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Contents:

1. “Supplement II to CEPA” promotes deepening cooperation on economy and trade between the Mainland and Macao
2. Seminar on Trade and Investment Facilitation among the Mainland, Hong Kong and Macao was held in Beijing
3. The 2nd Pan-Pearl River Delta Regional Cooperation Forum and the Trade Cooperation Fair were held in Chengdu, and various cooperation projects were secured
4. Regulations for Managing Employment of Taiwan, Hong Kong and Macao citizens in the Mainland will be effective in October
5. National Vocational Qualification (NVQ) examinations were held in Macao for the first time, providing opportunities for Macao people to work in the Mainland
6. Results of the 2005 National Judicial Examination will be announced at the end of the year

Editor’s Notes:

The Senior Official Meeting on “Mainland and Macao Closer Economic Partnership Arrangement” (also known as “CEPA”) was held in Macao on 21st October, and Supplement II to CEPA (CEPA III) were signed immediately after the meeting. In accordance with CEPA III, starting next year all goods of Macao origin can enjoy zero-tariffs benefit, after the rules of origin of the relevant products are confirmed, upon importation into the Mainland. On the front of trade in services, market access requirements are further relaxed for 9 services, including legal, accounting, construction, audiovisual, distribution, banking, tourism, transportation, and individually-owned stores. With all these measures in place, CEPA III is devised to advance the progress of market opening and raises the economic and trade exchanges between the two places to a new level.

- 1. “Supplement II to CEPA” promotes deepening cooperation on economy and trade between the Mainland and Macao**

Witnessed by Mr. Edmund Ho Hau Wah, Chief Executive of the MSAR, Mr. Bai Zhijian, Head of Liaison Office in MSAR, Mr. Zhou Bo, Deputy Minister of the Hong Kong and Macao Affairs Office of the State Council, Mr. Huang Songfu, Deputy Commissioner of the Ministry of Foreign Affairs in Macao SAR, and Choi Lai Hang, Director-General of Macao Customs Service, “Supplement II to CEPA” was signed by Mr. Liao Xiaoqi, Vice-Minister of Commerce of PRC and Mr. Francis Tam Pak Yuen, Secretary for Economy and Finance of the MSAR, on behalf of the Mainland and Macao, respectively, in the CEPA III Signing Ceremony.

The main contents of Supplement to II CEPA are as follows :



Chief Executive Mr. Edmund Ho Hau Wah witnessed the signing ceremony of Supplement II to CEPA (Courtesy photo from Government Information Bureau)

In accordance with CEPA III, from January 1, 2006, the Mainland shall apply zero tariff to all goods of Macao origin, except for the goods prohibited from importing as stipulated in Mainland laws and regulations as well as other specified products, provided that the related Rules of Origins (ROs) have been confirmed and fulfilled. The list of goods to be included as Macao products eligible for zero-tariffs treatment should be submitted to the Ministry of Commerce twice a year before 1st March or 1st September. After

consultations, the Mainland will, no later than July 1 of the same year and January 1 of the following year, respectively, apply zero-tariffs to the relevant products. In this regard, the implementation of the zero-tariff policy will become more flexible in the sense that there will be no classification of “currently-produced goods” or “future-produced goods”. Also, in CEPA III, the rules of origin of 91 new products have been confirmed, and those products are eligible for the zero-tariffs benefit when exported to the Mainland from 1st January next year. Until then a total of 600 products can enjoy the zero-tariffs benefit under CEPA, including the items of which the tariffs have been exempted in the previous phases of CEPA. The 91 new products include 47 items of textiles products, 11 items of ironware and 10 items of plastic raw materials. Other items include eyeglass frames, wines, water, and food, with an average import tariff of 12%.

With regard to Trade in Services, on the basis of the 26 sectors that have been included in the previous phases of CEPA, the market access thresholds of 9 service sectors have been further relaxed, including legal, accounting, construction, audiovisual, distribution, banking, tourism, transportation, and individually-owned stores.

