

**立法會**  
***Legislative Council***

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**Panel on Commerce and Industry**

**Meeting on 16 February 2016**

**Background brief on the Mainland and  
Hong Kong Closer Economic Partnership Arrangement**

**Purpose**

This paper provides the background information on the economic and trade cooperation and exchanges between the Hong Kong Special Administrative Region Government ("HKSARG") and the Central People's Government ("CPG") under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"). It also summarizes Members' deliberations on the subject in previous sessions.

**Background**

2. Since the reunification in 1997, communications between the Mainland and Hong Kong have become much more frequent in various aspects, especially in trade and commerce. CEPA is the first free trade agreement concluded by the Mainland and Hong Kong which makes way for liberalization of trade in goods, trade in services, as well as trade and investment facilitation between the two places. Following the signing of the main text of CEPA on 29 June 2003 and its six Annexes on 29 September 2003 between the two places, CEPA came into force on 1 January 2004. Pursuant to Article 3 of CEPA, which provides that the two sides will broaden and enrich from time to time the contents of CEPA through continuous and further reciprocal liberalization, a total of 10 Supplements to CEPA have been signed between 2004 and 2013 for progressive implementation of liberalization measures under CEPA. According to the Administration, CEPA is the most liberalised free trade agreement signed by the Mainland.

3. On trade in services, Hong Kong service suppliers enjoy preferential access to the Mainland market in selected service areas. In 2011, CPG announced the objective of basic liberalization of trade in services between the Mainland and Hong Kong by the end of the National 12th Five-Year Plan period. Since then, HKSARG has been working with Ministry of Commerce ("MoC") to achieve this goal.

#### The CEPA Joint Working Group

4. In addition to the established liaison mechanisms at central, provincial and municipal levels on CEPA implementation, the Chief Executive announced in his 2013 Policy Address to establish a CEPA Joint Working Group to enhance effective implementation of CEPA and facilitate Hong Kong enterprises in gaining access to the Mainland market. Since the establishment of the Joint Working Group, representatives from HKSARG, Central ministries, relevant provincial and municipal governments took part in meetings and discussed concrete measures to resolve problems encountered by the trade.

5. On 29 August 2013, Supplement X to CEPA was signed, which provides for a total of 73 services liberalization and trade and investment facilitation measures, including 65 liberalization measures for trade in services, and eight measures to strengthen co-operation in areas of finance and to facilitate trade and investment between the two places. Including the measures in Supplement X to CEPA, a total of 403 liberalization measures have been announced in various service sectors.

6. On trade in goods, all products of Hong Kong importing into the Mainland enjoy preferential tariff free treatment if they meet the CEPA rules of origin. Currently, there are about 1 800 Hong Kong origin products that can enjoy zero tariff on importation to Mainland. On trade and investment facilitation, both sides agree to enhance co-operation to improve the overall business environment.

#### The Agreement on Achieving Basic Liberalization of Trade in Services in Guangdong

7. Following the signing of Supplement X to CEPA in 2013, HKSARG and MoC signed the Agreement on Achieving Basic Liberalization of Trade in Services in Guangdong ("the Guangdong Agreement") on 18 December 2014, the aim of which is to achieve early basic liberalization of trade in services between Guangdong and Hong Kong. While the scope and measures for liberalization under CEPA and its Supplements have been listed

positively<sup>1</sup> all along, the Guangdong Agreement adopts a hybrid approach of positive and negative lists<sup>2</sup> to set out the liberalization measures in Guangdong applying to Hong Kong. According to the Administration, the negative list is a more transparent and comprehensive way of listing liberalization commitments and the breadth and depth of liberalization surpass the previous measures for early and pilot implementation in Guangdong. Professional bodies of Hong Kong and regulatory authorities in the Mainland have also signed a number of agreements and arrangements on mutual recognition of professional qualifications.

### The Agreement on Trade in Services

8. On the basis of the Guangdong Agreement, HKSARG and MoC signed the Agreement on Trade in Services ("the Agreement") on 27 November 2015, extending the geographical coverage of liberalization measures to the whole Mainland. According to the Administration, the Agreement further enhances the liberalization in both breadth and depth, including extending the implementation of the majority of Guangdong pilot liberalization measures to the whole of Mainland; reducing the restrictive measures in the negative list; and adding 28 liberalization measures in the positive lists for cross-border services as well as cultural and telecommunications services. The Agreement will basically achieve liberalization of trade in services between the Mainland and Hong Kong. The Agreement came into effect on the day of signing and will be implemented as from 1 June 2016. More details of the Agreement are set out in the Administration's paper issued vide LC Paper No. CB(1)213/15-16(01) on 27 November 2015.

