

A glimpse into the ASEAN-Hong Kong Free Trade Agreement

I. Introduction

1. After close to 4 years of negotiations,¹ the hugely anticipated ASEAN-Hong Kong Free Trade Agreement (AHKFTA) has finally been set in stone.² Along with the accompanying ASEAN-Hong Kong Investment Agreement (AHKIA), the two agreements were signed on the sidelines of the 31st ASEAN summit in the Philippines.³

II. Historical background and the rationale for a separate FTA

2. While negotiations were initially envisioned to be completed within a year,⁴ the ASEAN-Hong Kong Free Trade Agreement (AHKFTA) has taken 10 rounds of negotiations since the decision to pursue it was made in 2013.⁵ The Terms of Reference for the ASEAN-HKC Trade Negotiation Committee (AHKTNC) and the Scope and Arrangements for the AHKFTA negotiations were endorsed at the Second ASEAN Senior Economic Officials' Meeting (SEOM)-HKC Consultations in 2014, with negotiations officially beginning in July 2014.⁶

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¹ Malaysia's Free Trade Agreements, <http://fta.miti.gov.my/index.php/pages/view/Asean-hongkong-china?mid=70> (accessed September 7, 2017).

² Phila Siu, *Hong Kong-Asean free-trade deal to be signed by November: Philippine minister* South China Morning Post, July 18, 2017, <http://www.scmp.com/news/hong-kong/economy/article/2102420/hong-kong-asean-free-trade-deal-be-signed-november-philippine> (accessed September 4, 2017); Ted Cordero, *To be signed in November: ASEAN, Hong Kong conclude Free Trade Agreement talks*, GMA News, September 9, 2017, <http://www.gmanetwork.com/news/money/economy/625198/Asean-hong-kong-conclude-free-trade-agreement-talks/story/> (accessed September 10, 2017).

³ Phila Siu, *Hong Kong-Asean free-trade deal to be signed by November: Philippine minister* South China Morning Post, July 18, 2017, <http://www.scmp.com/news/hong-kong/economy/article/2102420/hong-kong-asean-free-trade-deal-be-signed-november-philippine> (accessed September 4, 2017); Ted Cordero, *To be signed in November: ASEAN, Hong Kong conclude Free Trade Agreement talks*, GMA News, September 9, 2017, <http://www.gmanetwork.com/news/money/economy/625198/Asean-hong-kong-conclude-free-trade-agreement-talks/story/> (accessed September 10, 2017).

⁴ Kristy Hsu, "Asean Centrality: A Quest for Leadership Role for East Asian Economic Integration" in *Asian Leadership in Policy and Governance* (Evan Berman, M. Shamsul Haque ed) (Emerald Group Publishing, Vol. 24, 2015) ch 4 at p 82; ASEAN: Market Profile, <http://hkmb.hktdc.com/en/1X09WKZD/hktdc-research/ASEAN-Market-Profile>, HKTDC, November 17, 2016 (accessed September 9, 2017).

⁵ Malaysia's Free Trade Agreements, <http://fta.miti.gov.my/index.php/pages/view/Asean-hongkong-china?mid=70> (accessed September 7, 2017).

⁶ Ministry of International Trade and Industry, Malaysia Press Release, *Conclusion of the ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA) And The ASEAN-Hong Kong, China Investment Agreement (AHKIA)* BERNAMA, September 10, 2017, <http://mrem.bernama.com/viewsm.php?idm=29998> (accessed September 10, 2017);

3. While details are still not available,⁷ the main AHKFTA Agreement was reported to cover the following elements:⁸
 - a. Trade in Goods (TIG);
 - b. Rules of Origin (ROO); Customs Procedures and Trade Facilitation (CPTF);
 - c. Sanitary and Phytosanitary Measures (SPS);
 - d. Standards, Trade Regulations and Conformity Assessment Procedures (STRACAP); Trade Remedies;
 - e. Trade in Services (TIS);
 - f. Economic and Technical Cooperation (ECOTECH) (to be implemented through an ECOTECH Work Program);⁹
 - g. Intellectual Property Rights (IPR);
 - h. General Provisions and Exceptions;
 - i. Institutional Provisions;
 - j. Consultations and Dispute Settlement; and
 - k. Final Provisions.

