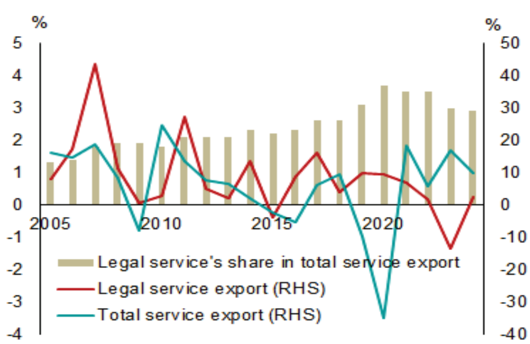
Annex 4. Navigating Further Development: Legal and Healthcare Services in Hong Kong[22]

1. **Hong Kong remains a service-driven economy and export of advanced services other than finance remains critical to its longer-term potential growth.** In recent years, the export of higher education services has become a bright spot in Hong Kong's economy,[23] but several other sectors, including healthcare and legal services, have room for further development. Although the legal services industry has demonstrated competitiveness in capital market transactions and Chinese Mainland-related cross-border legal work, supported by deeper integration following the signing of the Closer Economic Partnership Arrangement (CEPA) in 2003, its international presence remains relatively subdued compared with peer economies such as Singapore. Separately, the healthcare sector presents significant growth opportunities as well. Hong Kong possesses strong healthcare research and development capabilities and could further strengthen the industry through greater linkages with related service sectors, including tourism. In particular, strategic planning is needed to capitalize on major structural trends such as population aging and the resulting increase in healthcare expenditure.[24]

Legal Services

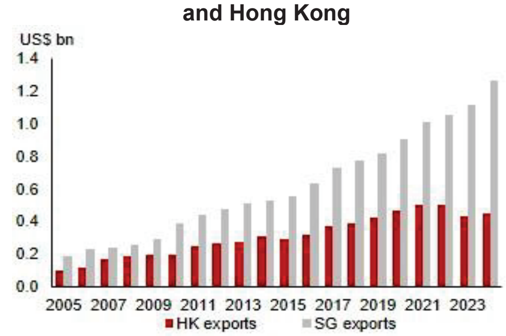
2. **Legal services exports have underperformed since 2020, diverging from a broader recovery in total services exports (Figure A4.1).** This weakness largely reflects the sector's heavy orientation toward Chinese Mainland-related work—capital flows, disputes, and cross-border structuring—much of which slowed down between 2020 and 2024. For example, IPO fundraising in Hong Kong, much of it by Chinese firms, declined from HKD400 billion in 2020 to HKD88 billion in 2024, a decline of 78 percent. The legal work tied to these listings fell with the decline in fundraising. Compared with Singapore, which also operates under a common-law system, Hong Kong's exports of legal services appear to show weaker comparative advantage (Figure A4.2).

Figure A4.1. Hong Kong Legal Service Exports



Source: C&SD; AMRO staff compilation

Figure A4.2. Legal Service Exports: Singapore and Hong Kong



Source: C&SD; SingStat; AMRO staff compilation
Note: HK = Hong Kong and SG = Singapore.

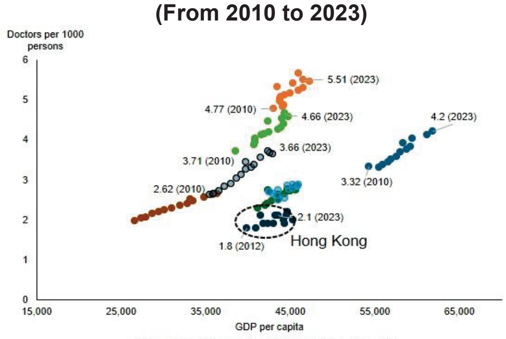
[22] Prepared by Jungsung Kim, Senior Economist, and Wee Yang NG, Research Analyst.
[23] Non-local students pursuing locally accredited full-time post-secondary programmes in Hong Kong rose from 54,500 in the 2022/23 academic year (AY) to 79,300 in the 2024/25 AY. Within this total, non-local students enrolled in University Grants Committee (UGC) -funded programmes increased from 23,100 in the 2023/24 AY to 26,600 in 2024/25 AY, an increase of around 15 percent, with students from around 100 countries and regions. Self-financing post-secondary institutions also recorded strong growth, with the six self-financing institutions increasing their enrolment from 4,600 in the 2022/23 AY to about 8,300 in the 2024/25 AY (Legislative Council Panel on Education, Latest Developments of Building Hong Kong into an International Post-secondary Education Hub, 2025).
[24] Health expenditure as a percentage of GDP has been increased steadily, with the percentage rising from 6.1 percent in 2012-13 to 10.0 percent in 2022-23.

