

Hong Kong and Peru sign Free Trade Agreement (with photos)

Hong Kong and Peru signed a Free Trade Agreement (FTA) on November 15 (Lima time) on the sidelines of the Asia-Pacific Economic Cooperation Economic Leaders' Meeting in Lima, Peru.

In the witness of the Chief Executive, Mr John Lee, and the President of Peru, Ms Dina Boluarte, the Secretary for Commerce and Economic Development, Mr Algernon Yau, and the Minister of Foreign Trade and Tourism of Peru, Mrs Úrsula Desilú León Chempén, signed the FTA.

"Peru is Hong Kong's valued trading partner in Latin America, and also one of the participating countries of our country's Belt and Road Initiative. The Agreement signed today is the first FTA signed by the current-term HKSAR Government, carrying strategic value to both Hong Kong and Peru. Apart from helping Hong Kong to gain entry into the great potential market of Peru, the FTA also provides manufacturers, service providers and investors of Hong Kong and Peru with legal certainty and better conditions, creating business opportunities and enhancing bilateral trade and investment between the two places," Mr Lee said.

"The Agreement heralds the beginning of closer bilateral relations between Hong Kong and Peru. I believe that the unique advantages of Hong Kong under 'one country, two systems', including open and friendly business environment, simple and low tax regime, free flow of information and capital, and a pool of high quality talent with global vision, would enable Peru to better grasp development opportunities for the future," he added.

Mr Lee noted that the commencement of negotiations of a separate Investment Promotion and Protection Agreement (IPPA) between Hong Kong and Peru is encouraging, and trusted that Hong Kong and Peru will further enhance bilateral investment flows to bring about economic growth of the two sides.

The FTA encompasses trade in services (including electronic commerce), trade in goods, investment and other related areas. The FTA's overall commitments go beyond those undertaken by the two economies under the World Trade Organization, and the trade in Hong Kong can be benefited from elimination or reduction of tariff, and reduction of trade barriers. Service providers and investors, likewise, can be benefited from legal certainty of better market access and national treatment when entering and operating in Peru.

Mr Yau said being Hong Kong's second FTA forged with Latin American economies, the FTA would create synergy with the FTA between Hong Kong, China and Chile signed in 2012, reinforcing the message to other Latin American trading partners that Hong Kong is ready to forge closer economic partnership in the region.

"We look forward to Hong Kong's traders and investors to grasp the opportunities brought by the FTA, and expand their businesses in Peru and through Peru to the Latin American markets. At the same time, the FTA would also help more Peruvian businesses to expand into Hong Kong and through Hong Kong in the region, in particular the Guangdong-Hong Kong-Macao Greater Bay Area," Mr Yau said.

Under the FTA, Hong Kong service providers can enjoy benefit in over 150 services sectors Peru has made specific commitments under the FTA. These commitments encompass sectors where Hong Kong has traditional strengths or has potential for development, including professional services, computer and related services, research and development services, financial services, and transport services.

For trade in goods, Peru committed to eliminate tariffs on approximately 98.3 per cent of its tariff lines for Hong Kong's originating goods exported to Peru, among which tariff elimination concerning 91.3 per cent of the tariff lines would take immediate effect upon the entry into force of the FTA, while tariffs of the remaining 7 per cent tariff lines would be phased out gradually. The competitiveness of Hong Kong products exported to Peru will be enhanced.

Peru ranked fifth among Hong Kong's merchandise trading partners in Latin America in 2023, with bilateral merchandise trade amounted to HK\$5.2 billion. The bilateral merchandise and services trade between Hong Kong and Peru grew at an average annual rate of 4 per cent (from 2019 to 2023) and 16.3 per cent (from 2018 to 2022) respectively. The FTA negotiations between Hong Kong and Peru commenced in January 2023 and were concluded in July 2024.

For key benefits of the FTA to Hong Kong, please refer to Annexes 1 and 2. Full text of the FTA has been uploaded onto the Trade and Industry Department's website (www.tid.gov.hk). The FTA will enter into force after Hong Kong and Peru have completed their respective internal procedures.

Including the FTA with Peru, Hong Kong has so far signed nine FTAs with 21 economies, including the Mainland of China, New Zealand, the member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the member states of the Association of Southeast Asian Nations (i.e. Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam), Georgia, Australia and Peru. All FTAs, except the one with Peru, have entered into force.

Hong Kong is actively seeking to expand its economic and trade network, such as seeking early accession to the Regional Comprehensive Economic Partnership and exploring FTAs or IPPAs with emerging markets including potential partners in the Middle East and other regions along the Belt and Road.

Following the signing of the FTA with Peru today, the geographical scope of the Dedicated Fund on Branding, Upgrading and Domestic Sales is also extended to cover Peru (as the 40th eligible economy) with immediate effect

to further support Hong Kong enterprises in developing their businesses there.

