

**CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT
BETWEEN CHINA AND MACAO, CHINA***

The following communication, dated 30 January 2004, is being circulated at the request of the Delegations of the People's Republic of China and of Macao, China.

MAINLAND AND MACAO CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT

PREAMBLE

To promote the joint economic prosperity and development of the Mainland¹ and the Macao Special Administrative Region (hereinafter referred to as the "two sides"), to facilitate the further development of economic links between the two sides and other countries and regions, the two sides decided to sign the Mainland and Macao Closer Economic Partnership Arrangement (hereinafter referred to as the "CEPA").

CHAPTER 1 : GENERAL PRINCIPLES

Article 1

Objectives

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

1. progressively reducing or eliminating tariff and non-tariff barriers on substantially all the trade in goods between the two sides;
2. progressively achieving liberalization of trade in services through reduction or elimination of substantially all discriminatory measures between the two sides;
3. promoting trade and investment facilitation.

* The Annexes of the Arrangement have been submitted to the Secretariat for consultation by interested Members (office 1174).

Article 2

Principles

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

1. to abide by the "one country, two systems" principle;
2. to be consistent with the rules of the World Trade Organisation (hereinafter referred to as the "WTO");
3. to accord with the needs of both sides to adjust and upgrade their industries and enterprises and to promote steady and sustained development;
4. to achieve reciprocity and mutual benefits, complementarity with each other's advantages and joint prosperity;
5. to take progressive action, dealing with the easier subjects before the more difficult ones.

Article 3

Inception And Development

1. From 1 January 2004, the two sides will start to implement the specific commitments in liberalization of trade in goods and services under the "CEPA".
2. The two sides will broaden and enrich the content of the "CEPA" through continuous and further reciprocal liberalization between them.

Article 4

Non-Application Of Specific Provisions In China's WTO Accession Legal Documents

The two sides recognise that through over 20 years of reform and opening up, the market economy system of the Mainland has been continuously improving, and the mode of production and operation of Mainland enterprises is in line with the requirements of a market economy. The two sides agree that Articles 15 and 16 of the "Protocol on the Accession of the People's Republic of China to the WTO" and paragraph 242 of the "Report of the Working Party on the Accession of China" will not be applicable to trade between the Mainland and Macao.

CHAPTER 2 : TRADE IN GOODS

Article 5

Tariffs

1. Macao will continue to apply zero tariff to all imported goods of Mainland origin.
2. From 1 January 2004, the Mainland will apply zero tariff to the import of those goods of Macao origin listed in Table 1 of Annex 1.

3. No later than 1 January 2006, the Mainland will apply zero tariff to the import of goods of Macao origin that are outside Table 1 of Annex 1. Detailed implementation procedures are set out in Annex 1.

4. Any new goods that are subjected to elimination of import tariffs in accordance with paragraph 3 of this Article shall be added to Annex 1.

Article 6

Tariff Rate Quota And Non-Tariff Measures

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

2. The Mainland will not apply tariff rate quota to goods of Macao origin.

Article 7

Anti-Dumping Measures

The two sides undertake that neither side will apply anti-dumping measures to goods imported and originated from the other side.

Article 8

Subsidies And Countervailing Measures

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

Article 9

Safeguards

If the implementation of the "CEPA" causes sharp increase in the import of a product included in Annex 1 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 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 19 of the "CEPA" in order to reach an agreement.

CHAPTER 3 : ORIGIN

Article 10

Rules Of Origin

1. The rules of origin applicable to preferential measures related to trade in goods under the "CEPA" are set out in Annex 2.

2. To ensure the implementation of the preferential measures in respect of trade in goods, the

establishment and strict implementation of the procedures for issuing certificates of origin, the establishment of auditing and regulatory mechanisms, the development of a computer link and electronic data interchange between the issuing and regulatory authorities of both sides. Details are set out in Annex 3.

