



Free Trade Agreement between Hong Kong, China and the Association of Southeast Asian Nations

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

Overview

Hong Kong and the Association of Southeast Asian Nations (ASEAN) signed a Free Trade Agreement (FTA) and a related Investment Agreement in November 2017. The FTA will become effective after completion of the necessary procedures.

The FTA and the Investment Agreement (the Agreements) are comprehensive in scope, encompassing trade in goods, trade in services, investment, economic and technical co-operation, dispute settlement mechanism and other related areas.

The Agreements will bring legal certainty and better market access, and fair and equitable treatment in investment, thus creating new business opportunities and further enhancing trade and investment flows between Hong Kong and ASEAN.

ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.



Key Features of the Agreements

The FTA (consisting of 14 chapters) and the Investment Agreement cover many areas of importance to Hong Kong and ASEAN. Key features are summarised below.

Trade in Services

- The FTA, covering a comprehensive range of service sectors, will provide better business opportunities and legal certainty in market access for services and service providers of Hong Kong and the ASEAN Member States (AMS).

- Among the various service sectors in which Hong Kong and AMS have made commitments, services and service providers of both sides will enjoy the following benefits in each other's market, subject to listed specific exceptions:

- service providers of one party being treated no less favourably than service providers of the other party in similar circumstances;
- removal or reduction of restrictions on foreign capital participation, the number of service providers or operations, the value of service transactions, the number of persons employed, and the types of legal entity or joint venture requirements; and
- business visitors, intra-corporate transferees, contractual services suppliers and independent specialists/experts/professionals of Hong Kong will be granted temporary entry into relevant AMS in accordance with the commitments of individual AMS. Similarly, business visitors and intra-corporate transferees of AMS will be granted temporary entry into Hong Kong.

- AMS' commitments encompass sectors where Hong Kong has strengths for further development, such as professional services, business services, telecommunications services, construction and related engineering services, educational services, financial services, tourism and travel related services, transport services and arbitration services. Hong Kong also makes commitments to AMS on a wide range of service sectors.

- The FTA includes other general obligations to facilitate trade in services. There are rules under the FTA which require all parties to maintain transparent and fair domestic regulations. The FTA also provides a regular review mechanism which paves the way for future negotiations of improvements to market access commitments and progressive liberalisation.



Trade in Goods

- AMS have agreed to eliminate/reduce their customs duties on goods originating from Hong Kong.
- For goods originating from Hong Kong, individual AMS has made the following commitments:
 - Singapore commits to binding all its customs duties at zero, with effect from the date on which the FTA enters into force for Singapore;
 - Brunei Darussalam, Malaysia, the Philippines and Thailand will eliminate customs duties of about 85% of their tariff lines within 10 years and reduce customs duties of about another 10% of their tariff lines within 14 years;
 - Indonesia and Viet Nam will eliminate customs duties of about 75% of their tariff lines within 10 years and reduce customs duties of about another 10% of their tariff lines within 14 years; and
 - Cambodia, Laos and Myanmar will eliminate customs duties of about 65% of their tariff lines within 15 years and reduce customs duties of about another 20% of their tariff lines within 20 years.

- AMS' tariff reduction commitments cover different kinds of commodities, including jewellery, articles of apparel and clothing accessories, watches and clocks, toys, etc.
- Hong Kong exporters who comply with the relevant preferential origin rules and fulfil the relevant requirements can benefit from the preferential tariff treatment for exports to AMS.
- Hong Kong commits to granting tariff free access to all products originating from AMS when the FTA takes effect.
- Hong Kong and ASEAN will also strengthen co-operation in sanitary and phytosanitary measures, technical barriers to trade and customs matters.



Investment

- Apart from investment promotion and facilitation, the Investment Agreement provides Hong Kong and ASEAN investors with non-discriminatory treatment of investments in non-services sectors and protection of investments in all sectors, in respect of their investments in the other party. Such protection includes requiring each party to:
 - provide fair and equitable treatment of investments;
 - provide protection and security of investments;
 - provide compensation according to the agreed standard in case of expropriation of investments and in a freely usable currency as determined by the International Monetary Fund;
 - provide non-discriminatory treatment in compensation for investment losses or damages owing to war, armed conflict, civil strife, or similar events; and
 - permit free transfer of investments and returns.

Other Areas

- The FTA comprises a chapter on economic and technical co-operation (ECOTECH) which aims to enhance the benefits of the FTA through capacity building programmes and technical assistance. Both sides have agreed to conduct ECOTECH activities in five priority areas, namely customs co-operation, professional services, small and medium enterprises co-operation, trade facilitation/logistics, and e-commerce co-operation.
- The two sides have also agreed to establish a transparent mechanism for consultations and settlement of possible disputes.



Trade Relations between Hong Kong and ASEAN

ASEAN as a whole is a very important trading partner of Hong Kong. Many of the individual AMS are key trading partners of Hong Kong.

Merchandise

- ASEAN was Hong Kong's second¹ largest trading partner in merchandise trade in 2016. Bilateral trade between Hong Kong and ASEAN grew by an average of 3.4% annually from 2012 to 2016.
- Total merchandise trade between Hong Kong and ASEAN amounted to HK\$833 billion in 2016. Hong Kong's major domestic export items to ASEAN included metalliferous ores and metal scrap; and jewellery, goldsmiths' and silversmiths' wares, and other articles of precious or semi-precious materials. Major items imported from ASEAN included electrical machinery, apparatus and appliances, and electrical parts thereof; office machines and automatic data processing machines; and telecommunications and sound recording and reproducing apparatus and equipment.

Services

- ASEAN was Hong Kong's fourth largest trading partner in services trade in 2015. The average annual growth rate for total trade in services was 3.1% from 2011 to 2015.
- Total services trade between Hong Kong and ASEAN amounted to HK\$121 billion in 2015. Major services trade included transport, travel, financial and other business services.

Investment

- As at end 2015, ASEAN ranked sixth among Hong Kong's destinations of outward direct investment, with a stock of HK\$218 billion. It ranked sixth among Hong Kong's sources of inward direct investment, with a stock of HK\$555 billion.

¹ Both ASEAN and the European Union are counted as single entities in the rankings in this leaflet.

Background of Negotiations

Hong Kong and ASEAN commenced negotiations in July 2014. Both sides announced the conclusion of the negotiations in September 2017.

Further Information

Further information on the Agreements, including their full texts, are available at:
<https://www.tid.gov.hk/english/ita/fta/hkasean/index.html>

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