

Speech by DGTI at opening ceremony of PECC-ADB I Conference

Following is the speech by the Director-General of Trade and Industry, Ms Maria Kwan, at the official opening ceremony of the Pacific Economic Cooperation Council-Asian Development Bank Institute Conference today (June 2, 2011):

Professor Sung, distinguished guests, ladies and gentlemen,

Good morning. I feel greatly honoured to be invited here today to address this conference on "Services Trade: New Approaches for the 21st Century", jointly organised by the Pacific Economic Cooperation Council (PECC) and the Asian Development Bank Institute.

First of all, on behalf of the Hong Kong Special Administrative Region Government, I would like to extend a very warm welcome to all participants from academia, business, government, global and regional institutions. For visitors from abroad, I wish you all a very pleasant stay in Hong Kong and hope you will find time to enjoy the fine dining and good shopping here.

Services trade has become increasingly important in the global trade arena. According to WTO trade statistics, the value of total world services trade amounted to about US\$7,170 billion in 2010, which is around 2.5 times that ten years ago. Except for 2009, the annual growth rate since 2004 has been well over 10%.

As a key growth engine with high value added, services industries are earnestly developed by both industrialised and developing economies. Services trade is actively pursued. Hence the competitiveness, benefits, impact and governance of services trade are of relevance to all. In the last ten years, a number of developing economies like Mainland China and India have risen through the ranks and are now among the world's top services trading economies.

As we move into the 21st century, the environment in which services trade operates has become more complex. It is therefore timely for the PECC and the Asian Development Bank Institute to stage a tripartite conference at this juncture to look at new approaches to deal with services trade.

We welcome the hosting of the conference in Hong Kong. It is an excellent choice given that Hong Kong is one of the most service-oriented economies in the world and a staunch supporter of services liberalisation. I have no doubt that our business and academic communities will have plenty to share. I will take this opportunity to explain how Hong Kong fares as a service economy and our approach towards trade in services domestically and on the multilateral and plurilateral fronts. I hope this would help to entice people to go for services liberalisation.

Hong Kong's economy has become increasingly service oriented since the 1980s. Our services trade has grown in line with growth in world services trade. Contribution of the services sector to Gross Domestic Product (GDP) has increased from about 70% in 1980 to 93% in 2009. The four "pillar industries" of Hong Kong, namely, financial services, trading and logistics, professional and producer services and tourism accounted for about 56% of GDP in 2009. I was reading a publication from the Census and Statistics Department yesterday and was surprised to note that the average value added brought about by each person engaged in the financial services sector could amount to over \$1 million in 2009, although that from other services sectors would be lower.

Trade in services is now five times the level twenty years ago in nominal terms, or 3.7 times after discounting for price increase. The total value of trade in services in 2010 was about US\$157 billion, an increase of 21% over 2009. This shows that we have managed to regain lost ground immediately after the financial crisis.

Overall, Hong Kong is a net exporter of services. In 2010, the overall surplus was US\$55.6 billion. The largest surplus was recorded in merchanting and other trade-related services, followed by transportation and then financial services, reflecting Hong Kong's role as an international financial centre and a major trading and logistics hub.

The ratio of Hong Kong's export of services to GDP is significant by international standards. In 2010, Hong Kong exported US\$106.4 billion's worth of services which was 41% to GDP.

Hong Kong's strength in services trade is due in no small measure to our liberal services regime. We have long been recognised as one of the most market-oriented and open economies in the world. We adopt a pro-market economic policy in line with the principle of "Big Market, Small Government". We create a business-friendly environment where companies can freely compete. Our services trade regime is generally recognised as one of the freest. We also have one of the world's most liberal and transparent foreign investment regimes. The preferential arrangement under CEPA also facilitates the development of services trade in concerned areas.

On the multilateral front, Hong Kong is a staunch advocate and supporter of the WTO's non-discriminatory principles and liberalisation. We consider services liberalisation something worth fighting for. Apart from market access, we consider that domestic regulation should not be more burdensome than necessary and that there should be robust rules and horizontal disciplines to ensure the realisation of liberalisation benefits.

We support APEC's efforts in forging inter-governmental cooperation in services liberalisation and facilitation, albeit on a voluntary and consensual basis. A lot of good work has been done including the adoption of a menu of

options for voluntary liberalisation, facilitation and promotion of economic and technical cooperation in 2001 and the agreement of the principles for Cross-Border Trade in Services in 2009. There are also other sectoral initiatives. Of course the APEC Travel Card greatly facilitates the movement of business people.

Both multilateral and plurilateral efforts help but as a matter of fact, significant market opening actually comes from within the economies for the benefits it would bring to the community. Here in Hong Kong, we have a very good example which illustrates this very well. The voluntary liberalisation of our telecommunications sector, which started a decade ago, has availed our community access to be one of the best yet cheapest telecommunication services in the world.

In working out new approaches for trade in services and its liberalisation, we must cope with a changing environment and ensure a wider sharing of the benefits of liberalisation to garner support for further liberalisation. With the development and proliferation of global supply and value chains, there would be merits in looking at liberalisation and facilitation of services trade along the supply and value chains in a more holistic manner rather than on a fragmented and sectoral basis. In parallel, to facilitate the services trade and ensure competitiveness, we should also devote efforts to innovation and technology in tandem with associated research, as well as to the development of human resources and infrastructure.

I trust that there will be lots of fruitful exchanges in the coming two days. I look forward to hearing ideas expounded and exchanged, helping to inspire the service negotiations in Geneva and be conducive to enhancing the compatibility and complementarity of different approaches to services trade liberalisation.

Lastly may I wish the conference every success. Thank you.

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