

LEGISLATIVE COUNCIL BRIEF

**FURTHER LIBERALISATION UNDER
MAINLAND AND HONG KONG
CLOSER ECONOMIC PARTNERSHIP
ARRANGEMENT (CEPA)
AND
DEEPENING ECONOMIC AND TRADE
CO-OPERATION WITH GUANGDONG PROVINCE**

INTRODUCTION

This note informs Members of :

- (i) the outcome of our discussion with the Central People's Government (CPG) on further liberalisation measures under CEPA this year; and
- (ii) a package of services liberalisation and facilitation measures agreed by CPG for deepening economic and trade co-operation between Hong Kong and Guangdong Province.

BACKGROUND

2. The Mainland and Hong Kong signed the main text of CEPA on 29 June 2003 and its six annexes on 29 September 2003. Pursuant to Article 3 of CEPA, which provides that the two sides will broaden and enrich the content of the Arrangement through continuous and further reciprocal liberalisation, the two sides signed four Supplements to the CEPA on 27 October 2004, 18 October 2005, 27 June 2006 and 29 June 2007 respectively. Further consultation with the CPG on liberalisation measures under CEPA were launched in January 2008. After several rounds of discussion, the two sides signed Supplement V to the CEPA (the Supplement) on 29 July 2008 in Hong Kong. The Supplement is available for reference at the Trade and Industry Department's CEPA website at [http://www.tid.gov.hk/english/cepa/legaltext/cepa_legaltext.html].

3. In addition, to enhance Hong Kong-Guangdong economic and trade cooperation, the Governments of Hong Kong and Guangdong have been in discussion since May 2008 on a package of services liberalization

and facilitation measures for early and pilot implementation in Guangdong. Upon CPG's approval, the package was also announced on 29 July 2008. Some of these measures were included in the Supplement.

4. Some of the key measures agreed under CEPA, and some of the key Guangdong pilot measures not included in CEPA, are summarized in paragraphs 5 to 9 below. A summary of the Supplement and the package of Guangdong pilot measures is at Annex.

DETAILS

(I) Further Liberalisation Measures under CEPA

5. Arising from the current round of CEPA consultation, we agreed with the CPG a total of 29 liberalisation measures covering 17 services sectors, including 15 existing CEPA services sectors and two new services sectors. As a result, the total number of services sectors covered by CEPA will be expanded from 38 to 40. Both sides also agreed to enhance cooperation in e-commerce, trademark and branding, and in mutual recognition of professional qualifications. The more noteworthy measures are highlighted below -

(A) Further Services Liberalisation

- A. **Convention and Exhibition** – to allow enterprises set up by Hong Kong service suppliers (HKSS) on a wholly-owned, equity joint venture or contractual joint venture basis in Beijing, Tianjin, Chongqing, and Zhejiang to organize overseas exhibitions on a pilot basis (this being an extension of the 2007 liberalisation measure which covers Guangdong and Shanghai);
- B. **Banking** – to allow any Mainland-incorporated banking institution established by a Hong Kong bank to locate its data centre in Hong Kong, subject to fulfilment of certain requirements;
- C. **Construction and related engineering services** – (i) to allow Hong Kong professionals obtaining Mainland's registered Urban Planner or Supervision Engineer qualification to register/practise in Guangdong regardless of whether they are registered practitioners in Hong Kong or not; and (ii) to remove restriction on the proportion of the total capital contributed by the Mainland partners in setting up construction and engineering design enterprises in the form of equity joint

venture or contractual joint venture in the Mainland;

