



內地與香港 關於建立 更緊密經貿關係 的安排

Mainland and Hong Kong Closer Economic Partnership Arrangement



Background

The Government of the Hong Kong Special Administrative Region (HKSAR) and the Central People's Government (CPG) reached agreement on the main parts of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) on 29 June 2003, and signed the CEPA on the same day.

In December 2001, the Chief Executive obtained the CPG's agreement in principle to his proposal of establishing a form of free trade area between the Mainland and the HKSAR. Consultations began in January 2002. The two sides held a series of high level and senior official meetings between January 2002 and June 2003.

The HKSAR Government conducted a consultation exercise in February and March 2002 to seek public views. It also conducted discreet consultations with various practitioners and professional bodies in the manufacturing and services sectors, and took into account the views expressed in the discussions with the Mainland.

Summary of CEPA

The CEPA covers three broad areas, namely trade in goods, trade in services, and trade and investment facilitation.

Trade in Goods

Import Tariffs

The Mainland agrees to apply zero import tariff from 1 January 2004 for exports from Hong Kong meeting the rules of origin requirement in some 270 Mainland product codes, including –

- electrical and electronics products
- plastic articles
- paper articles
- textiles and clothing
- chemical products
- pharmaceutical products
- clocks and watches

- jewellery
- cosmetics
- metal products

The Mainland also agrees to apply zero import tariff latest by 1 January 2006 upon applications by local manufacturers for other product codes maintained on China's tariff system and meeting the CEPA rules of origin. The HKSAR agrees to bind its existing zero import tariff regime with respect to all goods of Mainland origin and not to impose restrictive regulations on trade in these goods.

Rules of Origin

The two sides agree to discuss the origin rules applicable to those product codes covered in the initial phase, with a view to reaching an agreement before end 2003 so that these products can enjoy zero tariff from 1 January 2004. For the remaining products, we aim to agree on their origin rules early, having regard to the submission of applications by local manufacturers. The two sides also agree to discuss cooperation to prevent illegal circumvention of the agreed origin rules.

Other Trade Measures

The two sides agree not to take anti-dumping, countervailing and certain specific safeguard measures against goods of Mainland or Hong Kong origin. At the same time, the Mainland agrees not to apply tariff rate quotas against goods of Hong Kong origin.

Trade in Services

The CEPA provides for liberalisation in market access in 17 sectors, namely –

- management consulting services
- convention services
- advertising services
- accounting services
- construction and real estate services
- medical and dental services
- distribution services
- logistics services
- freight forwarding agency services

- storage and warehousing services
- transport services
- tourism services
- audiovisual services
- legal services
- banking services
- securities services
- insurance services

Broadly speaking, the liberalisation permits earlier access to Hong Kong companies and services providers to the Mainland market, ahead of China's WTO timetable. In some sectors like construction and real estate services, logistics services, transport services, distribution services, legal services, and audiovisual services, the concessions extend beyond China's WTO commitments. Unless positively exceeded by the concessions stipulated in the CEPA, China's WTO commitments, including both concessions and limitations, for each individual services sector continue to apply.

Similar to trade in goods, the HKSAR agrees to bind our existing services regime for, and undertake not to introduce new discriminatory measures against, services and services suppliers of the Mainland for those sectors covered in the CEPA. This, again, is more than what we have committed to the WTO, but is in line with our free trade and open market policy.

Definition of "Hong Kong companies"

To be eligible for enjoying the benefits offered by the Mainland under the CEPA, a company must have "substantive business operations" in the HKSAR as assessed on the basis of the following criteria:

- the company must be incorporated under the laws of the HKSAR;
- the company must pay profits tax in the HKSAR (or be exempted by law from paying such tax);
- the length of the company's substantive business operations in the HKSAR;
- the size and nature of business activity of the company's office in the HKSAR; and
- the proportion of the company's staff force employed in the HKSAR.

The two sides agree to adopt a "sectoral" approach to take into account the unique characteristics of each individual service sector.

Trade and Investment Facilitation

Both sides agree on promoting co-operation in the following seven areas –

- customs clearance
- quarantine and inspection, quality assurance and food safety
- small and medium-sized enterprises
- Chinese medicine and medical products
- electronic commerce
- trade and investment promotion
- transparency in laws and regulations

Further Liberalisation

The two sides agree to pursue further liberalisation of services trade between the Mainland and Hong Kong through consultation under the CEPA.

Economic Benefits of CEPA

In terms of economic benefits, the CEPA has good potential to open up many new business opportunities in the Mainland for Hong Kong. The zero import tariff preference may attract to Hong Kong manufacturing of brand name products, or manufacturing process with high value-added content or substantial intellectual property input. The WTO-plus market liberalisation measures for trade in services would give companies in Hong Kong a "first mover" advantage. Obviously, it is up to the businessmen from Hong Kong and elsewhere in the world to decide whether and how they would like to leverage on the CEPA to gain greater access into the Mainland market. This will determine the scale of CEPA-induced business activities and the direct and indirect economic spin-offs for Hong Kong. At this point in time, it is difficult to quantify, with reasoned assumptions, the effects of these potential new opportunities.

Way Forward

The two sides will continue discussions with a view to finalising and announcing the details of implementation (such as the preferential rules of origin for goods) as soon as possible. The HKSAR Government will continue to consult relevant trade and advisory bodies to prepare for the next phase of CEPA discussions with the Mainland.

We shall of course spare no effort in encouraging the business sector in Hong Kong to make full use of the openings under the CEPA. We shall include the business opportunities secured under the CEPA in attracting more foreign investment to Hong Kong. We shall also discuss with the concerned sectors on appropriate policy measures that may be required to enable them to gain the greatest benefits from the CEPA.

Enquiries

For a copy of the full text and other details on CEPA, please visit the following web site: www.tid.gov.hk/english/cepa/

For enquiries, please contact Miss Alice Li of Trade and Industry Department by telephone on (852) 2398 5667 or by fax on (852) 2396 8060.

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