

MAINLAND AND HONG KONG CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT (CEPA)

To promote achieving basic liberalisation of trade in services between the Mainland (1) and the Hong Kong Special Administrative Region (hereinafter referred to as the "two sides"), to progressively reduce or eliminate substantially all discriminatory measures on trade in services between the two sides, as well as to further enhance the level of bilateral economic and trade exchanges and cooperation, the two sides decided to sign this Agreement to basically achieve liberalisation of trade in services between the Mainland and the Hong Kong Special Administrative Region (hereinafter referred to as "Hong Kong").

(1) The "Mainland" refers to the entire customs territory of China.

Chapter 1. GENERAL PRINCIPLES

Article 1. Objectives

To strengthen trade and investment cooperation between the Mainland and the Hong Kong Special Administrative Region (hereinafter called "Hong Kong") and promote joint development of the two sides, through the implementation of the following measures :

1. progressively reduce or eliminate tariffs and non-tariff barrier on substantially all the trade in goods between the two sides;
2. progressively achieve liberalization of trade in services through reduction or elimination of substantially all discriminatory measures;
3. promote trade and investment facilitation.

Article 2. Principles

The conclusion, implementation and amendment of "CEPA" will adhere to the following principles :

1. to abide by the "one country, two systems " principle;
2. to be consistent with the rules of the World Trade Organisation (hereinafter called the "WTO");
3. to accord with the needs of both sides to adjust and upgrade their economic regime; 4. to achieve mutual benefits, complementarity and joint prosperity;
5. to take progressive action, dealing with the easier issues first.

Article 3. Inception and Development

1. From 1 January 2004, the two sides will implement the specific commitments in liberalization of trade in goods and services under "CEPA".
2. The two sides will broaden and enrich the content of "CEPA" through continuous and further liberalization between them.

Article 4. Non-application of Specific Provisions In China's WTO Accession Documents

The two sides recognise that through over 20 years of reform and liberalisation, the market economy system of the

Mainland has been continuously improving, and the mode of production and operation of Mainland enterprises is in line with the requirements of a market economy. The two sides agree that Articles 15 and 16 of the "Protocol on the Accession of the People's Republic of China to the WTO" and paragraph 242 of the "Report of the Working Party on the Accession of China" will not be applicable to trade between the Mainland and Hong Kong.

Chapter 2. TRADE IN GOODS

Article 5. Tariffs

1. Hong Kong will continue to apply zero tariff to all imported goods of Mainland origin.
2. From 1 January 2004, the Mainland will apply zero tariff to the import of those goods of Hong Kong origin as set out in Schedule 1 of Annex 1.
3. Not later than 1 January 2006, the Mainland will apply zero tariff to the import of goods of Hong Kong origin that are outside Schedule 1 of Annex 1. Detailed implementation procedures are set out in Annex 1.
4. Any new goods benefiting from elimination of import tariffs in accordance with paragraph 3 of this Article will be inserted into Annex 1.

Article 6. Tariff Rate Quota and Non-tariff Measures

1. Either side will not apply any non-tariff measure that is inconsistent with WTO rules to goods imported and originated from the other side.
2. The Mainland will not apply tariff rate quota against goods of Hong Kong origin.

Article 7. Anti-dumping Measures

The two sides undertake that either side will not apply anti-dumping measures to goods imported and originated from the other side.

Article 8. Subsidies and Countervailing Measures

The two sides reiterate that they will abide by the WTO "Agreement on Subsidies and Countervailing Measures" and Article XVI of "the General Agreement on Trade and Tariffs 1994", and undertake not to apply countervailing measures to goods imported and originated from each other.

Article 9. Safeguards

If because of the implementation of "CEPA", the import of products in Annex 1 from one side to the other increases in such quantities as to cause or threaten to cause serious injury to like or directly competitive products to the domestic industry of the other side, the affected side may after written notification temporarily suspend concessions in respect of those goods of the other side, and will, at the request of the other side, promptly commence consultations under Article 19 of "CEPA" so that an agreement may be reached.

Chapter 3. ORIGIN

Article 10. Rules of Origin

1. The rules of origin applicable under "CEPA" relating to preferential measures of trade in goods are set out in Annex 2.
2. To ensure the implementation of the preferential measures in respect of trade in goods, the two sides decide to strengthen and extend the content and scope of mutual assistance in administration, including the establishment and strict implementation of the procedures for issuing certificates of origin, the establishment of auditing and regulatory systems, the development of a computer link and electronic data interchange between the issuing and regulatory authorities of both sides. Details are set out in Annex 3.

Chapter 4. TRADE IN SERVICES

Article 11. Market Access

1. Either side will progressively reduce or eliminate existing restrictive measures against services and service suppliers of the other side in accordance with the content and timetable set out in Annex 4.
2. At the request of either side, the two sides may through consultation pursue further liberalization of trade in services.
3. Any new measures on liberalization of trade in services implemented pursuant to paragraph 2 of this Article will be inserted into Annex 4.

