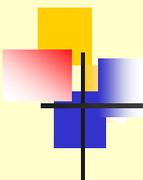


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## **Current Development in the WTO GATS Negotiations on Logistics and Related Services**

By Angela Lee  
Assistant Director-General of Trade and Industry (Multilateral)  
Hong Kong, China

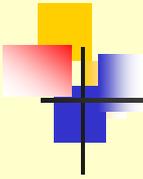
APEC Seminar on Trade Logistics  
23 – 24 June 2008



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## **Importance of Logistics services**

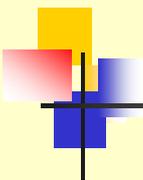
- Contribute to the expansion of global trade in goods and services
- Benefit both developed and developing countries
- WTO GATS negotiations as a multilateral forum to push forward liberalization



## About GATS

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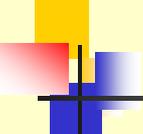
- The General Agreement on Trade in Services (GATS)
  - The only multilateral and legally-enforceable agreement governing international trade in services
  - Came into force in January 1995
  - All WTO Members are signatories



## About GATS (cont'd)

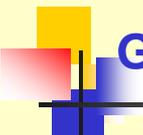
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- Covers all measures affecting trade in services, except-
  - services supplied “in the exercise of governmental authority” and
  - measures affecting air traffic rights and all services directly related to the exercise of such rights
- No a priori exclusion of any service sector or mode of supply in the negotiations



## **New Round of Services Negotiations**

- Began in early 2000, eventually incorporated into the Doha Development Agenda (DDA) in November 2001
- Members' existing schedule of specific commitments agreed at the Uruguay Round (UR commitments) as starting point
- Request-and-offer approach -
  - bilateral negotiations as main method
  - complemented by plurilateral negotiations (collective requests)



## **GATS negotiations on Logistics Services**

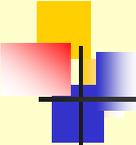
- Previously no holistic negotiations on logistics services -
  - importance and benefits not yet fully recognized
  - broad coverage and multi-disciplinary nature of logistics services
  - lack of a dedicated logistics services sector in WTO services sectoral classification system (W/120)
- Only partial and piecemeal commitments / offers by Members on logistics services

## GATS negotiations on Logistics Services (cont'd)

Sep 2000	HKC indicated interest in encouraging commitments in logistics and inventory, distribution and delivery hub services
Mar 2001	HKC presented initial ideas for liberalization in logistics and related services
Jun 2004	Logistics friends jointly issued a paper and presents a concrete proposal and checklist for logistics services
Feb 2005	Logistics friends issued a joint statement
Oct 2005	Australia, HKC, Japan, Switzerland, Chinese Taipei issued another Joint Statement to highlight the objectives for liberalization of logistics services

## Collective Request on Logistics Services

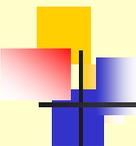
Mar 2006	<p>Collective Requests on Logistics Services-</p> <ul style="list-style-type: none"> <li>■ Cosponsors: Australia, Chile, HKC, Japan, New Zealand, Switzerland and Chinese Taipei (cosponsors also deemed to be recipients)</li> <li>■ Recipients: 34 members including developed and developing members</li> <li>■ HKC as coordinator of the collective request</li> <li>■ Attach a freight logistics checklist to assist the making of commitments</li> </ul>
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## Freight Logistics Checklist

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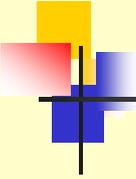
- Three main categories covering services necessary for smooth door-to-door logistics chains -
  - Category I : Core Freight Logistics Services (services auxiliary to all modes of transport)
  - Category II : Related Freight Logistics Services
    - Cat. I (1) : Freight Transport Services
    - Cat. II (2) : Other Related Logistics Services
  - Category III : Non-core Freight Logistics Services



## Core Freight Logistics Services

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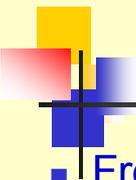
- Includes various services auxiliary to all modes of transport -
  - Cargo handling – container handling (CPC 7411) and other cargo handling (CPC7419)
  - Storage and warehousing (CPC742) – include distribution centre, materials handling and equipment such as container station and depot services
  - Transport agency services (CPC748) - include customs agency and load scheduling
  - Other auxiliary services (CPC749) – include through-chain logistics, reverse logistics, container leasing and rental services
- Essential for commercially viable logistics operations
- Represent significant part of total logistics costs



## Related Freight Logistics Services

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- Comprise two sub-categories –
  - Freight transport services
  - Other related logistics services
- Their liberalization crucial to –
  - efficient supply of integrated logistics services
  - providing an enabling environment for third party logistics services to flourish

