

Speech by DGTI at Australian Chamber of Commerce in Hong Kong breakfast event (English only)

Following is the speech by the Director-General of Trade and Industry, Ms Salina Yan, at a breakfast event organised by the Australian Chamber of Commerce in Hong Kong today (March 29):

I must thank the Australian Chamber of Commerce (Hong Kong) for organising this breakfast event so soon following the signing of the Free Trade Agreement (FTA) and Investment Agreement (IA) between Hong Kong and Australia on Tuesday (March 26) in Sydney. To the theme of the sharing today – "What the FTA and IA mean for businesses", I would venture three key points from the Hong Kong perspective as a matter of introduction.

I. Legal and Policy Certainties

Businesses are natural risk takers but, understandably, you need a stable environment with predictable and transparent rules and policies to manage risks. The FTA and the new IA are legal documents binding the two governments in respect of the market access commitments made and associated rules contained therein. For Hong Kong, a strong legal backing can be found in Articles 116 and 151 of the Basic Law which provide that, using the name Hong Kong, China, we can participate in international organisations and conclude and implement trade and other agreements with our trading partners. At a deeper level, being two ardent free trade advocates, Hong Kong and Australia see very much eye to eye on the importance of bringing down tariffs, keeping open our services sectors, cutting red tape and providing the necessary protection to investors and investments in modern terms. You will find all these elements in the two agreements which send a strong message for free and open trade and investment against the prevailing choppy international trade waters. This brings me to my second point.

II. World Trade Organization (WTO) Consistent and WTO Plus Commitments

Not only is the FTA WTO compliant, it goes above the commitments Hong Kong and Australia have made under the WTO. In the goods area, we will bind all our tariffs at zero for each other on Day One of implementation. And in the true spirit of trade facilitation, we will put in place simple self-declaration of origin procedures for exporters, producers and importers to claim the zero import tariff, backed up by more risk-based checks. In terms of trade in services, Hong Kong and Australia service providers will be able to enjoy WTO-plus commitments in respect of access to each other's market and treatment no less favourable than local service providers. For Hong Kong, we will benefit from the specific commitments Australia has made in some 140 services sectors including professional services, IT, telecommunications, transport services, financial services, etc. These represent 40 per cent

more sectors than those Australia has committed under WTO, and over 60 per cent of the sectors covered by existing WTO commitments will see improvements. Apparently, Hong Kong is one of the only two economies which enjoy Australia's FTA market access commitments in arbitration, conciliation and mediation services as well as rail passenger transport services. I am happy to say that Hong Kong has also made comparable high quality commitments in a wide range of service sectors, many of which are of particular interest to Australia.

III. Substantive Business Opportunities

We believe that substantive business opportunities will be brought by these two high quality and comprehensive agreements. In the goods area, with zero tariffs and trade facilitation measures, we look forward to increased bilateral trade flow. Using 2017 figures, we estimate that some HK\$16 million in tariff expenditure will be saved annually. I have talked earlier about services. We do not stop at preserving the status quo. Thanks to our hard-working and highly professional negotiators, the two sides have agreed on dedicated and forward-looking disciplines in the specific realm of the next-generation economic growth points. On electronic commerce, for instance, we agree not to impose customs duties (tariffs) on all electronic transmissions, and have included other provisions to facilitate e-commerce. On financial services, Hong Kong and Australia will permit service suppliers of the other side to establish in its market to provide new financial services that its own financial service suppliers can provide. We also agree to share experiences and continue discussions on education services, professional services including legal services as well as government procurement as part of the future work programme.

Underlining all these, the new IA will provide comprehensive protection for investors of both sides under the principle of fair and equitable treatment. We have secured Australia's commitment in raising its monetary thresholds for screening so that only investment amounting to A\$1154 million or more will require screening compared to the present A\$266 million for non-sensitive businesses. This will help improve Hong Kong investors' access to the Australian market with legal certainty. Similarly, Hong Kong has long been a major investment hub in the region. With the IA, Australian investors are encouraged to make better use of the investment opportunities in Hong Kong, and to use Hong Kong as a springboard to invest in the Guangdong-Hong Kong-Macao Greater Bay Area and the rest of the Mainland, other economies in the region, as well as economies along the Belt and Road and beyond.

In short, the FTA and IA will bring the close economic and trade relations between Hong Kong and Australia to a new level. The agreement will take effect after the two sides have completed their respective internal procedures. If you are interested to learn more, you are most welcome to visit my department's dedicated website. The legal texts and all schedules of commitments have been uploaded to facilitate understanding and utilisation of the agreements. Thank you.