

MAINLAND/HONG KONG CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT ("CEPA")

To promote the joint economic prosperity and development of the Mainland and the Hong Kong Special Administrative Region (hereinafter "the two sides"), to facilitate the further development of economic links between the two sides and other countries and regions, the two sides decided to sign the Mainland/Hong Kong Closer Economic Partnership Arrangement (hereinafter called "CEPA").

Section CHAPTER 1. General Principles

Article 1. Objectives

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

1. Progressively reducing or eliminating tariff and non-tariff barriers on substantially all the trade in goods between the two sides;
2. Progressively achieving liberalization of trade in services through reduction or elimination of substantially all discriminatory measures;
3. Promoting trade and investment facilitation.

Article 2. Principles

The conclusion, implementation and amendment of the "CEPA" shall 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 industries and enterprises and to promote steady and sustained development;
4. To achieve reciprocity and mutual benefits, complementarity with each other's advantages and joint prosperity;
5. To take progressive action, dealing with the easier subjects before the more difficult ones.

Article 3. Inception and Development

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

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

The two sides recognise that through over 20 years of reform and opening up, 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.

Section 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 listed in Table 1 of Annex 1.
3. No later than 1 January 2006, the Mainland will apply zero tariff to the import of goods of Hong Kong origin that are outside Table 1 of Annex 1. Detailed implementation procedures are set out in Annex 1.
4. Any new goods that are subject to elimination of import tariffs in accordance with paragraph 3 of this Article shall be added to Annex 1.

Article 6. Tariff Rate Quota and Non-tariff Measures

1. Neither side shall apply non-tariff measures inconsistent with WTO rules to goods imported and originated from the other side.
2. The Mainland will not apply tariff rate quota to goods of Hong Kong origin.

Article 7. Anti-dumping Measures

The two sides undertake that neither side will apply anti-dumping measures to goods imported and originated from the other side.

Article 8. Subsidies and Countervailing Measures

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

Article 9. Safeguards

If the implementation of the "CEPA" causes sharp increase in the import of a product included in Annex 1 originating from the other side which has caused or threatened to cause serious injury to the affected side's domestic industry that produces like or directly competitive products, the affected side may, after giving written notice, temporarily suspend the concessions on the import of the concerned product from the other side, and shall, at the request of the other side, promptly commence consultations under Article 19 of the "CEPA" in order to reach an agreement.

Section CHAPTER 3. Origin

Article 10. Rules of Origin

1. The rules of origin applicable to preferential measures related to trade in goods under the "CEPA" 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 administrative assistance including the establishment and strict implementation of the procedures for issuing certificates of origin, the establishment of auditing and regulatory mechanisms, 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.

Section 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 between them.
3. Any new measures on liberalization of trade in services implemented pursuant to paragraph 2 of this Article shall be added to Annex 4.

Article 12. Service Suppliers

1. The definition and related provisions on "service suppliers" under the "CEPA" are set out in Annex 5.
2. Service suppliers of other WTO Members that are juridical persons established under the laws of one side will be entitled to preferential treatments granted by the other side under the "CEPA", provided that they are engaged in substantive business operations as stipulated in Annex 5 in the area of the former side.

