

**SUMMARY
OF
THE MAINLAND AND MACAO
CLOSER ECONOMIC
PARTNERSHIP ARRANGEMENT
(CEPA)**

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The Mainland and Macao Closer Economic Partnership Arrangement

In view of promoting the joint economic prosperity and development of the Mainland, China (hereinafter “Mainland”) and the Macao Special Administrative Region of China (hereinafter “Macao”); strengthening both sides’ relations with other countries and regions, the two sides decided to establish an administrative arrangement with a view to achieving closer economic and trade links – an FTA-like arrangement to the extent to which the nature is under an umbrella of two separate customs territories of a single sovereignty state. Considering the excellent background of economic ties as well as the longstanding relation between the Mainland and Macao; recognizing the necessity of advancing the level of economic cooperation between the Mainland and Macao for the purpose of promoting the stable economic development as well as the improvement of living standard for the two sides, the Mainland and Macao initiated their work on the consultations for establishing the CEPA in conformity with the WTO rules.

The CEPA consultations started on June 2003. The two sides engaged substantially in several rounds of discussion under the principle of “tackling the easy before the difficult”, by focusing sequentially on three main areas: Trade in Goods, Trade in Services, and Trade and Investment Facilitation. The two sides concluded and officially signed the General Principles of CEPA and its Six Annexes on 17 October 2003 in Macao, affirming that all commitments as stipulated in CEPA will fully enter into force on 1 January 2004.

As a full package, the implementation of CEPA will be effective on 1 January 2004, covering extensive commitments, such as granting zero tariff trade for 273 product lines of Macao origin into the Mainland, classified under the Mainland 2001 version of tariff codes; lowering the market access thresholds into the Mainland for 18 service sectors for those eligible as “Macao Service Suppliers” in addition to establishing mechanisms to promote trade and investment facilitation.

1. The Process of the Consultation

The consultation of CEPA was initiated on 20 June 2003 in Beijing. After five rounds of amicable meetings, Mr. An Min, the Vice-Minister of Commerce of the Central Government of China, and Mr. Francis Tam Pak Yuen, Secretary for Economy and Finance of the Macao SAR, on behalf of the two governments, officially signed the General Principles of CEPA and its six Annexes on 17 October, featuring a new era for the economic and trade relations between the Mainland and Macao.

Under the principle of “tackling the easy before the difficult”, both sides conducted five rounds of consultations on three main areas, namely trade in goods, trade in services and trade and investment facilitation. The first round of high-level and senior official meeting was formally convened on 20 June 2003 in Beijing, which also represented the official launch of the consultation process under CEPA. Representatives from both sides exchanged views and agreed on the principles, mechanisms as well as the coverage of the consultations.

The second senior official meeting was held from 24 to 25 July 2003 in Macao. In this session, the two sides further consulted on the topics of discussion and reached an initial consensus on two issues, namely the criteria of rules of origin on trade in goods and the coverage of goods originating from Macao to the Mainland.

The third round of senior official meeting was conducted in Beijing on 4 and 5 September. The highlights of the meeting were trade in services as well as trade and investment facilitation. The two sides discussed the extent of market access into the Mainland for the 18 service sectors as well as the definition of “Macao Service Supplier”. Representatives from various government departments of Macao were also present at the session.

The fourth meeting took place in Macao from 18 to 19 September. The center of discussion was to further the arrangements in respect of the opening-up of the 18 service sectors, market access conditions, definition of service supplier and other related issues. On trade in goods front, the two sides worked on a convergent way to deal with rules of origin, and its overseeing procedures. Both sides exchanged further views on the issue of trade and investment facilitation and outlined a substantial arrangement for the draft legal text.

In mid-October, following the fifth round of senior official meeting, both sides have further achieved a considerable understanding of the issues and secured arrangements for CEPA. On a subsequent high-level meeting, Mr. An Min and Mr. Francis Tam Pak Yuen, reviewed and approved the final version of the text and its annexes. The two sides signed the General Principles of CEPA and its six Annexes in Macao on 17 October 2003, and officially confirmed that the Agreement will take effect, as from 1 January 2004.

2. Summary of CEPA

The CEPA text consists of the General Principles and six Annexes. It provides for liberalization encompassing three main economic and trade areas, namely: trade in goods, trade in services and trade and investment facilitation.

The General Principles of CEPA formulates framework for the objectives, principles, contents and rules to establish closer economic and trade relations. The Annexes elaborate further details of the General Principles in each specific area, including:

- Arrangement for Implementation of Zero Tariff for Trade in Goods (Annex 1)
- Rules of Origin for Trade in Goods (Annex 2)
- Procedures for the Issuing and Verification of Certificates of Origin (Annex 3)
- Specific Commitments on Liberalization of Trade in Services (Annex 4)
- Definition of “Service Supplier” and Related Requirements (Annex 5)
- Trade and Investment Facilitation (Annex 6)

Trade in Goods

The Mainland has agreed to eliminate tariffs on imported goods originating from Macao, that fulfill the rules of origin criteria for 273 items of products, classified under the Mainland tariff codes, including:

Food and Beverages: Prepared or preserved fruit, sugar confectionery, pasta, ice-cream; non-alcoholic and alcoholic beverages.

