



# Trade Digest

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## ASEAN-HONG KONG FTA to Be Signed

Following 10 rounds of negotiations dating back to July 2014, ASEAN and Hong Kong have finally concluded their Free Trade Agreement (FTA) talks. The two trading partners are expected to ink the pact this November.

According to Thailand's Department of Trade Negotiations (DTN), Thailand hosted the 10th round of negotiations between ASEAN and Hong Kong on July 30-31, 2017 in Bangkok. The successful conclusion of the lengthy negotiating process will be formally declared in the Second Meeting of the ASEAN Economic Ministers - Hong Kong, China Consultations (AEM-HKC Consultations) in September 2017. Also, it is expected that the pact will be signed on the sidelines of the 31st ASEAN Summit in Philippines during 10-14 November 2017.

The ASEAN-Hong Kong FTA (AHKFTA) covers elements related to trade in goods, services, and investment, such as tariffs, rules of origin, non-tariff measures, customs procedures and trade facilitation, trade remedies, technical barriers, dispute settlements, intellectual property rights, and other areas of interest. When enforced, the AHKFTA will be the 6th FTA between ASEAN and its trading partners.

Currently, Hong Kong is Thailand's ninth-largest trading partner. As a group, ASEAN was Hong Kong's second largest trading partner, after China. In 2016, trade volume between Thailand and Hong Kong stood at USD 13 billion. With the conclusion of the AHKFTA, Thailand's trade with Hong Kong will be further strengthened, especially in terms of exports to Hong Kong, particularly personal computers and parts, gems and jewelry, electrical appliances, and fresh fruits and rice, among others. On the other hand, Hong Kong exporters will also benefit from broader access to the Thai market as well, especially for jewelry, gold bars, electrical appliances, and fabric.

After the conclusion of the FTA negotiations with ASEAN, Hong Kong is also expected to seek to join the Regional Comprehensive Economic Partnership (RCEP), currently being negotiated between ASEAN and its six FTA partners: China, Japan, South Korea, Australia, New Zealand, and India.

## E-commerce: A Complete Platform to Support SMEs' Cross-Border Activities

Many small and medium enterprises (SMEs) in Thailand have been benefiting from the use of e-commerce as a promising channel for penetrating new markets because it allows SMEs to act as intermediaries between suppliers in cross-border marketplaces and Thai consumers. Moreover, SMEs do not need to import products by themselves, but instead can intermediate trade flows between the cross-border marketplaces and customers all over Thailand.

According to the Electronic Transactions Development Agency (ETDA), Thailand's total e-commerce market size in 2017 will be worth 2.52 trillion baht, a 12.4% growth from 2016. With more than 80% of Thailand's e-commerce market growth coming from domestic trade, this still leaves substantial room to boost the country's economic growth further by internationalizing SMEs. Joint collaborations between the private and public sectors will bring massive opportunities to Thai SMEs and help them go international in a sustainable way.

However, there is a need for all stakeholders in government and the private sector to understand its activities and mechanisms. E-commerce is a complex yet promising area undergoing an explosive growth, but fully understanding and adopting the entire e-commerce processes or ecosystem can be complicated for SMEs at the beginning. Chananyarak Phetcharat, Managing director of DHL Express Thailand, noted that SMEs need to understand how to generate demand with digital marketing, manage online transaction and payment, fulfil orders, manage cross-border logistics management, handle and comply with customs regulations, and cope with customer service and return handling.

Generally, cross-border e-commerce operators struggle most on payments and logistics, which are the two key elements that can create positive buying experiences and generate continuing purchases. Online payment methods must be convenient for the buyers. In other words, knowing the total cost they need to pay, which include duties and taxes and merchandise and shipping cost, will offer convenience and create a positive buying experience from the get-go. After an