4. The impetus for an ASEAN-Hong Kong bilateral FTA can be said to lie in the repercussions resulting from the ASEAN-China FTA signed in 2010,¹⁰ particularly for Hong Kong's economy.¹¹

Phila Siu, *Hong Kong-Asean free-trade deal to be signed by November: Philippine minister*, South China Morning Post, July 18, 2017, <http://www.scmp.com/news/hong-kong/economy/article/2102420/hong-kong-Asean-free-trade-deal-be-signed-november-philippine> (accessed September 4, 2017); Xinhua, *China's Hong Kong, ASEAN conclude Free Trade Agreement negotiations*, China Daily, September 9, 2017 http://www.chinadaily.com.cn/business/2017-09/09/content_31769119.htm (accessed September 9, 2017).

⁷ William Marshall, *How Asean can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-asean-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

⁸ Malaysia's Free Trade Agreements, <http://fta.miti.gov.my/index.php/pages/view/asean-hongkong-china?mid=70> (accessed September 7, 2017).

⁹ Zhou Xin, *ASEAN, China's Hong Kong to sign free trade agreement in November*, Xinhua, September 9, 2017, http://news.xinhuanet.com/english/2017-09/09/c_136597009.htm (accessed September 10, 2017).

¹⁰ David Dodwell, *Hong Kong plays catch up in Asean after two decades of wasted opportunity*, South China Morning Post, September 17, 2017, <http://www.scmp.com/business/china-business/article/2111539/hong-kong-plays-catch-Asean-after-two-decades-wasted> (accessed September 17, 2017).

¹¹ David Dodwell, *Hong Kong plays catch up in Asean after two decades of wasted opportunity*, South China Morning Post, September 17, 2017, <http://www.scmp.com/business/china-business/article/2111539/hong-kong-plays-catch-Asean-after-two-decades-wasted> (accessed September 17, 2017).

5. Like most FTAs, the ASEAN-China FTA “requires that goods claiming tariff preferences under the agreement originate within the signatory member states and are directly shipped from one member to the other.”¹² In other words, for ASEAN member countries to benefit from the incentives provided under the FTA, their exports must be directly shipped to China, or vice versa.¹³
6. Consequently, since Hong Kong is still regarded as a separate customs jurisdiction under China’s “one country, two systems” principle, the ASEAN-China FTA will inevitably exclude Hong Kong.¹⁴ With exports being able to move directly between ASEAN nations and China with zero or reduced tariffs, this has eliminated the need for many South-East Asian companies to rely on Hong Kong as a middleman for their business to reach the mainland market.¹⁵ The impact on Hong Kong was clear, with the territory ceding its title as the world’s busiest container port and falling to fifth place in 2016.¹⁶
7. It may seem curious as to why Hong Kong is opting to go for a separate bilateral FTA with ASEAN instead of negotiating to be a part of the ASEAN-China FTA. Indeed, Hong Kong had attempted to do so, making multiple overtures to accede to the China-ASEAN Free Trade Area (CAFTA) in 2014.¹⁷ However, these efforts had eventually

¹² William Marshall, *How ASEAN can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-ASEAN-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

¹³ William Marshall, *How Asean can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-Asean-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

¹⁴ William Marshall, *How Asean can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-asean-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017) (“[I]t is a World Trade - Organisation member in its own right and, like tax treaties, negotiates and executes international agreements in its own right as a separate jurisdiction for tax and customs purposes, among other areas”).

