

The Next Phase of CEPA – HKGCC Requests

(July 2004)

Executive Summary

CEPA came into effect on January 1, 2004. As of July 2004, over 1100 CEPA Certificates of Origin have been issued for Hong Kong-made products to enter the Mainland at zero-tariff. More than 400 Hong Kong companies have applied for Hong Kong Service Supplier Certificate to offer their services in the Mainland in accordance with the terms of CEPA.

With the experience of CEPA implementation, China has taken further steps in opening its services market, especially in the exhibition and distribution sectors. Foreign investors can set up wholly-owned exhibition companies in the Mainland from February 2004, after CEPA opened the exhibition market to Hong Kong companies. Recently the Ministry of Commerce released a new regulation (Decree No. 8) on foreign investment in the distribution sector, which removes the threshold of capital requirement completely thus enabling foreign investors to get national treatment in this sector. Of course, Hong Kong services suppliers still have time advantage in setting up wholly-owned distribution companies in the Mainland.

It is well known that CEPA is a “living” document which can be strengthened by adding new contents. With one full year’s experience in implementation, it is time to discuss the content of the next phase of CEPA. Since zero tariff has been achieved already for trade in goods, the main effort in further liberalization for the next phase of CEPA should be focused on trade in services. The Chamber has collected input from our members in different sectors and compiled this “wish list”. The main requests of different sectors are summarized below.

Sector	Sub-sector	Main requests
Financial services	Insurance	To relax the registered capital requirements
	Banking	To remove the 40% inter-bank borrowing cap
	Securities	To lower capital requirement and to allow Hong Kong companies to establish asset management or securities joint ventures with majority ownership
IT and Telecom services	Computer and IT services	To allow Hong Kong companies to establish wholly-owned companies in software services and to set up joint venture with majority ownership in data services
	Telecom	To remove the geographical restriction and relax the ownership restriction
Professional services	Legal services	To allow Hong Kong companies to establish joint venture with the Mainland law firms
	Accounting	To establish contractual joint venture and to let Hong Kong professionals act as non-resident partners of the Mainland firms
	Construction and Engineering	To expand the scope of services provided by Hong Kong professionals
	Financial Professionals	To seek mutual recognition of professional qualifications and to enable qualified professionals to obtain licenses to practice in the Mainland

Tourism	Travel Agent and tour Operator	To let Hong Kong companies have national treatment of capital requirement and handle out-bound travel business
	Computer Reservation System	To allow Hong Kong companies to provide full computer reservation system services
Transport and logistics	Road passenger transport	To remove geographical restriction and to lower the registered capital requirement of direct non-stop road freight transport service.
	Internal waterways transport	To allow Hong Kong companies to establish wholly-owned operations
	Logistics	To lower registered capital requirement
Non-profit institution	Social-services institution and membership-based organization	To allow Hong Kong non-profit institutions to set up wholly-owned operations
Education		To allow Hong Kong education institutions to establish wholly-owned operations
Recreational, Cultural and sporting	Entertainment	To allow Hong Kong establish majority-owned operations
	News agency	To allow Hong Kong news agencies to set up representative offices in the major cities
	Sporting and other commercial-oriented services	To allow Hong Kong service suppliers establish wholly-owned operations
Environmental services		To allow Hong Kong companies to establish wholly-owned operations