

Signing of the Agreement on Trade in Services under the framework of CEPA

Press Release

The Agreement on Trade in Services under the framework of the Mainland and Macao Closer Economic Partnership Arrangement (CEPA) (hereinafter referred to as the “Agreement”) was signed in Macao on 28 November 2015. In accordance with the Agreement, the Mainland will open up 153 services trade sub-sectors to the Macao services industry starting from 1 June 2016. Among all, the positive lists have newly added 20 liberalization measures, including 5 newly added liberalized sectors for individually owned stores, making the total number of liberalized sectors for individually owned stores to reach 135. The Agreement is the first free trade agreement which liberalizes trade in services to the whole Mainland with market access provisions for national treatment and the management approach of negative listings. It also re-states the existing liberalization content under CEPA and its Supplements, signifying the basic liberalization of trade in services between the whole Mainland and Macao.

On 28 November 2015, the Acting Chief Executive and the Secretary for Economy and Finance, Mr Leong Vai Tac, and the Vice Minister of Commerce, Mr Wang Shouwen, led the delegation of the Governments of the two places respectively, to hold CEPA High-level Meeting of 2015 Steering Committee at the Macao Government Headquarter. After the meeting, the two sides signed the legal text of the Agreement. The signing ceremony was witnessed by the Deputy Director of the Liaison Office of the Central People’s Government in the Macao SAR, Mr Yao Jian; the Deputy Commissioner of the Office of the Commissioner of the Ministry of Foreign Affairs of the People’s Republic of China in the Macao SAR, Mr Pan Yundong; the Director-General of the Department of Taiwan, Hong Kong and Macao Affairs of the Ministry of Commerce, Mr Sun Tong; the Head of Department of the Hong Kong and Macao Affairs Office of the State Council, Mr Xiang Bin; the Chief of Office of the Secretary for Economy and Finance, Ms Lok Kit Sim; and the Deputy Director-General of the Macao Customs Service, Mr Sin Wun Kao and among other guests.

Liberalization of trade in services extended to the whole Mainland

To promote towards the achievement of basic liberalization of trade in services between the Mainland China and Macao Special Administrative Region, to gradually reduce the actual discriminatory measures on trade in services imposed between the two sides, as well as to further enhance the level of bilateral economic and trade exchanges and cooperation, the two sides signed the Agreement based on the existing liberalization content under CEPA and its Supplements, as well as the Agreement between the Mainland and Macao on Achieving Basic Liberalization of Trade in Services in Guangdong (hereinafter referred to as the “Guangdong Agreement”), in order to realize further liberalization of trade in services for Macao in the whole Mainland.

Liberalization enhanced in both breadth and depth with concession of national treatment to 62 service sub-sectors

Under the Agreement, national treatment will be applied to Macao in 62 services sub-sectors, in which 4 new liberalized sectors are added, namely veterinary services, passenger transportation services, supporting services for road transport services and sporting services. Macao Service Suppliers can enter the Mainland market through the mode of "commercial presence", and can enjoy national treatment in terms of market access conditions, thereby benefiting the market expansion of the Macao's services industry, and promoting the development of economic diversification in Macao.

The negative list of the Agreement eliminates 12 less restrictive measures, reserving 120 restrictive measures. Among them, 28 measures are under further relaxed market access condition, including legal services, accounting services, professional architectural services, veterinary services, distribution services, education services, insurance services, banking services, social services and freight forwarding services, which can be summarized into 3 main contents as below:

1. Expansion of the geographical coverage: for services such as legal, education and hospital services, the geographical coverage for market access will be expanded. Provision of legal services in the form of partnership will be expanded from Nansha, Qianhai and Hengqin to Guangzhou Municipality, Shenzhen Municipality and Zhuhai Municipality. For primary and secondary education, the area in which

schools for children of expatriates can be set up will be expanded from Nansha, Qianhai and Hengqin to Guangzhou Municipality, Shenzhen Municipality and Zhuhai Municipality, while provision of hospital services will be expanded to the whole Mainland.

2. Newly opened scope of business: such as, under distribution services, setting up and operation of duty-free stores will be allowed.
3. Simplifying the procedures for approval and relaxing the requirement on percentage of shareholding: for example, under financial services, the requirements such as “Approval is required for any change in registered capital, shareholder or shareholding ratio of wholly foreign-funded banks or Chinese-foreign joint venture banks”, “Any single foreign financial institution and its solely or jointly controlled affiliate, as a founding member or strategic investor, shall have shareholding of not more than 20% in any Chinese commercial bank; all foreign financial institutions and their solely or jointly controlled affiliates, as founding member or strategic investors, shall have shareholding of not more than 25%” will be cancelled.

Concluding the early and pilot experience of the Guangdong Agreement, the breadth and depth of the liberalization level of the Agreement is enhanced. Upon implementation of the Agreement, the Mainland has opened up 153 services sub-sectors to the Macao services industry, accounting for 95.6 % of the 160 sub-sectors under WTO Services Sectoral Classification System. According to the standards of WTO services classification, a basic liberalization of trade in services has been achieved between the two places, and the target to basically achieve liberalization of trade in services in the Mainland for Macao by the end of the National 12th Five-Year Plan period is completed.