Article 13. Financial Cooperation

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

1. The Mainland supports wholly state-owned commercial banks and certain joint-equity commercial banks in re-locating their international treasury and foreign exchange trading centres to Hong Kong.
2. The Mainland supports its 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 shall strengthen cooperation and information sharing between their financial regulators.
5. The Mainland shall, in line with the principles of observing market rules and enhancing regulatory efficiency, support eligible Mainland insurance companies and other companies, including private enterprises, in listing in Hong Kong.
6. The Mainland shall allow qualified Mainland securities companies which belong to the pilot innovation type to set up subsidiaries in Hong Kong in accordance with the relevant requirements.
7. The Mainland shall allow qualified Mainland futures companies to operate futures business in Hong Kong, including the setting up of subsidiaries.
8. To actively support Mainland banks to set up subsidiaries for business operations in Hong Kong.
9. To establish a fast track ("green lane") for applications from Hong Kong banks for setting up branches in the central western, north eastern areas and Guangdong Province of the Mainland.
10. To encourage Hong Kong banks to set up rural banks in rural areas of the Mainland.
11. The Mainland shall allow qualified Mainland securities companies approved by the China Securities Regulatory Commission to set up subsidiaries in Hong Kong in accordance with the relevant requirements.
12. To actively explore the introduction of ETF (open-end index-tracking exchange-traded fund), which portfolios are constituted by Hong Kong listed stock, in the Mainland.
13. To support subsidiaries set up in Hong Kong by qualified Mainland futures companies in developing business in Hong Kong in accordance with the laws.
14. To support Mainland banks to make use of Hong Kong's international financial platform to develop their international businesses on the premises of prudent operation.
15. To support Hong Kong insurance companies to enter the market through setting up business institutions or capital participation, so as to participate and share in the development of the Mainland insurance market. To enhance bilateral cooperation in areas such as development of insurance products, business operation and operational management, etc.

16. The Mainland shall amend and improve the relevant requirements for overseas listing, so as to support Mainland enterprises that satisfy Hong Kong's listing requirements in listing in Hong Kong, and create favourable conditions for Mainland enterprises, especially small and medium enterprises, to raise capital through direct listing in overseas markets.
17. To actively explore ways and means to deepen co-operation between the commodity futures markets in the Mainland and in Hong Kong, and to promote the establishment of a futures market system in which both sides can complement each other's advantages, work in co-operation and develop mutually.
18. To actively explore the lowering of the eligibility requirements for Hong Kong financial institutions to apply for Qualified Foreign Institutional Investor (QFII) status, in order to facilitate Hong Kong's long-term capital investing in the Mainland's capital markets.
19. To support qualified Hong Kong financial institutions in setting up joint venture securities companies, fund management companies and futures companies in the Mainland.
20. To actively study mutual recognition of fund products between the Mainland and Hong Kong.
21. To actively support qualified Hong Kong insurers to take part in compulsory traffic accident liability insurance business in the Mainland. Applications made by Hong Kong insurers will be actively considered and facilitation will be provided in accordance with relevant rules and regulations.

Article 14. Cooperation In 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 no later than 1 July 2004.
2. The two sides shall strengthen cooperation in 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 shall cooperate to raise the service standards of their tourism industries and protect the legitimate rights and interests of tourists.
4. To jointly improve the quality of tourism services in the Mainland and Hong Kong; establish a coordination mechanism for strengthening the regulatory regime for the tourism market in the Mainland and Hong Kong; set the parameters for "honest and quality" practices of tourism enterprises; protect the lawful rights of tourists; and together strive for the healthy and orderly development of Mainland's Hong Kong-bound tourism market.
5. To take forward the Mainland and Hong Kong's cooperation in overseas joint tourism promotion; joint development of "multi-destination" itineraries featuring the Mainland and Hong Kong; effective use of overseas tourism exhibitions for joint promotion; and closer cooperation between the overseas tourism offices of the two places.
6. To support the expansion of cooperation between the Mainland and Hong Kong tourism enterprises; encourage mutual entry of tourism enterprises and investments in the two places to enter each other's markets, support strategically Hong Kong service providers to set up travel agents in the Mainland; enhance the cooperation in research and development of tourism technologies and tourist attractions; and explore the way forward for cooperation in developing the tourism industry.
7. To introduce measures on joint personnel training, and for the development of the Mainland's tourism industry; and enhance support for developing Hong Kong as a homeport for cruise tourism.

Article 15. Mutual Recognition of Professional Qualifications

1. The two sides shall 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.

Construction and Related Engineering Sector

3. Competent authorities or professional bodies of both sides will commence exchanges on the mutual recognition of qualifications of registered electrical exploration; design engineers and registered public facility exploration; design

engineers and will start technical exchanges on registered geotechnical exploration; design engineers and land surveying.

