

ASEAN FOR BUSINESS

Monthly Bulletin

February 2023



In Focus: Utilising ASEAN – Hong Kong, China Free Trade Agreement



ASEAN is consistently striving to achieve its “Global ASEAN” objective by continuing to proactively embark on initiatives that would deepen and broaden its economic community building. This effort is being realised, among others, through pursuing stronger trade linkages with ASEAN external partners, such as by upgrading free trade agreements to remain relevant and exploring new trade agreements. One such example is the ASEAN - Hong Kong, China (HKC) Free Trade Agreement (AHKFTA).

HKC is ASEAN’s sixth largest trading partner. In 2021, the two-way trade between ASEAN and HKC reached USD 132,9 million, an increase of 18% year-on-year from 2020. Foreign direct investment (FDI) from HKC to ASEAN also increased by 8.1% in 2021, reaching USD 8.3 million. On the other hand, ASEAN is HKC’s second largest trading partner, after the mainland of China since 2010. To foster even closer economic relations, ASEAN and HKC agreed to negotiate an FTA in April 2013. After ten rounds of negotiations, ASEAN and HKC concluded the AHKFTA and ASEAN-HKC Investment Agreement (AHKIA) negotiations in September 2017. Both agreements were signed in the Philippines on 12 November 2017 and entered into force on 11 June 2019 and 17 June 2019, respectively. In February 2021, both Agreements entered into force for all Parties.

About the Bulletin

ASEAN for Business is a bulletin published by the Enterprise and Stakeholder Engagement Division of the ASEAN Secretariat.

This monthly bulletin provides quick updates on specific topics related to the ASEAN Economic Community (AEC) for businesses operating in the region.

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The Competitiveness Offered in AHKFTA

The AHKFTA contains fourteen (14) chapters, covering broad areas of market access liberalisation, trade facilitation, rules to promote confidence in trade, and co-operation to facilitate trade in goods and services in the region. The Agreement will increase ASEAN competitiveness by enabling the following benefits:

- i. Significant tariff reduction or elimination: ASEAN and HKC have committed to progressively reduce or eliminate customs duties on at least 80% of goods traded in the region. Businesses can enjoy substantial tariff savings which will lower cost of exporting and importing products between ASEAN and HKC, thus increasing productivity and price competitiveness.
- ii. Ensuring a more stable and predictable business environment: In the event that a Party needs to modify its tariff commitments under the AHKFTA due to unforeseen or unavoidable circumstances, the Agreement provides flexibility for a Party to do so with the condition that it will need to compensate for such tariff modification with respect to other goods. This ensures that the Party will continue to keep its commitment as agreed in the FTA.
- iii. A more transparent implementation: The Agreement requires all Parties to publicly make available on the internet any laws, regulations, decisions and rulings. It also provides a consultation mechanism where a Party can request detailed information through designated contact points under the agreement. AHKFTA also provides a digital guidebook for businesses to utilise the Agreement as available at this [link](#).
- iv. Easier identification of Rules of Origins (ROO): AHKFTA enables regional accumulation of raw materials from any other AHKFTA Parties used in processed/finished products. Businesses could enjoy flexibility in sourcing more competitive and better-quality raw materials and optimise their supply chain in AHKFTA Parties.
- v. Addressing concerns on Non-Tariff Measures: AHKFTA contains rules governing the implementation by AHKFTA Parties of quantitative restrictions (QRs), non-tariff measures (NTMs), and import licensing measures in line with WTO rights and obligations.

The Four Key Steps to Take Advantage of AHKFTA

Step 1. Identify the correct tariff classification: Businesses need to identify the correct Harmonized System (HS) Code of their goods. The correct HS Code is available on ASEAN Member States' (AMS) and HKC's Tariff Finders.

Step 2. Understand the product's treatment under AHKFTA

Businesses could refer to the Tariff Rate Schedule (TRS) of AHKFTA to understand how the good is treated under the AHKFTA. The TRS of AHKFTA is available at this [link](#).