- D. **Social services for persons with disabilities** – to allow HKSS to operate welfare agencies for persons with disabilities in the form of wholly-owned private non-enterprises in Guangdong on a pilot basis (this being an extension of the 2007 liberalisation measure which covers only elderly services in Guangdong);
- E. **Tourism** – (i) to delegate to Guangdong the authority to approve applications submitted by HKSS for setting up travel agents on a wholly-owned, equity joint venture or contractual joint venture basis in Guangdong; and (ii) to allow Hong Kong permanent residents with Chinese citizenship to take the "Mainland Qualification Examination for Tourist Guide". Those who have passed the examination can obtain the "Mainland Tourist Guide Certificate" in accordance with the relevant requirements;
- F. **Accounting** – (i) to extend the validity period of the "Provisional Licence to Perform Audit-related Services", applied for by Hong Kong accounting firms for the purpose of conducting auditing business on a temporary basis in the Mainland, from two years to five years; and (ii) to set up dedicated examination centres in Hong Kong, Shenzhen and Dongguan for Hong Kong residents to sit the Mainland's accounting qualification examinations;
- G. **Medical and Dental** – (i) to allow HKSS to set up wholly-owned outpatient clinics in Guangdong. There will be no total investment requirement in setting up outpatient clinics by HKSS in Guangdong. In addition, there will be no restriction on the ratio of capital investment between HKSS and Mainland service suppliers in setting up outpatient clinics in the form of equity joint venture or contractual joint venture in Guangdong. The health administrative department in Guangdong will be responsible for the project establishment and approval procedures for setting up outpatient clinics by HKSS; and (ii) to allow qualified Hong Kong permanent residents with Chinese citizenship and with specialist doctor qualification to apply for and obtain the Mainland's "medical practitioner's qualification certificate" through accreditation;
- H. **Liberalisation Measures in the Chile-China Free Trade Agreement (CCFTA) (new service sectors)** – to give HKSS preferential market access in two services sectors offered by the Mainland to Chile under the CCFTA but yet to be covered by CEPA. These two sectors are services incidental to mining

(confined to exploration of oil and natural gas only), and related scientific and technical consulting services (prospecting and surveying services for iron, copper and manganese); and

(B) Trade and Investment Facilitation (TIF)

- I. Both sides agreed to pursue three cooperative initiatives under TIF: (i) to set up a working group to take forward the pilot run of applications of mutual recognition of electronic signature certificates issued by Guangdong and Hong Kong; (ii) to set up a coordination group to work on trademark cooperation in the area of “Protection of Intellectual Property”, it being one of the eight existing TIF areas. An agreement on the said coordination group was signed in conjunction with the signing of Supplement V on 29 July 2008; and (iii) to include “Branding” as a new area of cooperation under TIF, bringing the total number of TIF cooperation areas to nine.

6. All the services liberalisation measures will take effect from 1 January 2009. HKSS will be eligible for the preferences in accordance with the qualifying criteria in Annex 5 of CEPA. The Mainland will work out and promulgate the necessary implementation rules and regulations as appropriate.

7. In accordance with Article 5 of Annex 4 of CEPA, Hong Kong will not impose any new discriminatory measures on Mainland’s services and service suppliers in the areas covered by CEPA. This commitment will apply to the liberalisation package.

8. Under Article 15 of CEPA, the Mainland and Hong Kong are committed to encouraging mutual recognition of professional qualifications as part of the services liberalisation measure under CEPA. In this connection, for the accounting sector, both sides have agreed to continue to promote work on the mutual exemption of some papers under the Accounting Professional Technician Qualification Examination. Two Agreements on exemptions were signed in conjunction with the signing of the Supplement V on 29 July 2008. For the construction sector, both sides will carry on the mutual recognition of qualifications for professionals in disciplines which have mutual recognition agreements signed and well-tested conditions met.

