



Trade and Industry Department
The Government of the Hong Kong Special Administrative Region
香港特別行政區政府 工業貿易署

Trade and Industry Department Tower, 700 Nathan Road, Kowloon, Hong Kong
香港九龍彌敦道 700 號工業貿易署大樓
Tel 電話 : 2398 5301 Fax 圖文傳真 : 2789 2491 Website 網址 : www.tid.gov.hk

Director-General of Trade and Industry 工業貿易署署長

File Ref: CR WT 324/9/8

19 December 2011

Chairman
The Hong Kong Food, Drink &
Grocery Association
GPO Box 8689
Hong Kong

Dear Sir/Madam,

**Negotiation of a Free Trade Agreement between
Hong Kong and Chile**

The Hong Kong Special Administrative Region (HKSAR) Government announced today (19 December 2011) that Hong Kong will commence negotiating a Free Trade Agreement (FTA) with Chile. I am writing to invite views from your organization on the FTA negotiations.

Bilateral trade of Hong Kong and Chile has been growing steadily. In 2010, total bilateral merchandise trade between Hong Kong and Chile amounted to HK\$6,061 million, representing an average annual growth rate of 7.5% when compared with 2004. In 2009, total trade in services amounted to HK\$573 million, enjoying an average annual growth rate of 7.6% when compared with 2003. It is in Hong Kong's interest to negotiate an FTA with Chile to tap business opportunities and potential in this new emerging market, and also the opportunities it provides as a gateway to the South American region.

The FTA negotiations with Chile will cover the following major areas and related issues –

- (a) removal or reduction of tariffs;
- (b) liberalization of non-tariff barriers, including technical barriers to trade, sanitary and phytosanitary measures, anti-dumping, safeguards, and countervailing measures;
- (c) a set of flexible disciplines on rules of origin which would facilitate bilateral trade;
- (d) a set of customs facilitation procedures;
- (e) liberalization of trade in services; and
- (f) liberalization as well as promotion and protection of investment.

In order for the Government to better assess areas of interest to the business community in the Chilean market, you are cordially invited to provide views on areas to be covered in the FTA negotiations. Your views and those of your organization/ members will be most useful to the Government in formulating Hong Kong's overall position in the negotiations.

To facilitate your consideration of the issue, we have prepared a note to provide background information on the FTA negotiations and the key areas to be covered under the proposed FTA. The note, which is also available at our website (www.tid.gov.hk), is enclosed herewith for your easy reference.

You are invited to send your written comments to us, by the following means, on or before **20 January 2012** -

Mailing address: Europe Division
Trade and Industry Department
19/F, Trade and Industry Department Tower
700 Nathan Road
Kowloon
Fax Number: 2789 9761 / 2789 2491
E-mail address: fta@tid.gov.hk

If you require any further information, please contact my colleague Mr. Jason Tse at 3403 6467, or email: fta@tid.gov.hk.

Yours faithfully,



(Ms. Maria S. N. Kwan)
Director-General of Trade and Industry

Encl.



Director-General of Trade and Industry 工業貿易署署長

本署檔號 : CR WT 324/9/8

敬啓者 :

香港和智利的自由貿易協定談判

香港特區政府在今天（二〇一一年十二月十九日）公布，香港將與智利就訂立兩地自由貿易協定展開談判。現誠邀閣下就該自由貿易協定談判提供意見。

香港與智利的雙邊貿易正穩步增長。智利與香港於二〇一一年的雙邊貨物貿易額為60.61億港元，與二〇〇四年相比，平均每年的增長率為7.5%。雙邊服務貿易額於二〇〇九年為5.73億港元，與二〇〇三年相比，平均每年的增長率為7.6%。香港與智利進行自由貿易協定談判，符合香港的利益，讓香港可以開拓這個新興市場未被發掘的商機及潛力；並作為通往南美洲地區的橋樑，為香港帶來機會。