## **Previous discussions**

### Panel on Commerce and Industry

9. The Panel on Commerce and Industry ("the Panel") was briefed on the issues relating to CEPA at various meetings. Members were keen to ensure that the liberalization measures under CEPA could provide a window of opportunities for Hong Kong businesses to gain greater access to the Mainland market and create a genuine positive impact on Hong Kong's economic development. The ensuing paragraphs summarize members'

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<sup>1</sup> The positive list sets out the liberalization measures for Hong Kong by the Mainland.

<sup>2</sup> Measures listed in the negative list are reserved restrictive measures. With the adoption of the approach of negative list, except for those reserved restrictive measures as well as the horizontal management measures, the Mainland will not impose any particular restrictions on eligible Hong Kong service suppliers in the Guangdong Province in terms of market access requirement, i.e. "permitted if not forbidden".

views on the issues relating to CEPA expressed in previous sessions.

*Liberalization and facilitation measures relating to specific industries*

10. Given the great potential market demand, some members urged the Administration to seek to include testing and certification services for textile products in the further liberalization measures under CEPA. The Administration responded that the scope of testing services for the purpose of certification that could be undertaken by Hong Kong testing laboratories would be expanded from food to other areas of voluntary product certification on a pilot basis in Guangdong Province starting from 1 January 2014 under Supplement X to CEPA signed in August 2013. With a view to providing more business opportunities for the trade, the Administration assured members that it would continue to strive for further expansion of the scope of testing services for the purpose of certification that could be undertaken by Hong Kong testing laboratories in future supplements to CEPA.

11. Some members called for further liberalization measures under CEPA for Hong Kong's movie and publishing industries respectively, namely, to allow Hong Kong publishers to publish books and magazines in the Mainland directly on a quota basis, and to facilitate synchronized distribution of Cantonese versions of Hong Kong films in Hong Kong and the Guangdong market. The Administration advised that the Mainland adopted a more prudent approach in opening up the cultural sector to external service suppliers. Meanwhile, HKSARG would continue to reflect the cultural sector's views to the Mainland authorities and strive for further liberalization measures under CEPA.

Council meetings

12. At the Council meetings of 29 February 2012, 25 June and 15 October 2014, Hon LAM Tai-fai, Hon Christopher CHEUNG and Hon NG Leung-sing respectively raised questions on the implementation of CEPA in various sectors to help Hong Kong enterprises explore business opportunities on the Mainland.

13. At the Council meeting of 29 February 2012, Hon LAM Tai-fai observed that while a total of eight supplements had been signed since the conclusion of CEPA in 2003, members of the professional service sectors in Hong Kong reflected that they still faced considerable difficulties in exploring business opportunities in the Mainland market. Mr LAM enquired about the progress of the mutual recognition of various professional qualifications between the Mainland and Hong Kong. The Administration

replied that in service sectors like accounting, construction, legal, medical and insurance, the Mainland and Hong Kong had adopted a building block approach to achieve progressive liberalization of CEPA measures and would continue negotiations under the existing mechanism to strive for further expansion and better market access conditions for Hong Kong enterprises and professionals. On enhancement of mutual recognition of professional qualifications and further liberalization, people from over 40 of Hong Kong professional or technical disciplines under various service sectors could sit for professional qualification examinations in the Mainland. Both sides also had reached mutual recognition agreements for various professional qualifications or made arrangements for mutual exemption of some examination papers under CEPA in the construction, securities and futures, accounting and real estate sectors.

14. At the Council meeting of 25 June 2014, Hon Christopher CHEUNG raised a question about the "Provisional Regulations on Certified Public Accountants practices carrying out Cross-border Audit Services" ("Provisional Regulations") introduced on the Mainland. He enquired whether the Administration had assessed if the Provisional Regulations were in breach of CEPA. The Administration advised that according to the Ministry of Finance of China ("MoF"), the objective of the Provisional Regulations was to strengthen the regulation of cross-border audits carried out by overseas accounting firms where irregularities had been found, instead of seeking to make changes to the measures under CEPA that facilitated the Hong Kong audit profession. It would actively follow up the matter and continue to maintain dialogue with MoF, the Hong Kong Institute of Certified Public Accountants and the relevant financial regulators on the details of the Provisional Regulations.