(II) Cooperation Measures with Guangdong

9. As mentioned in paragraph 3 above, the CPG approved certain services liberalisation and facilitation measures for early and pilot implementation in Guangdong. There are a total of 25 such measures, 17

of which are included under the CEPA liberalisation package, covering accounting, construction and related engineering, medical, placement and supply services of personnel, environment, social service, tourism, maritime transport, road transport, and individually-owned stores. Eight other measures in the area of tourism, education, environment, advertising and distribution services, are not included under CEPA. Apart from some pilot measures already mentioned in (I) above, other noteworthy measures in the Guangdong package include:

- A. **Education** – (i) to delegate to Guangdong approval of applications submitted by Hong Kong institutions for setting up schools for Hong Kong people’s children; and (ii) to set up a joint approval mechanism by the Ministry of Education and the Guangdong authorities to jointly assess and approve education institutions and projects operated jointly by Guangdong and Hong Kong;
- B. **Environment** – (i) to permit Guangdong to approve the qualification of HKSS for setting up enterprises to operate environmental pollution control facilities in Guangdong; and (ii) to support the abatement of atmospheric pollution in the Pearl River Delta Region, as well as the prevention and control of water pollution of the Pearl River; and
- C. **Tourism** – (i) to extend the coverage of “simplified entry arrangement for a period of 144 hours” to the whole of Guangdong; (ii) to allow Mainland-authorized Hong Kong travel enterprises to organize group tours to Hong Kong Disneyland for non-Guangdong residents who have resided and worked in private enterprises, joint venture enterprises or foreign enterprises in Shenzhen for over one year; and (iii) to support Guangdong’s pilot programme for a wholesale tourism reform, including the strengthening of Guangdong-Hong Kong tourism cooperation.

(III) Facilitating CEPA Implementation

10. The two sides also agreed to strengthen cooperation on the implementation of CEPA. As one such cooperation measure, the Ministry of Commerce, in consultation with relevant Mainland authorities, recently published CEPA application guides for selected service sectors, including construction and related engineering; road transport, maritime transport and air transport; and distribution services. These application guides summarise the prevailing Mainland laws and regulations, requirements and procedures for application for provision of various services in the Mainland, providing quick and useful reference to the Mainland’s regimes.

The guides may be assessed through the Trade and Industry Department's CEPA website.

IMPLICATIONS OF IMPLEMENTATION

11. The current CEPA package will offer new business opportunities on the Mainland for Hong Kong business and service suppliers, enhancing the attractiveness of Hong Kong to overseas investors. It will further strengthen the comparative advantage of our business in tapping the potential of the Mainland market. In particular, the pilot measures in Guangdong will enhance cooperation between Hong Kong and Guangdong. Overall, the measures will facilitate the flow of people and investments between the Mainland and Hong Kong, fostering closer economic integration between the two places.

12. The Trade and Industry Department and the Customs and Excise Department will continue to be the major government agencies responsible for implementing the liberalisation measures under CEPA including those on goods, services, and trade and investment facilitation. Relevant policy bureaux and departments will also be involved in respect of implementing new liberalisation measures under their purview, including those Guangdong pilot measures. The additional work involved will be met from within their existing resources.

PUBLIC CONSULTATION

13. We have been in touch with the business and professional communities in formulating the requests and the strategy for the current consultations under CEPA. We will continue to stay in close dialogue with the stakeholders in the implementation of the new liberalisation and facilitation measures, and in future discussion with the Mainland on further liberalisation and facilitation.

PUBLICITY

14. A signing ceremony for the CEPA Supplement was held on 29 July 2008. The liberalisation and facilitation measures for pilot implementation in Guangdong were also announced. A press briefing was held immediately afterwards to explain the new measures. Further cooperation details of the Guangdong measures will be discussed in the Eleventh Plenary of Hong Kong/Guangdong Cooperation Joint Conference on 5 August 2008. We have also issued information paper to various trade-related advisory bodies.

ENQUIRIES

15. Enquiries of this Brief can be directed to Ms Joyce Tam, Assistant Director-General of Trade and Industry (Mainland), at 2398 5308.

