

A Study on the Impact of Liberalization of Trade in Services in the Guangdong-Hong Kong-Macao Greater Bay Area on Guangdong's Economy

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Abstract: The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is composed of two special administrative regions of Hong Kong and Macao in China and nine cities in the Pearl River Delta. At present, the Guangdong-Hong Kong-Macao Greater Bay Area is one of the regions with the highest degree of openness and the strongest economic vitality in China, and has an important position in the development of China. To further realize the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Ministry of Commerce has introduced a number of policies prompting the liberalization of trade in services in the Guangdong-Hong Kong-Macao Greater Bay Area, and Guangdong Province, as one of the core components of the Guangdong-Hong Kong-Macao Greater Bay Area, the development of the liberalization of trade in services in the Guangdong-Hong Kong-Macao Greater Bay Area will have an important impact on the economy of Guangdong.

Keywords: Guangdong-Hong Kong-Macao Greater Bay Area; Trade liberalization; Problems and policy suggestions

With the deepening of China's economic development, the Party has proposed the policy of "Guangdong, Hong Kong, Macao and the Great Bay Area", which is an important initiative for the strategic development of China in the new era, and "Guangdong, Hong Kong, Macao" can, to some extent, represent the development of China's economy and urbanization. Therefore, the proposed policy can not only play an important role in promoting the development and enhancement of regional economy, but also provide effective and valuable experience for the construction of other regional economic policies.

"In 2019, the country also proposed the concept of "Guangdong-Hong Kong-Macao Greater Bay Area services trade liberalization", which aims to continuously deepen the development of services trade in the region and develop modernization. In 2019, the country also introduced the concept of "service trade liberalization in the Greater Bay Area", which aims to continuously deepen the development of service trade in the region and develop a new modernized service trade pattern. The "trade liberalization" is based on the Outline of the Development Plan of Guangdong-Hong Kong-Macao Greater Bay Area, and the main objective is to enhance the facilitation and liberalization of trade in services in Guangdong, Hong Kong and Macao.^[1]

Therefore, based on the current situation of the development of the service industry in Guangdong Province, it is of great significance to implement the "Guangdong-Hong Kong-Macao Greater Bay Area Service Trade Liberalization".^[2]

1. Analysis of the Current Situation of Service Trade Liberalization in Guangdong, Hong Kong and Macao

1.1 Characteristics of Guangdong's service industry

Since 2012, the output value of the tertiary industry in Guangdong has steadily exceeded that of the secondary industry, forming a development pattern of "three, two, one", and from the viewpoint of the tertiary industry in Guangdong Province in Table 1, the proportion of the tertiary industry in GDP has exceeded 50% since 2015 and is rising year by year. According to this trend, the proportion of tertiary industry to GDP will be higher in the future.

Table 1: Value added of tertiary industry and its share in GDP, real growth index in Guangdong Province, China, 2010-2018

Time	Value added of tertiary industry (billion yuan)	Percentage of GDP	Actual Growth Index
2010	20711.55	45	110.6
2011	24097.7	45.3	110
2012	26519.69	46.47	109.54
2013	29688.97	47.8	109.9
2014	33223.28	48.99	107.99
2015	36853.47	50.61	109.47
2016	42050.88	52.01	109.21
2017	48085.73	53.6	108.75
2018	52751.18	54.2	107.8

Data source: National Bureau of Statistics

1.2 Characteristics of Hong Kong's trade in services

Hong Kong's trade in services in 2017 compared with 2016, total exports of services were RMB 812.9 billion, an increase of 6.3%; total imports of services were RMB 605.5 billion, an increase of 4.7%. The total intangible trade surplus in 2017 was RMB207.4 billion, equivalent to 34.3% of the total service inputs in 2017, which was higher than the total intangible trade surplus of RMB186.7 billion, equivalent to 32.3% of the total service inputs in 2016.

Table 2: Hong Kong Trade in Services Statistics 2007-2017 (HK\$ million)

Year	Service Output	Service input	Total trade in services	Net service output
2007	502775	536060	1038835	-33285
2008	544358	565399	1109757	-21041
2009	501303	473686	974989	27617
2010	625719	546930	1172649	78789
2011	710716	578035	1288751	132681
2012	764026	594266	1358292	169760
2013	812640	583216	1395856	229424
2014	829085	573522	1402607	255563
2015	808948	574345	1383293	234603
2016	764839	578106	1342945	186733
2017	812937	605506	1418443	207431

Source: According to the Census and Statistics Department of the Hong Kong Special Administrative Region