Major contents of the liberalization in each area are tabulated as follows:

Service Sector	Major contents of Supplement II to CEPA
Legal services	<ul style="list-style-type: none"> ■ Representative offices of Macao law firms in China can operate in association with one Mainland law firm in the province, autonomous region or municipalities where the representative office is situated
Accounting , Auditing and Bookkeeping Services	<ul style="list-style-type: none"> ■ The validity period of “Temporary Business Permit” is extended to 2 years instead of one year.
Construction Services	<p>Qualification Certification requirements have been further relaxed, including:</p> <ul style="list-style-type: none"> ■ For Macao service suppliers which set up construction and engineering design enterprises and city planning service firms in the Mainland, the performance of the enterprises both in the Mainland and Macao is taken into account in assessing the qualification of the enterprises in the Mainland. ■ Requirements for Macao service suppliers applying for construction and engineering design qualifications are relaxed, especially concerning the numbers of Macao citizens qualified as certified architects or certified engineers in the Mainland. ■ For Macao urban planning services enterprises setting up in the form of equity joint ventures or contractual joint ventures, the performances of the enterprises both in Macao and the Mainland can be combined together in assessing the qualification of the enterprises in the Mainland. ■ Requirements on duration of residence have been relaxed for Macao professionals and technicians in the Mainland: the duration of residence in Macao will be calculated as their period of residence in China.
Audiovisual Services	<ul style="list-style-type: none"> ■ Cantonese versions of motion pictures that are co-produced by China and Macao can be broadcast in Guangdong province after approval by relevant authorities in the Mainland. ■ The import of Chinese language motion pictures made by production companies from Macao that own more than 50% of the copyright is exempt from quota restrictions. ■ Television dramas co-produced by the Mainland and Macao

	<p>should be subject to the same standard on the number of episodes as that applicable to Mainland domestically-produced television dramas.</p>
Distribution Services	<ul style="list-style-type: none"> ■ Macao service suppliers can set-up wholly-owned or joint-venture commission agencies in respect to the business of fertilizers, refined oil, the agency superintendent of crude oil and the wholesale and retail of fertilizers. ■ With regards to a Macao Service Provider that owns more than 30 enterprises in Mainland, if its commodities are books, newspaper, magazines, automobiles, pharmaceutical products, pesticides, mulching films, fertilizers, staple food, vegetable oil, edible sugar, and cotton which are of different brands and come from different suppliers, the Macao service supplier is allowed to have majority holdings not exceeding 51%.
Banking Services	<ul style="list-style-type: none"> ■ The level of the operating funds for Mainland branches of the Macao bank offering RMB and foreign currency businesses will be assessed on the basis of all the Mainland branches of the bank instead of each one individually, with the requisite that the average level of operating funds is over RMB 500 million for all Mainland branches and that the level of operating fund of each individual branch should not be less than RMB 300 million.
Tourism and travel-related Services	<ul style="list-style-type: none"> ■ The annual business turnover requirement for Macao travel agencies is lowered to USD12 million (from USD40 million originally) for joint ventures and USD25 million (from USD500 million originally) for wholly-owned firms.
Transport Services	<ul style="list-style-type: none"> ■ Macao service suppliers can set up wholly-owned companies in the Mainland to provide, for tugs that they operate between Macao and Mainland ports, regular services such as shipping undertaking, issuance of bills of lading, settlement of freight rates and the signing of services contracts. ■ Macao service suppliers can set up wholly-owned companies to operate ship maintenance and repair services; ship haulages between China and Macao, container leasing, buying and selling and trade of container parts, and provide ship survey services on registered Macao ships. ■ Macao service suppliers can set up enterprises in the form of joint ventures in the mainland to provide air transport sales agency services. Registered capital requirements are the same as

	those for Mainland enterprises.
Individually-owned stores	■ 4 kinds of services can now be provided: import and export of goods and technologies, photography and photographic processing services, washing, cleaning and dyeing services, repair and maintenance of motor vehicles and motor cycles.