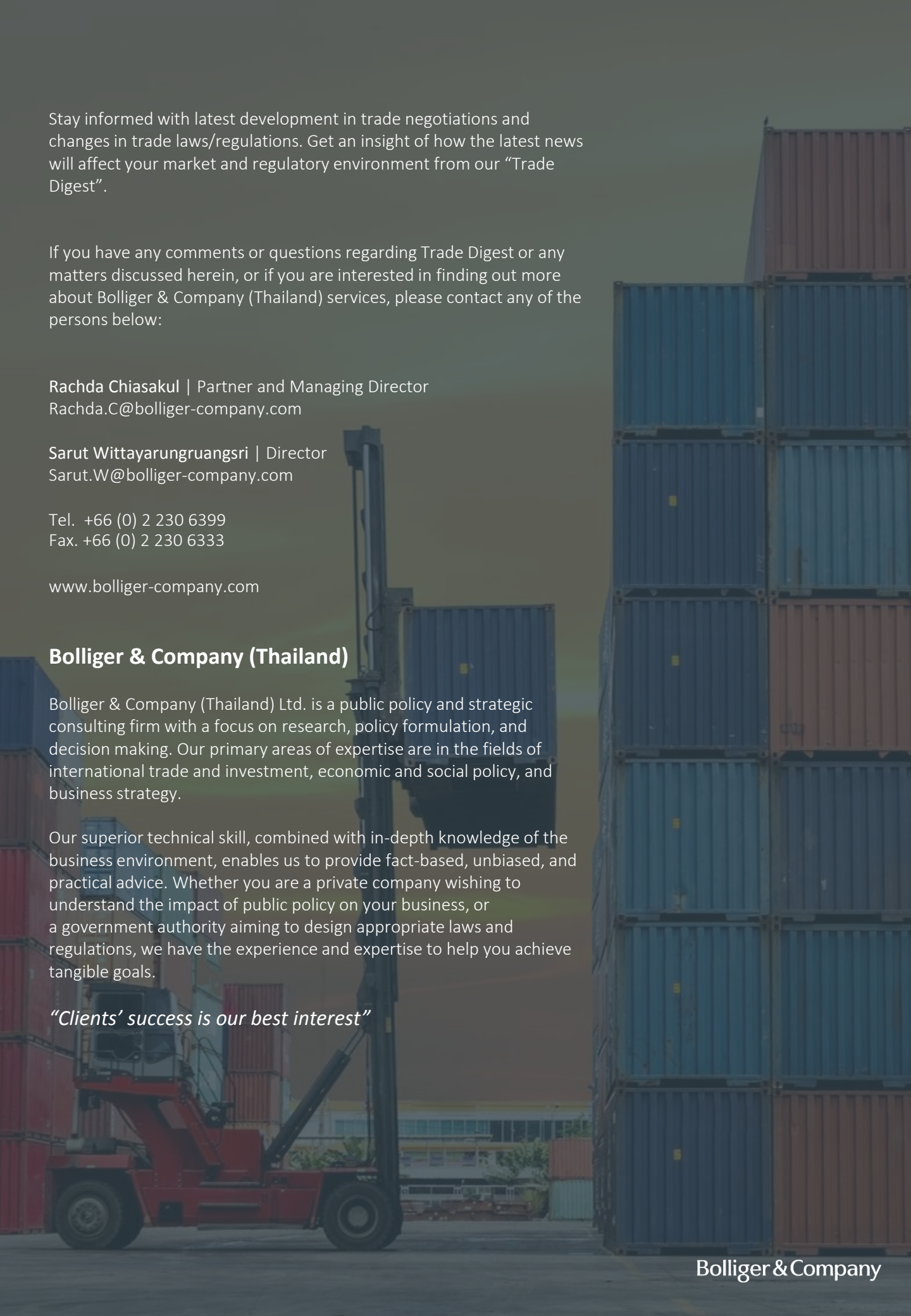
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online transaction has been completed, SMEs must fulfil their orders and deliver their products to worldwide buyers. This is where critical local knowledge comes in. Understanding the destination market's rules and regulations is necessary for SMEs because it will help minimize the risk of unexpected costs, logistics delays, and penalties for unintended errors or oversights on import.

Accordingly, in order for SMEs to take advantage of online buyers and grow their e-commerce channels, several challenges must be solved. However, SMEs cannot overcome those challenges alone. Related government agencies, such as the Office of SMEs Promotion (OSMEP), ought to make an attempt to create an e-commerce ecosystem by imparting important knowledge to SMEs about adopting the e-commerce processes at the very beginning of the process, enabling or even aggregating all the activities in the e-commerce value chain into one platform, and making it more user-friendly and efficient. Moreover, empowering small businesses and young people are the best solution for achieving sustainable growth in the long term.



Stay informed with latest development in trade negotiations and changes in trade laws/regulations. Get an insight of how the latest news will affect your market and regulatory environment from our “Trade Digest”.

If you have any comments or questions regarding Trade Digest or any matters discussed herein, or if you are interested in finding out more about Bolliger & Company (Thailand) services, please contact any of the persons below:

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