¹⁵ David Dodwell, *Hong Kong plays catch up in Asean after two decades of wasted opportunity*, South China Morning Post, September 17, 2017, <http://www.scmp.com/business/china-business/article/2111539/hong-kong-plays-catch-Asean-after-two-decades-wasted> (accessed September 17, 2017); William Marshall, *How Asean can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-asean-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

¹⁶ William Marshall, *How Asean can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-asean-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

¹⁷ David Dodwell, *Hong Kong plays catch up in Asean after two decades of wasted opportunity*, South China Morning Post, September 17, 2017, <http://www.scmp.com/business/china-business/article/2111539/hong-kong-plays-catch-Asean-after-two-decades-wasted> (accessed September 17, 2017).

proved futile due to various complications.¹⁸ This had therefore led to the start of the separate AHKFTA discussions.¹⁹

III. Implications for the region

A. Singapore

8. It is well-known that Singapore and Hong Kong are extremely close competitors on the international stage, and the impending AHKFTA may not spell the best for the city-state.
9. As one commentator observed, the slow progress of the AHKFTA discussions was allegedly due to Singapore's opposition on one of the key issues of the FTA discussions.²⁰ The issue was how parties were to achieve "service liberalisation", where each member nation's service sector market are to be open to one other.²¹ Hong Kong is a direct competitor with Singapore in many key aspects of the tertiary sector, such as financial services, banking and shipping industry management. Thus, were ASEAN to open up its service sector to Hong Kong companies, the benefits Singapore would gain under the FTA would not outweigh its loss of an important competitive advantage.²²

¹⁸ For example, Singapore has been said to be the main voice of objection towards the idea of Hong Kong participating in the China-ASEAN Free Trade Area in the fear of losing its strategic position for trade and capital in Asia.

See David Dodwell, *Hong Kong plays catch up in ASEAN after two decades of wasted opportunity*, South China Morning Post, September 17, 2017, <http://www.scmp.com/business/china-business/article/2111539/hong-kong-plays-catch-ASEAN-after-two-decades-wasted> (accessed September 17, 2017); Frank Chen, *To ASEAN with love: An FTA that can be a win for HK, China*, EJInsight, September 19, 2017, <http://www.ejinsight.com/20170919-to-asean-with-love-an-fta-that-can-be-a-win-for-hk-china/> (accessed November 24, 2017).

¹⁹ David Dodwell, *Hong Kong plays catch up in Asean after two decades of wasted opportunity*, South China Morning Post, September 17, 2017, <http://www.scmp.com/business/china-business/article/2111539/hong-kong-plays-catch-Asean-after-two-decades-wasted> (accessed September 17, 2017).

²⁰ Simon Shen, *Why Singapore doesn't want to see a HK-ASEAN free-trade deal*, Hong Kong Economic Journal, April 26, 2017, <http://www.ejinsight.com/20170427-why-singapore-doesnt-want-to-see-a-hk-Asean-free-trade-deal/> (accessed September 7, 2017).

²¹ Simon Shen, *Why Singapore doesn't want to see a HK-ASEAN free-trade deal*, Hong Kong Economic Journal, April 26, 2017, <http://www.ejinsight.com/20170427-why-singapore-doesnt-want-to-see-a-hk-Asean-free-trade-deal/> (accessed September 7, 2017).

²² Simon Shen, *Why Singapore doesn't want to see a HK-ASEAN free-trade deal*, Hong Kong Economic Journal, April 26, 2017, <http://www.ejinsight.com/20170427-why-singapore-doesnt-want-to-see-a-hk-Asean-free-trade-deal/> (accessed September 7, 2017).

