



The British
Chamber of Commerce
in Hong Kong
香港英商會

The Rt Hon Elizabeth Truss MP
Secretary of State for International Trade
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20 February 2020

Dear Secretary of State,

Following the UK's departure from the European Union there is a unique opportunity for you and your Department to craft new and exciting trade relationships for the United Kingdom, particularly for those British businesses with growth ambitions in Asia Pacific.

I am writing to you as Chairman of the British Chamber of Commerce in Hong Kong to urge you to consider a UK Free Trade Agreement ("FTA") with Hong Kong as a priority.

With more than 1,000 members we are one of the biggest British business organisations in Asia. Our membership is diverse, representing both large multinationals and small start-ups. Many of our members have long and established ties with Hong Kong. Many others have been recently attracted to Hong Kong because of its business-friendly environment which for many British businesses looks and feels very familiar: the use of common law, its pragmatic level of regulation and free market approach, and the use of English as a business language.

Some of the salient features of the Hong Kong opportunity can be summarized as follows:

- Hong Kong is one of the U.K.'s biggest trade partners in Asia with two-way trade in excess of GBP 23 bn; China and Hong Kong combined would stand as the UK's third biggest trade partner globally;
- The UK runs a trade surplus with Hong Kong with exports of over GBP 12 bn, making it the UK's second biggest export market in Asia, ahead of Australia and Japan;
- UK exports to Hong Kong continue to grow: the most recent figures showing annual growth of close to 10%;
- Hong Kong is a major source of investment into the UK – some GBP 23bn (up 12.4%);
- It is also home to some GBP 71bn of UK investment: 5% of the total UK FDI stock; and this excludes the balance sheets of UK banks and insurance companies in Hong Kong;
- Hong Kong is Asia's biggest international financial centre and the third largest globally. UK banks, insurance companies, brokers, fintech's and others maintain a significant market share, including as note issuing banks on behalf of the Hong Kong Monetary Authority.

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As the British Chamber we see opportunities in a wide range of sectors including healthcare, engineering and construction, education, design and the creative industries, financial services and fintech. A FTA would only enhance these, including through the prospect of improved access for UK professional services.

However, the biggest opportunity for British businesses has to be the access which Hong Kong gives to the markets in mainland China:

- 60% of foreign investment into China flows through Hong Kong;
- Some two thirds of Chinese outbound investment to the rest of the world comes through Hong Kong;
- Many UK companies have their Greater China and/or Asia Pacific headquarters in Hong Kong, using its unparalleled connectivity to tap into Chinese and Asian growth;
- Hong Kong has proved an effective base for UK companies to target opportunities for working with Chinese investors in the context of the Belt and Road strategy.

A major new development for Hong Kong is the Guangdong-Hong Kong-Macau Greater Bay Area initiative ("GBA"). This aims to facilitate the freest possible flow of goods, services, finance and people across the whole GBA region, which is already the richest and most outward-looking in China, with a population of over 70 million and a GDP equivalent to South Korea's. Hong Kong's dynamic free market economy is at the heart of this initiative, building on the already preferential market access Hong Kong based companies enjoy in mainland China under the Closer Economic Partnership agreement ("CEPA").

A UK/Hong Kong FTA would offer British companies even easier access into Hong Kong market, where they can in turn benefit from the envisaged preferential market access into the GBA, and from there potentially on into the wider China market.

In our assessment a FTA with Hong Kong should be relatively quick to conclude. Hong Kong is already very largely a free market. It has recently concluded FTA's with ASEAN and Australia. The Hong Kong/Australia FTA in particular would seem to have many provisions which could be relatively simply adopted in a UK agreement. Much valuable groundwork for a UK FTA has already been completed through the UK/Hong Kong Strategic Dialogue on Trade Partnership. The Hong Kong Chief Executive has said publicly how much she would welcome an early FTA with the UK.

In conclusion, a FTA with Hong Kong would:

- provide a basis for the further development of the UK's business and economic relationship with one of its major trade partners in the Asia-Pacific;
- facilitate access to mainland China through the Greater Bay Area;
- provide enhanced market access for UK SMEs looking to expand business opportunities in the region for the first time;
- be a powerful statement of intent about the U.K.'s post Brexit global positioning, and its serious ambitions to grow its strategic economic relationship with the dynamic and fast-growing Asia-Pacific region;
- support Hong Kong's distinct trading status under the One Country Two Systems system;



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- be a significant contribution to the Prime Minister's commitment that 80% of the UK's external trade should be covered by trade agreements by 2022.

As Chairman of the Chamber I and my colleagues would be delighted to meet you to discuss how we might support this initiative and progress an exciting opportunity for the development of British economic interests in a post Brexit world.

I am copying this letter to the Chancellor of the Exchequer, in view of the major financial services links between the UK and Hong Kong; to the Secretary of State for Foreign and Commonwealth Affairs; and to the Secretary of State for Business, Energy and Industrial Strategy.

I am also copying our partners in the United Kingdom, the China Britain Business Council and the Hong Kong Association, who support this initiative.

Yours sincerely,

Peter Burnett

Chairman

Cc: The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer
The Rt Hon Dominic Raab MP, Secretary of State for Foreign and Commonwealth Affairs
The Rt Hon Alok Sharma MP, Secretary of State for Business, Energy and Industrial Strategy
Sir Sherard Cowper Coles, Chair, China Britain Business Council
Sir Douglas Flint, Chair, The Hong Kong Association
Andrew Heyn, HM Consul General Hong Kong