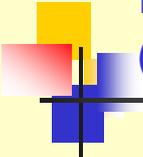


## Related Freight Logistics Services (cont'd)

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- Freight Transport Services -
  - Maritime transport services (MTS) (CPC 7212-7214 and other services identified under MTS negotiations)
  - Internal waterways transport services (CPC 7212-7214, 7222-7224)
  - Air freight transport\* (CPC732) and Rental of aircraft with crew\* (CPC 734)
  - Rail freight transport services (CPC 7112)
  - Road freight transport (CPC7123) and Rental of commercial vehicles with and without operator (CPC 7124 and CPC 83102)

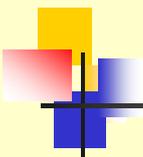
*\* currently excluded from GATS application but put in the checklist to provide a complete picture of freight transport services crucial to efficient supply chain.*



## Related Freight Logistics Services (cont'd)

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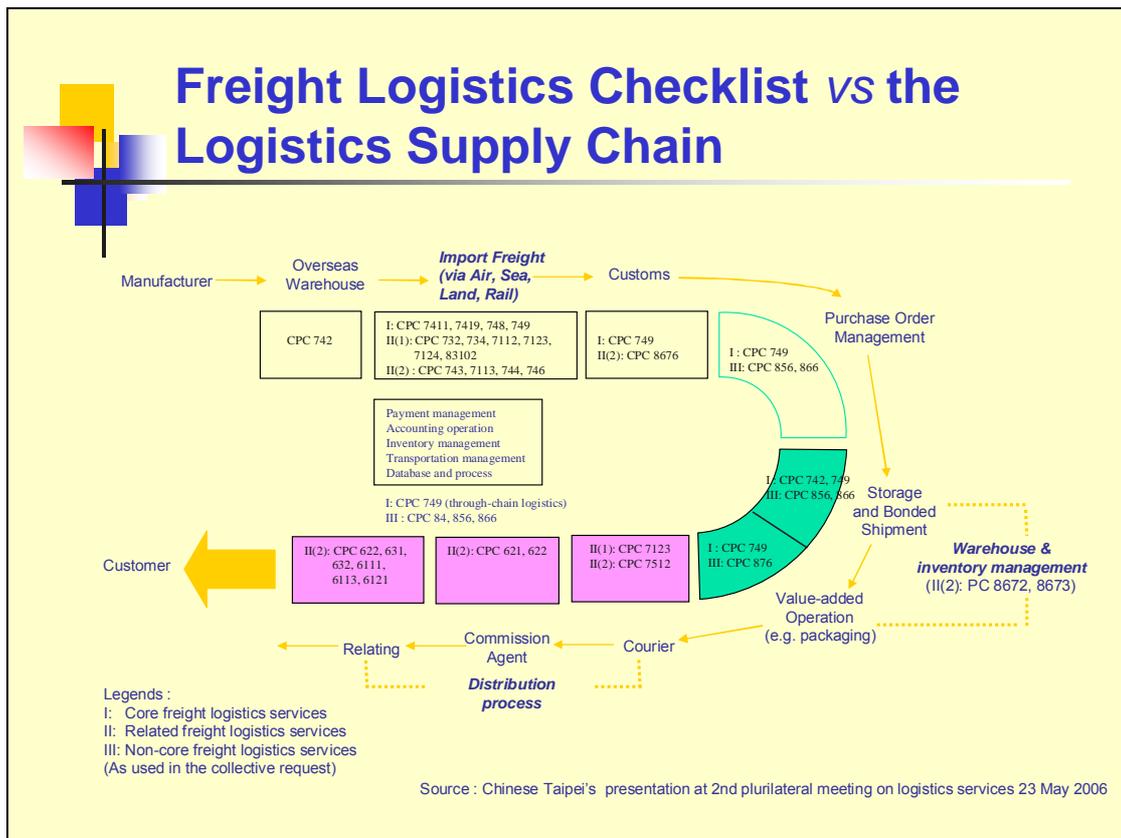
- Other Related Logistics Services –
  - Engineering and integrated engineering (CPC 8672 and 8673)
  - Technical testing and analysis services (CPC 8676)
  - Postal / courier services including express delivery (CPC 7511/7512)
  - Commission agents' services (CPC 621)
  - Wholesale trade services (CPC 622)
  - Retailing services (CPC 631, 632, 6111, 6113, 6121 and include inventory management of goods, assembling, sorting and grading of goods, breaking bulk, re-distribution and delivery services)
  - Other supporting services not covered by services auxiliary to all modes of transport



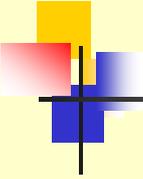
## Non-core Freight Logistics Services

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- Includes –
  - Computer and related services (CPC 84)
  - Packaging services (CPC 876)
  - Management consulting and related services (CPC 865, 866)
- Their liberalization would be desirable for a comprehensive offer on logistics services