10. This is especially so considering the benefits that the ASEAN-China FTA had brought to Singapore, with corresponding detriment to Hong Kong. Since its inception, the ASEAN-China FTA had played a major role in facilitating Singapore's role as a trading hub while conversely contributing to the demise of Hong Kong as a China-related trading hub.²³ Whereas Hong Kong's cargo throughput suffered on the ASEAN-China FTA's implementation, Singapore maintained its second spot on the world stage for cargo volumes.²⁴
11. Notwithstanding, views on the AHKFTA's impact on Singapore remain varied. While there are those who share the view espoused above, there are also others who prefer to look at the AHKFTA in a more positive light. For one, it is posited that the AHKFTA is "unlikely to immediately change the relative trade flows via Singapore or Hong Kong".²⁵ A key reason lies in Singapore's ability to "retain its position as a home port for major carrier alliances, which virtually guarantees [its] entrepot trade continuing for the near future".²⁶ Such a view was also espoused by Singapore's Minister for National Development, Lawrence Wong, who said that "Singapore and Hong Kong are in healthy competition with each other... But the competition is not a zero-sum game".²⁷

B. Other ASEAN countries

12. Commentators have largely viewed the impending AHKFTA and AHKIA as beneficial to the rest of the ASEAN countries.²⁸

²³ William Marshall, *How ASEAN can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-ASEAN-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

²⁴ William Marshall, *How Asean can save Hong Kong from losing out to Singapore on China-related trade*, South China Morning Post, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-asean-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

²⁵ William Marshall, *Asean-HK FTA: What it means for Hong Kong and Singapore*, *The Straits Times*, September 20, 2017, <http://www.straitstimes.com/opinion/Asean-hk-fta-what-it-means-for-hk-and-spore> (accessed September 21, 2017).

²⁶ William Marshall, *Asean-HK FTA: What it means for Hong Kong and Singapore*, *The Straits Times*, September 20, 2017, <http://www.straitstimes.com/opinion/Asean-hk-fta-what-it-means-for-hk-and-spore> (accessed September 21, 2017)..

²⁷ William Marshall, *Asean-HK FTA: What it means for Hong Kong and Singapore*, *The Straits Times*, September 20, 2017, <http://www.straitstimes.com/opinion/Asean-hk-fta-what-it-means-for-hk-and-spore> (accessed September 21, 2017).

²⁸ Thompson Chau, *Forthcoming ASEAN-HK FTA to connect Myanmar with Belt and Road finances*, Myanmar Times, July 31, 2017, <http://www.bilaterals.org/?forthcoming-Asean-hk-fta-to> (accessed September 11, 2017);

13. A chief consideration lies in Hong Kong being one of ASEAN's largest trading partner (Hong Kong was the sixth largest in 2016), and is viewed as "one of the world's leading trade powerhouses".²⁹ With ASEAN working towards extensive infrastructure development under the ASEAN Master Plan on Connectivity (MPAC) and China's One Belt One Road (OBOR) Initiative, signing the AHKFTA and AHKIA will be crucial towards securing investment opportunities from Hong Kong.³⁰ This will then contribute towards strengthening economic integration and development within the ASEAN region.³¹
14. First, based on the commitments it had made under the General Agreement on Trade in Services (GATS) at the World Trade Organization (WTO), Hong Kong had offered various improvements to a wide variety of sectors, including professional and distributive services.³² Notably for some subsectors, Hong Kong had also even exceeded what it had offered in its other FTAs.³³ As regards the AHKIA, a Side

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²⁹ Malaysian Business Online, September 11, 2017, <http://m-business.amaniemedia.com/index.php/general-news/item/1143-conclusion-of-the-Asean-hong-kong-china-free-trade-agreement-ahkfta-and-the-Asean-hong-kong-china-investment-agreement-ahkia> (accessed September 17, 2017) (In 2016, ASEAN's total merchandise trade with Hong Kong stands at USD 93.3 billion – 4.2% of ASEAN's total trade, while the total Foreign Direct Investment (FDI) flows from Hong Kong into ASEAN amounted to USD 9.6 billion or 9.9% of total FDI into ASEAN).

³⁰ Malaysian Business Online, September 11, 2017, <http://m-business.amaniemedia.com/index.php/general-news/item/1143-conclusion-of-the-Asean-hong-kong-china-free-trade-agreement-ahkfta-and-the-Asean-hong-kong-china-investment-agreement-ahkia> (accessed September 17, 2017).

