

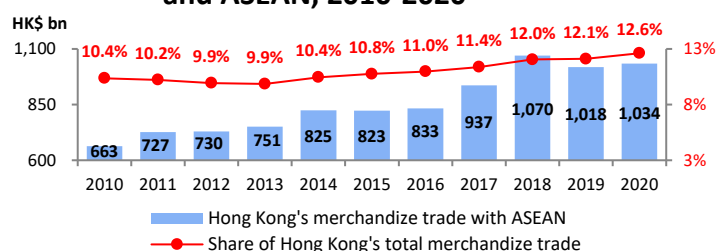


## Business opportunities of Hong Kong in ASEAN

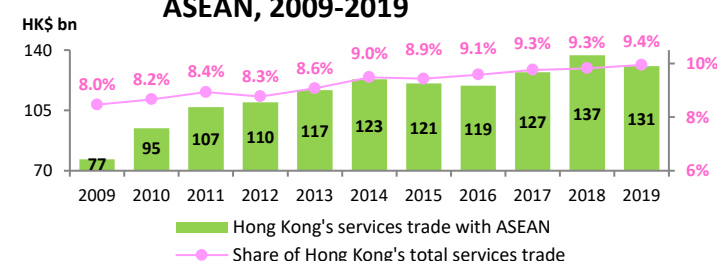
**Figure 1 – Socio-economic indicators of ASEAN, 2020 or the latest year**

	Area (km <sup>2</sup> )	Population (million)	GDP (US\$ billion)
Brunei Darussalam	5 765	0.5	13.5
Cambodia	181 035	16.3	27.1
Indonesia	1 913 579	266.9	1,121.3
Laos	236 800	7.1	18.8
Malaysia	331 388	32.7	336.8
Myanmar	676 576	54.1	66.5
Singapore	719	5.7	354.8
The Philippines	300 000	108.3	377.1
Thailand	513 120	69.6	501.8
Viet Nam	331 231	96.5	261.6
Total	4 490 213	657.7	3,079.3

**Figure 2a – Merchandize trade between Hong Kong and ASEAN, 2010-2020**



**Figure 2b – Services trade between Hong Kong and ASEAN, 2009-2019**



**Figure 3 – Top 10 sources and destinations for Hong Kong's direct investment, 2019**

Ranking	Position of Hong Kong's inward direct investment		Position of Hong Kong's outward direct investment	
	Economies	HK\$ bn	Economies	HK\$ bn
1	British Virgin Islands	4,936.3	The mainland of China	6,279.9
2	The mainland of China	4,081.0	British Virgin Islands	4,892.4
3	Cayman Islands	1,376.8	Cayman Islands	575.4
4	The United Kingdom	1,197.8	<b>ASEAN</b>	<b>535.0</b>
5	Bermuda	851.4	Bermuda	430.2
6	<b>ASEAN</b>	<b>559.7</b>	Singapore	292.9
7	The United States	350.8	The United Kingdom	280.5
8	Singapore	325.4	The Netherlands	152.9
9	Japan	216.2	Australia	120.1
10	Thailand	210.7	The United States	114.5

## Highlights

- The Association of Southeast Asian Nations ("ASEAN") is a regional bloc comprising 10 member states (Figure 1). As a growing trade and investment hub, ASEAN signed a Free Trade Agreement ("FTA") with Hong Kong in November 2017. The relevant terms have gradually entered into force since June 2019 and taken effect in full in February 2021. Under the FTA and related Investment Agreement, reduced tariffs as well as enhanced market access, legal certainty and investment protection should usher in a new phase of expanded trade and investment between Hong Kong and the ASEAN member states ("AMS").

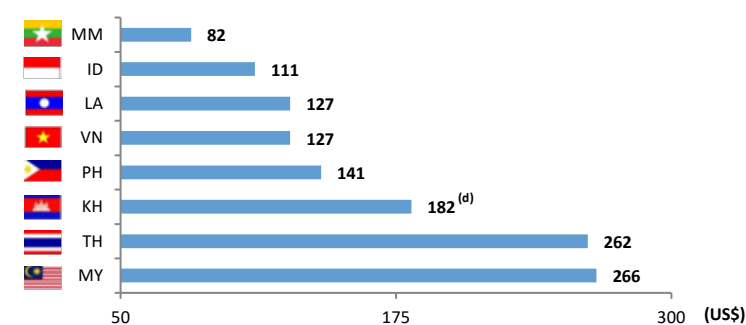
- Indeed, economic and trade relations between Hong Kong and AMS have grown steadily in recent years. ASEAN has become Hong Kong's second largest trading partner since 2010. In 2020, the total value of merchandize trade between the two reached HK\$1,034 billion (Figure 2a). This represented a year-on-year increase of 1.6%, an encouraging growth in view of the overall decline in Hong Kong's total trade in goods with the world due to weakened global demand brought about by the Coronavirus Disease 2019 pandemic.

