in defining trade.

There is a little secret within the trade circle that trade officials and bureaucrats who spent their long career in Geneva are fond of creating words, terms and jargons that would not be easily understood by people outside that circle. We call them multilateral trade languages, very legalistic, carefully crafted, and could only be decoded at the numerous bilateral exchanges within the multilateral settings. Nonetheless, as time goes by, one would finally get to know these words when they are put into trade policies, negotiated text of trade agreements, and in dispute settlement.

As a newly appointed trade minister, I must say that I am learning my way and the curve is steep and at times slippery. But there is something that is not too difficult for a Hong Kong trade minister to learn, which is the significance of free and open trade to Hong Kong's survival, and the importance of maintaining an open, functioning, rule-based multilateral trading system to global trading environment.

Open and free trade is the basic and fundamental value to the global trading environment. As basic economics tells us that trade is not a zero-sum game. Hong Kong is and will remain the strongest testimony of how open and free trade brings us economic prosperity and development. Our free trade stance does not inhibit our growth but makes us the world's most competitive economy. We run deficit in trade with many economies but we never complain or seek ways to

limit it. Quite the contrary, we enter into trade agreements to help open more doors that allow flows of goods, services and capital without fear or favour.

WTO, to us is the manifestation of a multilateral trading system that seeks to remove and reduce trade barriers, create rules by consensus, and address any disputes through rules agreed and mechanisms that are open and transparent.

WTO is by no means perfect nor is any multilateral trading system that could sufficiently address the issues of disparity in growth among different parts of the system. That is why in promoting trade, WTO and regional trade blocs like APEC and ASEAN should also address disparity and development issues through seeking ways and means to promote inclusive growth, narrow gaps between partners by economic integration, capacity building and technical assistance, and also not to lose sight of wider global issues such as taking care of the environment, poverty and climate change.

Our bottom line is to address these issues through negotiation, consensus building, and dispute settlement without making trade liberalisation as the scape goat for problems arising from globalisation and development. No doubt, all these make the agenda of APEC and WTO much heavier than before and tougher in reaching consensus.

I am not exaggerating. Let us look at what has been landed on the table of the upcoming 11th WTO Ministerial Conference to be held in Argentina. We have yet to arrive at an agreeable agenda, let alone the prospect of a forward-looking outcome or collective statement. Look at the recently-held APEC Ministerial Meeting, the little secret of why the ministers and their senior officials took four consecutive nights' working beyond midnight and almost failed in coming up with a Ministerial Statement was largely because of the language on trade.

But I can tell you, without breaching the Chatham House Rules that even among veteran trade representatives involved in the drafting, many are at a loss if free trade is really free and the notion of fair trade really fair.

I am sorry if I raised more questions than answers and pardon me for failing to draw any conclusion to your day long discussion on this very important subject. But do not mistake me, Hong Kong remains positive and hopeful that the multilateral trading systems will continue to work.

Allow me to repeat two small remarks I made at APEC and ASEAN in the last few days in Da Nang and Manila respectively to round up my remarks.

I said at the APEC Ministerial Meeting that "uncertainties remain in various quarters and if not managed well, could impede trade and undermine the hard earned economic rebound. It is incumbent upon us to keep up our efforts in spearheading further trade liberalisation initiatives to sustain the economies' recovery to bring about sustainable, innovative and inclusive growth to our communities."

And in the signing ceremony of the Hong Kong - ASEAN Free Trade Agreement yesterday, I said, "the significance of the Agreements is not limited to building stronger bilateral economic relationship between Hong Kong and ASEAN. In face of rising protectionist sentiment in the world, these agreements are a loud and clear vote from all of us on free and open trade."

With these remarks, I thank you for your patience and participation and I look forward to seeing and welcoming you all to

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Hong Kong and similar forums in the future.

Thank you.

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