³¹ Malaysian Business Online, September 11, 2017, <http://m-business.amaniemedia.com/index.php/general-news/item/1143-conclusion-of-the-Asean-hong-kong-china-free-trade-agreement-ahkfta-and-the-Asean-hong-kong-china-investment-agreement-ahkia> (accessed September 17, 2017)..

³² Malaysian Business Online, September 11, 2017, <http://m-business.amaniemedia.com/index.php/general-news/item/1143-conclusion-of-the-Asean-hong-kong-china-free-trade-agreement-ahkfta-and-the-Asean-hong-kong-china-investment-agreement-ahkia> (accessed September 17, 2017) ("These will include areas such as professional services (architecture, engineering, urban planning, medical and veterinary services); telecommunication services (local and mobile services, radio and television services, motion picture, video tape and sound recording services); distributive services (commission agents and wholesale trade services); education services (limited commitment for higher education and adult education services); environmental services; hospital services; entertainment and sporting services; transport services (maritime freight forwarding transport, pre-shipment inspection, road freight transport and freight transport agency services); and spa services").

³³ Malaysian Business Online, September 11, 2017, <http://m-business.amaniemedia.com/index.php/general-news/item/1143-conclusion-of-the-Asean-hong-kong-china-free-trade-agreement-ahkfta-and-the-Asean-hong-kong-china-investment-agreement-ahkia> (accessed September 17, 2017) (These subsectors include veterinary

Agreement (initiated by Malaysia) will be established between four signatories, namely Hong Kong, Brunei, Malaysia and Singapore, to extend the equal treatment protection beyond citizens to include permanent residents as well.³⁴ All of these will have a part to play towards a stronger and more unified region.

15. Secondly, Hong Kong can also be used as a gateway to tap deeper into China's market.³⁵ As expressed by Philippines' Secretary of Trade and Industry Ramon Lopez, "Since China launched its ... open-door policy in 1978, Hong Kong has become the premier gateway into and out of mainland China." Of Hong Kong's large number of tourists, a majority (427 million out of 566 million in 2016) came from the mainland alone.³⁶ Further, the unique relationship between China and Hong Kong had made the latter China's second largest trading partner, with bilateral trade amounting to US\$304.6 billion in 2016.³⁷

(1) *Myanmar*

16. For Myanmar, the forthcoming agreement is viewed as a mechanism which can potentially raise its international status and its economy. It is expected to help push the relatively unknown Myanmar goods onto the world stage, and provide an essential capital boost by serving as a gateway to China's economy.³⁸ Predictions have also been made that benefits flowing from the AHKFTA will first benefit the agriculture and

services; services provided by midwives, nurses, physiotherapists and para medical personnel; education services; road transport services; and spa services).

³⁴ Malaysian Business Online, September 11, 2017, <http://m-business.amaniemedia.com/index.php/general-news/item/1143-conclusion-of-the-Asean-hong-kong-china-free-trade-agreement-ahkfta-and-the-Asean-hong-kong-china-investment-agreement-ahkia> (accessed September 17, 2017).

³⁵ The Nation, *Trade deal between HK and Asean for November signing*, The Nation, August 2, 2017, <https://www.pressreader.com/thailand/the-nation/20170802/281990377603434> (accessed September 9, 2017); Phila Siu, *Hong Kong-Asean free-trade deal to be signed by November: Philippine minister* South China Morning Post, July 18, 2017, <http://www.scmp.com/news/hong-kong/economy/article/2102420/hong-kong-asean-free-trade-deal-be-signed-november-philippine> (accessed September 4, 2017); Thompson Chau, *Forthcoming ASEAN-HK FTA to connect Myanmar with Belt and Road finances*, Myanmar Times, July 31, 2017, <http://www.bilaterals.org/?forthcoming-asean-hk-fta-to> (accessed September 11, 2017).

³⁶ Phila Siu, *Hong Kong-Asean free-trade deal to be signed by November: Philippine minister* South China Morning Post, July 18, 2017, <http://www.scmp.com/news/hong-kong/economy/article/2102420/hong-kong-asean-free-trade-deal-be-signed-november-philippine> (accessed September 4, 2017).

