CONSULTANCY STUDY ON SOCIAL, ECONOMIC AND POLITICAL DEVELOPMENTS IN PAN-PEARL RIVER DELTA REGION

EIGHTH MONTHLY REPORT

COVERING FUJIAN, JIANGXI, HUNAN AND HAINAN

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EXECUTIVE SUMMARY

1. The service industries of the four south-eastern provinces (Fujian, Jiangxi, Hunan and Hainan) of the Pan-PRD region are underdeveloped but have experienced rapid growth in recent years. It is expected that the service industries of the four provinces will continue to grow in the coming five years. Foreign and Hong Kong professional services providers are mainly concentrated in the first-tier cities of the Mainland and rarely go to the four south-eastern provinces. Until now, some progress has been made on mutual recognition of professional qualification between Hong Kong and the Mainland, such as for estate and valuation surveyors, architects, structural engineers, and so on.

2. The construction industry is a traditional and pillar industry of Fujian. In recent years, Fujian has been actively exploring the construction market outside the province, developing supporting sectors, and training up professionals for the industry. The total output value of the construction industry and the number of employees in the industry are expected to reach RMB180 billion and 1.5 million respectively in the year 2010.

3. Jiangxi has adopted a series of measures to further develop its medical and hygiene sector. These measures include: regulating the practices of medical institutions, setting up the jointly financed-medical system in more rural areas, accelerating the development of elderly services, and starting the experimental introduction of community health care.

4. Hunan is accelerating the development of producer services. In the first half of 2006, the finance and insurance, transportation, logistics, and communication industries of Hunan have achieved a big increase in growth. The service industry is projected to grow at an annual rate of 11% in the coming five years, in which producer services are the key development areas.

5. With the ending of the five-year transition period following China's entry into WTO, Hainan is facing intense competition in the service market particularly in the tourism industry. The strategy of "Seeking large enterprises and large projects to drive the economy" has created opportunities for financial services providers. With the entering of foreign insurance companies, Hainan provincial government has worked on accelerating the reform and enhancing the control of the insurance sector.

6. Professional services are one of the key pillars for the economic development of Hong Kong. With the rapid development of the Mainland economy and the implementation of CEPA, the Mainland will become one of the largest export markets of Hong Kong's professional services. After some progress has been achieved on mutual recognition of professional qualification, the next step in supporting Hong Kong professionals to enter the Mainland market should be to assist them in setting up business in the Mainland.

7. Hong Kong professionals should get a better understanding of the Mainland market and focus on providing services that have competitive advantages.