

14<sup>th</sup> March 2002



美國  
商  
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Mr. Antony Leung  
Financial Secretary  
The Government of the Hong Kong SAR  
Central Government Offices  
Lower Albert Road  
Central  
Hong Kong

Dear Mr. Leung,

**Response to HK Government on proposed Closer Economic Partnership Agreement**

The American Chamber of Commerce has been invited to respond to proposals by the Hong Kong Government to negotiate a Closer Economic Partnership Agreement (CEPA) between the Hong Kong and Macau SARs and Central People's Government in Beijing. This agreement would provide for special terms of business for Hong Kong and Macanese companies operating in the rest of China.

Details of the proposed agreement are currently very limited so our response is by necessity speculative. Discussion among our members has, however, revealed a series of common concerns and interests which are summarised as follows.

1. We recognise the closer integration between Hong Kong and the rest of China is extremely important to the SAR's future. All efforts by the governments involved to remove impediments to that closer integration and to promote free trade are in principle welcomed.
2. We also recognise that the careful implementation of "one country, two systems" is vital to maintaining Hong Kong's position as the international business centre for the mainland and much of the rest of Asia. Any agreement which was perceived to undermine the two systems must be avoided.
3. We further recognise that many Hong Kong-based businesses are concerned that China's entry into the World Trade Organisation may undermine what they perceive to be historical advantages in doing business on the mainland. This may or may not be the case. We believe, however, that it is the role of private enterprise to improve the efficiency and competitiveness of businesses in the SAR. Government must concentrate on the removal of unnatural impediments to that efficiency and competitiveness.

If a CEPA is to be negotiated, it is essential that it satisfy the following criteria:

1. It must be fully and clearly compliant with all China and Hong Kong's WTO commitments. Any agreement which generates the potential for WTO disputes will clearly be more harmful than useful;

2. It must make a genuine and practical contribution to the improvement of business between Hong Kong and the rest of China;
3. It should provide for an inclusive definition of “a Hong Kong company”. Our membership would support a definition of a Hong Kong company that is inclusive of all firms – both international and local – that have established a genuine and substantive presence in the SAR.

This issue of defining a Hong Kong company is one that raises a number of complex issues. Efforts to develop a broad definition that would satisfy all interest groups in all cases seem unlikely to generate a satisfactory result. We would, therefore, encourage the negotiators to consider the option of accepting a broad definition of a Hong Kong company for the overall document but to develop more specific definitions on an industry-by-industry basis.

We would also encourage the negotiators to focus on a number of areas including:

- It may be possible to focus on areas which are not covered by China’s WTO agreements (or which may fall outside of the Uruguay Round WTO agreements altogether). These would include air services, professional services, media and entertainment, telecommunications and government procurement. There are clear benefits in accelerating Hong Kong access to the mainland market in all of these areas. It will, of course, be necessary and appropriate for Hong Kong to offer mainland companies reciprocal access to the Hong Kong market.
- There may be benefits in concentrating on the negotiation of a much more limited agreement which focused on the serious practical impediments to business which still exist in Hong Kong’s immediate hinterland; the Pearl River Delta region and the border crossings which serve it.

We hope that you will find these comments and suggestions productive. Once more details of any proposed agreement are available, we would welcome an opportunity to provide continued input to the Hong Kong SAR Government on the likely impact on our members of what is being considered.

Yours sincerely,

James Thompson  
Chairman