Trade and Industry Department
29 July 2008

**2008 Further Liberalisation under CEPA and
Deepening Economic and Trade Co-operation with Guangdong Province**

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
	(I) Service liberalisation	
Accounting	<p>1. The validity period of the “Provisional Licence to Perform Audit-Related Services”, applied for by Hong Kong accounting firms for the purpose of conducting auditing business on a temporary basis in the Mainland, is extended from two years to five years.</p>	
	<p>2. To permit the setting up of an examination centre in Hong Kong for holding the Mainland’s Accounting Professional Technician Qualification Examination.</p>	
	<p>3. To allow Shenzhen and Dongguan in the Guangdong Province to set up dedicated examination centres for Hong Kong residents to sit the Mainland’s accounting qualification examination and handle related matters. Those who pass the examination will be issued an accounting qualification certificate by the Guangdong Province.</p>	<p>1. Same as Item 3 on the left (already included in CEPA liberalisation measure).</p>
Construction and related engineering services	<p>4. When the Hong Kong service suppliers set up construction and engineering design enterprises in the form of equity joint venture or contractual joint venture in the Mainland, there is no restriction on the proportion of the total capital contributed by the Mainland</p>	

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
	partners to the registered capital.	
	5. Hong Kong professionals, who have obtained Mainland's registered Urban Planner qualification, are allowed to register in Guangdong Province regardless of whether they are registered in Hong Kong or not.	2. Same as Item 5 on the left (already included in CEPA liberalisation measure).
	6. Hong Kong professionals, who have obtained Mainland's Supervision Engineer qualification, are allowed to register and practise in Guangdong Province regardless of whether they are registered practitioners in Hong Kong or not.	3. Same as Item 6 on the left (already included in CEPA liberalisation measure).
Medical and dental services	7. Qualified Hong Kong permanent residents with Chinese citizenship are allowed to apply for and obtain the Mainland's "medical practitioner's qualification certificates" through accreditation.	
	8. Hong Kong service suppliers are allowed to set up wholly-owned outpatient clinics in Guangdong Province.*	4. Same as Item 8 on the left (already included in CEPA liberalisation measure).
	9. No restriction is imposed on the ratio of capital investment between Hong Kong service suppliers and Mainland partners in setting up outpatient clinics in the form of equity joint venture or contractual joint venture in Guangdong Province.	5. Same as Item 9 on the left (already included in CEPA liberalisation measure).
	10. No requirement is imposed on the total investment in setting up	6. Same as Item 10 on the left (already included in CEPA

* Subject to the Mainland's requirements on setting up outpatient clinics

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
	outpatient clinics by Hong Kong service suppliers on a wholly-owned, equity joint venture or contractual joint venture basis in Guangdong Province.	liberalisation measure).
	11. The health administrative department at provincial level of Guangdong Province is responsible for the project establishment and approval procedures for setting up outpatient clinics by Hong Kong service suppliers on a wholly-owned, equity joint venture or contractual joint venture basis in Guangdong Province.	7. Same as Item 11 on the left (already included in CEPA liberalisation measure).
Services incidental to mining (new sector)	12. To allow Hong Kong service suppliers to provide oil and gas exploitation services in the Mainland on a contractual joint venture basis.	
Related scientific and technical consulting services(new sector)	13. To allow Hong Kong service suppliers to provide prospecting and surveying services in respect of iron, manganese and copper in the Mainland on a wholly-owned, equity joint venture or contractual joint venture basis.	
Printing	14. The minimum registered capital required for Hong Kong service suppliers to set up printing enterprise to provide services in respect of packaging materials follows the requirements applicable to the Mainland enterprises.	
Convention services and exhibition	15. To allow enterprises set up by Hong Kong service suppliers on a wholly-owned, equity joint venture	

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
services	or contractual joint venture basis in Beijing Municipality, Tianjin Municipality, Chongqing Municipality, and Zhejiang Province to organize overseas exhibitions on a pilot basis. Participating enterprises should be registered enterprises in that province or municipality.	
Distribution	16. For the same Hong Kong service supplier which opens more than 30 stores accumulatively in the Mainland, if the commodities for sale include pharmaceutical products, pesticides, mulching films, chemical fertilizers, vegetable oil, edible sugar and cotton, and the above commodities are of different brands and come from different suppliers, the Hong Kong service supplier is allowed to operate on a wholly-owned basis.	
		8. To delegate to the Guangdong Province approval of distribution services projects °
Banking	17. To allow any Mainland-incorporated banking institution established by a Hong Kong bank that meets the following criteria to locate its data centre in Hong Kong:† (1) Incorporated in the Mainland on or before 30 June 2008;	

