

31 May 2017

Ms Salina Yan, JP
Director-General of Trade and Industry
Trade and Industry Tower
3 Concorde Road, Kowloon City
Hong Kong

Dear Salina,

Free Trade Agreement with Australia

The Hong Kong General Chamber of Commerce (“the Chamber”) supports the Government’s initiative to negotiate a Free Trade Agreement (“FTA”) with Australia, our 19th largest trading partner that contributed over HK\$52 billion to Hong Kong’s international trade in 2016. Indeed, the Chamber has long called for the enhancement of international cooperation with other economies to facilitate seamless cross-border flows of capital, people, goods and services. This cooperation is best pursued by multilateral trade liberalisation or significant plurilateral deals, but the Chamber acknowledges that in certain instances, bilateral agreements can contribute valuably.

2. As the freest economy in the world, Hong Kong imposes import tariffs but on a handful of items. Hong Kong’s ability to offer concessions in the area of trade in merchandise under the current negotiation with Australia is therefore limited.

3. On the other hand, it is important that the Government pursue reciprocal treatment of our merchandise exports to the Australian market especially in the context of the FTA entered between the Mainland and Australia that became effective in December 2015. The China-Australia FTA has set import tariffs at zero on 82% of China’s exports to Australia rising to 100% tariff elimination by 1 January 2019.¹

4. As the list of tariff-free Chinese products also covers major re-export items from Hong Kong, we would therefore urge the Government to work with its Australian counterpart on removing tariffs on goods originating from Hong Kong. **The framework of negotiation on the liberalization of merchandise trade should, in our view, mirror that between the Mainland and Australia.** This would allow us to continue to compete as a leading regional trading hub.

.../-2

¹ [Department of Foreign Affairs and Trade, The Australian Government](#)

5. Hong Kong and Australia are among the world's leaders of service exports, ranking 14th and 25th in export of commercial exports in 2015 respectively, and both are founding members of the plurilateral Trade in Services Agreement (TiSA) negotiation currently undertaken by 23 members of the World Trade Organization. Whilst the TiSA negotiation has not yet been concluded, **the level of ambition of the negotiation of this bilateral FTA should be at least on par with TiSA.**

6. Other than a small number of sectors, such as those involving government procurement, and aircraft repair and maintenance activities, the two jurisdictions should target at opening up all service sectors to each other. Building on this vision, **the Chamber considers the adoption of a negative list approach toward market access will be desirable, given that it will provide businesses with clarity and certitude.**

7. At the same time, the two parties should also be entitled to more liberalisation measures if and when either one undertakes in its future FTAs with other trading partners, similar to what is currently being covered in the *Closer Economic Partnership Agreement* between Hong Kong and New Zealand.

8. Businesses in both Hong Kong and Australia have been calling for a **Comprehensive Double Taxation Agreement (CDTA) to be concluded** for quite some time. The Chamber would therefore urge the completion of such an agreement, considering its usefulness in facilitating two-way trade and investment. As noted by the Chief Executive-elect Carrie Lam, CDTAs offer "not just tax savings, but also certainty". As such, we hope to see the inclusion of an agreement to enter into negotiations for a CDTA at a later date.

9. Our city is built on the cornerstones of free trade. With two-way trade flows accounting for some four times of our GDP, Hong Kong must remain open to stay competitive. The launch of the FTA negotiation with Australia is therefore welcomed by the business community. We look forward to the completion of a comprehensive agreement with Australia, which will bring significant economic benefits to Hong Kong.

Yours sincerely,



Shirley Yuen
CEO