

# **HONG KONG SPECIAL ADMINISTRATIVE REGION AND MACAO SPECIAL ADMINISTRATIVE REGION CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT**

## **Preamble**

To promote the joint economic prosperity and development of the Hong Kong Special Administrative Region and the Macao Special Administrative Region (hereinafter referred to as the "two sides"), and to facilitate the further development of economic links between the two sides and the Mainland and other countries and regions, the two sides decide to sign the Hong Kong Special Administrative Region and Macao Special Administrative Region Closer Economic Partnership Arrangement (hereinafter referred to as the "CEPA").

## **Chapter 1. INITIAL PROVISIONS**

### **Article 1. Objectives**

To achieve liberalisation of trade between the Hong Kong Special Administrative Region (hereinafter referred to as "Hong Kong") and the Macao Special Administrative Region (hereinafter referred to as "Macao"), strengthen trade and investment cooperation between the two sides and promote joint development of the two sides through the implementation of the following measures:

- (i) reducing or eliminating tariff and non-tariff barriers on substantially all the trade in goods between the two sides;
- (ii) reducing or eliminating all discriminatory measures on substantially all the trade in services between the two sides;
- (iii) promoting and protecting investment;
- (iv) promoting trade and investment facilitation;

(v) promoting economic and technical cooperation.

## **Article 2. Principles**

The conclusion, implementation and amendment of the CEPA shall adhere to the following principles:

(i) to be consistent with the rules of the World Trade Organisation (hereinafter referred to as the "WTO");

(ii) to accord with the needs of both sides to adjust and upgrade their industries and enterprises and to promote steady and sustained development;

(iii) to achieve reciprocity and mutual benefits, complementarity with each other's advantages and joint prosperity;

(iv) to take progressive action, dealing with the easier subjects before the more difficult ones.

## **Chapter 2. DEFINITIONS**

### **Article 3. Definitions**

In the CEPA:

(i) Mainland refers to the entire customs territory of the People's Republic of China;

(ii) measure includes any law, regulation, procedure, requirement or practice;

(iii) originating/originated means being qualified under the rules of origin set out in Article 7 (Rules of Origin) of Chapter 3 (Trade in Goods);

(iv) customs procedures means the measures applied by the Customs Administrations to goods that are subject to customs control;

(v) existing means in effect on the date of entry into force of the CEPA;

(vi) days means calendar days.

## **Chapter 3. TRADE IN GOODS**

## **Article 4. National Treatment**

One side shall accord to the goods of the other side treatment no less favourable than that it accords to its own like products in accordance with Article III of the WTO General Agreement on Tariff and Trade 1994 (hereafter referred to as "GATT 1994"), including its interpretative notes. To this end, Article III of GATT 1994 and its interpretative notes are incorporated into and made part of the CEPA, mutatis mutandis.

## **Article 5. Tariffs**

One side shall apply zero tariff to all imported goods originated from the other side.

## **Article 6. Non-tariff Measures and Tariff Rate Quota**

1. Neither side shall apply non-tariff measures inconsistent with the WTO rules to goods imported and originated from the other side.

2. One side shall not apply tariff rate quota to goods imported and originated from the other side.

## **Article 7. Rules of Origin**

1. The rules of origin specified by one side shall be applied to the goods imported by the other side from the former side under the CEPA.

2. One side may seek assistance from the other side to verify whether the goods imported from the latter side comply with the applicable rules of origin. The two sides shall notify each other and deal with the cases through consultation if the verifications conducted by one side confirm that the goods do not comply with the requirements for CEPA treatment.

# **Chapter 4. TRADE REMEDIES**

## **Article 8. Anti-dumping Measures**

Neither side shall apply anti-dumping measures to goods imported and originated from the other side.

## **Article 9. Subsidies and Countervailing Measures**

The two sides reiterate their observance of the WTO Agreement on Subsidies and Countervailing Measures and Article XVI of GATT 1994, and undertake not to apply countervailing measures to goods imported and originated from each other.