Article 12. Service Suppliers

1. The definition and related provisions on "service suppliers" under "CEPA" are set out in Annex 5.
2. A service supplier of another WTO Member that is a juridical person constituted under the laws of one side will be entitled to treatment granted by the other side under the "CEPA", provided that it engages in substantive business operations as stipulated in Annex 5 in the area of the former side.

Article 13. Financial Services Cooperation

The two sides will adopt the following measures to further strengthen cooperation in the areas of banking, securities and insurance :

1. The Mainland supports state-owned commercial banks and certain shareholding commercial banks in re-locating their international treasury and foreign exchange trading centres to Hong Kong.
2. The Mainland supports Mainland banks in developing network and business activities in Hong Kong through acquisition.
3. The Mainland supports the full utilization of financial intermediaries in Hong Kong during the process of reform, restructuring and development of the financial sector in the Mainland.
4. The two sides will strengthen cooperation and information sharing between their financial regulators.
5. The Mainland will, following the principles of observing market discipline and enhancing regulatory efficiency, support eligible Mainland insurance companies and other companies, including private enterprises, in listing in Hong Kong.

Article 14. Cooperation on Tourism

1. In order to further promote the development of the tourism industry of Hong Kong, the Mainland will allow residents in Guangdong Province to visit Hong Kong individually. This measure will be implemented on a trial basis first in Dongguan, Zhongshan and Jiangmen and it will be extended to the entire Guangdong Province not later than 1 July 2004.
2. The two sides will strengthen cooperation on tourism promotion, including promotion of tourism between each other and development of external promotion programmes centered around the Pearl River Delta.
3. The two sides will cooperate to raise the service standards of their tourism industries and protect the lawful rights of tourists.

Article 15. Mutual Recognition of Professional Qualifications

1. The two sides will encourage mutual recognition of professional qualifications and promote the exchange of professional talents between each other.
2. Competent authorities and professional bodies of both sides will in consultation with each other consider and design specific methodologies for mutual recognition of professional qualifications.

Chapter 5. TRADE AND INVESTMENT FACILITATION

Article 16. Measures

The two sides will pursue trade and investment facilitation through greater transparency, standards conformance and

enhanced information exchange.

Article 17. Areas of Cooperation

1.The two sides will promote cooperation in the following areas :

A. trade and investment promotion; B. customs clearance; C. quarantine and inspection of commodities, food safety and quality assurance; D. electronic commerce; E. transparency in law and regulations; F. small and medium-sized enterprises; G. Chinese medicine and medical products.

2.Details on the cooperation in the areas listed in paragraph 1 of this Article are set out in Annex 6.

3.At the request of either side, the two sides may expand the scope and content of trade and investment facilitation through consultation.

4. Any new scope or content concluded under paragraph 3 of this Article will be inserted into Annex 6.

Chapter 6. OTHER PROVISIONS

Article 18. Exceptions

"CEPA" and the provisions in its Annexes will not affect the Mainland or Hong Kong's ability to maintain or adopt exception measures consistent with the rules of the WTO.

Article 19. Institutional Arrangements

1.The two sides will set up a Joint Steering Committee (hereinafter called "Steering Committee"). The Steering Committee will comprise senior representatives or officials designated by the two sides.

2.Liaison Offices will be set up under the Steering Committee. Working groups may be set up as the need arises. Liaison offices will be set up in the Ministry of Commerce of

the Central People's Government and the Commerce, Industry and Technology Bureau of the Hong Kong Special Administrative Region Government.

3.The functions of the Steering Committee include :

(A) supervising the implementation of "CEPA";

(B) interpreting the provisions of the "CEPA";

(C) resolving disputes that may arise during the implementation of "CEPA"; (D) drafting additions and amendments to the content of "CEPA";

(E) providing steer on the work of the working groups;

(F) dealing with any other business relating to the implementation of "CEPA".

4.The Steering Committee will meet at least once a year , and may convene special meetings within 30 days upon request by either side.

5.The two sides will consult to resolve any problems arising from the interpretation or implementation of "CEPA" in the spirit of friendship and cooperation. The Steering Committee will make its decisions by consensus.

Article 20. Miscellaneous

1.Except as otherwise provided in "CEPA", any action taken under it will not affect or nullify the rights and obligations of either side under other existing agreements to which it is a party.

2.The two sides will endeavour to refrain from increasing restrictive measures that would affect the implementation of "CEPA".

Article 21. Annexes

The Annexes to "CEPA" form an integral part of "CEPA".

Article 22. Amendments

The provisions of "CEPA" or its Annexes may be amended in writing when the need arises. Any amendment will come into effect after it has been signed by the duly authorised representatives of the two sides.

Article 23. Coming Into Effect

CEPA will come into effect on the day of signature by the representatives of the two sides.

Signed in duplicate at Hong Kong, this 29th day of June , 2003 in the Chinese language.

Vice Minister of Commerce

People's Republic of China Financial Secretary

Hong Kong Special Administrative Region of the People's Republic of China

(signature) (signature)

[Note: Amendments made to the previous version of the courtesy English translation and reflected in this latest version are essentially editorial, the signed Chinese text which is authentic has not been amended in any way. Footnote number 1 is a note of the CEPA text; other footnotes are to explain the amendments made to the courtesy English translation and hence only appear in this English version.]