4. Both sides will establish a working group to study and take forward matters in connection with registration and practice for construction sector professionals after they have acquired professional qualifications through mutual recognition.

5. 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.

6. The two sides agree to take forward the work on mutual recognition of professional qualifications (supervision engineering) between Supervision Engineers of the Mainland and Building Engineers of Hong Kong and recognition of Hong Kong Architects for obtaining qualification of Supervision Engineers of the Mainland.

7. Competent authorities or professional bodies of both sides will take forward the technical exchanges of landscape architectural professionals between the two sides.

8. The two sides shall continue with the mutual recognition of professional qualifications between real estate appraisers in the Mainland and general practice surveyors in Hong Kong, and between cost engineers in the Mainland and quantity surveyors in Hong Kong.

Accounting Sector

9. 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 Qualification Examination.

Taxation Sector

10. To allow Hong Kong residents who have formally become members of the Hong Kong Institute of Certified Public Accountants on or before 31 March 2009 to be exempted from the "Finance and Accounting" paper when sitting for Mainland's Certified Tax Agent qualification examination.

Real Estate Sector

11. The two sides agree to take forward the work on mutual recognition of professional qualifications between estate agents of the Mainland and Hong Kong.

12. Competent authorities or professional bodies of both sides will start technical exchanges on mutual recognition of qualifications of Certified Property Managers and members of the Hong Kong Institute of Housing.

Printing Sector

13. The responsible authorities or industry bodies of both sides will start technical exchanges of printing industry practitioners between the two sides.

Section CHAPTER 5. Trade and Investment Facilitation

Article 16. Measures

The two sides shall promote trade and investment facilitation through greater transparency, standard conformity and enhanced information exchange.

Article 17. Areas of Cooperation

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

1. Trade and investment promotion;
2. Customs clearance facilitation;
3. Commodity inspection and quarantine, food safety and quality and standardization;
4. Electronic business;
5. Transparency in laws and regulations;
6. Cooperation of small and medium enterprises;

7. Cooperation in industries;
 8. Protection of intellectual property;
 9. Cooperation on branding;
 10. Cooperation on education.
2. Details on the areas of cooperation 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 shall be added to Annex 6.

Section CHAPTER 6. Other Provisions

Article 18. Exceptions

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

Article 19. Institutional Arrangements

1. The two sides shall set up a Joint Steering Committee (hereinafter referred to as "Steering Committee"), which will comprise senior representatives or officials designated by the two sides.
2. Liaison Offices shall be set up under the Steering Committee. Working groups may be set up as the need arises. The Liaison offices shall be set up respectively 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 :
 - (1) Supervising the implementation of the "CEPA";
 - (2) Interpreting the provisions of the "CEPA";
 - (3) Resolving disputes that may arise during the implementation of the "CEPA";
 - (4) Drafting additions and amendments to the content of the "CEPA";
 - (5) Providing steer on the work of the working groups;
 - (6) Dealing with any other business relating to the implementation of the "CEPA".
4. The Steering Committee shall meet at least once a year, and may convene special meetings within 30 days upon request by either side.
5. The two sides shall resolve any problems arising from the interpretation or implementation of the "CEPA" through consultation in the spirit of friendship and cooperation. The Steering Committee shall make its decisions by consensus.

Article 20. Miscellaneous

1. Except as otherwise provided in the "CEPA", any action taken under it shall not affect or nullify the rights and obligations of either side under other existing agreements to which it is a contracting party.
2. The two sides shall endeavour to refrain from increasing restrictive measures affecting the implementation of the "CEPA".

Article 21. Annexes

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

Article 22. Amendments

The provisions of the "CEPA" or its Annexes may be amended in writing when the need arises. Any amendment shall 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)