## **Article 10. Safeguards**

If the implementation of the CEPA causes sharp increase in the import of a product originating from the other side which has caused or threatened to cause serious injury to the affected side's domestic industry that produces like or directly competitive products, the affected side may, after giving written notice, temporarily suspend the concessions on the import of the concerned product from the other side, and shall, at the request of the other side, promptly commence consultations under Article 30 (Institutional Arrangements) of Chapter 12 (Other Provisions) of the CEPA in order to reach an agreement.

# **Chapter 5. CUSTOMS PROCEDURES AND TRADE FACILITATION**

## **Article 11. Customs Procedures and Trade Facilitation**

Recognising the importance of close and long-term cooperation between the two Customs Administrations and of the implementation of customs clearance facilitation to their economic and social development, the two sides decide to strengthen communication and cooperation in customs clearance facilitation. The specific content of cooperation shall be formulated and implemented in accordance with Chapter 11 (Economic and Technical Cooperation).

# **Chapter 6. TECHNICAL BARRIERS TO TRADE**

## **Article 12. Technical Barriers to Trade**

The two sides reiterate their observance of the WTO Agreement on Technical Barriers to Trade.

## **Article 13. Technical Cooperation**

The two sides decide to intensify their joint efforts in communication and cooperation in the areas of technical regulations, standards and conformity assessment procedures with a view to enhancing mutual understanding of the regulatory systems, improving technical competence and facilitating the launch of capacity building activities. The specific content of cooperation shall be formulated and implemented in accordance with Chapter 11 (Economic and Technical Cooperation).

## **Chapter 7. SANITARY AND PHYTOSANITARY MEASURES**

### **Article 14. Sanitary and Phytosanitary Measures**

The two sides reiterate their observance of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

### **Article 15. Technical Cooperation**

Recognising the importance of protecting the health and safety of people in the course of trade in goods and movement of persons, the two sides decide to strengthen communication and cooperation in the sanitary and phytosanitary areas including commodity inspection and quarantine, food safety, health and quarantine of people, and certification, accreditation and standardisation. The specific content of cooperation shall be formulated and implemented in accordance with Chapter 11 (Economic and Technical Cooperation).

## **Chapter 8. TRADE IN SERVICES**

### **Article 16. Scope and Definition**

1. All measures in Annex 1 and Annex 2 to the CEPA apply to trade in services between Hong Kong and Macao.

2. Trade in services referred to in the CEPA means:

(i) the supply of a service from the area of one side into the area of the other side;

(ii) the supply of a service in the area of one side to the service consumer of the other side;

(iii) the supply of a service by a service supplier of one side, through commercial presence in the area of the other side;

(iv) the supply of a service by a service supplier of one side, through presence of natural persons of one side in the area of the other side.

Sub-paragraphs (i), (ii) and (iv) above shall collectively be referred to as cross-border services.

3. Unless otherwise specified in the CEPA, service supplier as used in the CEPA refers to any person that supplies a service. In this context:

(i) person means either a natural person or a juridical person;

(ii) natural person:

(a) in the case of Hong Kong, means a permanent resident of the Hong Kong Special Administrative Region of the People's Republic of China;

(b) in the case of Macao, means a permanent resident of the Macao Special Administrative Region of the People's Republic of China;

(iii) juridical person means any legal entity duly constituted or organised under the applicable laws of Hong Kong or Macao, whether for profit or otherwise, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association (business association), and engaged in substantive business operations in any side.

4. For the purposes of this Chapter:

(i) measure means any measure by one side, whether in the form of a law, regulation, rule, procedure, decision, administrative action or any other form.

In fulfilling its obligations and commitments under the CEPA, each side shall take such reasonable measures as may be available to it to ensure observance of such

obligations and commitments by governments and authorities as well as non-governmental bodies within its area.

