To the Editor:

I am writing to comment on Mr Jake Van der Kamp's piece on CEPA published in your newspaper on May 21, 2004. No one who understands the contents of CEPA will say that it is a magical pill which will "rescue" Hong Kong's economy. And while the individual mainland tourists scheme--which is a part of CEPA--has brought benefits to many in the retail and tourism sectors here, it does not solve the long term Hong Kong economic positioning problem or even the budget deficit problem.

However, it is unfair for Mr Van der Kamp to imply that a couple of recent liberalization steps by China have almost totally washed out the benefits of CEPA to Hong Kong. Since the signing last June and implementation in January, only two out of eighteen service sectors have seen benefits diluted. The wholly-owned-subsidiary status granted only to Hong Kong exhibition companies was offered to other WTO members earlier this year, and the retail/distribution/trading sector will see a lowering of thresholds starting June 1st. In the latter case, the wholly-owned-subsidiary status is still only available to Hong Kong companies until next January, and during the next seven months, smaller Hong Kong companies in this sector can enter China ahead of other competitors using this status and using the lowered threshold.

But many other CEPA benefits still exist. For example, several banks, which previously would not have been eligible, have set up branches in China thanks to CEPA's lowering of threshold. Since January, almost 1000 shipments of "Made in Hong Kong" goods have crossed the border with zero tariffs guaranteed by CEPA. Hong Kong movies now can enter China with no quota restrictions. Over 300 companies--over half of them in the logistics sector--have applied for "Hong Kong Service Supplier" status and are entering the China Market to take advantage of CEPA.

In the end, time is of essence. This is because CEPA is a "capacity building" WTO-compliant trade agreement, allowing China to "experiment" with selected liberalization until it is confident to open up to the world. This is inevitable and to be encouraged in the overall context of opening up the Chinese economy. So gradually, whether through time or through periodic liberalization, the original CEPA benefits will be diluted. This is why acting fast is important. And this is why getting new commitments added to this "living trade agreement" is important. Therefore, our Chamber is working on a new "CEPA wish list" based on business input to present soon to the SAR government.

No doubt many traditional problems of doing business in China still await companies wanting to take advantage of CEPA, and we would hope both the central and SAR governments pay attention to these obstacles which dampen the positive effect of CEPA. But all this should not detract from the benefits of CEPA, including some intangible ones such as generating foreign and mainland interest in Hong Kong as a business platform.

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