CHAPTER 4 : TRADE IN SERVICES

Article 11

Market Access

1. Either side will progressively reduce or eliminate existing restrictive measures against services and service suppliers of the other side in accordance with the content and timetable set out in Annex 4.
2. At the request of either side, the two sides may, through consultation, pursue further liberalisation of trade in services between them.
3. Any new measure on liberalization of trade in services implemented pursuant to paragraph 2 of this Article shall be added to Annex 4.

Article 12

Service Suppliers

1. The definition of and related provisions on "service suppliers" under the "CEPA" are set out in Annex 5.
2. Service suppliers of other WTO Members that are juridical persons established under the laws of one side will be entitled to preferential treatments granted by the other side under the "CEPA", provided that they are engaged in substantive business operations as stipulated in Annex 5 in the area of the former side.

Article 13

Financial Services Cooperation

The two sides shall adopt the following measures to further strengthen cooperation in the areas of banking, securities and insurance:

1. Support Mainland financial institutions in establishing business in Macao;
2. Support Mainland banks in developing network and business activities in Macao through acquisition;
3. Encourage, assist and support business exchange between Macao and Mainland banks, securities and insurance institutions;
4. Strengthen cooperation and information sharing between their financial regulators.

*Article 14*Cooperation In Tourism

1. In order to further promote the development of the tourism industry of Macao, the Mainland will allow residents in Beijing, Shanghai and Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Jiangmen, Foshan, Huizhou of Guangdong Province to visit Macao individually. This measure will be extended to the entire Guangdong Province no later than 1 July 2004.
2. The two sides shall strengthen cooperation in tourism promotion, including promotion of tourism between each other and development of external promotion programs centered around the Pearl River Delta.
3. The two sides shall cooperate to raise the service standards of their tourism industries and protect the legitimate rights and interests of tourists.

*Article 15*Mutual Recognition Of Professional Qualifications

1. The two sides shall encourage mutual recognition of professional qualifications and promote the exchange of professional talents between each other.
2. Competent authorities and professional bodies of both sides will, in consultation with each other, consider and design specific methodologies for mutual recognition of professional qualifications.

CHAPTER 5 : TRADE AND INVESTMENT FACILITATION*Article 16*Measures

The two sides shall promote trade and investment facilitation through greater transparency, standards conformity and enhanced information exchange.

*Article 17*Areas Of Cooperation

1. The two sides will promote cooperation in the following areas:
 1. Trade and investment promotion;
 2. Customs clearance facilitation;
 3. Commodities Inspection, inspection and quarantine of animals and plants, food safety, sanitary quarantine, certification, accreditation and standardization management;
 4. Electronic business;

6. Cooperation of Small and medium sized enterprises;
 7. Industries cooperation.
2. Details on the areas of cooperation listed in paragraph 1 of this Article are set out in Annex 6.
 3. At the request of either side, the two sides may expand the scope and content of trade and investment facilitation through consultation.
 4. Any new scope or content concluded under paragraph 3 of this Article shall be added to Annex 6.

CHAPTER 6 : OTHER PROVISIONS

Article 18

Exceptions

The "CEPA" and provisions in its Annexes shall not affect the ability of the Mainland or Macao to maintain or adopt exception measures consistent with the rules of the WTO.

Article 19

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 officials designated by 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 respectively in the Ministry of Commerce of the Central People's Government and the Office of the Secretary for Economy and Finance of Macao Special Administrative Region Government.
3. The functions of the Steering Committee include:
 1. Supervising the implementation of the "CEPA";
 2. Interpreting the provisions of the "CEPA";
 3. Resolving disputes that may arise during the implementation of the "CEPA";
 4. Drafting additions and amendments to the content of the "CEPA";
 5. Steering the working groups;
 6. Dealing with any other affair relating to the implementation of the "CEPA".
4. The Steering Committee shall meet at least once a year, 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 20

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 21

Annexes

The Annexes to the "CEPA" form an integral part of the "CEPA".

Article 22

Amendments

The provisions of the "CEPA" or its 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 23

Coming Into Effect

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

Signed in duplicate in Macao, this 17th day of October, 2003 in the Chinese language.

Vice Minister of Commerce
People's Republic of China

Secretary for Economy and Finance
Macao Special Administrative Region of
the People's Republic of China
