

2. Finance and investment

Investment incentives

The Closer Economic Partnership Arrangement between Mainland China and Hong Kong ('CEPA') is a World Trade Organisation (WTO)-compliant, free trade agreement. Strategically CEPA opens a new chapter in cross-border trade and investment between Hong Kong and the Mainland and it reinforces Hong Kong's role as a bridge between China and the rest of the world.

CEPA provides preferential access to the Mainland market and reduced tariffs for the export of certain finished goods and services by certain enterprises and individuals in Hong Kong, whether locally or foreign-owned.

CEPA currently affects:

- trade in goods
- trade in services and
- trade and investment facilitation.

CEPA will evolve over time and new benefits will be introduced in phases.

With effect from 1 January 2005, more goods and services fell under CEPA and the benefits for many of the existing CEPA services were broadened.

With effect from 1 January 2006, all finished goods (except for prohibited articles and articles that are subject to special requirements) of Hong Kong origin may be exported tariff-free to the Mainland provided that the CEPA rules of origin are met. Further liberalisation measures in 10 service sectors were effective from 1 January 2006 – nine sectors in the Mainland were opened, and Mainland companies in the securities and futures industry now have more opportunities in Hong Kong.

From 1 January 2007, the Mainland will further relax the market access to 10 areas in sectors already under the CEPA. Furthermore, trade and investment facilitation will be extended to include an eighth topic: protection of intellectual property.

This means that CEPA-qualified enterprises and individuals in Hong Kong will have earlier and in some instances more privileges than will ultimately be available when doing business with the Mainland, following its accession to the World Trade Organisation (WTO).

These CEPA benefits are exclusive to Hong Kong and no other jurisdiction in the world can enjoy these preferential market access and import tariff rules. This package further strengthens Hong Kong's position as the ideal location from which to do business with China and underlines Hong Kong's importance as an international trade and business centre.