

MAINLAND AND HONG KONG CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT

Preamble

To promote the joint economic prosperity and development of the Mainland¹ and the Hong Kong Special Administrative Region (hereinafter referred to as 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 and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as the “CEPA”).

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;

¹ In the “CEPA”, the “Mainland” refers to the entire customs territory of China.

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 referred to as 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.

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.

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.

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.

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.

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.

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 Chinese traditional medicine and medical products sector.
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.

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

The “CEPA” shall come into effect on the day of signature by the representatives of the two sides.

Signed in duplicate in 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)