According to data provided by the Census and Statistics Department of the Hong Kong Special Administrative Region, the main destinations of Hong Kong's exports of services in 2017 were Mainland China and the United States, with total exports of services amounting to \$310.2 billion (39.9%) and \$110.9 billion (14.3%) respectively, followed by the United Kingdom, Japan and Singapore, with total exports of services amounting to \$64.2 billion (8.2%), \$33.5 billion (4.3%) and \$32.4 billion (4.2%) respectively. As for imports of services, the Mainland of China and the United States were also the major sources, with total imports of services amounting to \$228.1 billion (38.2%) and \$66.2 billion (11.1%) respectively, followed by Japan, the United Kingdom and Singapore, with total imports of services amounting to \$49.9 billion (8.4%), \$34.8 billion (5.8%) and \$25.7 billion (4.3%) respectively.^[3]

From the above data, it is analyzed that the Mainland is the most important destination for Hong Kong's service exports, accounting for about 40% of the total exports. The Mainland and Hong Kong have a high degree of complementarity in the area of trade in services, and both sides have achieved a win-win result. Looking ahead, the government will actively play the role of "facilitator" and "promoter" to seize the opportunities brought by the "Belt and Road" initiative and the "Guangdong-Hong Kong-Macao Greater Bay Area". The Government will play an active role as "facilitator" and "promoter" to seize the opportunities brought about by the "Belt and Road" initiative and the "Guangdong-Hong Kong-Macao Greater Bay Area". Hong Kong is committed to strengthening

economic and financial cooperation with the Mainland and other trading partners to further improve market access for Hong Kong's service suppliers and create an enabling environment for the robust development of Hong Kong's services trade.

1.3 Features of Macao's Governance Policies

In the Policy Address, the Macau SAR Government stated that "the Government of the Macao Special Administrative Region (SAR) will continue to promote moderate and diversified economic development".

According to the latest policy priorities of the SAR Government, in line with the implementation of the development plan of the Guangdong-Hong Kong-Macao Greater Bay Area, Macau enterprises are encouraged to carry out innovative R&D. The first \$3 million of "eligible R&D expenditure" is eligible for a deduction of three times the amount of taxable income for supplementary income tax, and the remaining amount is eligible for a deduction of twice the amount of taxable income, capped at \$15 million. Promote the comprehensive development of education and the cultivation of diversified talents. To improve the diversified education system, enhance the quality of education, promote fairness in education, strengthen patriotic education, and increase the investment of resources to enable the continuous growth of local talents. In terms of talent cultivation, talents are the root of innovation and an important guarantee for enhancing the comprehensive strength of the city. The government optimizes the long-term mechanism of talent cultivation, improves the talent policy and related supporting system, and strengthens the transparency and monitoring mechanism of talent introduction. At the same time, it will integrate information on the demand for talents in short supply in Macao, and cooperate with the relevant information regularly released and shared by the cities in the Greater Bay Area to promote the exchange of information on talents in the Greater Bay Area.^[4]

Formulate policies conducive to the cross-border flow of talents and regional integration, and explore mechanisms for the introduction of high-end talents and professionals, so that local talents can broaden their horizons, enhance their knowledge and grow successfully in the interaction.

2 Analysis of the Problems of Liberalization of Trade in Services among Guangdong, Hong Kong and Macao

2.1 Cumbersome tax policies

Although it is said that the State Administration of Taxation has launched a series of preferential policies on taxation in the Guangdong-Hong Kong-Macao Greater Bay Area, in fact, no further progress has been made in matters such as tax declaration for foreign payments by corporate taxpayers, tax declaration for non-resident enterprises and individuals enjoying tax treaty treatment, and other matters on trade in services, which involve different policies corresponding to the taxation of different commodities, and the business has to be handled at the tax service hall, which is far away and time-consuming, thus greatly hindering This greatly hinders the efficiency of enterprises.^[5]

2.2 Insufficient supporting measures

With the increasing number of companies stationed in the Greater Bay Area and the concentration of industrial population, the problem of lagging supporting functions in the park has become increasingly prominent. According to the list of the top 500 enterprises in Guangdong Province in 2015, the number of manufacturing companies accounted for a slight decline of 0.6% of the top 500 companies [7], which to a certain extent limits the rapid economic development of the Greater Bay Area. The current problems are: slow infrastructure construction and imperfect supporting services. There are dead ends in water supply, road traffic, public security, health, and public supporting facilities, electronic monitoring, etc. Accelerating the improvement of public supporting facilities is an inevitable requirement for the construction of the Guangdong-Hong Kong-Macao Greater Bay Area.

2.3 Difficulties in Talent Mobility

According to the "Guangdong-Hong Kong-Macao Greater Bay Area Talent Development Report" (hereinafter referred to as the report), a comprehensive and systematic study on the talent situation in the Guangdong-Hong Kong-Macao Greater Bay Area released for the first time in Hong Kong by the China and Globalization think tank (CCG), there exists a limited number of international first-class

talents in the region, and the lack of original innovation capability, key technologies being restricted, and new first and second cities grabbing people are the main challenges faced by the Greater Bay Area in terms of talent. In terms of the total number of talents, the number of academicians of the two academies in Guangdong in the Bay Area is insufficient, while the number of academicians from Hong Kong, Taiwan, Zhejiang Province and European and American countries reaches 50. It can be seen that the quality of talent in Guangdong, Hong Kong and Macao Bay Area as a whole is lower than the other three major bay areas in the world, the proportion of highly educated and high quality talent to the total population is low, the talent gathering effect has not yet formed, Hong Kong and the Mainland at the same time there is the phenomenon of brain drain, the development of the Greater Bay Area when how to make talent back to the lack of local talent and high-end talent, and create a development environment to attract talent should become the focus of the Bay Area development thinking.