Chemical Products: Adhesives, paints and varnishes, pigments, catalytic preparations, printing ink, essential oil, other mixtures of odoriferous substances and mixtures used in industry.

Pharmaceutical Products: Tetracyclines, erythromycin, penicillin, cephamycins; essential balm, other medicaments of Chinese type.

Cosmetics: Eye, lip, manicure and beauty make-up preparations; perfumes and toilet waters.

Plastic Articles: Plastic materials, boxes, cases, sacks, bags, parts and other articles; certain plastic scraps.

Paper Articles: Specified papers, paperboards and corrugated papers; certain paper cartons, boxes, cases and labels; specified printed matters.

Textiles and Clothing: Cotton and knitted fabrics; fibers; certain shirts, blouses, pullovers, T-shirts, skirts, trousers, singlets and underwear, pajamas; down apparels; accessories for clothing.

Jewellery: Jewellery articles of pearl, precious and semi-precious stones; articles and parts of gold, silver and other precious metals; imitation jewellery of base metal or of materials not specified.

Electrical and Electronic Products: Washing, bleaching or dyeing machines; certain electric generators, electrical transformers and converters, electronic ballasts, electric conductors; magnetic discs; portable electric torches, household electric appliances, audio-visual appliances.

Optical Apparatus, Clocks, Watches and Musical Instruments: Lasers, hand magnifying glasses, liquid crystal devices and optical appliances; watches and clocks; clock movements, cases, straps, bands, bracelets and other parts for clocks and watches; upright pianos.

Other: Lighting fittings; articles and equipments for sports or outdoor games; gloves, mittens and mitts; footwear; hats and other headgear; buttons, slide fasteners; cement; saddlery and harness for any animal; glass and glassware; table, kitchen and other household articles and parts of stainless steel; refined copper foil; articles of precious metal or of metal clad with precious metal for technical or laboratory use.

The 273 goods stipulated in CEPA cover about 96% of the Macao products exported to all markets and 93% of the products to the Mainland alone in 2002.

A transitional mechanism is in place under CEPA to attain the objective of binding zero tariff to all products. Beginning 1 January 2004, the Mainland will apply, by stages, zero tariff on imported goods of Macao origin. At the initial stage, 273 imported goods of Macao origin under the Mainland tariff codes, will enjoy zero tariff preference. For those goods not included in the 273 Mainland tariff codes in the initial phase, the Mainland has agreed to apply zero tariff not later than 1 January 2006 upon petition by Macao manufacturers once the rules of origin criteria are met. Prior to the year 2006, both sides may submit product lists for further consultations in order to enjoy zero tariff preference in the following year.

Within the framework of CEPA, Macao agrees to bind its existing zero import tariff regime to all goods of Mainland origin and not to impose any additional restrictive measures on trade in such goods. The two sides also undertake that either side will not apply non-tariff measures that are inconsistent with WTO rules to goods, including anti-dumping measures, subsidies and countervailing measures, and safeguard measures. Furthermore, the Mainland will not apply tariff rate quota against goods of Macao origin.

Concerning the rules of origin, the aforesaid 273 items of products, classified under Mainland tariff codes, can enjoy preferential market access based on the following criteria:

- 198 goods (73%) are subject to “manufacturing or processing operations”, such as textiles and clothing, jewellery, chemical products, pharmaceutical products, pasta and biscuits, etc.;
- 52 goods (19%) are subject to “change in tariff heading”, such as chemical products, metal products, some electronics, footwear, glass fibers, and beverages, etc.;
- 23 goods (8%) are subject to “value-added content”, such as clocks, watches, some optical apparatus, some electronics, and electrical transformers and converters, etc.

Categories of 273 items of goods to be exempted from Import Tariff under CEPA				
Categories of goods	Brief descriptions	Current Applied Tariff Rates (%)	China's Bound Tariff Rates under WTO (%)	
			Year 2004	Final
Food and Beverages	Prepared or preserved fruit, sugar confectionery, pasta, biscuit, ice-cream; non-alcoholic and alcoholic beverages.	11 - 55.9	10 - 53.6	10 - 40
Chemical Products	Adhesives, paints and varnishes, pigments, catalytic preparations, printing ink, essential oil, other mixtures of odoriferous substances and mixtures used in industry.	6.5 - 21.7	6.5 - 20	6.5 - 20
Pharmaceutical Products	Tetracyclines, erythromycin, penicillin, cephamycins; essential balm, other medicaments of Chinese type.	3 - 7.8	3 - 6.5	3 - 6.5
Cosmetics	Eye, lip, manicure and beauty make-up preparations; perfumes and toilet waters.	18.3 - 22.3	14.2 - 19.2	6.5 - 15
Plastic Articles	Plastic materials, boxes, cases, sacks, bags, parts and other articles; certain plastic scraps.	8.4 - 12	6.5 - 10.7	6.5 - 10
Paper Articles	Specified papers, paperboards and corrugated papers; certain paper cartons, boxes, cases and labels; specified printed matters.	7.5 - 13.3	7.5 - 10.4	5 - 7.5
Textiles and Clothing	Cotton and knitted fabrics; fibers; certain shirts, blouses, pullovers, T-shirts, skirts, trousers, singlets and underwear, pajamas; down apparels; accessories for clothing.	5 - 21.3	5 - 19.4	5 - 17.5
Jewellery	Jewellery articles of pearl, precious and semi-precious stones; articles and parts of gold, silver and other precious metals; imitation jewellery of base metal or of materials not specified.	26.7 - 35	23.3 - 35	17 - 35
Electrical and Electronic Products	Washing, bleaching or dyeing machines; electric generators, electrical transformers and converters, electronic ballasts, electric conductors; magnetic discs; portable electric torches, household electric appliances, audio-visual appliances.	7 - 35	3.5 - 35	0 - 35
Optical Apparatus, Clocks, Watches and Musical Instruments	Lasers, hand magnifying glasses, liquid crystal devices and optical appliances; watches and clocks; clock movements, cases, straps, bands, bracelets and other parts for clocks and watches; upright pianos.	5 - 23	5 - 25	5 - 25
Other	Lighting fittings; articles and equipments for sports or outdoor games; gloves, mittens and mitts; footwear; hats and other headgear; buttons, slide fasteners; cement; saddlery and harness for any animal; glass and glassware; table, kitchen and other household articles and parts of stainless steel; refined copper foil; articles of precious metal or of metal clad with precious metal for technical or laboratory use.	3 - 24	3 - 25	3 - 25