(ii) services includes any service in any sector except services supplied in the exercise of governmental authority.

(iii) a service supplied in the exercise of governmental authority means any service which is supplied neither on a commercial basis nor in competition with one or more service suppliers.

(iv) commercial presence means any type of business or professional establishment, including through:

(a) the constitution, acquisition or operation of a juridical person, or

(b) the constitution or operation of a branch or a representative office,

within the area of one side for the purpose of supplying a service.

(v) government procurement means procuring the use of goods or services or procuring goods or services or both, by the government by contractual means in the form of purchase, lease, etc., and not with a view to commercial sale or resale or for use in the production or supply of the goods or services for commercial sale or resale.

5. This Chapter shall not apply to: (i) government procurement; or (ii) | subsidies or donations accorded by one side, including government-supported loan, guarantee and insurance. However, should the laws and regulations of one side provide otherwise for sub-paragraphs (i) and (ii), such laws and regulations shall prevail.

## **Article 17. National Treatment**

1. Subject to the observance of any conditions and qualifications set out in Annex 1 and Annex 2 to the CEPA, one side shall accord to services and service suppliers of the other side, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and service suppliers.

(1)

2. Either side may meet the requirement of paragraph 1 by according to services and service suppliers of the other side, either formally identical treatment or formally different treatment to that it accords to its own like services and service suppliers.

3. Formally identical or formally different treatment shall be considered to be less favourable if it modifies the conditions of competition in favour of services or service suppliers of one side compared to like services or service suppliers of the other side.

(1) Specific commitments assumed under this Article shall not be construed to require either side to compensate for any inherent competitive disadvantages which result from the foreign character of the relevant services or service suppliers of the other side.

## **Article 18. Specific Commitments**

1. The two sides will, through consultations, formulate and implement further liberalisation of trade in services for the other side's services and service suppliers. The relevant specific commitments will be listed in Annex 1 and Annex 2 to the CEPA.

2. At the request of either side, the two sides may, through consultations, further raise the level of liberalisation of trade in services between them.

3. Any measures to raise the level of liberalisation of trade in services pursuant to paragraph 2 of this Article shall be included in Annex 1 and Annex 2 to the CEPA for implementation.

## **Article 19. Transparency**

The two sides reiterate their observance of Article III of the WTO General Agreement on Trade in Services (hereafter referred to as "GATS"), and undertake to publish promptly all relevant measures of general application which pertain to or affect the operation of this Chapter.

## **Article 20. Domestic Regulation**

1. The two sides reiterate their observance of Article VI of GATS, and shall ensure that in sectors where specific commitments are undertaken, all measures of general application affecting trade in services are administered in a reasonable, objective and impartial manner.

2. One side shall, as far as practicable, maintain or institute promptly judicial, arbitral or administrative tribunals or procedures which provide, at the request of an affected service supplier, for the prompt review of, and where justified, appropriate remedies for, administrative decisions affecting trade in services. Where such procedures are not independent of the agency entrusted with the administrative decision concerned, that side shall ensure that the procedures in fact provide for an objective and impartial review.

3. Where authorisation is required for the supply of a service on which a specific commitment has been made by one side, the competent authorities of that side shall:

(i) in the case of an incomplete application, at the request of the applicant, identify all the additional information that is required to complete the application and provide the opportunity to remedy deficiencies within a reasonable timeframe;

(ii) within a reasonable period of time after the submission of an application considered complete under its domestic laws and regulations, inform the applicant of the decision concerning the application;

(iii) at the request of the applicant, provide without undue delay information concerning the status of the application; and

(iv) if an application is terminated or denied, to the maximum extent possible, inform promptly the applicant in writing the reasons for such action. The applicant may, in accordance with the respective domestic laws and regulations, resubmit a new application at its discretion.

