

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(83)29/Add.10  
26 August 1983

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Working Party on Structural Adjustment  
and Trade Policy

## RECORD OF DISCUSSION ON COUNTRY CONTRIBUTIONS RELATING TO EXPERIENCE WITH STRUCTURAL ADJUSTMENT

Hong Kong  
(Spec(82)6)

1. The representative of Hong Kong provided answers to questions which had been put to his delegation in connection with his country's submission. In reply to an inquiry whether his government had taken any action, including safeguard measures, other than those mentioned on page 29 of Spec(82)6 pertaining to security, safety and health, he stated that no such action had been taken.
2. To the question what the pressures were, both international and domestic, that had led to the decline of the manufacturing sector and the growth of the service sector, and how Hong Kong industries and labour had adjusted to the shift he replied that the main reasons for the relative decline of the manufacturing sector in Hong Kong had already been set out on page 30 of document Spec(82)6. As regards the growth of the service sector, the initial stimulus had been provided by the expansion of Hong Kong's own production and trading activities. The growth had also been helped by an increasing demand for imports of services in the region. Hong Kong had been well placed to meet this overseas demand because of its location as an important centre of communications in the region, the efficiency of its financial and business services, its status as a free port and the absence of exchange control or other forms of government intervention. The relative decline of the manufacturing sector and the growth of the service sector had been a gradual process, as a result of open market forces. Hong Kong's industries and labour were noted for their flexibility and adaptability; they had adjusted well to the shift.
3. The same member wanted to know whether there had been specific policies aimed at easing or slowing adjustments in the Hong Kong economy, and whether there had been any assistance to industries or firms affected or whether the adjustment had been left to the forces of the market. The representative of Hong Kong replied that there had been no such specific policies, nor had there been any adjustment assistance or protection granted to any industry or firms. Adjustment had been left entirely to the forces of the market.
4. In reply to a question by another member concerning the classification used in the Hong Kong submission the representative of Hong Kong stated that the statistics reproduced on page 29 of Spec(82)6 were classified in accordance with the International Standard Industrial Classification of the United Nations which was a system adopted by many countries.

5. The same member asked why the Hong Kong financial services sector, which contributed 22 per cent of the GDP, employed only 4.9 per cent of the total Hong Kong workforce. The representative of Hong Kong said that the Hong Kong financial services sector was capital rather than labour intensive. Its "value added per employee" was therefore much higher than the average for the other economic activities.

6. In reply to a question by another member the representative of Hong Kong stated that the Hong Kong economy was heavily dependent on trade. In 1982 the value of total domestic exports had accounted for 53 per cent of the total Hong Kong GDP. Exports and imports expressed as ratios to GDP are set out in the table attached.

7. Replying to a question by the same member the representative of Hong Kong stated that as a result of rigidities elsewhere in the world economy, Hong Kong exports of textiles and clothing had faced restrictions in a number of countries for over twenty years.

8. Concerning a request for information on economic indicators in the agricultural sector the representative of Hong Kong stated that employment in the agricultural sector was counted together with that in the fishing sector, and only during census and by-census. The results of the last two census and one by-census showed that the percentage shares of total workforce in Hong Kong accounted for by the agricultural and fishing sectors were as follows: 1971 (census) 4.0 per cent; 1976 (by-census) 2.7 per cent; 1981 (census) 2.2 per cent. Information on other economic indicators in the agricultural sector was not available.

ANNEX

Domestic Exports, Total Exports\* & Imports expressed  
as ratio to GDP of Hong Kong  
(at current market prices)

	<u>Domestic Exports/GDP</u>	<u>Total Exports/GDP</u>	<u>Imports/GDP</u>
1971	0.63	0.78	0.93
1972	0.59	0.75	0.84
1973	0.57	0.77	0.85
1974	0.59	0.77	0.88
1975	0.56	0.74	0.83
1976	0.63	0.80	0.83
1977	0.59	0.75	0.82
1978	0.59	0.78	0.91
1979	0.62	0.85	0.96
1980	0.60	0.87	0.99
1981	0.59	0.89	1.01
1982	0.53	0.81	0.91

\* Total Exports = Domestic Exports + Re-exports