Trade in Services

On trade in services, the Mainland agrees to grant concessions on market access for 18 service sectors. As from 1 January 2004, service suppliers of Macao will enjoy privileges in market access to the Mainland in those stipulated service sectors. For Value-Added Telecommunication Services, the commitments will take effect from the day following that of the signing of CEPA.

The 18 service sectors that will receive market access preferential treatment are: legal services, accounting services, architectural services, medical and dental services, real estate services, advertising services, management consulting services, convention and exhibition services, value-added telecommunication services, audio-visual services, construction services, distribution services (including commission agent services, wholesale trade services, retailing services and franchising), insurance services, banking services, securities services, tourism services, transport services and logistic services. The classification of the 18 service sectors accords with that of sectorial service sectors (GNS/W/120) under the WTO General Agreement on Trade in Services (GATS). Terms of Reference concerning the service sectors have also been referred to the United Nations Provisional Central Product Classification (CPC). Aside from the earlier implementation of preferential market access in the telecommunication industry, commitments on the other 17 industries will come into force, beginning 1 January 2004.

Selective outlines of the market access criteria for the 18 service sectors are as follows:

1. Legal Services

- Macao law firms are permitted to set up joint business with Mainland law firms and Macao practicing lawyers are allowed to work for Mainland law firms. Macao lawyers in those cases cannot handle matters of Mainland law;
- Macao lawyers are permitted to sit the legal qualifying examination in the Mainland and once qualified, are permitted to engage in non-litigation legal work in Mainland law firms. Macao lawyers who have acquired Mainland lawyer qualifications are also allowed to handle non-litigation legal work in the Mainland;
- Macao lawyers who have passed required training are endowed with Mainland recognized notary qualification;

- Macao lawyers are allowed to engage in the Mainland in matters of Macao law and the legal work of other countries or regions that the lawyers are conferred to practice, in accordance with applicable Mainland laws, regulations and decrees.

2. Accounting Services

- Macao accountants and auditors who have been qualified to practice in China enjoy parity with Chinese CPA in the requirement for annual working hours in the Mainland;
- Macao auditing firms and auditors are allowed to conduct temporary auditing services in the Mainland by applying the “Temporary Auditing Business Permit”, of which the validity period is 1 year.

3. Architectural Services

Macao consultancy firms are permitted to provide, on a wholly-owned basis, architectural services, engineering services, integrated engineering services, urban planning and landscape architectural services in the Mainland.

4. Medical and Dental Services

- The majority of medical personnel employed by Macao-Mainland joint venture hospitals and clinics can be Macao permanent residents;
- Macao doctors who have been qualified to practice in Macao can provide short-term medical services in the Mainland for a maximum period of 3 years. On expiry, such short-term practice is renewable upon application.
- Macao permanent residents who have acquired a medicine degree from a full-time tertiary institution recognized by relevant department of the Mainland and have satisfied certain requirements are allowed to sit the Mainland’s qualification examination;
- Macao permanent residents who have acquired a Chinese medicine degree from the Macao University of Science and Technology and have satisfied certain requirements are allowed to sit the Mainland’s qualification examination.

5. Real Estate Services

Macao service suppliers are allowed to set up wholly-owned operations to engage in activities relating to self-owned or leased properties for high standard real estate projects, real estate services on a fee or contract basis, and real estate agency services in the Mainland.

6. Advertising Services

Macao service suppliers are permitted to establish wholly-owned advertising enterprises in the Mainland.

7. Management Consulting Services

Macao service suppliers are allowed to establish wholly-owned enterprises to provide management consulting services, including general management consulting services, financial management consulting services (except business tax), marketing management consulting services, human resources management consulting services, production management consulting services, public relations services and other management consulting services in the Mainland.

8. Convention and Exhibition Services

Macao service suppliers are allowed to establish wholly-owned enterprises to provide convention and exhibition services in the Mainland.

