

## **CEPA II**

The Central and Hong Kong SAR Governments agreed, under the CEPA framework on 27 August 2004, a second phase of liberalization measures (CEPA II) to further relax the access to the mainland market in areas of trade in goods and trade in services, basing on the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) concluded last year and implemented from 1<sup>st</sup> January, 2004.

The CEPA II consists of the main text of Supplementary Agreement and three Annexes, which are Annex 1: The Second Batch of Hong Kong Origin Products for Implementation of Zero Import Tariff by the Mainland-Goods under Current Production and Goods Proposed to be Produced; Annex 2: Schedule on Rules of Origin of the Second Batch of Hong Kong Goods Subject to Tariff Preference for Trade in Goods and Annex 3: Supplements and Amendments to the Mainland's Specific Commitments on Liberalization of Trade in Services for Hong Kong.

The CEPA II provides further enhanced access for Hong Kong products, service providers and professionals to the mainland market by adding 713 types of products to the zero-tariff list of 374, thus, essentially all Hong Kong-produced products can be exported tariff-free to the mainland. Most of types of products have enjoyed the tariff-free concessions since 1<sup>st</sup> January, 2005 and the remaining will enjoy tariff concessions from 1<sup>st</sup> January 2006, upon confirmation that production of these products has commenced in Hong Kong. Also, CEPA II liberalizes 8 new service sectors for Hong Kong service providers, and expands the scope for some of the 18 service sectors already open under CEPA I. Most of the commitments under CEPA II have become effective from 1<sup>st</sup> January, 2005.

As a living agreement CEPA may be further expanded in respect of the market access conditions for different sectors such as the liberalization of other services sectors or the further reduction of tariffs on products beyond the 1087 specified categories covered by CEPA I and CEPA II. CEPA I and CEPA II together with possibility of CEPA III, IV and etc. will definitely provide great opportunities for both Hong Kong companies/people and mainland companies/people to establish business or build cooperation on each place, achieving a “win-win” situation.