

LCQ4: Implementation of CEPA

Following is a question by the Hon Wong Ting-kwong and a reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (November 18):

It has been reported that the Financial Secretary has pointed out that in the implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) since it was signed in 2003, there are still problems of "small doors not yet open", some of which are due to the differences in the industries' systems, regulation and connectivity between the two places, and the HKSAR Government will, jointly with the relevant departments of the Mainland, continue to deal with such problems. In this connection, will the Government inform this Council:

(a) how the authorities and the relevant mainland departments specifically enhance efforts to deal with the differences in the industries' systems, regulation and connectivity, so as to resolve the problems of "small doors not yet open";

(b) given that, in respect of the concessionary measures made under CEPA not being fully utilised, a Vice-Minister of the State Ministry of Commerce of our country made a number of suggestions (including organising publicity and promotional activities with the HKSAR Government and facilitating the various places to implement the co-ordinating mechanism for CEPA), of the degree of participation of the authorities in such work, as well as the detailed plans and arrangements; and

(c) given that the authorities conducted assessments on the economic impact of CEPA in 2005 and 2007 respectively, and that six supplements to CEPA have been signed to date, whether the authorities will conduct assessments on the economic impact again, so as to better understand the latest situation of the impact of CEPA on the economy of Hong Kong; if they will, when the assessments will be conducted and of the details; if not, the reasons for that?

Reply:

President,

The Mainland and Hong Kong signed the "Mainland and Hong Kong Closer Economic Partnership Arrangement" (generally referred to as CEPA) in June 2003. To date, the two sides have concluded six supplements. CEPA covers three broad areas, namely trade in goods, trade in services and trade and investment facilitation. For trade in goods, over HK\$20.7 billion worth of goods imported into the Mainland have enjoyed the zero tariff preference under CEPA. As for trade in services, Hong Kong Service Suppliers (HKSS) enjoy preferential treatment in entering the Mainland market in a total of 42 service areas. With respect to trade and investment facilitation, Hong Kong and the Mainland have agreed to strengthen co-operation in nine areas.

CEPA opened the door for Hong Kong business community to enter the services market in the Mainland. Apart from lowering the market entry thresholds for various service industries, CEPA also provides Hong Kong business enterprises with

preferential treatment in various service areas which is more favourable than that available to foreign enterprises. The forms of such preferential treatment include relaxation in equity share restrictions, reduction in registered capital requirement, as well as relaxation in restrictions over geographical location and business scope. In certain service areas, Hong Kong business enterprises are already enjoying national treatment.

In making use of the CEPA benefits in entering the Mainland market, Hong Kong business enterprises are still required to comply with the rules and regulations of the Mainland in making applications for setting up business, registering for practice or operating a business. As reflected by views and comments gathered from the business enterprises by different bureaux and departments of the HKSAR Government, in certain service industries the "big doors are open, but small doors are not yet open" in the implementation of the liberalisation measures. Examples of such problems include delay in the promulgation of rules and regulations as well as implementation details; insufficient knowledge of the new measures among local officials on the Mainland; differences in the systems and regulatory regimes governing professional services between the two places; cumbersome and time-consuming application procedures etc.

In respect of part (a) of the question, the HKSAR Government will continue to attach importance to the implementation of CEPA and follow up the problems encountered by Hong Kong business community in entering the service industries in the Mainland.

We collect views and opinions of the industries through various channels. For instance, I chair the CEPA consultative forum regularly with a view to understanding views and opinions of the industries on the implementation of the liberalisation measures under CEPA. Subsequent to the three rounds of CEPA consultative forum held in 2007 and 2008, I will chair the fourth CEPA consultative forum tomorrow. In addition, individual bureaux and departments maintain close liaison with professional bodies and industrial organisations to understand their requests and opinions on the implementation of the liberalisation measures in their respective service areas.

