

ASEAN and Hong Kong signs Free Trade & Investment Agreements

On November 12, Hong Kong signed free trade and investment agreements with the 10-nation Association of Southeast Asian Nations (ASEAN) in a clear vote against the rising regional and international trade protectionism.

The ASEAN Hong Kong China Free Trade Agreement (AHKFTA) was signed on the sidelines of the 31st ASEAN Summit held in Manila, Philippines. It consequently came after leaders attending an Asia-Pacific Economic Cooperation summit in Viet Nam agreed to tackle “unfair trade practices” and “market-distorting subsidies”. Hong Kong and ASEAN commenced negotiations on the Free Trade Agreement (FTA) and Investment Agreement in July 2014. They are expected to take effect on January 1, 2019, at the earliest.

Hong Kong has agreed to allocate HKD 25 million (USD 3.2 million) over five years for the implementation of the Economic and Technical Cooperation (ECOTECH) Work Programme and to foster and launch economic collaboration plans notably covering customs, logistics, e-commerce and professional services. Under this Programme, Hong Kong also agreed to support and implement several strategies to help Small and Medium Enterprises (SME's) and emerging entrepreneurial landscape by creating promotion missions and incentives for both foreign and local investments.

Hong Kong have increasing trade and economic ties with ASEAN. Based on ASEAN statistics, merchandise trade in 2016 between ASEAN and Hong Kong was valued at USD 93.3 billion, a 1.3 per cent increase from USD 92.1 billion in 2015. Total foreign direct investment flows from Hong Kong to ASEAN amounted to USD 9.9 billion, a staggering 141 per cent increase from USD 4.1 billion in 2015. At the end of 2015, ASEAN ranked sixth among Hong Kong's destinations of outward direct investment, after mainland China, Korea, Japan, India, Australia and New-Zealand, with a stock of HKD 218 billion. It also ranked sixth among Hong Kong's sources of inward direct investment, with a stock of HKD 555 billion.

Hong Kong also have steady trade relations with Thailand and Viet Nam. The average annual growth rate in bilateral trade between Hong Kong and Thailand was 9% from 2006 to 2010, but increased dramatically by 34% from HKD 82.7 billion in 2009 to HKD 110.8

billion in 2010. Since 2015, Thailand is Hong Kong's 9th largest trading partner; 11th largest market for domestic exports and 13th largest market for re-exports; and 8th largest source of imports. Comparatively, the average annual growth rate in bilateral trade between Hong Kong and Viet Nam was 31% from 2006 to 2010. The bilateral trade between Hong Kong and Viet Nam increased by 39% from HKD 35.0 billion in 2009 to HKD 48.8 billion in 2010. In the past 3 years, Viet Nam was Hong Kong's 18th largest trading partner; 14th largest market for domestic exports and 14th largest market for re-exports; and 22nd largest source of imports.

Hong Kong being one of the world's freest and most open economies, these agreements will consequently mean that ASEAN countries will gradually reducing or even eliminating customs duties on Hong Kong goods, removing restrictions for trade in services and red tapes while ensuring and enhancing protection within the region.

The agreements will also allow travelers to stay longer for business purposes. Currently, seven of the ASEAN countries only allow Hong Kong travelers to stay between 14 to 30 days without a visa. The proposed amendment should allow business visitors to stay up to 90 days.

The ASEAN grouping includes 10 countries, namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

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