

For immediate release:

Hong Kong: launch pad for GBA companies going global *RCEP strengthens intra-regional supply chain*

18 November 2021 – Hong Kong is the ideal platform for mainland Chinese businesses in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) using the Regional Comprehensive Economic Partnership Agreement (RCEP) to go global, according to a joint report released by the Hong Kong Trade Development Council (HKTDC) and the Association of Chartered Certified Accountants (ACCA) today.

HKTDC Director of Research **Nicholas Kwan** said RCEP provisions, which are expected to take effect as early as next year, are set to further develop and integrate regional supply chains, as well as encouraging production specialisation in Asia. “This will provide a fresh impetus not only to trade between the signatory countries, but also to the global economy which has been hard hit by the COVID-19 pandemic,” he added.

The report covers a survey[^] which found that Hong Kong is the first port of call for mainland GBA companies seeking assistance as they “go out” (meaning “expand internationally”). The most attractive overseas destinations were Southeast Asian countries, including RCEP members.

Almost all mainland GBA companies that were interested in “going out” needed professional services, the survey found, including product development and design (31%), banking, financing and project valuation (30%), brand design and marketing strategies (30%) and related legal and accounting services (30%). Half of these respondents preferred Hong Kong as professional services source outside the mainland, followed by the United States (23%), Singapore (21%) and Japan (14%).

Preferred services hub

The mainland became the world’s largest foreign direct investment (FDI) source for the first time in 2020 as outbound FDI rose 12.3% to US\$153.7 billion, of which 58% was channelled through Hong Kong, according to the Ministry of Commerce. “Most mainland investments were made through the Hong Kong business platform, which served as a springboard to the rest of Asia and other regions,” Mr Kwan said.

Hong Kong had yet to become a RCEP member but the city can play a key role in the latest round of mainland outbound investment into other RCEP markets, Mr Kwan said. “Given the city’s strengths in financial, legal, accounting, and other professional services, Hong Kong can help mainland companies in the GBA minimise risks during overseas expansion.”

Enterprises considering relocating production or sales networks to the RCEP region needed a thorough understanding of the local political environment, culture, legal and regulatory regimes, he added. Otherwise, he said, they may find it difficult to assess the situation, such as whether they are able to benefit from RCEP tariff concessions as implementation schedules vary between member countries. “Therefore, companies need professional advice and due diligence to be able to fully capitalise on RCEP opportunities,” he advised.

Strengthening intra-regional trade

Mr Kwan also called on Hong Kong companies to leverage RCEP opportunities, stressing that intra-regional supply chain ties will strengthen as most raw materials and intermediate products can be traded freely within the bloc.

“The division of labour between different industries will be more precise and clear-cut, while exchanges between upstream and downstream enterprises in different production bases are expected to become more frequent. As such, Hong Kong can expect to play a larger role in trade between RCEP members, especially in electronic products and other industrial items.” Mr Kwan added.

World-class professional services

“When raising funds for investment in RCEP countries, mainland enterprises can use Hong Kong’s professional project evaluation and sustainability assessment services. They can also set up regional offices in the city to enhance overall operational efficiency. In addition, Hong Kong also offers matching services to help mainland companies identify and screen potential business partners in the RCEP region.” said Head of ACCA Hong Kong, **Jane Cheng** said.

“Having a thriving global community of accounting professionals, ACCA has long been committed to connecting the world and promoting international and intra-regional trade growth. We hope the report will give local industries a better understanding of RCEP opportunities and support them in achieving sustainable recovery and development both during and after the pandemic,” she added.

Fresh RCEP opportunities

RCEP, signed in November 2020, is a free trade agreement between Australia, Brunei, Cambodia, Indonesia, Japan, Korea, Laos, the mainland, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Vietnam.

The world’s largest free-trade bloc, making up almost a third of the global economy, has measures to facilitate trade, eliminate tariffs, minimise non-tariff barriers, promote e-commerce and increase market access which are expected to enhance members’ economic integration.

Noting there had already been close intraregional cooperation along supply chains in the past two decades, Ms Cheng said enterprises in the Asia Pacific could now benefit from RCEP, where most import tariffs between member countries will be abolished, customs clearance will be simplified, the principle of accumulation will apply to product-origin rules, and declaration regulations for indirect materials and origins will be relaxed.




On services trade and investment, 65% of the bloc’s services sectors are set to open to overseas investors. “In general, RCEP countries use the ‘negative list’ and ‘national treatment’ models, greatly reducing the risk for overseas investors while allowing them greater access to promising markets such as financial and professional services sectors,” Ms Cheng added.

^The survey was conducted by the HKTDC in cooperation with the Department of Commerce of Guangdong Province in the second half of 2019, interviewing 277 GBA companies mainly in the manufacturing, import/export trade, financial/legal/accounting services, as well as logistics, information technology and technology R&D, wholesale/retail trade sectors.

References

- HKTDC Research website: <http://research.hktdc.com/>
- The Association of Chartered Certified Accountants: <https://www.accaglobal.com/hk/en.html>
- Tapping the RCEP Opportunities: Hong Kong to Maximise GBA's Unique Edge as a Business Platform: [accaglobal.com/hk/en/professional-insights/global-economics/RCEP-Opps.html](https://www.accaglobal.com/hk/en/professional-insights/global-economics/RCEP-Opps.html)

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	<p>HKTDC Director of Research Nicholas Kwan said the RCEP provisions are set to further the advancement and integration of regional supply chains, as well as encouraging specialisation of production in Asia.</p>
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The [Hong Kong Trade Development Council \(HKTDC\)](http://www.hktdc.com) is a statutory body established in 1966 to promote, assist and develop Hong Kong's trade. With 50 [offices](#) globally, including 13 in Mainland China, the HKTDC promotes Hong Kong as a two-way global investment and business hub. The HKTDC organises [international exhibitions](#), [conferences](#) and [business missions](#) to create business opportunities for companies, particularly small and medium-sized enterprises (SMEs), in the mainland and international markets. The HKTDC also provides up-to-date market insights and product information via [research reports](#) and [digital news channels](#). For more information, please visit: www.hktdc.com/aboutus. Follow us on  Twitter @hktdc and  LinkedIn