9. Value-added Telecommunication Services

Macao service suppliers are allowed to set up joint venture enterprises (with maximum shareholding of 50%) in the Mainland to provide 5 types of value-added telecommunication services, namely internet data center services, store and forward services, call center services, internet access services and content services.

10. Audiovisual Services

- Macao service suppliers are permitted to provide, in the form of joint venture, videos and sound recording products distribution services (with majority shareholding not exceeding 70%) and to operate cinema theatres (with majority shareholding not exceeding 75%);
- Chinese motion pictures produced by Macao enterprises can be distributed in the Mainland free of any quota restriction.

11. Construction and Related Engineering Services

- Macao invested construction enterprises are exempted from foreign investment restrictions when undertaking Chinese-foreign joint construction projects in the Mainland and are permitted to bid for construction projects in all parts of the Mainland.

12. Distribution Services

- Macao enterprises are permitted to supply distribution services (including commission agents, wholesale, retail and franchising) and to establish external trading companies on a wholly-owned basis in the Mainland. The market access requirements are as follows:

	Wholesale commercial enterprises	Retail commercial enterprises	External trading enterprises
Average annual sales value in the preceding 3 years	USD 30 million	USD 100 million	—
Average annual trade value in the preceding 3 years	—	—	USD 10 million
Assets in the preceding year	USD 10 million	USD10 million	—
Minimum registered capital for setting up an enterprise in the Mainland	RMB 50 million	RMB 10 million	RMB 20 million

- Macao permanent residents with Chinese citizenship are allowed to set up individually owned stores in Guangdong to provide retailing services.

13. Insurance Services

- Macao insurance companies are allowed to form groups by means of restructuring and strategic mergers to gain access to the Mainland insurance market. Those Macao insurance groups are subject to market access conditions including: total assets held by the group of over USD 5 billion, more than 30 years of establishment experience attributable to one of the Macao companies, and a representative office established in the Mainland for over 2 years by one of the Macao insurance companies in the group;
- The maximum capital participation by a Macao insurance company in a Mainland insurance company is 24.9%;
- Macao residents who have obtained the Mainland's professional qualifications in actuarial science are permitted to practice in the Mainland; Macao residents, after obtaining the Mainland's qualifications and being employed or appointed by a Mainland insurance institution, are allowed to engage in the relevant insurance business.

14. Banking Services

Macao banks and financial companies are allowed to set up branches or body corporates in the Mainland, upon fulfilling the minimum asset requirement of USD 6 billion.

15. Securities Services

Macao permanent residents who are professionals in securities and futures are allowed to apply for practicing qualification in the Mainland in accordance with applicable laws, regulation and procedures.

16. Tourism Services

- No geographic restriction for Macao and the Mainland joint venture (Mainland enterprises have majority shareholding) travel agencies;
- Macao enterprises are allowed to construct, renovate and operate hotel, apartment buildings and restaurant establishments in the Mainland on a wholly-owned basis;
- Mainland residents from designated cities are allowed to visit Macao individually for tourism. The same measure will be applied to the entire of Guangdong Province not later than 1 July 2004.

17. Transport Services

- Maritime Transport Services – Macao enterprises can operate on a wholly-owned basis in the Mainland to provide international ship management services, storage and warehousing for international maritime freight, container station and depot services, and non-vessel operating common carrying services. Macao shipping companies are permitted to arrange, without any restriction, empty containers in the Mainland;
- Road Transport Services – Macao enterprises can operate on a wholly-owned basis in the Mainland to provide direct non-stop road freight transport services between Macao and each province in the Mainland. They can also establish wholly-owned enterprises in Western Region of the Mainland to provide road passenger transport services;
- Storage and Warehouse Services - Macao service suppliers are permitted to provide, on a wholly-owned basis, storage and warehouse services in the Mainland and receive national treatment in the requirement on minimum registered capital;
- Freight Forwarding Agency Services - Macao service suppliers are allowed to set up wholly-owned enterprises to provide freight forwarding agency services in the Mainland and receive national treatment in the requirement on minimum registered capital.

18. Logistic Services

Macao service suppliers are permitted to establish wholly-owned logistic enterprises in the Mainland to provide ordinary road freight services, related information and consultancy services, and the management and operation of logistic services through computer network.

It is worth noting that the market access concessions for some industries have been tailored to the distinctive circumstances of Macao, namely, in

Legal Services:

- Macao lawyers who have passed required training are endowed with Mainland recognized notary qualification;
- Macao lawyers are allowed to engage in the Mainland in matters of Macao law and the legal work of other countries or regions that the lawyers are conferred to perform, in accordance with applicable Mainland laws, regulations and decrees.

Medical services:

- Macao permanent residents who have acquired a medicine degree from a full-time tertiary institution recognized by relevant department of the Mainland and have satisfied certain requirements are allowed to sit the Mainland's qualification examination;
- Macao permanent residents who have acquired a Chinese medicine degree from the Macao University of Science and Technology and have satisfied certain requirements are allowed to sit the Mainland's qualification examination.

Real Estate Services:

- Macao service suppliers are allowed to set up wholly-owned operations to provide real estate agency services in the Mainland.