† Subject to the conditions set out in the supervisory cooperation agreement, signed by the relevant Mainland and Hong Kong supervisory authorities, on the supervision of the data centres of Mainland-incorporated banking institutions established by Hong Kong banks that are located in Hong Kong.

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
	<p>(2) At the time of its incorporation, its parent bank has already established a data centre in Hong Kong;</p> <p>(3) The data centre for the Mainland business (which should include core systems such as those for customer, accounting and product information) should operate independently;</p> <p>(4) Its board of directors and senior management should assume the ultimate oversight and accountability over the management of the data centre for the Mainland business; and</p> <p>(5) The data centre for the Mainland business should meet the relevant supervisory requirements and be subject to the approval of the relevant Mainland authorities.</p>	
Tourism	<p>18. To allow Hong Kong permanent residents with Chinese citizenship to take the "Mainland Qualification Examination for Tourist Guide". Those who have passed the examination can obtain the "Mainland Tourist Guide Certificate" in accordance with the relevant requirements.</p>	
	<p>19. To delegate to the Guangdong Province authority to approve applications submitted by Hong Kong service suppliers for setting up travel agents on a wholly owned, equity joint venture or contractual joint venture basis in Guangdong.</p>	<p>9. Same as Item 19 on the left (already included in CEPA liberalisation measure).</p>

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
		<p>10. To extend the coverage of “simplified entry arrangement for a period of 144 hours” to the whole Guangdong Province.</p> <p>11. To allow Mainland-authorized Hong Kong travel enterprise(s) to organize group tours to Hong Kong Disneyland for non-Guangdong residents who have resided and worked in private enterprise(s), joint venture enterprise(s) or foreign enterprise(s) in Shenzhen for over 1 year</p> <p>12. To support Guangdong’s pilot programme for a wholesale tourism reform, including the strengthening of Guangdong-Hong Kong tourism cooperation.</p>
Air transport services	20. To allow Hong Kong service suppliers to submit the economic guarantee provided by Mainland-incorporated banks or guarantee companies recommended by the China Air Transport Association in their applications for the setting up of air transport sales agencies (in the form of wholly-owned enterprises, equity joint ventures or contractual joint ventures) in the Mainland.	
Individually owned stores	21. To allow Hong Kong permanent residents with Chinese citizenship to set up, in accordance with the relevant Mainland laws, regulations	

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
	<p>and administrative regulations, individually owned stores in all provinces, autonomous regions and municipalities directly under the Central Government in the Mainland without being subject to the approval procedures applicable to foreign investments, to provide the following services (excluding franchising operation): building-cleaning services and advertising production services. No more than 8 persons should be engaged in the operation of the individually owned stores.</p>	
	<p>22. To allow Hong Kong permanent residents with Chinese citizenship to set up, in accordance with the relevant Mainland laws, regulations and administrative regulations, individually owned stores in Guangdong Province without being subject to the approval procedures applicable to foreign investments, to provide the following services (excluding franchising operation): trade brokerage and commission agency (excluding auction) and renting and leasing services (excluding the renting and leasing of housing premises). No more than 8 persons should be engaged in the operation of the individually owned stores.</p>	<p>13. Same as Item 22 on the left (already included in CEPA liberalisation measure).</p>
Placement and supply services of personnel	<p>23. The minimum registered capital required for Hong Kong service suppliers to set up wholly-owned job referral agencies in Guangdong Province follows the requirements</p>	<p>14. Same as Item 23 on the left (already included in CEPA liberalisation measure).</p>