3. Singapore's competitive edge in legal services exports stems from the diversification of its offering rather than concentration in any single practice area or jurisdictional niche. While Hong Kong retains a distinct advantage through the PRC–Hong Kong Interim Measures Arrangement, which allows parties in Hong Kong-seated arbitrations to seek asset or evidence preservation orders in Chinese Mainland courts, Singapore's stronger overall performance rests on its ability to serve a wider range of international clients across diverse practice areas and governing laws—making it a more general-purpose legal services export hub in the region. The Singapore International Arbitration Centre reported parties from 72 jurisdictions in its 2024 caseload, for instance, underscoring its broad appeal across common-law systems. This contrasts with Hong Kong International Arbitration Centre, whose user base remains more geographically concentrated, with Chinese Mainland parties accounting for approximately 40 percent of all arbitration filings in 2024.

Healthcare Services

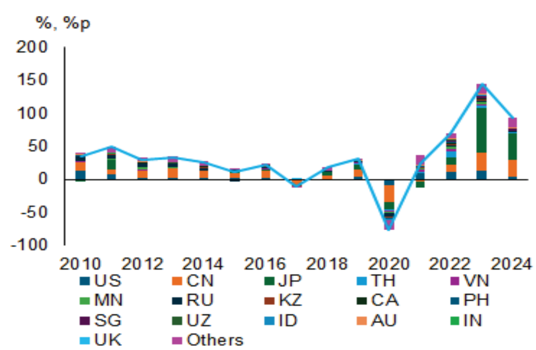
4. Healthcare expenditure by Hong Kong residents has recorded robust growth since 2010, increasing at an average annual rate of around 8 percent. However, Hong Kong faces a pronounced shortage of doctors compared with other advanced economies (Figure A4.3). Such manpower constraints may pose structural limitations on the sector's growth.[25] Within the region, Korea has emerged as a leading destination for medical tourism and cross-border healthcare services. The sharp increase in the number of foreign patients has supported not only the medical industry, but also tourism, retail, and other consumption-related activities. By nationality, the top five source countries of visitors traveling to Korea for medical purposes in 2024 are Japan (441,000 patients), Chinese Mainland (260,000), the US (102,000), Thailand (38,000), and Singapore (27,000). Collectively, patients from ASEAN+3 economies accounted for about 68 percent of total foreign patients in 2024 (Figure A4.4). In 2024, foreign patients spent approximately USD2.6 billion using credit cards, of which around 62 percent was attributed to non-medical expenditures. This indicates that the economic impact of medical tourism is not confined to healthcare services but generates substantial spillovers across the broader domestic economy (Figure A4.5).

Figure A4.3. Number of Doctors per 1,000 persons (From 2010 to 2023)



Source: OECD, C&SD; AMRO staff compilation
Note: AUS= Australia, AUT= Austria, CAN=Canada, FIN=Finland, DEU= Germany, HKG=Hong Kong, KOR=Korea, and NZL= New Zealand.

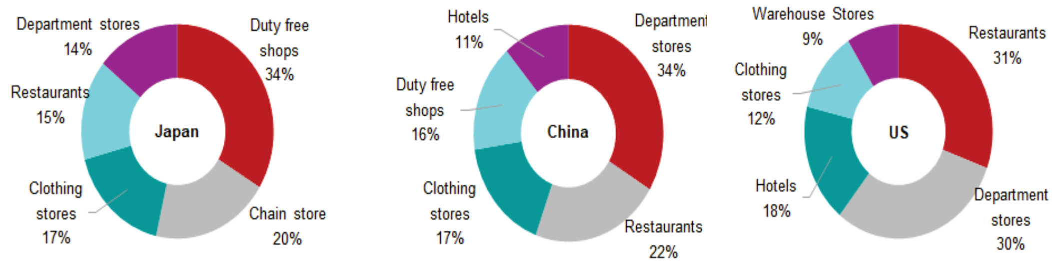
Figure A4.4. Foreign Patients Inflows into Korea by Nationality



Source: Korea Health Industry Development Institute; AMRO staff compilation
Note: US = United States; CN= Chinese Mainland; JP = Japan; TH = Thailand; VN= Vietnam; MN= Mongolia; RU=Russia; KZ=Kazakhstan; CA=Canada; PH= the Philippines; SG=Singapore; UZ= Uzbekistan; ID= Indonesia; AU=Australia; IN= India; UK=United Kingdom; and Others includes France, UAE, etc.

[25] Another barrier is that while tourists from the Chinese Mainland are a major source of local medical tourism, their medical insurance policies usually do not cover Hong Kong, making them pay full out-of-pocket costs. This creates a financial barrier for seeking complex treatments and surgeries, limiting growth in demand for Hong Kong's healthcare services (Research Office of the Legislative Council Secretariat, Promoting medical tourism in Singapore and Malaysia, 2025).

