

PHASE II OF CEPA

Clement Lam & Wallace Ng [October 2004]



Signed and sealed: Financial Secretary Henry Tang and Vice Minister of Commerce An Min sign the legal text on further trade liberalization under CEPA II.

The Central People's Government and the Government of the Hong Kong Special Administrative Region have reached agreement on 27 August 2004 concerning further liberalization measures for CEPA. Under this phase II arrangement, the Mainland agreed to apply zero tariff on more products exported from Hong Kong. She also agreed to broaden the liberalization of 11 services sectors and introduce liberalization measures in 8 new areas.

Trade in Goods

Under the agreement signed between the Mainland and Hong Kong in 29 June 2003 (the so-called phase I of CEPA), the Mainland has undertaken to apply zero tariff latest by 1 January 2006 on other products exported from Hong Kong upon applications by local manufacturers. After collecting the applications from the local manufacturers and discussing with the Mainland officials by the Hong Kong government, the Mainland agreed to apply zero tariff to 713 goods of Hong Kong origin in the Mainland 2004 tariff codes. These products are on top of the 374 goods in the Mainland 2004 tariff codes that have already been enjoying zero import tariff since 1 January 2004. In other words, there are totally 1087 goods exported from Hong Kong will enjoy zero tariff from the Mainland.

The 713 Mainland 2004 tariff codes cover both existing production (529 tariff codes) and planned production (184 tariff codes). The products under the 529 tariff codes will enjoy zero tariff from the Mainland with effect from 1 January 2005. For the remaining 184 codes, zero tariff will be applied from 1 January of the following year upon confirmation by both sides that the products have come into production. The Trade and Industry Department will announce the detailed arrangement later. A complete list of the 713 tariff codes can be downloaded from the following websites:-

- http://www.tid.gov.hk/english/cepa/files/RoC_annex1_exist_e.xls
- http://www.tid.gov.hk/english/cepa/files/RoC_annex1_plan_e.xls

Trade in Services

The Mainland agreed to further relax the market access conditions for qualified service suppliers of Hong Kong in the following business sectors:-

- Legal
- Accounting
- Medical
- Audiovisual
- Construction
- Distribution
- Banking
- Securities
- Transport
- Freight forwarding agency
- Individually owned stores

It is worth to note that under the phase II arrangement of CEPA, Hong Kong permanent residents with Chinese citizenship are allowed to set up individually owned stores in all provinces, autonomous regions, municipalities in China to provide retailing services, food and beverage services, hair dressing services, beauty treatment services, bathing services and repair services of goods for daily uses. This brings great business opportunities to Hong Kong individual services providers.

On top of the services sectors that have already been offering preferential treatments under the phase I of CEPA, the Mainland agreed to liberalize the following 8 new areas under the phase II arrangement:-

- Patent agency
- Trade mark agency
- Airport services
- Cultural entertainment
- Information technology
- Job referral agency
- Job intermediary
- Professional examinations qualification

Details of the liberalization measures being offered under the phase II of CEPA can be downloaded from here:

- http://www.tid.gov.hk/english/cepa/files/RoC_annex2_e.doc

Except for the commitments made in the area of construction sector and part of the commitments made in the area of distribution sector, which will be implemented with effect from 27 August 2004, the commitments on liberalization measures will be implemented on 1 January 2005.

Conclusion

The signing of the second phase agreement under CEPA creates more opportunities to the Hong Kong manufacturers and services providers. It has broadened and deepened the liberalization measures previously offered. For qualified Hong Kong individual service suppliers, the up-lift of geographical restriction enables them to further explore the fast-growing China market. We wish our clients can grasp the opportunities offered by CEPA to expand their businesses in China and are pleased to provide our professional assistance upon requests. ✘