Under the framework of CEPA, natural persons and juridical persons who provide services in the 18 sectors mentioned above are all referred to as "Service Suppliers" despite the fact that different standards and requirements will be applied to different service suppliers to suit the unique characteristics of each industry.

Trade and Investment Facilitation

With regard to trade and investment facilitation, both sides agree to strengthen their cooperation in 7 areas, namely trade and investment promotion, customs clearance facilitation, commodity inspection, inspection and quarantine of animals and plants, food safety, sanitary and inspection, certification, accreditation and standardization management, electronic business, transparency in laws and regulations, cooperation between small and medium-sized enterprises, industrial cooperation, with a view to simplify trade procedures in both places. Contents of cooperation in each area are summarized as follows:

1. Trade and Investment Promotion

- Establish mechanism to notify and publicize trade and investment related policies, regulations and other relevant information and to communicate and exchange views on common problems in relation to trade and investment of both sides;
- Strengthen the cooperation between the two sides in organizing exhibitions and arranging participation of delegates of both sides in overseas exhibitions;
- Co-initiate trade and investment promotion activities so as to facilitate trade and investment between the two sides and the Portuguese-speaking countries.

2. Customs Clearance Facilitation

- Establish a reciprocal system to notify and publicize policies, regulations and information in relation to customs clearance; establish a regular liaison mechanism to exchange views on and cooperate in the differences and problems related to customs clearance; strengthen the cooperation in crisis management at control points;
- Explore the feasibility of data interchange and development of electronic customs clearance system at control points with an aim to enhance risk management and efficiency in customs clearance of both sides.

3. Commodity Inspection, Inspection and Quarantine of Animals and Plants, Food Safety, Sanitary Quarantine, Certification, Accreditation and Standardization Management

- Both sides agree to strengthen their cooperation on the study of signing the Cooperation Arrangement on Product Safety in order to step up their inspection and monitoring on product safety;
- Establish a mechanism for inspection and quarantine of animals and plants, including measures of providing customs declaration and inspection information

of goods by both sides in advance so as to facilitate the smoothness in customs clearance;

- Study the feasibility of data interchange in mutual customs inspection, electronic monitor of inspection and quarantine at control points, and electronic data exchange mechanism on inspection and quarantine of products and persons;
- Notify each other, on regular basis, information about epidemic outbreaks.

4. Electronic Business

- Study and formulate rules, standards, and regulations of electronic business, especially the feasibility on mutual recognition and intercommunication of electronic certificate between the two places;
- Strengthen the cooperation in areas of corporate application, promotion, training and implementation of electronic government.

5. Transparency in Laws and Regulations

- Disseminate, through various media, information on policies and regulations and other relevant intelligence with respect to trade and investment in a timely manner;
- Provide advisory service to commercial and industrial enterprises through websites of both sides.

6. Cooperation of Small and Medium Sized Enterprises

- Explore jointly the strategies and policies for supporting Small and Medium Sized Enterprise development; promote cooperation of the intermediaries providing services to small and medium enterprises in the two places;
- Set up dedicated websites to bolster information exchange and to expedite the development of information interchange and the interconnection of information website databases of the two sides;
- Promote the exchange and cooperation between small and medium sized enterprises of the two sides and their overseas counterparts, through Macao as their economic and trade cooperation platform.

7. Industrial Cooperation

- Taking into account the orientation and positioning of industrial development in the two places, both sides agree to cooperate in areas in which they have competitive advantages, to strengthen cooperation on industrial scientific research and development as well as commercialization of achievements from those researches;
- At this stage, both sides will launch cooperation in the industrialization of Chinese

medicine and will extend their cooperation into other industrial projects in due course.

On trade and investment facilitation, cooperation modalities and mechanisms have been set out under CEPA. The contents of cooperation in those 7 areas are aimed at promoting and facilitating trade and investment of both places. Towards that end, both sides will formulate regulations and administrative procedures, in combination with the application of electronic technology in order to expedite trade and investment facilitation of the two places by means of enhancing transparency, standardization and information exchanges.

Arrangements in trade and investment facilitation highlight the crucial role of Macao as the bridge and the service platform connecting the Mainland and Portuguese-speaking countries. For instance, in the area of trade and investment promotion, both sides agree to jointly initiate trade and investment promotion activities so as to facilitate trade and investment between the two sides and Portuguese-speaking countries.

Apart from the three economic and trade areas, a steering committee, comprising of senior representatives or officials designated by the two sides, is set up with an objective to:

- Supervise the implementation of CEPA;
- Interpret the provisions of the CEPA;
- Resolve disputes that may arise during the implementation of CEPA;
- Draft additions and amendments to the content of CEPA;
- Provide steer on the relevant work; and
- Deal with any other business relating to the implementation of CEPA.

3. Rules of Origin Under CEPA

To enjoy zero tariff treatment, goods exported to the Mainland must fulfill the rules of origin stipulated under CEPA and be accompanied by the specific Certificate of Origin as an evidence of being qualified as “made in Macao”.

Under the provisions of the CEPA, goods will have the origin determined in accordance with the principles as follows:

- Goods wholly obtained in one side are regarded as originating in that side¹; or
- For goods not wholly obtained in one side, it is only considered from that origin if undertaken substantial transformation in that side.