香港與智利開展的自由貿易協定談判，將會涵蓋以下主要範疇及其相關事宜－

- 一、免除或減少關稅；
- 二、放寬非關稅壁壘，包括技術性貿易壁壘、衛生與植物衛生措施、反傾銷、保障及反補貼措施；
- 三、一套有助雙邊貿易，具彈性的產地來源規則；
- 四、一套簡易的清關程序；
- 五、服務貿易自由化；以及
- 六、投資自由化及投資促進和保護。

為求能更準確地評估業界對智利市場具興趣的地方，現誠邀閣下就自由貿易協定談判涵蓋方面提供意見。閣下和貴會/會員的意見，將有助政府釐定整體的談判立場。

為協助閣下考慮此事宜，本署現隨函附上一份摘要文件，提供自由貿易協定談判的背景資料及主要涵蓋範圍，以供參考。有關文件亦已上載本署網頁 (www.tid.gov.hk)。

請閣下於二〇一二年一月二十日或以前，以下列方式提出書面意見。

郵寄地址：九龍彌敦道700號
工業貿易署大樓19樓
工業貿易署
歐洲部

傳真號碼：2789 9761 / 2789 2491

電郵地址：fta@tid.gov.hk

如有任何疑問，歡迎與謝兆基先生（電話：3403 6467）聯絡，或電郵至：fta@tid.gov.hk。

工業貿易署署長關錫寧



附件

二〇一一年十二月十九日

Negotiation of a Free Trade Agreement between Hong Kong and Chile

Consultation Document

INTRODUCTION

1. The Hong Kong Special Administrative Region (HKSAR) Government announced today (19 December 2011) that Hong Kong would commence negotiations on a Free Trade Agreement (FTA) with Chile. The negotiations will encompass a wide-ranging scope, with emphasis on trade and investment liberalization and facilitation.
2. This note provides background information on key areas to be covered in the negotiations. It also invites comments and suggestions from interested parties with a view to assisting the HKSAR Government in formulating its overall position in the negotiations of an FTA between Hong Kong and Chile. Feedback should be forwarded to the Europe Division of the Trade and Industry Department (TID) by **20 January 2012**. Contact details are set out at the end of this document.
3. This consultation document is also available at TID's website: www.tid.gov.hk

BACKGROUND

Hong Kong's Position on FTA

4. As a small economy with little natural resources, Hong Kong has adopted an open and free trade policy, with zero applied tariff and minimum trade restrictions. Whilst maintaining the primacy of and staunch support for the rules-based multilateral trading system embodied in the World Trade Organization (WTO), Hong Kong has been actively pursuing FTAs so long as they are in Hong Kong's interest, are consistent with WTO principles and provisions and can contribute to multilateral trade liberalization.

FTA Negotiations with Chile

5. Hong Kong and Chile both are advocates of free trade. As members of the WTO, Hong Kong and Chile share a common interest in

the further liberalization of world trade and the strengthening of the multilateral trading system. The HKSAR Government targets to reach an ambitious and high-quality FTA between Hong Kong and Chile, consistent with the WTO principles and provisions.

6. In July 2009, Hong Kong and Chile completed a Joint Feasibility Study (JFS) on the possibility of commencing FTA negotiations. The study concluded that the enhancement of the trade and economic relationships between Hong Kong and Chile would have a positive impact on the economic relationship between the two sides.

7. Riding on the conclusions and recommendations of the JFS, Hong Kong and Chile held exploratory talks in July and October 2011 respectively to discuss the prospect of commencing formal FTA negotiations and their modalities. In general, the two sides share the common aspiration of pursuing a comprehensive and high-quality FTA. The negotiations would cover the following major areas and related issues –

- (a) removal or reduction of tariffs;
- (b) liberalization of non-tariff barriers, including technical barriers to trade, sanitary and phytosanitary measures, anti-dumping, safeguards, and countervailing measures;
- (c) a set of flexible disciplines on rules of origin which would facilitate bilateral trade;
- (d) a set of customs facilitation procedures;
- (e) liberalization of trade in services; and
- (f) liberalization as well as promotion and protection of investment.

General Economic and Trade Relations between Hong Kong and Chile

Trade in Services

8. Chile ranked 34th (Note 1) among Hong Kong's worldwide trading partners and 5th among those in Central and South Americas in 2009.

