Free Trade Agreement between Hong Kong and the Member States of the European Free Trade Association

工業貿易署
Trade and Industry Department

Overview

Hong Kong and the Member States of the European Free Trade Association (EFTA), namely Iceland, Liechtenstein, Norway and Switzerland, signed a comprehensive Free Trade Agreement (the Agreement) on 21 June 2011 in Liechtenstein.

The Agreement covers trade in services and goods as well as investment, and other trade related issues such as protection of intellectual property. It is fully consistent with provisions of the World Trade Organisation.

Subject to the domestic procedures of both sides, the Agreement is expected to enter into force in around mid-2012.

This is Hong Kong's first free trade agreement (FTA) with the European economies. It is an important milestone in our trade relations with the four EFTA States. It will serve as a catalyst to enhance the bilateral trade and investment ties between the two sides.

The Agreement will improve the conditions of access for our goods and services to the EFTA States and open up new business opportunities. Our traders and investors can use this new platform to establish and expand their business in the Northern and Western European markets.

Key Features of the Agreement

The Agreement consists of 11 chapters covering a wide range of areas of mutual interest to Hong Kong and the EFTA States. The key features are summarised below.

Trade in Services

The Agreement covers a comprehensive scope of service sectors, ranging from business and professional services, communication services, financial services and transport services to construction and related engineering services, distribution services, educational services, environmental services, health and social services, tourism and travel related services, as well as recreational, cultural and sporting services.

The Agreement will secure better business opportunities and legal certainty in market access for Hong Kong services providers and the services they provide in a wide range of service sectors in the EFTA States markets :

- There will not be any restriction on foreign capital, the number of service providers or operations, the value of service transactions, the number of persons employed, types of legal entity or joint venture requirements for various service sectors. For some service sectors where such requirements have to be in place for regulatory or other reasons, the requirements will not become more restrictive than the level agreed in the Agreement.
- They will be treated no less favourably than their counterparts in the EFTA States as well as other economies in similar circumstances.
- Without compromising legitimate immigration control, business visitors, intra-corporate transferees, installers or maintainers, contractual service suppliers and independent professionals of Hong Kong will be granted temporary entry into relevant EFTA States in accordance with the commitments of individual EFTA States.

The Agreement also contains :

- disciplines on domestic regulation (DR) to ensure that measures affecting trade in services are transparent and administered in a reasonable, objective and impartial manner. Hong Kong and the EFTA States concerned will also further develop a comprehensive set of DR disciplines, covering licensing requirements and procedures, qualification requirements and procedures, technical standards, and other related matters, within one year after the entry into force of the Agreement.
- specific provisions to further facilitate trade of Hong Kong and the EFTA States in financial services and telecommunications services, which are important sectors of the two sides.

Trade in Goods

All industrial goods as well as fish and certain marine products of Hong Kong origin can enjoy duty-free entry into the EFTA States once the Agreement takes effect.

Tariff concessions are accorded to Hong Kong's processed agricultural products by the EFTA States.

To benefit from the preferential tariff treatment for exports to the EFTA States, Hong Kong traders need to comply with the preferential rules of origin and fulfil the relevant requirements.

For products originated in the EFTA States, Hong Kong commits to granting its current tariff-free regime.

Investment

The Investment chapter of the Agreement provides investors in non-service sectors with legal certainty on national treatment, facilitates their temporary entry and stay in Hong Kong and the EFTA States, and provides them with safeguards on movement of capitals and other aspects.

The provisions complement those in the Trade in Services chapter which cover investments in service sectors. All these provisions will help facilitate mutual investment flows and expand related economic activities between Hong Kong and the EFTA States.

Other Major Areas

The Agreement also contains a wide range of measures which seek to facilitate bilateral trade between Hong Kong and the EFTA States, as well as to create a more transparent and predictable business environment. In gist, they provide for :

- elimination of the use of anti-dumping measures;
- restriction of the application of countervailing and safeguard measures;
- enhanced communication and cooperation on technical barriers to trade and sanitary and phytosanitary measures;
- more efficient release of goods through simplification of customs formalities and documentation;
- promotion of competition;
- effective protection of intellectual property rights; and
- promotion of environmental protection through trade initiatives.

Agreements on Agriculture

Trade in basic agricultural products is governed by the separate bilateral agricultural agreements between Hong Kong and the individual EFTA States, which enter into force on the same date as the Agreement. Under these agreements, Hong Kong's basic agricultural products in which we have export interests will enjoy tariff free entry into the EFTA States. These agreements are subject to the relevant disciplines in the Agreement including those on trade in goods.

Bilateral Trade between Hong Kong and the EFTA States

The EFTA States are important trading partners of Hong Kong. The two sides share similar trade philosophy. Both practise free trade and are staunch supporters of the multilateral trading system.

Hong Kong and the EFTA States are close trade allies. Bilateral trade has been growing steadily for years.

Merchandise

Total bilateral merchandise trade between Hong Kong and the EFTA States amounted to about HK$76 billion in 2010.

The average annual growth rate in bilateral trade between Hong Kong and the EFTA States was 13.8% from 2006 to 2010.

In 2010, the major domestic export items to the EFTA States were jewellery, silver and platinum, and concentrates, waste and scrap of precious metals (other than gold). Major import items from the EFTA States included watches and clocks, silver and platinum, and jewellery.

Services

Total bilateral service trade between Hong Kong and the EFTA States amounted to about HK$ 10 billion in 2009.

The average annual growth rate for total trade in services was 8.2% from 2005 to 2009.

In 2009, major service trade between Hong Kong and the EFTA States were transportation services, merchanting and other trade-related services, and financial services.

Background

The FTA negotiations between Hong Kong and the EFTA States commenced in January 2010.

After five rounds of negotiations, the negotiations were successfully concluded in March 2011.

The Agreement was signed on 21 June 2011 in Liechtenstein. Subject to the domestic procedures of both sides, the Agreement is expected to come into force in around mid-2012.

Further Information

Further information on the Agreement, including its full text, can be found on the following website:
www.tid.gov.hk/english/trade_relations/hkefta

For enquiries on the Agreement, please contact:
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June 2011
Printed on recycled paper