With reference to the principles mentioned above, only if the goods are wholly obtained in Macao can be claimed as of Macao origin; If they are not wholly obtained in Macao, they are qualified to be defined as “made in Macao” only if they have undertaken substantial transformation in Macao. The criteria for determining “substantial transformation” should include the following:

- “manufacturing or processing operations” refers to the principal manufacturing or processing operations carried out in the area of one side which confer essential characteristics to the goods derived after the operations;
- “change in tariff heading” refers to the processing and manufacturing operations of non-originating materials carried out in the area of one side and resulting in a product of a different four-digit tariff heading under the “Product Description and Harmonized System Codes”. Moreover, no production, processing or manufacturing operations will be carried out in countries or territories other than that side which will result in a change in the four-digit tariff heading;
- “value-added content”² refers to the total value of raw materials, component parts, labour costs and product development³ costs exclusively incurred in one side being greater than or equal to 30% of the FOB value of the exporting goods, and that the final manufacturing or processing operations should be completed in the area of that side. The formula for calculation is as follows:

$$\frac{\text{Value of raw materials} + \text{Value of component parts} + \text{Labour costs} + \text{Product development costs}}{\text{FOB value of the exporting goods}} \times 100\% \geq 30\%$$

¹ Please refer to Article 3 of Annex 2 of the text of CEPA for its definition.

² Calculation of the above “value-added content” will be consistent with generally accepted accounting principles and the “Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994”.

³ “Product development” refers to product development carried out in the area of one side for the purposes of producing or processing the exporting goods. Development expenses incurred should be related to the exporting goods. These expenses include fees payable for the development of designs, patents, patented technologies, trademarks or copyrights (collectively “these rights”) carried out by the manufacturer himself, fees payable to a natural or legal person in the area of one side for undertaking development of these rights, and fees payable for purchasing these rights owned by a natural or legal person in the area of one side. The fees payable should be clearly identifiable under generally accepted accounting principles and the requirements of “Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994”.

- “other criteria” refers to methods agreed by both sides in determining origin, other than “manufacturing or processing operations”, “change in tariff heading” and “value-added content” as foresaid;
- “mixed criteria” refers to the use of two or more of the above criteria in determining origin.

Simple diluting, mixing, packaging, bottling, drying, assembling, sorting or decorating will not be regarded as substantial transformation. Package, packaging materials and repository accompanying the goods, parts, spare parts, tools and explanatory materials accompanying the goods also should not be taken into account in determining origin.

4. “Macao Service Supplier” under CEPA

In order to enjoy the market access benefits from the CEPA, applicants should first verify their eligibility criteria under CEPA. After receiving the certification of Macao Service Suppliers from the verification departments, Macao service suppliers may provide those 18 sectors according to the market access procedures agreed under CEPA.

In accordance with CEPA, the definition of Macao Service Supplier refers to any service supplier, either a natural person (individual business owner) or a juridical person who have been registered and organized in compliance with the Macao Commercial Registry Code or other relevant laws of the Macao Special Administrative Region. Different service sectors are subject to their respective regulations and standards.

Under general circumstances, natural persons of the Macao Service Supplier (excluding legal services) should be permanent residents of the Macao Special Administrative Region of the People’s Republic of China; for juridical persons, companies should be organized under the Commercial Code, Macao Commercial Registry Code or other relevant laws of the Macao Special Administrative Region. The Macao service suppliers should have paid complementary tax in accordance with the law ; should own or rent premises in Macao for operation purposes; should have more than 50% of the employees being residents staying in Macao without limit of stay and other persons permitted to reside in Macao according to relevant regulations in Macao, and they must also have engaged in substantive business operations for 3 years or more. Service suppliers providing construction and related engineering

services, banking and other financial services, insurance and related services should be registered in Macao and have engaged in substantive business operations for 5 years or more. There is no limitation on the years of substantive business operations in Macao for Macao service suppliers providing real estate services. For Macao service suppliers providing maritime transport services, 50% or more of the ships owned by them, calculated in terms of tonnage, should be registered in Macao. Law firms should have engaged in substantive business operations in Macao for 3 years or more and any abovementioned operational conditions that suit to be used in this sector.

To be eligible for the benefits offered by the Mainland under CEPA, a responsible person must declare to the Government of Macao Administrative Region on behalf of his/her company.

5. Administrative procedures concerning qualification for zero tariff benefits on goods

Under CEPA, a product is qualified as “made in Macao” as long as it satisfies the CEPA rules of origin criteria and, thus, entitled to export to the Mainland free of tariff. Hence, prior exporting goods of Macao origin to the Mainland, the Macao exporters must comply with the provisions set out in the CEPA and apply for the specific Certificate of Origin issued by Macao Economic Services. In making an import declaration, importers should take the initiative to inform the customs administration at the port of clearance that the goods are eligible for zero tariff and submit the foresaid valid certificate of origin as an evidence indicating that the respective goods have met the criteria and standards under the CEPA rules of origin.