Bilateral trade between Chile and Hong Kong amounted to HK\$573 million in 2009, enjoying an average annual growth rate of 7.6% when compared with 2003. Major services trade between the two sides included transportation services, merchanting and other trade-related services.

Merchandise Trade

9. Chile ranked 29th (Note 1) among Hong Kong's worldwide trading partners and 4th among those in Central and South Americas in 2010. Bilateral trade in goods between the two economies amounted to HK\$6,061 million in 2010, representing an average annual growth rate of 7.5% when compared with 2004.

10. Of the HK\$70 million worth of Hong Kong's domestic exports to Chile in 2010, office machines and automatic data processing machines, telecommunications and sound recording and reproducing apparatus and equipment, and non-ferrous metals constituted the major export items. Imports from Chile reached HK\$ 3 billion in 2010, vegetables and fruit, non-ferrous metals, and fish, shell fish and preparations thereof constituted the major import items.

KEY AREAS TO BE COVERED IN THE NEGOTIATIONS AND VIEWS SOUGHT

Trade in Services

11. Hong Kong is a service-oriented economy and is a strong exporter of services. In 2009, the service sector constituted over 92% of Hong Kong's Gross Domestic Product (GDP). Hong Kong's total trade in services in the same year reached HK\$ 994 billion. Hong Kong is consistently a net exporter of services, with export amounting to HK\$ 658 billion in 2009. According to the figures published by the WTO, Hong Kong was the world's 9th largest service trading entity in 2010 (Note 1). We were also the world's 7th largest service exporter (Note 1) and the world's 12th largest service importer in 2010 (Note 1).

12. Our major service sectors include wholesale, retail and import and export trades, restaurants and accommodation (27.2% of GDP in 2010); financing, insurance, real estate, professional and business services (26.6%); public administration, social and personal services (16.9%); and transportation, storage, postal and courier services, communications and

information (11.1%) (Note 2).

13. Given our keen interests and strong potential in trade in services, better or more secured market access in the provision of services in Chile will be a prime focus of Hong Kong in the FTA negotiations.

Views sought: we invite views on -

- (a) which service sectors and service measures of Chile Hong Kong should particularly focus on in the service negotiations under the FTA e.g. whether provision of service in a particular sector or a particular mode in the Chilean market is being contemplated; or whether there are any existing or foreseeable hurdles to the provision of any services in the Chilean market; and
- (b) whether there are any service sectors, areas or measures which Hong Kong should be more cautious in undertaking commitments, including those commitments to maintain our current regime for access of services or services suppliers of Chile.

We also welcome other comments and inputs on matters relating to service trade with Chile.

Investment

14. Hong Kong is an investment hub in the Asia Pacific region. In 2010, our stocks of inward and outward foreign direct investment ranked second and fifth respectively in the world (Note 3). Chile is also an important economy in South America. The aim of the negotiations will be to promote and liberalize investment flows between Hong Kong and Chile.

Views sought: we invite views on improvements that should be sought from Chile to its policy on, and treatment of, investment from Hong Kong.

Tariffs

15. According to the figures published by the WTO, Hong Kong was the world's 6th largest trading entity in merchandise trade in 2010 (Note 1). We were also the world's 6th largest exporter (Note 1) and the

world's 5th largest importer in merchandise trade in 2010 (Note 1).

16. Unlike Hong Kong which applies zero tariff on all imports, Chile imposes tariffs on some imports. The average applied tariff rate in 2010 (Note 4) for Chile was 6%. Under the FTA negotiations, Hong Kong and Chile will seek to agree on the modalities for early elimination of tariffs on all products of Hong Kong origin.

Views sought: we invite views on which sectors Hong Kong should particularly focus on in the tariff negotiations.

Rules of Origin

17. The existing origin rules applicable to Hong Kong's domestic exports are based on the criterion of "last substantial transformation" (Note 5) and are applied for non-preferential purpose. To ensure that only goods of Hong Kong and Chile origin would benefit from the preferential tariff rates under the FTA to be negotiated, it will be necessary for both sides to agree on a set of origin rules to prevent circumvention.

