



Why has the Australian Government negotiated a free trade agreement with Hong Kong?

Hong Kong is a Special Administrative Region of the People's Republic of China and is able to enter into its own trade agreements. In 2018, it was Australia's seventh largest goods export market and seventh largest services export market. It is also the fifth largest source of foreign investment in Australia. Hong Kong and Australia are natural partners with highly complementary economies and a shared interest in the economic prosperity of the region. A free trade agreement (FTA) would tie our two economies even closer, underpin a growing relationship, and complement the other FTAs Australia has struck in North Asia.

Australia and Hong Kong share deep economic and cultural links. In 2017-18, two-way trade between our economies was worth \$18.8 billion. Over 100,000 Australians live in Hong Kong and around 96,000 people born in Hong Kong now live in Australia.

Australia's current trade relationship with Hong Kong is governed by Hong Kong's obligations under the World Trade Organization (WTO) Agreement. Although Hong Kong currently maintains a tariff-free import regime, it is legally possible under Hong Kong's World Trade Organization (WTO) commitments to increase tariffs on many Australian products, which could have a significant impact on Australian goods exporters. The FTA locks in zero tariffs, ensuring certainty for Australian business.

Our investment relationship is currently governed by a bilateral investment treaty from 1993. As part of the FTA negotiations, we have agreed to an updated investment agreement which modernises the investment rules in force between us. This ensures protection for established investments while ensuring the government's right to regulate for legitimate public welfare objectives, including health, the environment and national security.

The Australian-Hong Kong Free Trade Agreement (A-HKFTA) will:

- deliver guaranteed access for key Australian services suppliers into Hong Kong
- ensure that Hong Kong could not apply any tariffs to Australian goods exports in the future;
- deliver harmonised and standard labelling and guidelines for key Australian products such as food and wine;
- provide rules to ensure non-discrimination with respect to Hong Kong's government procurement market; and
- provide rules to facilitate digital trade, such as ensuring the free flow of data, subject to appropriate exceptions for privacy and national security.