After the issuance of a Certificate of Origin by Macao Economic Services, the department will immediately transmit basic information on the Certificate of Origin, including the certificate number, name of the exporter, industrial license number, port of customs declaration, Mainland Harmonized System code of the product, product name, unit of measures and quantity, amount and currency, etc., to the Customs General Administration through a designated line. The customs administration at the port of clearance will verify the Certificate of Origin submitted by the importer against the electronic data transmitted by Macao Economic Services. If the information is verified to be true and correct, the imported goods will be granted zero tariff treatment.

For other goods of Macao origin which are not covered in the CEPA Annex, beginning 1 January 2004, local manufacturers may provide the Macao Economic Services relevant information and data on proposed goods to be incorporated into the existing list for the next phase of zero tariff implementation in order to enjoy zero tariff treatment. If the application is submitted to the Macao Economic Services before 1st of June, zero tariff will be applied in the following year on the goods currently being produced with consent by the relevant Mainland departments; for goods to be produced in the future, import tariff will be eliminated as from 1st of January of the following year after the proposed goods have come into production. The timetable for tariff reduction will be deferred to the year after the following year if the request of zero tariff is claimed to the Macao Economic Services after 1 June. However, the Mainland agrees to apply zero import tariff the latest by 1 January 2006 for other product codes that are not covered in the CEPA Annex.

The Macao Economic Services will assess, verify and consolidate the information and data provided by the enterprises upon their applications for preferential tariff. The consolidated information and data will be submitted to the Ministry of Commerce before 1 June each year. Afterwards, in conjunction with the Ministry of Commerce, the relevant Mainland departments and the Macao Economic Services will jointly examine and confirm the list of goods before 1 August that year. After confirmation of the list of goods, the General Administration of Customs and the Macao Economic Services will enter into consultations on the rules of origin in respect of the relevant goods. Both sides will complete the consultations on the rules of origin before 1 October. The confirmed list of goods as well as the rules of origin criteria will be announced before 1 December, by both sides.

6. Procedures concerning the attainment of the Certificate of Macao Service Supplier

The procedures to apply for the Certificate of Macao Service Supplier comprise the following:

- Applicant should submit specific completed application form and the completed declaration, in addition to other supporting documents to the Macao Economic Services;
- The Macao Economic Services will acknowledge receipt of the applications after receiving the application forms. The department will make assessment on the

declared and submitted information on the documents to decide whether or not the applicant meets the eligibility criteria for Macao service supplier as set out in Annex 5 of CEPA;

- After the assessment process, the Macao Economic Services will notify the applicant the result by written documents and then issue a Certificate of Macao Service Supplier, provided that the applicant meet all requirements under Annex 5;
- The applicant should declare, in written forms, the cancellation of the application procedure when major changes of the conditions of applicant are made against the related requirement of the Arrangement. The applicant should provide updated application forms and other necessary documents for a new application.

To obtain the preference from CEPA, applicants should provide the following supporting documents regarding the nature of their companies, when applying for the Certificate of Macao Service Supplier:

For “natural persons” applicants, it should be provided identification of their Macao permanent resident status. Chinese citizens among such natural persons should also provide their Home Visit Permits or Macao Special Administrative Region Passport, as well as certified authentic documents legalized by the Mainland official notary authorities or by notary recognized by the Mainland, as required by the Macao Economic Services.

For applicants from the sectors of legal services, accounting services, medical and dental services, insurance or securities services, certified documents for proving their status of profession are also required.

