

For Focus Group Discussion
- Professional Services, Information &
Technology and Tourism

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

Professional Services

Executive Summary

(Translation)

Purpose

This paper provides a preliminary analysis, from the Government and public sector perspectives, of the opportunities and challenges facing Hong Kong’s professional services sector under China’s 11th Five-Year Plan (the 11th Five-Year Plan), with a view to stimulating discussion among different quarters of the community and laying the groundwork to compile a pragmatic and feasible “action agenda” in a few months after the Economic Summit.

Background

2. As an international business centre, Hong Kong provides a comprehensive range of professional services. The services industry accounts for 90% of the Gross Domestic Product (GDP), and the professional services sector is a high value-added component of our vibrant service industry.

Opportunities and Challenges

3. At the global level, our professional services sector is generally able to provide quality service on par with international standards. In particular, our practitioners in the legal, construction, medical, and accountancy professions are enjoying a leading position in Asia. The other niche of local practitioners is that they share the same culture and language with potential clients in the Mainland, and are very experienced in conducting business in the Mainland. That notwithstanding, in light of economic globalization, China's accession to the World Trade Organization, and the development momentum associated with the rapid liberalization of the Mainland economy under the 11th Five-Year Plan, our practitioners will face keen competition from around the globe.

4. At the national level, services account for only about 40% of the Mainland GDP. As the Mainland's economy continues to grow, Mainland enterprises will demand greater support from professional services, especially in the course of implementing the "going global" strategy. The strengths of Hong Kong include the international outlook of its top managers, a well-established self-regulatory system, high quality professional services, competitive infrastructures, and international standards of corporate governance and project management. Nonetheless, with the development of the Mainland, and the relatively higher manpower and operating costs in Hong Kong, local practitioners are expected to face keen competition from other Mainland cities.

5. At the regional level, the Government of Guangdong Province is seeking to accelerate the development of its services industry including legal and accountancy services. This is expected to pose imminent challenges to Hong Kong, given the rapid pace of economic reform in Guangdong, and the fact that the practitioners therein have an edge over Hong Kong service providers in terms of networking opportunities and lower service charges.

Responses / Actions taken by the Government and Other Sectors

6. At the international level, professional bodies have maintained close liaison with their international counterparts, with a view to enhancing the international competitiveness of Hong Kong practitioners. At the national level, the Closer Economic Partnership Arrangement (CEPA) has provided an important trade facilitation platform enabling our service

providers to enter the Mainland market earlier. At the regional level, the Government has put in place new cooperative frameworks between Hong Kong and the Mainland, and established the Professional Services Development Assistance Scheme to help enhance the competitiveness of our practitioners in the Mainland market. The Trade Development Council (TDC) has also been promoting the service industries of Hong Kong, collecting and disseminating economic and trade information for the professional services sector.

Recommendations

7. On short-term measures, the HKSARG Government will work closely with the Mainland to implement and promote CEPA, with a view to facilitating Hong Kong companies to make use of the Mainland's preferential measures under CEPA. The TDC's promotional efforts aside, individual bureaux will also seek to strengthen exchanges between professional bodies of the two places, follow up on the implementation of liberalization measures under CEPA, facilitate the work on mutual recognition of professional qualifications, and prepare for the next phase of CEPA consultation.

8. On medium and long-term measures, the Government will continue to enhance CEPA's benefits through such means as consolidating the liberalisation measures on trade in professional services between the Mainland and Hong Kong, seeking to lower market entry thresholds or qualification requirements for registration of enterprises, promoting mutual recognition of professional qualifications and mutual exemption of certain areas in examinations, and facilitating trade and investment. To facilitate the provision of service by our professionals in the Guangdong market, the Government may, in collaboration with the Guangdong Province, consider putting forward proposals to the relevant departments of the Central People's Government on the delegation of certain approving authority in relation to the professional services, as well as measures to improve the policies of establishing business and market entry in Guangdong. Moreover, local practitioners' efforts to develop tailor-made services for the Mainland market, maintain their international perspectives, strengthen cooperation with their Mainland counterparts should be conducive to strengthening Hong Kong's role as a services centre of China, and a two-way platform for Mainland enterprises to "bring in foreign investment" and "go global".

Advice Sought

9. We would like to seek advice from members on the above analysis and recommendations.

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