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China and Hong Kong Sign Free Trade Agreement

Benefits Open to US Companies

The China-Hong Kong Closer Economic Partnership Agreement (CEPA) provides significant potential market access gains to US firms investing in or acquiring Hong Kong companies. Analysts anticipate a wave of foreign acquisition interest in Hong Kong's services sector in advance of the treaty's January 2004 implementation date.

On September 29, 2003, the governments of China and the Hong Kong Special Autonomous Region unveiled revisions to a landmark free trade agreement, originally announced in June. The agreement provides Hong Kong industry significantly better trade benefits than China now affords the 146 members of the World Trade Organization.

Clients should be aware that multinational firms already operating in Hong Kong will constitute "Hong Kong companies" as defined by the treaty. This provides foreign companies in sectors such as banking,

insurance and logistics greater access to the China market. The American Chamber of Commerce in Hong Kong strongly supports CEPA, noting that most of the organization's member firms will qualify for preferential access to China.

The chapters of the agreement covering services sectors, which represent about 85 percent of Hong Kong's gross domestic product, are arguably the most important for prospective foreign investors seeking improved access to China. Foreign companies acquiring more than 50 percent of a Hong Kong service provider will have to wait a year after the acquisition to qualify as a local company under CEPA.

With offices located in Hong Kong, Washington, New York and London, Hunton & Williams is ideally suited to assist US and other multinational corporations exploit the new opportunities offered under the China-HK CEPA. The firm's

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Hong Kong office has substantial experience in assisting U.S. companies in establishing joint ventures, strategic alliance and subsidiary operations in both Hong Kong and Mainland China.

The Strategic International Business Practice is an interdisciplinary consulting practice integrated into the law firm of Hunton & Williams. Our professionals hail from a variety of policy and business backgrounds,

including former US trade negotiators, diplomats and congressional advisors. We have direct experience in conducting both US trade and economic policy regarding China and Hong Kong, and provide corporate services including strategic alliance formation, foreign market access and development, and foreign government relations.

In moving into the China market, our international litigation and arbitration

team can offer support through the provision of advice on the drafting of dispute resolution clauses for inclusion in contracts (whether arbitration, litigation or an alternative means of dispute resolution is chosen). The same team is also experienced in handling disputes of an international nature before the courts of various jurisdictions and in conducting arbitrations in the world's main international arbitration centers.

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