³⁷ Economic and Trade Information on China, <http://china-trade-research.hktdc.com/business-news/article/Facts-and-Figures/Economic-and-Trade-Information-on-China/ff/en/1/1X000000/1X09PHBA.htm>, HKTDC, October 19, 2017 (accessed October 26, 2017).

³⁸ Thompson Chau, *Forthcoming ASEAN-HK FTA to connect Myanmar with Belt and Road finances*, Myanmar Times, July 31, 2017, <http://www.bilaterals.org/?forthcoming-asean-hk-fta-to> (accessed September 11, 2017).

manufacturing sectors before branching out to the services sectors comprising of real estate, infrastructure and finance.³⁹

(2) *Malaysia and Thailand*

17. Likewise, the AHKFTA has been said to be beneficial for both Malaysia and Thailand. This lies in the fact that Hong Kong is one of the largest trading partner for both countries. For Malaysia, Hong Kong was the ninth largest trading partner in 2016 with total bilateral merchandise trade of USD 12.1 billion or 3.4% of Malaysia's total trade.⁴⁰ Similarly for Thailand, Hong Kong was also its ninth biggest trading partner in 2016,⁴¹ and investments from Hong Kong was ranked as the seventh biggest, totalling Bt 8.6 billion.⁴²

(3) *China*

18. For China, the AHKFTA is seen as a step to achieve its national strategy of developing a city cluster in the Guangdong-Hong Kong-Macau Greater Bay Area (GBA),⁴³ which serves as a key portal in support of the OBOR initiative.⁴⁴ This follows previous strategic steps by China to bolster this initiative, with the Closer Economic and Partnership Arrangement with Hong Kong and Macau since 2003, as well as the establishment of the ASEAN- China FTA in 2010.⁴⁵

³⁹ Thompson Chau, *Forthcoming ASEAN-HK FTA to connect Myanmar with Belt and Road finances*, Myanmar Times, July 31, 2017, <http://www.bilaterals.org/?forthcoming-asean-hk-fta-to> (accessed September 11, 2017).

⁴⁰ Malaysian Business Online, September 11, 2017, <http://m-business.amaniemedia.com/index.php/general-news/item/1143-conclusion-of-the-asean-hong-kong-china-free-trade-agreement-ahkfta-and-the-asean-hong-kong-china-investment-agreement-ahkia> (accessed September 17, 2017) (Meanwhile, total approved investments from Hong Kong into Malaysia in 2016 amounted to USD 59 million).

⁴¹ The Nation, *Trade deal between HK and Asean for November signing*, The Nation, August 2, 2017, <https://www.pressreader.com/thailand/the-nation/20170802/281990377603434> (accessed September 9, 2017).

⁴² The Nation, *Trade deal between HK and Asean for November signing*, The Nation, August 2, 2017, <https://www.pressreader.com/thailand/the-nation/20170802/281990377603434> (accessed September 9, 2017).

⁴³ Yan Shaohua, *Why Guangdong-HK-Macau Bay Area matters to ASEAN nations*, EJInsight, September 7, 2017, <http://www.ejinsight.com/20170907-why-guangdong-hk-macau-bay-area-matters-to-Asean-nations/> (accessed September 15, 2017).

⁴⁴ Yan Shaohua, *Why Guangdong-HK-Macau Bay Area matters to ASEAN nations*, EJInsight, September 7, 2017, <http://www.ejinsight.com/20170907-why-guangdong-hk-macau-bay-area-matters-to-Asean-nations/> (accessed September 15, 2017).

⁴⁵ Yan Shaohua, *Why Guangdong-HK-Macau Bay Area matters to ASEAN nations*, EJInsight, September 7, 2017, <http://www.ejinsight.com/20170907-why-guangdong-hk-macau-bay-area-matters-to-Asean-nations/> (accessed September 15, 2017).

