

Mainland and Hong Kong
Closer Economic Partnership Arrangement (CEPA)

The CEPA provides for zero tariff from 1 January 2004 for exports from Hong Kong meeting the rules of origin requirement in 273 product codes. As a result of this concession and China's tariff commitments upon accession to the WTO, about 90% of the value of Hong Kong's domestic exports to the Mainland will enjoy zero tariff by 1 January 2004.

Many of the 273 products currently attract high tariffs. Some specific examples are: articles of jewellery (35%), micromotor for toys (24.5%) and clocks and watches (23%). Though China has committed to lowering tariff rates in her WTO accession protocol, the committed final bound tariff rates (i.e. after full implementation of its WTO commitments) for some products within the 273 codes will remain at high level. This can be illustrated in the table at Annex A. The tariff preference will enhance the competitiveness of products made in Hong Kong vis-à-vis those produced by other economies.

The Mainland is Hong Kong's largest trading partner. Our domestic exports to the Mainland amounted to HK\$54.2 billion, HK\$49.5 billion and HK\$41.4 billion in 2000, 2001 and 2002 respectively. The 273 codes include many product types in which Hong Kong traded substantively with the Mainland, such as textiles and clothing, electrical and electronic products, optical and photographic articles, plastic articles and paper articles. The relevant trade statistics of these items are at Annex B.

Annex A

Summary of the Mainland's Import Tariff Rates

Types of Products to be Exempted From Import Tariff From 1 January 2004	Examples of Products	Range of Tariffs on Major Products		
		Current Applied Tariff Rates (%)	Bound Tariff Rates under WTO Accession (%)	
			Year 2004	Final
Electrical and Electronic Products	Certain electric motors, micro-motors and generators, and their parts; certain electrical transformers and converters, and their parts; certain batteries and their parts; certain electro-mechanical tools and appliances, and their parts; certain mechanical appliances and parts; certain parts for audio-visual appliances; etc.	5 - 30	5 - 30	5 - 30
Textiles and Clothing	Certain yarns and fabrics; certain shirts, blouses, pullovers, T-shirts, skirts, trousers, singlets, underpants and pyjamas; parts for garments; specified textile articles; etc.	5 - 21.3	5 - 19.4	5 - 17.5
Chemical Products	Lubricating oil; certain pigments, dyes, paints and printing inks; certain mixtures of odoriferous substances for industrial use; etc.	5.5 - 21.7	5.5 - 15.8	5.5 - 10
Clocks and Watches	Certain electrically operated watches and clocks; certain watch movements, cases, straps, bands, bracelets and other parts for clocks and watches; etc.	14 - 23	12.5 - 25	12.5 - 25
Jewellery	Jewellery articles of gold, silver and other precious metals and parts thereof; articles of pearl, precious and semi-precious stones; imitation jewellery; etc.	26.7 - 35	23.3 - 35	20 - 35
Cosmetics	Eye, lip, manicure and beauty make-up preparations; perfumes and toilet waters; etc.	18.3 - 22.3	14.2 - 19.2	6.5 - 15
Others	Certain plastic articles, paper articles, pharmaceutical products, metal products, optical and photographic articles, etc.	3 - 24.2	3 - 25	3 - 25

Annex B

Hong Kong's Domestic Exports to the Mainland of the 273 Products to be Exempted From Import Tariff From 1 January 2004

Types of Products to be Exempted From Import Tariff From 1 January 2004	Examples of Products	HK's Domestic Exports to the Mainland (in approx. HK\$ billion)		
		2000	2001	2002
Textiles and Clothing	Certain yarns and fabrics; certain shirts, blouses, pullovers, T-shirts, skirts, trousers, singlets, underpants and pyjamas; parts for garments; specified textile articles; etc.	17.4	17.3	16.7
Electrical and Electronic Products	Certain electric motors, micro-motors and generators, and their parts; certain electrical transformers and converters, and their parts; certain batteries and their parts; certain electro-mechanical tools and appliances, and their parts; certain mechanical appliances and parts; certain parts for audio-visual appliances; etc.	6.7	4.5	2.4
Optical and Photographic Articles	Certain optical appliances and parts and accessories thereof; parts and accessories for photographic cameras; etc.	3.8	3.4	1.2
Plastic Articles	Certain polystyrene and polyvinyl chloride in primary forms; certain plastic materials, boxes, cases, sacks, bags, parts and other articles; certain plastic scraps; etc.	3.3	2.7	2.8
Paper Articles	Specified papers, paperboards and corrugated papers; certain paper cartons, boxes, cases and labels; specified printed matters; etc.	1.7	1.6	1.7
Others	Certain chemical products, pharmaceutical products, clocks and watches, jewellery, cosmetics, metal products, etc.	3.7	3.6	2.6