

## PHASE IV OF CEPA

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CEPA is a "living agreement". Two supplements have been introduced in 2004 and 2005 since its first signing in 2003. On the heels of the implementation of CEPA III in January 2006, the Central People's Government and the Hong Kong Government agreed in late June this year to introduce further liberalization measures.



*The Financial Secretary of Hong Kong, Mr. Henry Tang and the Vice Minister of Commerce of the Mainland China, Mr. Liao Xiaoqi, have signed the CEPA IV on further liberalization measures covering both goods and services, as well as facilitation measures and intellectual property protection.*

Unlike the previous phases primarily concentrating on manufacturing businesses, CEPA IV puts its focus on service industries. It grants an additional 37 zero tariff products importing the Mainland China. It also introduces the protection of intellectual property into the area of trade and investment facilitation. An Intellectual Property Protection Co-ordination Centre will be set up in Hong Kong to exchange and communicate information relating to intellectual property protection of the two places.

On trade in services, since the implementation of CEPA, 27 service areas can have earlier access and/or lower market entry threshold to the Chinese market. These service sectors include construction, construction professional services, information technology, convention and exhibition, distribution, logistics and transport. On top of the liberalization measures covered in previous phases, CEPA IV further relaxes the market access conditions in 10 service sectors in legal, construction, information technology, convention and exhibition, audiovisual, distribution, tourism, transport and individually owned stores effective from 1 January 2007..

Under the previous liberalization measures, the Mainland has granted tariff-free treatment to all products fulfilling the CEPA rules of origin ("ROO") except for prohibited items such as used electrical machinery and medical products, chemical residual and municipal waste. There were already 1,370 products that have defined rules for CEPA ROO as mutually agreed by Hong Kong and the Mainland. CEPA IV further includes 37 products to this previous list. The newly-added products such as food and seasonings, plastic and rubber products and electrical products with agreed CEPA ROO are eligible for zero tariff starting from 1 July 2006. The applicable tariff rates would otherwise range from 4% to 21%.

Thanks to the CEPA and its supplements, we believe our clients can take advantage of these opportunities to successfully expand their businesses in the Mainland. Further detailed information on CEPA, including the full legal text of the main agreement and its supplements, as well as implementation details and relevant forms can be downloaded from the website of the Trade and Industry Department (<http://www.tid.gov.hk/english/cepa/index.html>). Always consult your professional consultants for tailor-made and thorough advices if necessary. **PKF**