19. With the expected signing of the AHKFTA, a “10+1+1” free trade zone is on the horizon. This will serve to open a new corridor for trade and investment flows between ASEAN and the GBA.⁴⁶

(4) *Hong Kong*

20. To Hong Kong, ASEAN is its second-largest trading partner and a top ten foreign investment destination.

21. According to official viewpoints, Hong Kong will stand to gain from both the AHKFTA and AHKIA, "which will bring more and better access to the ASEAN markets, create new business opportunities and further enhance trade and investment flows".⁴⁷ This is in light of “Hong Kong’s strengths in finance and professional services, such as law, accounting and management [which] can help improve professional services in ASEAN and become a base for the Chinese mainland enterprises which plan to explore the ASEAN market”.⁴⁸

22. On the contrary, a commentator has pointed that ASEAN-Hong Kong FTA belies a greater motivation for Hong Kong to pursue it.⁴⁹ In his opinion, Hong Kong will not experience any significant trade benefits to its economy from an FTA that offers duty-free treatment of ASEAN-origin items into it or Hong Kong-origin items into ASEAN.⁵⁰ This is mainly due to the fact that Hong Kong already does not impose any custom duties for ASEAN imports, and domestic exports (i.e. of Hong Kong origin)

⁴⁶ Yan Shaohua, *Why Guangdong-HK-Macau Bay Area matters to ASEAN nations*, EJInsight, September 7, 2017, <http://www.ejinsight.com/20170907-why-guangdong-hk-macau-bay-area-matters-to-asean-nations/> (accessed September 15, 2017).

⁴⁷ William Marshall, *Asean-HK FTA: What it means for Hong Kong and Singapore*, *The Straits Times*, September 20, 2017, <http://www.straitstimes.com/opinion/Asean-hk-fta-what-it-means-for-hk-and-spore> (accessed September 21, 2017).

⁴⁸ Xinhua, *Hong Kong-ASEAN FTA to tap opportunities under Belt and Road Initiative: Experts*, China Daily, September 13, 2017, http://www.chinadaily.com.cn/bizchina/2017-09/13/content_31948863.htm (accessed September 15, 2017).

⁴⁹ William Marshall, *Asean-HK FTA: What it means for Hong Kong and Singapore*, *The Straits Times*, September 20, 2017, <http://www.straitstimes.com/opinion/asean-hk-fta-what-it-means-for-hk-and-spore> (accessed September 21, 2017).

⁵⁰ William Marshall, *Asean-HK FTA: What it means for Hong Kong and Singapore*, *The Straits Times*, September 20, 2017, <http://www.straitstimes.com/opinion/asean-hk-fta-what-it-means-for-hk-and-spore> (accessed September 21, 2017).

merely accounts for roughly 3.7% of Hong Kong's total export volume.⁵¹ Rather, the main motivation behind Hong Kong's pursuit of the AHKFTA lies in the need to gain access to the ASEAN-China FTA in order for Hong Kong to continue its role as a significant trading hub for China-related trade.⁵² Hong Kong has always been a hub for China-related trade, and it has been said that this is arguably its "entire reason for existence".⁵³

23. Indeed, after the conclusion of the FTA negotiations with ASEAN, Hong Kong is also expected to seek to join the Regional Comprehensive Economic Partnership (RCEP).⁵⁴ This is currently being negotiated between ASEAN and its six FTA partners: Mainland China, Japan, South Korea, Australia, New Zealand, and India.⁵⁵

IV. Remarks and Conclusion

24. As the hopes of completing the Trans-Pacific Partnership (TPP) with the U.S. had all but extinguished under the Trump administration, it is vital that ASEAN continues to strengthen its core and "continue to forge strong connectivity with key markets".⁵⁶ In this regard, such "ASEAN+1" agreements are especially significant given that the

⁵¹ Kohei Shino, *How Far Will Hong Kong's Accession to ACFTA Impact its Trade in Goods?*, ERIA Discussion Paper Series, April 2013, <http://www.eria.org/ERIA-DP-2013-04.pdf> (accessed October 26, 2017).