Most preferential treatment is ensured

The Agreement sets out provisions for the most-favoured treatment, stating precisely that if the free trade agreement signed between the Mainland and the other country/area is more favourable than the market access measures under CEPA, it will be extended to Macao, ensuring that Macao can keep on enjoying the most preferential liberalization measures through CEPA.

Implementation of filing administration in the whole Mainland

In addition, for the purpose of investment in the liberalized services sectors by Macao Service Suppliers, the establishment of a company and the change of contract/articles of association of a company will be subject to filing administration, which improves the efficiency of administration and management, as well as facilitates Macao Service Suppliers to enter the Mainland market. With respect to the reserved restrictive measures, as well as , the establishment and change of a company in the telecommunications and cultural sectors or of a financial institution will be subject to the existing foreign investment laws and regulations and relevant formalities. Besides, the establishment and change of commercial presence other than in the form of a company will be subject to the existing regulations and formalities.

20 more liberalization measures are added to expand the positive list

Under the Agreement, the positive lists covering cross-border services as well as the sectors of telecommunications and cultural services have newly-added 20 liberalization measures, including:

- 14 measures under cross-border services: with regards to areas such as legal services, professional architectural services, medical and dental services, veterinary services, technical testing and analysis services, convention services, banking services, maritime transport services, professional and technical personnel qualification examinations, as well as individually owned stores;
- 1 measure under telecommunications services;
- 5 measures under cultural services: with regards to retailing services, audiovisual services and entertainment services.

Further expansion of the scope of business operated by individually owned stores

According to the Agreement, Macao residents are allowed to register, in accordance with the relevant laws and regulations in the Mainland, as operators of individually owned stores. Based on the existing liberalization sectors, as compared with that of the Guangdong Agreement, the Agreement liberalizes 5 additional services sectors that individually owned stores can operate. The newly added services sectors include: wholesale of food and beverage; general

guesthouses; other accommodation services; intermediary services; and operation of activities with individually owned real estates. Total number of liberalized sectors that individually owned stores can operate will reach 135.

Implementation Status of CEPA

CEPA was signed in 2003. Since its implementation in 2004, additional Supplements have been signed to enhance economic and trade relations between the Mainland and Macao, establishing a solid foundation for full liberalization of Trade in Services for the two places.

Regarding Trade in Services, as of 30 November 2015, Macao Economic Services has approved 591 "Macao Service Supplier" certificates, which primarily engaged in service sectors of freight forwarding agency, transport, storage and warehousing, logistics, telecommunications, advertising, legal services, convention and exhibition services, wholesale trade services (excluding salt and tobacco), retailing, job referral agency, construction and related engineering services, management consulting, real estate, sales and marketing services for air transport, audiovisual, travel agency, medical and dental, air transport, trade mark agency as well as printing and publishing, etc.

Macao Identification Services Bureau has issued 2,193 certificates of permanent resident identity as of 30 October 2015. These certificates aimed at submission to the Mainland for setting up individually owned stores, which are mainly located in Guangdong province, with 1,966 stores, and accounting for 90% of the certificates issued. As at the end of June 2015, 1,141 individually owned stores were registered by Macao enterprises or residents in the Mainland, with a total of 2,821 employers and a registered capital of RMB 83.25 million. Among them, 825 were registered in Guangdong Province, with a registered capital of RMB 57.21 million.

Currently, the Individual Visit Scheme is extended to 49 municipalities. As at the end of October 2015, nearly 78.77 million visitors from the Mainland travelled to Macao under this Scheme, fostering the economy of Macao and the development of various industries and sectors. In 2014, a total of 21.25 million visitors from the Mainland travelled to Macao, among which 9.57 million visitors travelled to Macao under the Individual Visit Scheme, accounting for 45% of all Mainland travellers. From January to October 2015, a total of 17.03 million visitors from the Mainland travelled to Macao, of which 8.01 million

visitors travelled to Macao under the Individual Visit Scheme, which accounted for 47% of all Mainland travellers.

In the aspect of professional qualification examinations, currently there are 25 Macao residents passed the National Judicial Examination, 3 residents passed the Chinese CPA Examination and 234 residents were granted with National Medical Practitioner's Qualification Certificates. From October 2005 to September 2015, 2,086 residents had been granted National Vocational Qualification Examination Certificates, in different levels over diverse subjects, such as repair and maintenance skills, personal image service, cooking, flower arrangement, fashion skills, social services, management specialization, and computer technology specialization. Moreover, up till the present, one Macao resident has obtained the qualification as a national patent agent.

In respect of Trade in Goods, 273 items of Made-in-Macao products were eligible to enjoy zero import tariffs in the Mainland when the measures were first implemented. Based on requests submitted by the local business community, followed by consultations with the Mainland, under the provisions of CEPA, starting from 2006, the Made-in-Macao products exported to the Mainland which fulfill the CEPA origin rules can claim zero tariff under CEPA. The total number of Macao goods with the CEPA origin rules being agreed and met under 2015 Mainland Tariff Codes is 1,319. By 31 October 2015, the total value of goods exported to the Mainland under CEPA treatment amounted to MOP 640 million with an estimate tariff saving amounting to MOP49.96 million. In the first ten months of 2015, the total value of goods exported to the Mainland under CEPA treatment amounted to MOP 76.37 million, representing nearly a 53-fold increase from the value of MOP1.44 million in exported goods, as compared with its first year of implementation in 2004.