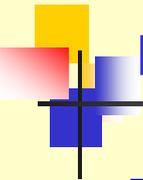
- ## Progress of GATS Negotiations
- Four rounds of plurilateral meetings held between March 2006 – September 2007
  - Members acknowledged the importance of logistics services
  - Mixed response from Members – some made positive indications to improve their offers while some indicated difficulties in undertaking further commitments
  - Still much room for Members to improve their offers



## Importance of Logistics Industry in Hong Kong

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- Trading and logistics sector - one of Hong Kong's economic pillars
- Accounts for 27.4% of GDP
- Logistics industry provides about 200,000 jobs (6.2% of labour force)



## Roles of HKSAR Government

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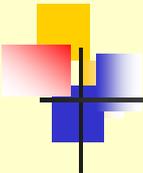
- Fostering an enabling environment
- Provision of requisite infrastructure
- Partnership with the private sector -
  - The Hong Kong Logistics Development Council
  - The Hong Kong Port Development Council
  - The Hong Kong Maritime Industry Council



## Advantages that set Hong Kong apart

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- Strategic location
- Economic partnership with the Pearl River Delta region
- Friendly and predictable business environment and strong institutions
- World class infrastructure / extensive services network



## World-class Airport

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- Hong Kong International Airport:
  - excellent aviation network connecting to 155 cities in the world, including around 40 Mainland cities
  - the busiest airport in terms of international cargo since 1996



### State-of-the-art Cargo Handling Facilities

- Two air cargo terminals
- A Marine Cargo Terminal to provide inter-modal connection to 17 Pearl River Delta ports
- DHL established its Central Asia hub in HK

The figure consists of four photographs arranged in a 2x2 grid. The top-left photo shows a large, modern air cargo terminal building with a white aircraft on the tarmac in front. The top-right photo shows a large, multi-story industrial building, likely a marine cargo terminal, situated near a body of water with a ship docked. The bottom-left photo shows a large, modern industrial building with a flat roof. The bottom-right photo shows a DHL facility with the DHL logo prominently displayed on the building's facade.

## Sea Freight

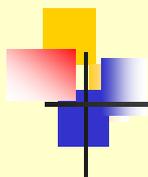
- One of the world's busiest port: handled 24 million TEUs in 2007
- Well-connected with the rest of world, with about 460 sailings per week reaching some 500 destinations worldwide



## Efficient Container Terminals

- In 2007, the nine container terminals handled 72% of Hong Kong's container throughput, equivalent to around 17.3 million TEUs
- With a total of 24 piers, the container terminals operate 24 hours a day providing round the clock service
- Efficient port operation – crane movement average at 36 - 40 boxes per hour

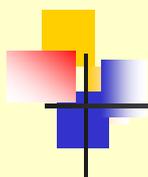




## Capacity Building

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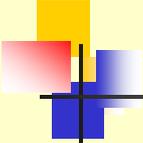
- Container Terminal 10
- Hong Kong-Zhuhai-Macau Bridge
- Study on the feasibility of the third runway
- Lands near the container terminals for barging sites, port back-up and logistics uses earmarked.
- More mid-stream anchorages; streamlined port procedures, and reduced port fees



## Hong Kong, China's commitments / offers

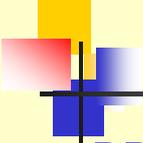
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- Logistics services our MUST-HAVEs for the services negotiations
- Already undertaken substantial and commercially meaningful commitments and tabled further offers on a wide range of services on all three categories of the logistics checklist



## Hong Kong, China's commitments / offers (cont'd)

	Cat. I : Core Logistics services	Cat. II : Related Freight Logistics services	Cat III: Non-core freight logistics services
Commitments / offers made by HKC	Services auxiliary to maritime transport : <ul style="list-style-type: none"> <li>■ cargo handling</li> <li>■ storage and warehousing</li> <li>■ customs clearance</li> <li>■ container station and depot</li> <li>■ maritime agency</li> <li>■ maritime freight forwarding service</li> <li>■ preshipment inspection services</li> </ul>	<u>Freight transport services</u> <ul style="list-style-type: none"> <li>■ Maritime transport services</li> <li>■ Rail freight transport services</li> <li>■ Road transport services</li> </ul> <u>Other related logistics services</u> <ul style="list-style-type: none"> <li>■ Technical testing and analysis</li> <li>■ Postal/courier (incl. express delivery)</li> <li>■ Wholesale trade services</li> <li>■ Retailing Service</li> </ul>	<ul style="list-style-type: none"> <li>■ Computer and related services</li> <li>■ Management consulting services</li> <li>■ Services related to management consulting</li> <li>■ Packaging services</li> </ul>



## Next Steps

- DDA negotiations in end-game phase
- Focus now turns back from plurilateral to bilateral negotiations
- Signalling Conference on Services at Ministerial level -
  - to be held alongside with the Ministerial for Agriculture and NAMA
  - Ministers to give signals of new and improved services offer
- Tabling of next revised offers and final offers