⁵² William Marshall, *Asean-HK FTA: What it means for Hong Kong and Singapore*, *The Straits Times*, September 20, 2017, <http://www.straitstimes.com/opinion/asean-hk-fta-what-it-means-for-hk-and-spore> (accessed September 21, 2017). (Such would include, for example, facilitating the staging of cargo and inventory in Hong Kong between China and ASEAN; enabling third-party invoicing from Hong Kong trading companies to China and ASEAN buyers and sellers; and providing for the practical and efficient certification of origin in Hong Kong of items that originated in either China or ASEAN).

⁵³ William Marshall, *How Asean can save Hong Kong from losing out to Singapore on China-related trade*, *South China Morning Post*, September 17, 2017, <http://www.scmp.com/comment/insight-opinion/article/2111319/how-asean-can-save-hong-kong-losing-out-singapore-china> (accessed September 17, 2017).

⁵⁴ Mary Swire, *Hong Kong Seeking ASEAN FTA Deal By March*, *Tax-News*, January 31, 2017, https://www.tax-news.com/news/Hong_Kong_Seeking_ASEAN_FTA_Deal_By_March____73342.html (accessed September 12, 2017).

⁵⁵ Mary Swire, *Hong Kong Seeking ASEAN FTA Deal By March*, *Tax-News*, January 31, 2017, https://www.tax-news.com/news/Hong_Kong_Seeking_ASEAN_FTA_Deal_By_March____73342.html (accessed September 12, 2017).

⁵⁶ Opening address by Mr S. Iswaran, Minister for Trade and Industry (Industry) at the Singapore Institute of International Affairs 10th Asean and Asia Forum, 5 October 2017, Ritz- Carlton Singapore, https://www.gov.sg/~/sgpcmedia/media_releases/mti/speech/S-20171005-3/attachment/Delivered%20-%20Speech%20by%20Min%20Iswaran%20at%20the%20SIIA%2010th%20ASEAN%20and%20Asia%20Forum.pdf (accessed 18 October 2017).

ASEAN-led RCEP negotiations is seen as one of the more viable alternatives to the TPP.⁵⁷

25. As have been the case for China, India, Japan, South Korea and New Zealand, where an “ASEAN+1” FTA is signed, it opens the door for the ASEAN FTA partner to accede to the RCEP.⁵⁸ Also of importance is the fact that of the sixteen RCEP countries, seven are signatories of the TPP, while four had intentions to participate.⁵⁹
26. The soon-to-be-signed AHKFTA should therefore be seen as a welcome addition, for it beholds a greater ambition for the ASEAN and Asia Pacific region. In time to come, if ASEAN continues to consolidate its centrality in this way, we may soon expect Asia to exert a greater say in the ever-evolving global trade architecture.

⁵⁷ Rebecca Fatima Sta Maria, RCEP More Relevant Now Than Ever, *The Straits Times*, January 18, 2017, <http://www.straitstimes.com/opinion/rcep-more-relevant-now-than-ever> (accessed 17 October 2017).

⁵⁸ Opening address by Mr S. Iswaran, Minister for Trade and Industry (Industry) at the Singapore Institute of International Affairs 10th Asean and Asia Forum, 5 October 2017, Ritz- Carlton Singapore, https://www.gov.sg/~sgpcmedia/media_releases/mti/speech/S-20171005-3/attachment/Delivered%20-%20Speech%20by%20Min%20Iswaran%20at%20the%20SIIA%2010th%20ASEAN%20and%20Asia%20Forum.pdf (accessed 18 October 2017).

⁵⁹ P. Chase, et. al., *The Trans-Pacific Partnership Agreement: Implications for the EU Economy and for its Trade Negotiations with the United States, Japan, Australia and New Zealand*, European Parliament, Directorate-General for External Policies, Policy Department, April 2017.