2.4 Different legal environment

Due to the different legal systems implemented in Guangdong, Hong Kong and Macao, in the process of actually carrying out trade in services, enterprises are not immune from developing legal conflicts, mainly including the lack of laws and regulations, cross-regional related legal conflicts, in addition to the weak concept of legal administration and the low cost of violation. Overall there are certain obstacles in the field of property rights, finance, law enforcement and justice, which affect the liberalization of trade in services among Guangdong, Hong Kong and Macao.

3 Policy Recommendations for the Development of Cooperation among Guangdong, Hong Kong and Macao

3.1 Formulating policies for the liberalization of trade in services in the Guangdong-Hong Kong-Macao Greater Bay Area

According to the above analysis, high operating costs, imperfect social services, shortage of talents and backward financial services are the main problems affecting the smooth promotion of service trade liberalization in Guangdong, Hong Kong and Macao. In response to these problems, the rental market management should be strengthened to control the excessive growth of rent for business premises of service industry enterprises. Optimize municipal construction and give full protection to service industry enterprises in Guangdong, Hong Kong and Macao in terms of water, electricity and gas. Lower the threshold for people and households to retain skilled talents. Promote the early and pilot implementation of social security portability policies for Guangdong, Hong Kong and Macao, and introduce professional talents from Hong Kong and Macao to Guangdong for development. The development of vocational training can be promoted through financial subsidies. Learn from the experience of Hong Kong and Macao in financial industry development, promote financial innovation and facilitate financing.

3.2 Create a legal environment for the liberalization of trade in services in the Guangdong-Hong Kong-Macao Greater Bay Area

Legalized business environment is an important guarantee for the liberalization of service trade in Guangdong, Hong Kong and Macao, but according to the current situation, it is found that the lack of rule of law protection is a prominent problem centrally reflected by service industry enterprises in Guangdong, Hong Kong and Macao. To this end, for areas in which Guangdong Province has the power to legislate on taxation, local legislation can be adopted to clarify the taxation system, reasonably determine tax rates, and strictly control non-taxation fees levied on enterprises. In order to strengthen the protection of intellectual property rights, the industrial and commercial sector should crack down on various infringements of intellectual property rights and set up a hotline for intellectual property protection. Regulate the patent application service market.

3.3 Formulating a special plan for nurturing international-level enterprises in the Guangdong-Hong Kong-Macao Greater Bay Area

The free opening up of Guangdong, Hong Kong and Macao was initially manifested as mutual investment and mutual market of the three places. However, with the changing global economic situation and the economic and institutional development of the three regions, this initial opening-up

model can no longer adapt to the new market environment, and the challenges are becoming more and more enormous. Accelerate the "go global" has become an important development goal of Guangdong and even the country. The international market environment is complex and requires adequate preparation in order to participate in the division of labor in the international market. Guangdong, Hong Kong and Macao, as a more open region in the country, have certain advantages in meeting international challenges, and combined with the idea of gradual advancement, it is necessary to first cultivate a number of enterprises with international standards, that is, to develop a special cultivation of international-level enterprises in Guangdong, Hong Kong and Macao, and to participate in the division of labor in the international market on behalf of the construction results of the demonstration zone, and to provide a good model for other enterprises in the demonstration zone and in China. Therefore, it is necessary to develop "Guangdong, Hong Kong and Macao enterprises cultivation special" plan.^[6]

3.4 Establishing a global high-end forum for cooperation among Guangdong, Hong Kong and Macao: Nansha Forum

The liberalization of trade in services among Guangdong, Hong Kong and Macao not only involves Guangdong, Hong Kong and Macao, but its positioning as a demonstration zone will have a significant impact on the whole country, neighboring countries and the world in the fields of economy, policy and culture, etc. The successful experience of the demonstration zone will help improve China's international status and international influence. "Global High-End Forum on Cooperation among Guangdong, Hong Kong and Macao: Nansha Forum". It will be based on the Guangdong-Hong Kong-Macao region, oriented to the world, and positioned at the high end, bringing together industry professionals from the three regions and the world to provide professional advice and suggestions, and assist the demonstration zone to steadily take shape and develop rationally in all aspects. At the same time, the professional cultivation will help the demonstration zone to grow more standardized and smoothly, and the exchange of global industry insiders will, to a certain extent, respond to the general trend of economic globalization. Therefore, it is necessary to set up the "Guangdong-Hong Kong-Macao Cooperation Global High-End Forum Nansha".

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