18. Under the FTA negotiations, the two sides will seek to agree on a set of simple and transparent rules of origin and verification procedures to facilitate trade in goods between Hong Kong and Chile. It is envisaged that both sides will also draw up implementation details of the origin rules, including the documentation requirements for products to substantiate claim of origin and preferential tariffs on importation, with an aim to encouraging trade in goods between Hong Kong and Chile.

Views sought: we invite views and input on the origin rules under the FTA with Chile as well as the implementation aspects of such rules.

Other Elements of Negotiations

19. The FTA negotiations will also cover other areas of mutual interests, including non-tariff barriers (Note 6), trade remedy measures (Note 7), and customs procedures.

20. The FTA negotiations will seek to liberalize non-tariff barriers and trade remedies. Discussions on customs procedures will seek to identify ways to simplify and enhance transparency of customs procedures.

Views sought: we invite views on the above elements for the FTA

negotiations and any other particular areas or measures which Hong Kong should focus on.

CONCLUDING REMARKS

21. In overall terms, an FTA can bring about expansion of trade and investment, better market access and more favourable business environment among its parties. We see a good potential to expand trade and investment with Chile. An FTA between Hong Kong and Chile should provide Hong Kong businessmen with more and better market opportunities in Chile, which is an emerging market in South America and also as a gateway to the South American region, with benefits for Hong Kong in trade, income and employment.

22. In order that the Government may better assess our community's aspirations on the FTA to be negotiated between Hong Kong and Chile, and to develop our overall position in the negotiations taking into account such aspirations, interested parties are invited to put forward their views and suggestions in writing on this important subject by **20 January 2012**. Response can be sent in by mail, fax, or e-mail as indicated below. For enquiries, you are welcome to contact Mr. Jason Tse at 3403 6467 or email: fta@tid.gov.hk.

Mailing address:	Europe Division Trade and Industry Department 19/F, Trade and Industry Department Tower 700 Nathan Road Kowloon.
Fax Number:	2789 9761 / 2789 2491
E-mail address:	fta@tid.gov.hk

REFERENCES

23. For an overview of Chile's trade and investment policies and regimes, please refer to Chile's Report on the Feasibility of a Free Trade Agreement between Hong Kong, China and Chile at http://www.tid.gov.hk/english/trade_relations/hkchile/files/report_chile.pdf. Hong Kong's feasibility report could be accessed via http://www.tid.gov.hk/english/trade_relations/hkchile/files/report_hk.pdf.

Trade and Industry Department
The HKSAR Government
19 December 2011

Note 1 :

The European Union is counted as one single entity for the rankings.

Note 2 :

The percentages of GDP in brackets are provisional figures, which may be subject to revision.

Note 3 :

Source: United Nations Conference on Trade and Development.

Note 4 :

The average applied tariff rate is the latest figure available in the WTO.

Note 5 :

The "last substantial transformation" criterion, when applied to manufactured goods involving multiple country/place materials and/or processing, refers generally to the manufacturing process (or processes) which has changed permanently and substantially the shape, nature, form or utility of the basic materials used in manufacture.

Note 6 :

Non-tariff barriers are trade restrictive measures other than tariffs, such as quotas, import licensing systems, sanitary regulations, prohibitions, etc.

Note 7 :

Trade remedy measures refer to anti-dumping measures, countervailing measures and safeguards. Imposition of these measures could result in additional duties (being one of the usual forms) on top of tariffs and other charges by the importing economy on certain imports.