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
	applicable to Mainland enterprises in Guangdong Province.	
	24. The minimum registered capital required for Hong Kong service suppliers to set up wholly-owned job intermediaries in Guangdong Province follows the requirements applicable to Mainland enterprises in Guangdong Province.	15. Same as Item 24 on the left (already included in CEPA liberalisation measure).
Environment	25. To permit the Guangdong Province to approve the qualification of the Hong Kong service suppliers for setting up enterprises to operate environmental pollution control facilities in Guangdong.	16. Same as Item 25 on the left (already included in CEPA liberalisation measure).
		17. To support the abatement of atmospheric pollution in the Pearl River Delta Region as well as the prevention and control of water pollution of the Pearl River. This includes the enhancement of prevention and control techniques, optimization and upgrading of the air and water quality monitoring network in Guangdong and Hong Kong as well as improving the quality of fuel oil.
Social services	26. To allow Hong Kong service suppliers to operate welfare agencies for persons with disabilities in the form of wholly-owned private non-enterprises in Guangdong Province on a pilot basis.	18. Same as Item 26 on the left (already included in CEPA liberalisation measure).
Maritime transport	27. To allow Hong Kong service suppliers to set up wholly-owned	19. Same as Item 27 on the left (already included in CEPA

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
services	enterprises and their branches in Guangdong Province, which is the location chosen for pilot implementation, to provide shipping agency services to vessel operators for routes between Guangdong Province and Hong Kong/Macao.	liberalisation measure).
Road transport services	28. To delegate to the Guangdong Province approval of the provision of road freight transport services by Hong Kong-invested production enterprises in Guangdong.	20. Same as Item 28 on the left (already included in CEPA liberalisation measure).
	29. To delegate to the Guangdong Province approval of Hong Kong service suppliers setting up repair and driver training enterprises, and passenger and freight transport stations (depots) in Guangdong.	21. Same as Item 29 on the left (already included in CEPA liberalisation measure).
Education services		22. To delegate to the Guangdong Province approval of applications submitted by Hong Kong institutions for setting up schools for Hong Kong people's children.
		23. To set up a joint approval mechanism by the Ministry of Education and the Guangdong Province to jointly assess and approve the education institutions and projects operated jointly by the Guangdong Province and Hong Kong.
Advertising services		24. To authorize the Guangdong Province to approve foreign-invested advertising

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
		services projects.
(II) Trade and Investment Facilitation measures		
Electronic business	30. To take forward the pilot run of applications of mutual recognition of electronic signature certificates issued by Guangdong and Hong Kong. A working group is to be set up which will strive to submit within this year suggestions on a framework for the mutual recognition of electronic signature certificates issued by both places.	25. Same as Item 30 on the left (already included in CEPA liberalisation measure).
Protection of intellectual property	31. To set up a Trademark Working Coordination Group to serve as a regular communication mechanism for the two sides with a view to strengthening exchanges and cooperation of the two places in areas such as trademark registration and trademark protection.	
Cooperation on branding	32. To add cooperation on branding into the area of trade and investment facilitation under CEPA with a view to promoting cooperation in the area of branding between the two places.	
(III) Mutual Recognition of Professional Qualifications		
Accounting	33. Competent authorities or professional bodies of both sides will continue to promote work on the mutual exemption of some of the papers under the Accounting Professional Technician	

Services sector	CEPA 2008 liberalisation measure	Measure for deepening economic and trade co-operation with Guangdong Province
	Qualification Examination.	
Construction	34. Competent authorities or professional bodies of both sides will carry on the mutual recognition of qualifications for professionals in disciplines which have mutual recognition agreements signed and well-tested conditions met.	

■ Shaded items refer to the eight measures for deepening economic and trade co-operation with Guangdong Province which are not included under CEPA.

The above information is for reference only. Details of the measures concerned are subject to those set out in the relevant agreement(s) or as announced by relevant authorities at a later date.

Trade and Industry Department

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