- In terms of trade in services, total services trade between Hong Kong and ASEAN reached HK\$131 billion in 2019, accounting for 9.4% of Hong Kong's total trade in services (Figure 2b). ASEAN was Hong Kong's fourth largest trading partner in services in 2019, with five AMS being Hong Kong's top 20 services trading partners. They were Singapore (5<sup>th</sup>), Thailand (11<sup>th</sup>), Malaysia (13<sup>th</sup>), the Philippines (18<sup>th</sup>) and Indonesia (20<sup>th</sup>) respectively.

- On investment, ASEAN is an important source and destination for Hong Kong's direct investment. If treated as a single entity, ASEAN was the sixth largest source of Hong Kong's inward direct investment and the fourth largest destination of Hong Kong's outward direct investment at end-2019 (Figure 3).

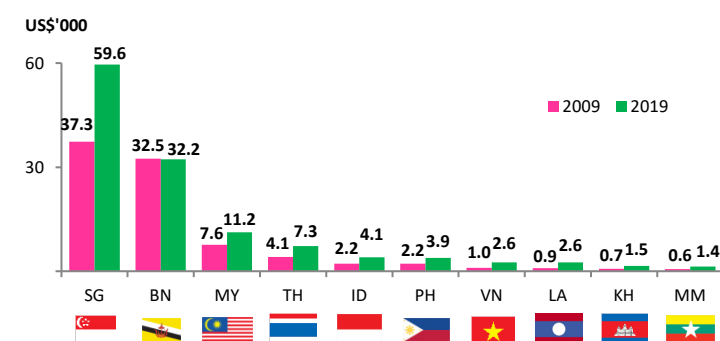
## Business opportunities of Hong Kong in ASEAN (cont'd)

**Figure 4 – Monthly minimum wage levels in US dollars in selected places, 2019<sup>(a), (b), (c)</sup>**



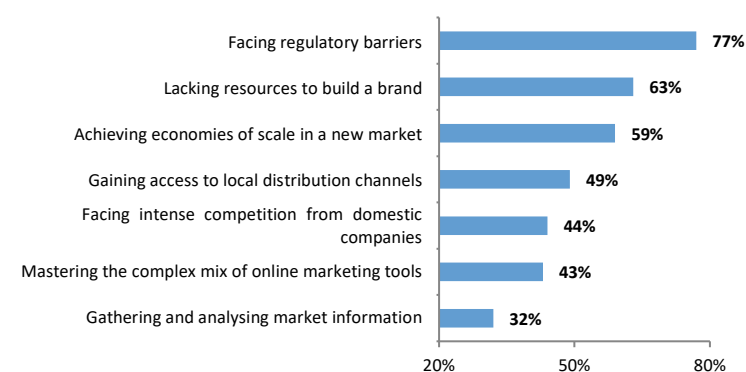
Notes: (a) MM= Myanmar; ID = Indonesia; LA = Laos; VN = Viet Nam; PH = The Philippines; KH = Cambodia; TH = Thailand; and MY = Malaysia.  
 (b) There is no minimum wage in Brunei Darussalam and Singapore.  
 (c) For comparison, the monthly minimum wage in the Mainland was US\$217 in 2019.  
 (d) Applies to workers in textile, garment and footwear sectors only.

**Figure 5 – Per capita Gross National Income in ASEAN member states, 2009 and 2019<sup>(a)</sup>**



Note: (a) SG = Singapore; and BN = Brunei Darussalam.

**Figure 6 – Difficulties or challenges encountered when entering ASEAN market**



### Highlights

- In recent years, many emerging AMS have implemented pro-active policies to attract the inflows of foreign investment. They have established a number of industrial parks offering various tax and investment incentives for companies moving into the parks. The relatively lower labour costs have added to the attractiveness of investing in these AMS (Figure 4). As a result of the above, some Hong Kong manufacturers have set up or planned to establish production bases in lower-cost ASEAN economies.
- Hong Kong's companies also eye on ASEAN's consumer markets. Per capita gross national income in emerging ASEAN economies increased during the past decade (Figure 5). Increasing affluence in these economies means stronger purchasing power of local consumers and hence more business opportunities for Hong Kong companies tapping into ASEAN's retail markets.
- Nevertheless, Hong Kong's companies may face difficulties when they expand their operations in ASEAN, a regional bloc characterized by diverse cultures/languages and different regulatory and institutional regimes. According to a survey conducted by the Hong Kong Trade Development Council in June 2020, regulatory barriers and brand building were the top two challenges for Hong Kong businesses entering ASEAN markets (Figure 6).
- The full implementation of FTA helps address the regulatory barriers for entering the ASEAN markets. Local companies should further benefit from the injection of HK\$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales ("BUD") as announced by the Government in the 2021-2022 Budget. BUD provides funding support for local companies to undertake projects to develop brands, upgrade and restructure their business operations and promote sales in ASEAN.

Data sources: Latest figures from Trade and Industry Department, Census and Statistics Department, Hong Kong Trade Development Council, ASEAN Secretariat, ASEAN Member States' national statistics offices, International Labour Organization and World Bank.

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