香港與智利自由貿易協定談判 諮詢文件

引言

1. 香港特區政府今天（二〇一一年十二月十九日）宣布，香港將與智利展開自由貿易協定談判。談判涵蓋的範圍廣泛，並以貿易和投資自由化和便利化為重點。

2. 本文件就談判的主要範疇提供背景資料，並誠邀各界提供意見及建議，以協助香港特區政府為香港與智利的自由貿易協定談判制定整體立場。有關的回應請於二〇一二年一月二十日或以前送交工業貿易署歐洲部。聯絡詳情請參閱本文件的結尾部分。

3. 本文件亦可於工業貿易署網站 (www.tid.gov.hk) 查閱。

背景

香港對自由貿易協定的立場

4. 作為一個欠缺天然資源的小型經濟體系，香港奉行開放和自由的貿易政策，實行零關稅和最低程度的貿易限制。除了推崇和堅定支持世界貿易組織（世貿組織）的多邊貿易制度外，在符合本港的利益，與世貿組織的原則和條文，並有助多邊貿易自由化的前提下，香港一直積極尋求締結自由貿易協定。

與智利進行的自由貿易協定談判

5. 香港和智利同樣為自由貿易的倡導者。香港和智利均為世貿組織成員，同樣尋求世界貿易進一步自由化和鞏固多邊貿易制度。香港特區政

府的目標是要與智利締結進取和高質素，並符合世貿組織的原則和條文的自由貿易協定。

6. 香港和智利在二〇〇九年七月就是否展開自由貿易協定談判，完成了一項聯合可行性研究。研究的結論指出，加強香港與智利的貿易和經濟關係，可為雙方帶來正面影響。

7. 基於聯合可行性研究的結論和建議，雙方會分別於二〇一一年七月及十月舉行探討會議，討論展開正式自由貿易談判的前景及模式。大致而言，雙方都有共同抱負，有意簽訂一份全面及高質素的自由貿易協定，當中會涵蓋下列主要範圍及其相關事宜：

- (a) 免除或減少關稅；
- (b) 放寬非關稅壁壘，包括技術性貿易壁壘、衛生與植物衛生措施、反傾銷、保障及反補貼措施；
- (c) 一套有助雙邊貿易，具彈性的產地來源規則；
- (d) 一套簡易的清關程序；
- (e) 服務貿易自由化；以及
- (f) 投資自由化及投資促進和保護。

香港和智利的經濟和貿易關係之概況

服務貿易

8. 智利於二〇〇九年在香港的世界貿易夥伴中排行第34位(註1)，而在中美及南美的雙邊貿易夥伴中則排行第五位。智利與香港的雙邊服務貿易額於二〇〇九年為5.73億港元，與二〇〇三年

相比，年均增長率為 7.6%。雙方的主要服務貿易包括運輸服務、商貿服務及其他與貿易相關的服務。

商品貿易

9. 智利於二〇一〇年在香港的全世界貿易夥伴中排行第 29 位(註 1)，而在中美洲和南美洲的貿易夥伴中則排行第四位。智利與香港於二〇一〇年的雙邊貨物貿易額為 60.61 億港元，與二〇〇四年相比，平均每年的增長率為 7.5%。

10. 在二〇一〇年，香港輸往智利的本地出口貨品總值達七千萬港元，主要出口項目包括辦公室機器和自動資料處理儀器、電訊、錄音及重播設備和儀器以及非鐵金屬。同年由智利進口香港的貨品達 30 億港元，主要進口項目包括蔬菜及生果、非鐵金屬以及魚類、貝介類及其配製品。

主要談判範疇及徵詢意見

服務貿易

11. 香港是一個以服務業為主導的經濟體系和重要的服務輸出地。在二〇〇九年，服務業佔本地生產總值 92% 以上。同年的服務貿易總額達 9,940 億港元。香港一直是服務淨輸出地，二〇〇九年的輸出總額達 6,580 億港元。根據世貿組織公佈的數字，香港在二〇一〇年為世界第九大服務貿易經濟體系(註 1)。同時也是世界第七大服務輸出地(註 1)和第 12 大服務輸入地(註 1)。

12. 香港的主要服務行業包括批發、零售和進出口貿易、餐館及住宿(佔二〇一〇年本地生產總值的 27.2%)、金融服務、保險、房地產、專業及商業服務(26.6%)、公共行政、社會及個人服務(16.9%)、以及運輸、倉庫、郵政及速遞服務、通訊及資訊(11.1%)(註 2)。