

For information on 18 November 2008

**LEGISLATIVE COUNCIL PANEL ON COMMERCE AND
INDUSTRY**

**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 the contents of Supplement V to the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") signed on 29 July 2008, and the package of services liberalisation and facilitation measures to deepen the economic and trade cooperation with the Guangdong Province announced on the same date. We also take the opportunity to report on the implementation and latest development of CEPA.

Supplement V to CEPA and Measures to Deepen Guangdong-Hong Kong Economic and Trade Cooperation

2. Supplement V to CEPA was signed on 29 July 2008 with a view to further expanding the coverage of liberalisation measures for trade in services between Hong Kong and the Mainland. A total of 29 liberalisation measures covering 17 services sectors were covered under the Supplement. Both sides also agreed to enhance cooperation in branding, protection of intellectual property, electronic business and mutual recognition of professional qualifications. Moreover, to enhance Guangdong-Hong Kong economic and trade cooperation, the Central People's Government agreed to put in place 25 services liberalisation and facilitation measures for early and pilot implementation in the Guangdong Province, 17 of which are included under the CEPA liberalisation package. Details of Supplement V to CEPA and the measures to deepen economic and trade cooperation

with Guangdong Province have been set out in the Legislative Council Brief (LC Paper No. CB(1)148/08-09) issued on 29 July 2008.

Implementation of CEPA

3. CEPA has been implemented since 1 January 2004. For trade in goods, starting from 1 January 2006, the Mainland has applied zero tariff to all imported goods of Hong Kong origin. So far, the two sides have reached agreement on the CEPA rules of origin for 1 510 products. As at end October 2008, a total of 38 902 applications for Certificate of Hong Kong Origin-CEPA have been approved, with a total export goods value of over \$15.2 billion. Major products benefited include textiles and clothing, food and beverages, plastics and plastic articles and pharmaceutical products. For trade in services, Hong Kong service suppliers can enjoy preferential treatment in entering into the Mainland market in 40 service areas. The preferential treatment takes various forms, including relaxation in equity share restrictions, lowering of entry thresholds such as registered capital and business turnover, elimination of geographical limitation, and expansion of scope for allowable business. As at end October 2008, 1 260 applications for Hong Kong Service Supplier (HKSS) have been approved with 2 056 HKSS certificates issued.

Latest Development

4. The Government attaches great importance to the effective implementation of CEPA. We have been providing information and assistance to the trade, including enquiry hotline and email services, CEPA webpage and information database by service sector, information on relevant Mainland laws and regulations, and information on investment and business operation in the Mainland. In addition, we seek to collect through various means the views of the trade on utilization of CEPA. We also maintain close liaison with the Mainland through various channels to ensure effective implementation of CEPA. These include making proposals to the Mainland authorities on streamlining approval procedures, streamlining documentary requirement, delegation of approval authorities, and expediting application processing, etc. The Offices of HKSARG in the Mainland (in Beijing, Shanghai, Chengdu and Guangdong) provide information and assistance to Hong Kong enterprises operating in the Mainland in order to facilitate their investment there.

5. To enhance implementation of Supplement V to CEPA and the package of measures to deepen Guangdong-Hong Kong economic and trade cooperation, we are actively moving ahead with work in the following aspects -

- (a) To promote better understanding among the trade, professionals and relevant service providers of the business opportunities brought about by the new round of liberalisation measures, we jointly organised a forum with the Ministry of Commerce and the Government of Guangdong Province on 22 September 2008. Through breakout sessions and discussions, the trade was briefed on the details and implementation arrangements for the various services liberalisation measures under Supplement V to CEPA, as well as those for early and pilot implementation in Guangdong. Enquiries from the trade on measures in major services sectors were also addressed. The forum was attended by some 300 participants.
- (b) To complement and follow up on the CEPA-related recommendations included in the action agenda of the Economic Summit on “China’s 11th Five-Year Plan and the Development of Hong Kong”, the Government convened the third CEPA consultative forum on 11 November 2008, subsequent to the first two held in March and November 2007 respectively, to solicit views from the trade on CEPA implementation, proposal for further liberalisation, and measures for early and pilot implementation in Guangdong.
- (c) Guangdong-Hong Kong cooperation on the services industry is a crucial part of this year’s liberalisation measures. We attach great importance to it. Having regard to the actual situation of CEPA implementation and with a view to further streamlining and expediting application procedures, the Mainland has agreed to delegate the approval authority from the central government to Guangdong Province in relation to a number of service sectors (e.g. medical, tourism, environmental, road transport, distribution, advertising services) under the Supplement V to CEPA and Guangdong pilot measures. We will continue to make the best use of established mechanisms with the Central and Guangdong Governments at various levels to ensure effective implementation of the early and pilot measures in Guangdong. The Governments of Guangdong and Hong Kong signed a cooperation agreement in early August 2008 to expedite implementation of CEPA, enhance publicity of

relevant measures, and establish a notification and consultation mechanism. The Guangdong Government will formulate the guidelines and regulations concerned as soon as possible and provide facilitation. Both sides will also strengthen the support services to HKSS so that they may enjoy the benefits at an early stage. We expect these measures to further enhance cooperation between the two sides in the services sector, thereby bringing new impetus to the development of the economy and the trade as well as accelerating further economic integration.

Conclusion

6. To alleviate the impact of the current global financial turmoil, the State Council of the Central People's Government is implementing a series of measures to expand domestic demand and stimulate the economy so as to maintain steady economic growth. The Ministry of Commerce also pointed out the need to strengthen the work of CEPA, including furthering the scope of liberalisation measures. In this regard, we will proactively engage the Mainland authorities on further liberalisation in the interests of the trade. We will also make our best endeavours to ensure effective implementation of CEPA.

Trade and Industry Department
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