For further information about Supplement II to CEPA, please visit Macao Economic Services website: www.economia.gov.mo

2. Seminar on Trade and Investment Facilitation among the Mainland, Hong Kong and Macao was held in Beijing

The Seminar on Trade and Investment Facilitation among the Mainland, Hong Kong and Macao was jointly held by the Ministry of Commerce of the P.R.C., the Trade and Industry Department of the Hong Kong SAR and the Macao Economic Services on 29th September, 2005 in Beijing. It was the first joint seminar dedicated to analyzing trade and investment facilitation since the implementation of “The Mainland and Macao Closer Economic Partnership Arrangement” (henceforth referred to as “CEPA”). The purpose of this seminar was to deepen the results achieved on trade and investment facilitation under CEPA. In the seminar, the concept and contents of trade and investment facilitation are dissected from a theoretical point of view so as to explore new areas for cooperation in trade and investment facilitation. In addition, in the seminar, experts delivered keynote speeches on topics, including “the experience and inspirations on cooperation in trade and investment facilitation among the Mainland, Hong Kong and Macao”, “intensifying the cooperation in back-bone industries” “promoting the coordination of industrial development among the Mainland, Hong Kong and Macao” .

3. The 2nd Pan-Pearl River Delta Regional Cooperation Forum and the Trade Cooperation Fair were held in Chengdu, and various cooperation projects were secured

“The 2nd Pan-Pearl River Delta Regional Cooperation Forum” and the first “PPRD (Pan-Pearl River Delta Region) Leaders’ Conference” were held in Chengdu, Sichuan on 25th July. Mr. Edmund Ho Hau Wah, Chief Executive of Macao SAR, led the Macao delegation to participate in the activities. One of the agendas of the PPRD activities was to endorse the outlines of the “The Eleventh Five-Year Plan (11th FYP) of the Pan-Pearl River Delta Regional Cooperation” in areas of transportation, energy, technological innovation, environmental protection and information cooperation.

In addition, the “2nd PPRD Regional Cooperation Trade Fair” was held within the margins of the Forum at the Chengdu International Conference and Exhibition Centre. Mr. Francis Tam Pak Yuen, Secretary for Economy and Finance of the MSAR, led a trade delegation of a record of over 200 people from Macao to take part in the fair. During the 3-day trade fair, the Macao trade delegation signed agreements on a total of 13 cooperation projects, including building of highways, construction, processing of clothing and leather garments, over-the-counter Chinese herbal medicine, tourism, conventions and exhibitions, agency services etc., which worth a total of about RMB 2.3 billion. The 2nd Pan-Pearl River Delta Forum also consisted of 3 sub-forums entitled “cooperation on intellectual property rights”, “development of modern logistics industry” and “capital markets development”.

A group of 5 Macao delegates, which included Mr. Sou Tim Peng, the Acting Director of Macao Economic Services and other officials from Macao Customs Services, also attend the Pan-Pearl River Delta Intellectual Property Cooperation Forum. In the Forum, representatives from Hong Kong and Macao signed an agreement to join the intellectual property cooperation in the Pan-Pearl River Delta Region. Mr. Sou Tim Peng stated that intellectual property covered areas such as industrial investments, commerce and trade, science, technology and culture. Pan-Pearl River Delta Region Intellectual Property Cooperation would add impetus to intra-regional cooperation and development, thus enhancing the overall competitiveness of the region. It will also bring about benefits by strengthening the integration and interaction of the areas of economy, science and technology, and intellectual property in Macao.

On the other hand, the Macao Economic Services coordinated and led a delegation of 16 representatives to participate in the Forum on the Development of Modern Logistics. The delegation consisted of the Deputy Director of Macao Economic Services, Ms. Jeong Pou Yee, officials from various government departments including the Civil Aviation Authority, Macao Customs, the Macao Productivity and Technology Transfer Center, logistics operators and representatives of non-government organizations.

The Head of Macao Delegation, Ms. Jeong Pou Yee, delivered keynote speech entitled “the role of Macao in the division of labor of the PPPD logistic industry”, elaborating Macao government’s policies for regional development in the logistics industry. In addition, Mr. Victor Lei, Chairman of the International Logistics & Forwarding Association of Macao (ILFAM) and Mr. Hou Kuai Lam, Member of the Macao Association of Economic Sciences, offered inspiring opinions in the session of “dialogues among experts and operators in the trade”.

