

12 June 2019

HSBC: Hong Kong ASEAN FTA is another peg in securing the trade liberalisation tent

The ASEAN Hong Kong Free Trade Agreement (AHKFTA), which came into force on 11 June 2019 for Singapore, Thailand, Vietnam, Laos and Myanmar, is another win for global trade liberalisation as well as being an economic shot in the arm for South-east Asia and particularly Vietnam, according to a senior executive at HSBC. The other ASEAN markets will enforce the agreement at later dates.

The agreement – which was signed by Hong Kong and the 10-members of the Association of Southeast Asian Nations (ASEAN) in November 2017 - will see reduction of good tariffs, free flow of services and investments within and across the corridor.

Nations will progressively reduce their tariffs over the coming years. Viet Nam will eliminate customs duties of about 75 per cent of their tariff lines within 10 years and reduce customs duties of about another 10 per cent of their tariff lines within 14 years; and The Investment Agreement within the pact will ensure that service providers will be treated equally with local service providers of the other party as well as a reduction of restrictions on foreign investment in service sectors.

Pham Hong Hai, CEO of HSBC Vietnam said: “Hong Kong ASEAN FTA is another peg in securing the trade liberalisation tent and it’s a big win for ASEAN, and particularly Vietnam. With no end to the trade tensions, Hong Kong businesses are looking for wider investment opportunities and the FTA signals Southeast Asia as a fertile ground. The bilateral cooperation of Vietnam and Hong Kong has grown steadily over years and this FTA coming into force promises to open the door to more cooperation opportunities for Hong Kong and Vietnam.”

ASEAN was Hong Kong's second² largest trading partner in merchandise trade in 2018 and the fourth largest in services trade in 2017. As at end 2017, ASEAN ranked fourth among Hong Kong's destinations of outward direct investment. It ranked sixth among Hong Kong's sources of inward direct investment, with a stock of HK\$628 billion.

Vietnam is considered as an attractive investment destination for foreign investors due the country’s geopolitical advantages. This new AHKFTA will even open up more business opportunities for the Southeast Asia’s fastest growing country, bolster the trade flow between the two markets.

In the first five months of this year, Hong Kong emerged as the leading investor in Vietnam with total investment capital of US\$5.08 billion, accounting for 30.4% total investment in the country¹.

The FTA can be expected to provide smoother access to the trade flow between Hong Kong and ASEAN including Vietnam. The stronger trade flow would boost the country’s

¹ <http://baochinhphu.vn/Thi-truong/Von-FDI-5-thang-dat-gan-17-ty-USD-lap-dinh-moi/366924.vgp>

productivity and industrial capacity, enabling the country to further take advantage of trade diversion.

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Note to editors:

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