Figure A4.5. Non-medical Expenditures of Foreign Patients Visiting Korea



Source: Korea Health Industry Development Institute; AMRO staff compilation
Note: The shares reported above are based on the top five spending categories by share of expenditure.

5. **The steady increase in foreign patient inflows into Korea has been supported by several factors.** They include a high standard of medical technology and skilled healthcare professionals, strong price competitiveness, proactive government efforts to attract foreign patients, and an efficient treatment system. In terms of service utilization, demand is heavily skewed toward dermatology (37 percent as of 2024) and plastic surgery (18 percent), followed by internal medicine (14 percent), health checkup services (8 percent), and traditional oriental medicine (3 percent). This distribution reflects both Korea's established strengths in aesthetic medicine and the growing appeal of preventive and wellness-oriented healthcare services among foreign patients.

Navigating Further Development

6. **Sustaining the growth of these high value-added service sectors in Hong Kong will require addressing structural and competition-restricting constraints, while exploring and diversifying into new markets.**

Legal Services

7. **To revitalize Hong Kong's legal services sector, it is important not only to develop new business opportunities related to the Chinese Mainland market, but also to broaden the client base and scope of services—an important lesson from Singapore's experience.** Legal services could benefit from the continued development of the offshore RMB market, deeper financial integration with the Chinese Mainland, and rising demand from foreign firms seeking entry into the Chinese Mainland market. At the same time, policy efforts should aim to attract more international disputes, legal mandates, and professional firms associated with ASEAN, the Middle East, and global infrastructure and project finance.

8. **To enhance competition in Hong Kong's legal services sector, assessing whether regulatory restrictions are excessive is important.** Restrictions that limit foreign lawyers to practicing only the law of their home or third jurisdictions are widely regarded as a constraint on competition.[26] Hong Kong could promote greater professional mobility through appropriate mutual recognition arrangements for legal qualifications and licenses, thereby lowering entry barriers and easing manpower shortages.

[26] The Law Society of Hong Kong: Information for Registration as a Foreign Law Firm, 2025.

Healthcare Services

9. **With demographic aging accelerating across Chinese Mainland, expanding Hong Kong's medical services market through cross-border hospital establishment represents a strategically important avenue for long-term growth.** Realising this opportunity, however, will require addressing structural barriers including the lack of mutual recognition of medical qualifications. Further enhancing cross-border arrangements will be essential to translating the region's demographic imperative into a durable expansion of Hong Kong's medical services footprint.

10. **Understanding evolving demand trends in medical services is important for the development of the healthcare industry.** Leveraging Hong Kong's strong global competitiveness in biotechnology and healthcare R&D,[27] the authorities could further support the development of more specialized and customized medical services tailored to emerging consumer demand. In addition, Korea's experience shows that strategically linking medical services with Hong Kong's traditional growth pillars—such as tourism and retail consumption—is also important.

11. **Stringent manpower supply regulations have contributed to persistent mismatches between demand and supply.** A key policy bottleneck lies in the historically narrow pathway for overseas-trained doctors to enter practice. While the authorities have introduced measures such as a special registration pathway to attract non-locally trained physicians, further reforms may be needed to address persistent workforce shortages.[28] These shortages extend beyond physicians to nurses and other healthcare professionals, reflecting licensing barriers, retention challenges, and demanding working conditions.

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[27] Hong Kong is also well positioned in terms of its world-class healthcare R&D infrastructure. The Hong Kong Science and Technology Parks (HKSTP), one of the city's flagship innovation platforms, provides a comprehensive range of facilities and support services for healthcare and biotechnology research and development, including the Biomedical Technology Support Centre, the Healthcare Devices Innovation Hub, the Chemical Co-Working Centre, as well as biobanking and Good Manufacturing Practice facilities.

[28] Hong Kong's special registration pathway allows eligible non-locally trained doctors with recognized qualifications to practice in designated public healthcare institutions; after meeting service, specialist qualification, assessment and other requirements, they may obtain full registration. Non-locally trained graduates without overseas internships may first take the Medical Council of Hong Kong (MCHK) Licensing Examination before applying under the same pathway. The Hong Kong government has acknowledged that even those reforms were not fully sufficient. In February 2026, it stated that the special registration pathway was "not particularly attractive" to non-locally trained doctors who were non-Hong Kong permanent residents and proposed widening access further in light of continued shortages and stronger international competition for healthcare talent. (Hong Kong Government, Legislative amendment proposals and related measures for healthcare manpower, February 2026)

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