Step 3. Determine whether the goods meet the ROO Requirement

Businesses must check whether the goods meet the origin requirements under AHKFTA to be able to receive the preferential tariff treatment set out in the importing party's TRS.

Step 4. Apply for Certificates of Origin (CO)(Form AHK) to claim preferential tariffs







The exporter needs to submit an application to the Issuing Authority (IA) for a pre-export examination of the origin of the goods to be exported. The exporter then applies to the IA for a CO (Form AHK). The IA will issue the CO for which the exporter must forward the original copy of the CO to the importer to be submitted to the Customs Authority during import declaration.

Which sector will benefit from the AHKFTA?




The specific commitments by all AHKFTA Parties will benefit a wide range of services sectors, such as telecommunication, construction and engineering, education, financial tourism and travel, transport and arbitration services. The tariff reduction commitments also include current ASEAN-HKC export commodities such as jewellery, articles of apparel and clothing accessories, watches and toys. Furthermore, removal or reduction of various restrictions such as types of legal entity and foreign capital participation will expand flexibility for businesses to expand. For example, Thailand and Viet Nam allow Hong Kong enterprises to have foreign capital participation of up to 50 per cent or even full ownership in many sectors. There will be arrangements to facilitate temporary or longer term stays for business visitors, intra-corporate transferees, specialists/ experts/ professionals and contractual services suppliers.

HIGHLIGHTS FROM THE 3rd ASEAN DIGITAL MINISTERS MEETING AND RELATED MEETINGS

The 3rd ASEAN Digital Ministers Meeting (ADGMIN) and Related Meetings were held in Boracay Island, Philippines on 9-10 February 2023. H.E. Ivan John E. Uy, Secretary of the Department of Information and Communications Technology (DICT) of the Philippines chaired the meeting with H.E. Dr. Janil Puthuchery, Senior Minister of State for Ministry of Communication and Information of Singapore as the Vice Chair. The meeting endorsed and welcomed the following initiatives:

-  ASEAN Guide on Artificial Intelligence (AI) Governance and Ethics (Part I)
-  Operational Framework of the ASEAN Regional Emergency Response Team (ASEAN CERT)
-  Joint Guide to ASEAN Model Contractual Clauses and EU Standard Contractual Clauses for International Data Transfers (Part I)
-  The Framework for Promoting the Growth of Digital Startups in ASEAN
-  Two Priority Deliverables in 2023 namely (i) Regulatory Pilot Space (RPS) to facilitate Cross-Border Digital Data Flows to Enabling Self-Driving Car in ASEAN and (ii) ASEAN Framework on Logistics for Digital Economy Supply Chain for Rural Areas
-  The Boracay Digital Declaration on “Synergy Towards a Sustainable Digital Future”

The ASEAN Digital Ministers also held meetings with ASEAN Dialogue Partners namely People’s Republic of China, Japan, Republic of Korea, India, United States, and International Telecommunication Union (ITU). The meetings, among others, endorsed the following initiatives:

-  The ASEAN-Japan Joint activities in 2023, covering (i) Digital connectivity and infrastructure; (ii) Digital transformation; (iii) Resilience, trust, and security, and (iv) Digital policy, regulation and standards, and (v) Support to ASEAN’s projects through ASEAN-Japan ICT Fund.
-  The ASEAN - Republic of Korea Digital Work Plan 2023 which covers (i) Innovation; (ii) Connectivity; (iii) Human resource development; and (iv) Information security.
-  The ASEAN-U.S. Digital Priority Cooperation Areas in 2023 which covers (i) Digital and ICT infrastructure; (ii) Digital data policy and regulation; and (iii) Digital connectivity and inclusion.

Upcoming Events

30th ASEAN Single Window Steering Committee (ASWSC) Meeting

Indonesia
14-16
March 2023

29th ASEAN Economic Ministers' Retreat Meeting

Magelang, Indonesia
22
March 2023

ASEAN Financial Minister and Central Bank Governors Meeting

Bali, Indonesia
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