15. At the Council meeting of 15 October 2014, Hon NG Leung-sing raised a question enquiring whether a communication mechanism between HKSARG and the Mainland authorities was in place for regular review of the implementation situation and progress of CEPA in the financial services industry. The Administration advised that since the introduction of CEPA, the Mainland and Hong Kong had been maintaining close liaison on CEPA implementation through established mechanisms at central, provincial and municipal levels. The Joint Working Group established in 2013 would further enhance the existing mechanism for the implementation of CEPA.

16. Details of the relevant Council questions are given in the hyperlink in the **Appendix**.

**Latest position**

17. The Administration will brief the Panel on 16 February 2016 on the latest development of the economic and trade co-operation and exchanges between HKSARG and CPG under CEPA.

**Relevant papers**

18. A list of relevant papers is at the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
12 February 2016

**Progress on further liberalization under the Mainland and Hong Kong  
Closer Economic Partnership Arrangement  
List of relevant papers**

Date of meeting	Meeting	Paper
29/2/2012	Council	Question No. 18 on "Measures to help Hong Kong enterprises to explore business opportunities on the Mainland" raised by Hon LAM Tai-fai ( <a href="#">Hansard</a> )
18/6/2013 and 16/7/2013	Panel on Commerce and Industry	<p>Administration's paper on "Economic and trade relations between the Mainland and Hong Kong" (<a href="#">LC Paper No. CB(1)1282/12-13(03)</a>)</p> <p>Updated background brief on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (<a href="#">LC Paper No. CB(1)1282/12-13(04)</a>)</p> <p>Minutes of meeting held on 18 June 2013 (<a href="#">LC Paper No. CB(1)1726/12-13</a>)</p> <p>Minutes of meeting held on 16 July 2013 (<a href="#">LC Paper No. CB(1)1797/12-13</a>)</p>
29/8/2013 (Paper date)	Panel on Commerce and Industry	Administration's information paper on "The Mainland and Hong Kong Closer Economic Partnership Arrangement" ( <a href="#">LC Paper No. CB(1)1745/12-13(01)</a> )

Date of meeting	Meeting	Paper
19/11/2013	Panel on Commerce and Industry	<p>Administration's paper on "Progress report of the Hong Kong Council for Testing and Certification" (<a href="#">LC Paper No. CB(1)290/13-14(05)</a>)</p> <p>Updated background brief on promoting the development of the testing and certification industry in Hong Kong prepared by the Legislative Council Secretariat (<a href="#">LC Paper No. CB(1)290/13-14(06)</a>)</p> <p>Minutes of meeting (<a href="#">LC Paper No. CB(1)747/13-14</a>)</p>
21/1/2014	Panel on Commerce and Industry	<p>Administration's paper on "2014 Policy Address – Policy Initiatives of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau" (<a href="#">LC Paper No. CB(1)749(03)/13-14</a>)</p> <p>Administration's paper on "Briefing by the Secretary for Commerce and Economic Development on relevant policy initiatives featuring in the Chief Executive's 2014 Policy Address" (speaking note of the Secretary for Commerce and Economic Development) (Chinese version only) (<a href="#">LC Paper No. CB(1)769/13-14(01)</a>)</p> <p>Minutes of meeting (<a href="#">LC Paper No. CB(1)1070/13-14</a>)</p>
25/6/2014	Council	<p>Question No. 7 on "Proposed new requirement on undertaking of auditing services for Mainland enterprises listed/to be listed in Hong Kong" raised by Hon Christopher CHEUNG (<a href="#">Hansard</a>)</p>



Date of meeting	Meeting	Paper
15/10/2014	Council	Question No. 10 on "Implementation of the mainland and Hong Kong Closer Economic Partnership Arrangement in financial services" raised by Hon NG Leung-sing ( <a href="#">Hansard</a> )
18/12/2014 (Paper date)	Panel on Commerce and Industry	Administration's information paper on "The Mainland and Hong Kong Closer Economic Partnership Arrangement" ( <a href="#">LC Paper No. CB(1)373/14-15(01)</a> )
20/1/2015	Panel on Commerce and Industry	Administration's paper on "2015 Policy Address - Policy Initiatives of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau" ( <a href="#">LC Paper No. CB(1)438/14-15(03)</a> )  Minutes of meeting ( <a href="#">LC Paper No. CB(1)582/14-15</a> )
27/11/2015 (Paper date)	Panel on Commerce and Industry	Administration's information paper on "New agreement on trade in services under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement" ( <a href="#">LC Paper No. CB(1)213/15-16(01)</a> )
19/1/2016	Panel on Commerce and Industry	Administration's paper on "2016 Policy Address - Policy Initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" ( <a href="#">LC Paper No. CB(1)436/15-16(03)</a> )