As before, we will reflect the comments and requests of the industries to the central, provincial and municipal governments in the Mainland through established co-ordinating mechanism:

- at central level, the two sides hold several meetings of the "CEPA Joint Steering Committee" each year, to discuss implementation issues as well as new liberalisation measures under CEPA;
- at provincial/municipal level, the governments of the HKSAR and Guangdong Province will continue to communicate through channels such as the "Expert Group on Implementing CEPA Services" under the "Hong Kong/Guangdong Co-operation Joint Conference", to take forward the implementation of CEPA. For instance, Hong Kong and Guangdong Province signed a co-operation agreement in August this year, to advance the implementation and step up the publicity of Supplements V and VI to CEPA and the "Guangdong pilot measures";
- individual policy bureaux and departments maintain liaison with their counterparts in the Mainland authorities, to reflect and follow up on requests of the trade in the

relevant service areas. If Hong Kong businessmen encounter difficulties in setting up business in the Mainland, the HKSAR Government will, through the relevant policy bureaux and offices of the HKSAR Government in the Mainland, provide assistance as appropriate having regard to the nature of the problems involved; and

- the Trade and Industry Department will, through the notification mechanism established with the Mainland authorities, continue to disseminate and update relevant regulations and implementation details regarding the liberalisation measures on its CEPA website. The CEPA website also provides other CEPA-related information, including the database on CEPA service sectors, easy guide to investment in CEPA service sectors, list of contact persons in relevant Mainland authorities, hyperlinks with relevant websites of the Mainland authorities, in order to help the business community make use of the relevant preferential treatment.

As for part (b) of the question, the HKSAR Government will continue to promote CEPA to investors through different means, encouraging them to tap the business opportunities brought about by CEPA. The promotion efforts include:

(1) the HKSAR Government and the Central Government jointly organise business forums to familiarise the industry with the implementation arrangements of the services liberalisation measures under the Supplements to CEPA. For example, in September this year we co-organised with the Ministry of Commerce and Government of Guangdong Province a "Business Forum on Implementation of CEPA and Guangdong Pilot Measures in Service Sectors" inviting representatives of relevant central ministries, departments in the Government of Guangdong Province and the nine cities of the Pearl River Delta region to introduce the implementation arrangements for the services liberalisation measures under CEPA, in particular the "Guangdong pilot measures";

(2) individual policy bureaux also organise seminars in specific service sectors to familiarise the industry with CEPA preferential measures and implementation arrangements. For example, the Food and Health Bureau organised a seminar in March this year, inviting representatives of the Department of Health of Guangdong Province and health bureaux of the five major CEPA implementation cities in Guangdong Province to introduce the implementation details for Supplement V to CEPA to the Hong Kong medical and dental services industry representatives;

(3) we will strengthen co-operation with major CEPA implementation cities in Guangdong Province, including organising seminars and participating in promotional activities, for example, the "Seminar on Hong Kong-Guangzhou Co-operation in Modern Service Industry" as well as the "Seminar on Hong Kong-Foshan Co-operation under CEPA" separately held in Hong Kong in August this year. The Ministry of Commerce will also organise a "Symposium on Mainland-Hong Kong-Macau Strengthened Co-operation in Commercial Services under CEPA" in Foshan at the end of November. Representatives of the HKSAR Government will attend to support the event; and

(4) The Ministry of Commerce organises CEPA training courses in various provinces and cities in the Mainland to enhance the local government officials' understanding of CEPA. The HKSAR Government sends representatives to speak on these occasions.

Regarding part (c) of the question, the HKSAR Government has been closely monitoring the state of CEPA implementation since its implementation from January 1, 2004. We collect statistics relating to the Certificates of Origin (CEPA), "HKSS Certificates" and "Individual Visit Scheme" (IVS) etc to conduct statistical analysis, as well as to assess the impact on Hong Kong's economy. The HKSAR Government conducted assessments of the impact of CEPA on the economy of Hong Kong by phases in April 2005 and June 2007 respectively, and reported the findings to the Legislative Council Panel on Commerce and Industry. According to the HKSAR Government's latest preliminary assessment conducted in May this year, between 2004 and 2008, trade in services under CEPA and the IVS had created 43,200 new jobs for Hong Kong residents; and visitors under the IVS had brought additional tourist spending of HK\$58.4 billion. During the same period, CEPA brought about, for Hong Kong service suppliers, service receipts totalling HK\$45.9 billion through their business operations on the Mainland, and created 49,500 new jobs for the Mainland.

The HKSAR Government is conducting another assessment on the impact of CEPA to Hong Kong's economy with reference to trade in services under CEPA and its various supplements and the IVS during 2007 to 2009, including creation of jobs, additional tourist spending, service receipts etc. The study will be conducted by the Trade and Industry Department in collaboration with the Economic Analysis and Business Facilitation Unit and Census and Statistics Department. Questionnaires will be sent in the coming few months to around 3,000 business enterprises in different service industries to collect data and comments. The Hong Kong Tourism Board will also randomly interview Mainland tourists visiting Hong Kong under the IVS. The economic assessment is anticipated to be completed by the middle of next year

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