4. In sectors in which specific commitments are undertaken, one side shall ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services, and meet the following requirements:

(i) based on objective and transparent criteria, such as competence and the ability to supply the service;

(ii) not more burdensome than necessary to ensure the quality of the service; and

(iii) in the case of licensing procedures, not in themselves a restriction on the supply of the service.

5. In determining whether one side is in conformity with the obligation under paragraph 4 of this Article, account shall be taken of international standards of relevant international organisations (2) applied by that side.

6. In the event that the negotiation results pursuant to Article VI.4 of GATS enter into force, the two sides shall jointly review the relevant results of the negotiations so as to decide whether to incorporate them into this Article.

7. In sectors where specific commitments regarding professional services are undertaken, one side shall provide for adequate procedures to verify the competence of professionals of the other side.

8. No provisions of this Article shall apply to measures adopted or maintained, which are consistent with any conditions and qualifications set forth in Annex 1 and Annex 2 to the CEPA.

(2) The term "relevant international organisations" refers to international bodies whose membership is open to the relevant bodies of both sides under the CEPA.

## **Article 21. Prudential Principle on Financial Services**

1. Notwithstanding any other provisions of the CEPA, one side shall not be prevented from taking or maintaining measures relating to financial services for prudential reasons. These prudential reasons include the protection of investors, depositors, policy holders or persons to whom a fiduciary obligation is owed by a financial service supplier, or to ensure the integrity and stability of the financial system (3).

2. No provisions of the CEPA shall apply to non-discriminatory measures of general application in implementing monetary or related credit policies or exchange rate policies (4).

3. The term "financial service" shall bear the same meaning of financial service as defined in paragraph 5(a) of the Annex on Financial Services to GATS (hereafter referred to as "Annex on Financial Services") and the term "financial service

supplier" contained in that paragraph also includes public entity as defined in paragraph 5(c) of the Annex on Financial Services.

4. To avoid ambiguity, the CEPA shall not be construed as preventing one side from adopting measures that are applicable to a financial institution, or from enforcing measures in a financial institution, relating to the service suppliers of the other side or covered services necessary to ensure compliance with laws or regulations that are consistent with the provisions of the CEPA, including measures relating to the prevention of false and fraudulent practices or measures to deal with the effects of default on financial services contracts, provided that the manner in which such measures are applied would not constitute a means of arbitrary or unjustifiable discrimination to countries (or regions) where like conditions prevail or a disguised restriction on the investment of the financial institution.

5. Each side reserves the right to implement restrictive measures for any sectors not clearly covered in existing regulations.

(3) The term "prudential reasons" shall be interpreted as including the security, stability, integrity and financial responsibility of a single financial institution or a financial system, as well as protecting the security of payment and clearing system and the stability of finance and operation.

(4) To avoid ambiguity, measures of general application in implementing monetary or related credit policies or exchange rate policies do not include measures which expressly declare invalid or modify a contract term stipulating the denomination in a currency or exchange rate of a currency.

## **Article 22. Mutual Recognition of Professional Qualifications**

The two sides shall encourage mutual recognition of professional qualifications and promote the exchange of professional talents between each other.

## **Article 23. Safeguard Measures**

1. Each side reserves the right to establish or maintain any restrictive measures relating to services in the event that the implementation of this Chapter causes substantial impact on its trade and relevant sectors.

2. One side should, on a best endeavour basis, notify the other side fully and in a timely manner, measures intended to be taken pursuant to paragraph 1 of this Article, and resolution shall be sought through consultation.

## **Article 24. Requirement on Information**

One side may request information relating to services or service suppliers from the service suppliers of the other side only for information or statistical purposes. The former side shall protect confidential commercial information from leakage which may adversely affect the competitive position of the service supplier. This paragraph shall not be construed as preventing either side from acquiring or disclosing information relating to the laws on the application of fairness and integrity.

## **Chapter 9. INVESTMENT**

### **Article 25. Investment Agreement**

The two sides decide to commence discussions on an investment agreement to promote and protect investment.

