

**Economic Summit on
“China’s 11th Five-Year Plan and the Development of Hong Kong”**

Services Industry

Executive Summary

(Translation)

This paper examines the opportunities and challenges for the services industry of Hong Kong from the perspective of the Government and related organizations. We hope that this could generate constructive discussions among the public which will enable the Government to formulate a practical “action agenda” in the coming months.

2. Hong Kong’s services industry is well-developed, contributing to 90% of our GDP. It is the world’s 16th largest services trading entity, with value of services trade amounting to more than 50% of our GDP. By international standards, the Mainland’s service industry is still at a fledging stage, taking up about 40% of its GDP.

3. The National 11th Five-Year Plan stresses acceleration of the development of services industry. Indeed, with the Mainland’s rapid and sustained economic growth, greater market openness, and continued expansion of external trade, Mainland enterprises have bigger need for different kinds of services. As regards the Guangdong Province, it also endeavours to increase the weight and standard of its services industry,

accelerate the development of its commerce and services industry, and attract to the Province more modern Hong Kong and Macao enterprises with a view to enhancing the competitiveness of its service industry.

4. Hong Kong has established its position as an international trading and services hub. With a wealth of talented professionals, good management practices, well-established infrastructure, independent legal system, simple tax regime, sound financial policy, Hong Kong is the preferred choice for many enterprises eyeing the Southeast Asian market, particularly the Mainland market. It is also a springboard for Mainland enterprises to “venture out” to the world market.

5. However, Hong Kong’s services industry is not without its worries. Hong Kong’s cost of business operation, in particular the rental and labour cost, far exceeds that of neighbouring areas. As the Mainland market continues to open up, more foreign investment goes in, reform of state-owned enterprises increase in depth, and policy support for services industry continues, Hong Kong’s services industry will have to face ever-increasing competition from the Mainland.

6. In the face of such challenges, the HKSAR Government will strive to promote Hong Kong’s advantages as a trading, investment and business hub and attract inward investment to consolidate Hong Kong’s position as Asia’s world city. At the same time, the Trade Development Council is working hard to help Hong Kong’s services industry to expand its markets.

7. The signing of CEPA opens up a huge Mainland market for Hong Kong’s services industry. The HKSAR Government will fully implement CEPA, look for ways to better facilitate its implementation, endeavour to expand the liberalisation measures, and step up liaison with Mainland provinces and municipalities to provide support to Hong Kong businessmen in the Mainland, as well as Hong Kong businessmen who intend to set up operations in the Mainland.

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