In the Capital Markets Forum, Mr. Anselmo Teng Lin Seng, Chairman of Monetary Authority of

Macao Board of Directors led a delegation 18 elites from Macao financial sector to attend the Form. The Shanghai Stock Exchange, Shenzhen Stock Exchange and the Hong Kong Stock Exchange Ltd. were also represented in this event.

4. Regulations for Managing Employment of Taiwan, Hong Kong and Macao citizen in the Mainland will be effective in October

The Ministry of Labour and Social Security of the P.R.C. recently revised the original “Regulations for Managing Employment of Taiwan, Hong Kong and Macao citizens in the Mainland” promulgated in 1994, and the amended “Regulations” will come into effect on 1st October, 2005.

Mr. Liu Dan Hua, Deputy Director General of the Ministry of Labour and Social Security of the P.R.C., pointed out that the amended “Regulations” provide favorable environment to Taiwan, Hong Kong and Macao citizens who are willing to work in China in the following aspects:

1. It relaxes the restrictions on professional qualification of Taiwan, Hong Kong and Macao citizens working in China.
2. The prerequisites for Taiwan, Hong Kong and Macao citizens to be eligible to work in China are relaxed.
3. Procedures for Taiwan, Hong Kong and Macao citizens to work in the Mainland are simplified.
4. Regulations stipulating that employing units should pay social security fees for their employees have been added.

(The extracted contents of the Regulations are from Wenweibo)

The entire text of the revised “Regulations for Managing Employment of Taiwan, Hong Kong and Macao citizens in the Mainland” is available at following website:

<http://www.molss.gov.cn/correlate/lslbl200526.htm>

5. National Vocational Qualification (NVQ) examinations were held in Macao for the first time, providing opportunities for Macao people to work in the Mainland

The Macao Productivity and Technology Transfer Center and the Occupational Skill Testing Authority of Guangdong signed a “National Vocational Qualification Certificate Examination Cooperation Agreement” in June this year. Lately, the National Vocational Qualification examinations were held for the first time in Macao, facilitating the participation of Macao

citizens in the examinations as well as promoting exchange of human resources of high caliber between the Mainland and Macao. Registration for the first round of examinations was finished in October, with 129 examinees registered. A total of five examinations were organized in Macao, including Chef of Chinese Cuisine (Advanced Level: 25 examinees, Intermediate Level: 4 examinees), Chef of Chinese Noodle and Dim Sum (Advanced Level: 17 examinees), Hairdressers (Elementary Level: 17 examinees), Beautician (Elementary Level: 34 examinees) and Flower-Arrangement (Elementary Level: 32 examinees). Among all those examinations, the examinations for Chef of Chinese Cuisine and Chef of Chinese Noodle and Dim Sum were held on 23rd and 28th October respectively, with a total of 46 examinees sitting for the examinations. Other examinations were scheduled to be held in December. Also, the examinations of logistics and new and high computer technology (office application software) now accept public registration. Furthermore, vocational examinations on computer related subjects can be taken immediately after registration to allow greater flexibility to Macao residents.

For further information about the National Vocational Qualification Examinations, please contact the Professional Examination Information Centre of CPTTM on 781313 or 8980860 (fax: 788233) or simply visit its website:

<http://www.cpttm.org.mo/qualification/vqa/chinese/services.htm>

6. Results of the 2005 National Judicial Examination will be announced at the end of the year

According to the revised “Rules on Sitting for the State Judicial Examination for Residents of the Hong Kong and Macao Special Administrative Regions” from the Ministry of Justice of the P.R.C. on 24th May, 2005, starting this year, Macao is allowed to set up examination center to coordinate relevant examinations for Macao examinees. Against this backdrop, the Legal Affairs Bureau of the MSAR organized the 2005 National Judicial Examination in Macao. For this year’s examination, the Legal Affairs Bureau received registration from 36 Macao residents, out of whom 35 took part in the examination held in mid-September. The results for the examination are expected to be available at the end of this year.