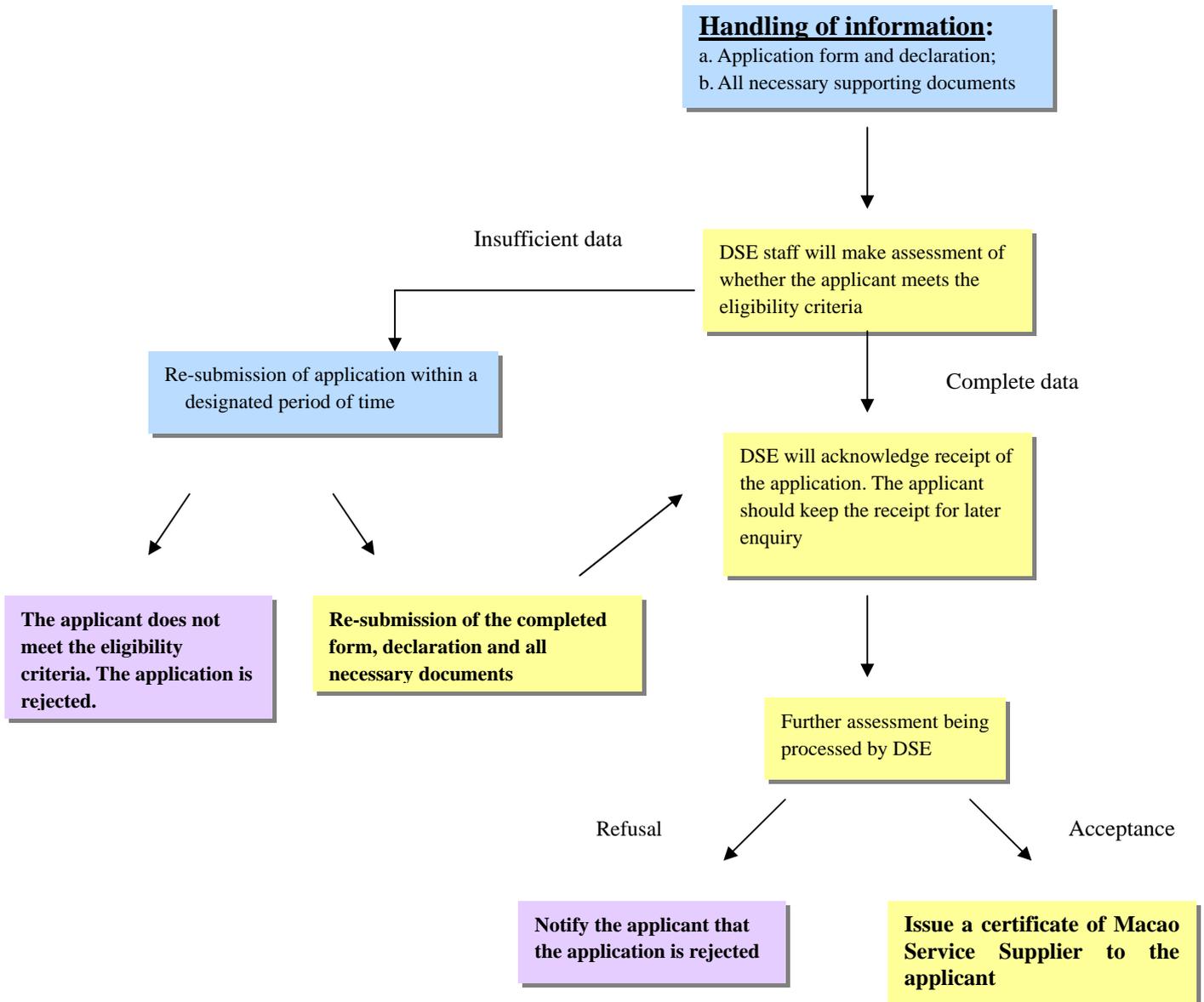
The applicants should submit (if applicable):

- Copy of the Certificate of Commercial and Movable Property Registration issued by the Commercial and Movable Property Registry Office of the Macao Special Administrative Region;
- Copy of the Industrial Tax M/1 format Declaration issued by the Macao Finance Services of the Macao Special Administrative Region;
- Annual reports or audited financial statements of the applicant for the past 3 years (or 5 years);
- Original or copy of document(s) substantiating the owning or renting of business premises in Macao;
- Copy of the Complementary Tax Declaration Form and proof of tax

payments for the past 3 years (or 5 years); in the event of loss, the applicant should provide copy of the relevant Complementary Tax Declaration Form and proof of tax payments for the past 3 years (or 5 years);

- Copy of the Certificate of Contribution of the applicant to the Macao Social Security Fund or other documents proving the fulfillment of the requirements on the percentage of residents staying in Macao without limit of stay and other persons permitted to reside in Macao according to relevant regulations in Macao being employed (50%);
- Other relevant document(s) that can substantiate the nature and scope of the business in Macao;
- Logistics, Freight Forwarding Agency and Storage and Warehouse Services: the applicant should provide documents issued by the regulating agencies of Macao government substantiating their qualification as intermodal service suppliers;
- Maritime Transport Services: document substantiating 50% or more of the ships owned, in terms of tonnage, registered in Macao.

Application procedure for the “Macao Service Supplier”



7. Enquiries

The main purpose of CEPA is to provide preferential treatment, in terms of market access into the Mainland, for individuals and enterprises in Macao, in conformity with the WTO rules in regional economic cooperation. The Macao Special Administrative Region shall spare no effort in promoting to and encouraging business sectors and service suppliers to make full use of the opportunities offered by CEPA through seminars, promotional material, telephone hotlines and website news – with the aim to grant the business circle a better understanding of CEPA before it comes into effect, in the year of 2004.

Content	Entity	Contact
1. Trade in Goods <ul style="list-style-type: none"> ● Implementation of Zero Tariff for Trade ● Rules of Origin ● Issuing and Verification of Certificates of Origin 	Macao Economic Services	Rua Dr. Pedro José Lobo, 1-3, Edifício Banco Luso Internacional, 3º andar, Macao Tel : (853) 597 2343 Fax : (853) 2875 5011 E-mail :info@economia.gov.mo
2. Trade in Services <ul style="list-style-type: none"> ● Specific Commitments on Liberalization of Trade in Services ● Definition of “Service Supplier” and Related Requirement ● Issuing and Verification of Certificate of Macao Service Supplier 		
3. Trade and Investment Facilitation <ul style="list-style-type: none"> ● Trade and Investment Promotion ● Transparency in Laws and Regulations ● Cooperation of enterprise 	Macao Trade and Investment Promotion Institute	World Trade Centre Building, 2 nd Floor, 918, Avendia da Amizade, Macao Tel : (853) 798 9235, 798 9131 Fax :(853) 2872 8208, 2872 8102 E-mail : infocentre@ipim.gov.mo website: www.ipim.gov.mo

Copies of the Full Text of the General Principles of CEPA and its Six Annexes can be downloaded from the Macao Economic Services’ website at www.economia.gov.mo.