## **Chapter 10. INTELLECTUAL PROPERTY**

### **Article 26. Commitments In Intellectual Property**

The two sides reiterate their observance of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and provisions relating to intellectual property in other agreements that are applicable to them.

### **Article 27. Cooperation In the Area of Intellectual Property**

The two sides decide to intensify their joint efforts to strengthen cooperation in the area of intellectual property. The specific content of cooperation shall be formulated and implemented in accordance with Chapter 11 (Economic and\_ Technical Cooperation).

## **Chapter 11. ECONOMIC AND TECHNICAL COOPERATION**

### **Article 28. Economic and Technical Cooperation**

1. The two sides decide that, for the purposes of enhancing the mutual benefits under the CEPA, promoting the implementation and liberalisation of the CEPA, as well as facilitating trade and investment between the two sides, economic and technical cooperation will be enhanced in accordance with their respective laws and regulations, policy objectives and allocation of resources.
2. The two sides decide to promote trade and investment facilitation through greater transparency, standard conformity and enhanced information exchange.
3. The two sides will formulate a Work Programme to set out the areas and the specific content of cooperation to be implemented in accordance with paragraphs 1 and 2 of this Article.
4. At the request of either side, the two sides may expand and amend the Work Programme formulated in accordance with paragraph 3 of this Article through consultation.

## **Chapter 12. OTHER PROVISIONS**

### **Article 29. Exceptions**

The provisions in the CEPA shall not affect the ability of either side to maintain or adopt exception measures consistent with the rules of the WTO.

### **Article 30. Institutional Arrangements**

1. The two sides shall set up a Joint Steering Committee (hereinafter referred to as "Steering Committee"), which will comprise senior representatives or designated officials of the two sides.
2. Liaison Offices shall be set up under the Steering Committee. Working groups may be set up as the need arises. The Liaison Offices shall be set up in the respective authorities designated by the Hong Kong Special Administrative Region Government and the Macao Special Administrative Region Government.
3. The functions of the Steering Committee include:
  - (i) supervising the implementation of the CEPA;

- (ii) interpreting the provisions of the CEPA;
- (iii) resolving disputes that may arise during the implementation of the CEPA;
- (iv) drafting additions and amendments to the content of the CEPA;
- (v) providing steer on the work of the working groups;
- (vi) dealing with any other business relating to the implementation of the CEPA.

4. The Steering Committee shall meet at times mutually agreed upon by both sides, and may convene special meetings within 30 days upon request by either side.

5. The two sides shall resolve any problems arising from the interpretation or implementation of the CEPA through consultation in the spirit of friendship and cooperation. The Steering Committee shall make its decisions by consensus.

### **Article 31. Miscellaneous**

1. Except as otherwise provided in the CEPA, any action taken under it shall not affect or nullify the rights and obligations of either side under other existing agreements to which it is a contracting party.

2. The two sides shall endeavour to refrain from increasing restrictive measures affecting the implementation of the CEPA.

### **Article 32. Agreements and Annexes**

The Agreements of and Annexes to the CEPA form an integral part of the CEPA.

### **Article 33. Amendmenis**

The provisions of the CEPA or its Agreements and Annexes may be amended in writing when the need arises. Any amendment shall come into effect after it has been signed by the duly authorised representatives of the two sides.

### **Article 34. Coming Into Effect and Implementation**

1. The CEPA shall come into effect on the day of signature by the representatives of the two sides.

2. From 1 January 2018, the two sides shall implement the commitments in liberalisation of trade in goods and services under the GEPA.

The CEPA is signed in duplicate in the Chinese language. The CEPA is signed on 27 October 2017 in Hong Kong.

Financial Secretary

Hong Kong Special Administrative Region of the People's Republic of China

(Signature)

Secretary for Economy and Finance

Macao Special Administrative Region of the People's Republic of China

(Signature)