

**Commission on Strategic Development  
Executive Committee**

**Follow-up on the Economic Summit on "China's 11<sup>th</sup> Five-Year  
Plan and the Development of Hong Kong"**

(Translation)

**Purpose**

This paper reports on the Economic Summit on “China’s 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong” and the way forward therefrom for Members’ discussion.

**Background**

2. The Outline of the National 11<sup>th</sup> Five-Year Plan, endorsed in the fourth session of the 10<sup>th</sup> National People’s Congress on 14 March 2006, is a very important document with a binding effect on the whole country. Under the principle of “One Country, Two Systems”, Hong Kong is provided with in the Outline unequivocal support in the development of our service industries such as financial services, logistics, tourism and information services, and the maintenance of our status as an international centre of financial services, trade, and shipping. We are also encouraged to further exchange and cooperate with the Mainland on all fronts. It is not only a form of the support and recognition given to us by the country, but also its expectation of us.

3. As a positive response to the National 11<sup>th</sup> Five-Year Plan, the Chief Executive announced in May the holding of the Economic Summit on “China’s 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong”. The objective was to call upon all sectors of the community to explore the opportunities and challenges arising from the National 11<sup>th</sup> Five-Year Plan, study and analyse our role and the overall strategy we should adopt in the economic development of China amid globalisation, and make concrete responses by working out a package of strategic proposals. On the basis

of the proposals, the Government would draw up a practical and achievable action agenda by end-2006 or early 2007, setting out the specific items to be followed up by the Government, the academics, the business sector and the relevant public organisations.

## **The Economic Summit**

### **I. Major Issues**

4. The Economic Summit was held on the 11 September 2006 and focused its discussion on issues in relation to the proposals of the 11<sup>th</sup> Five-Year Plan that Hong Kong should maintain its status as an international centre of financial services, trade and shipping. There were also in-depth discussions on the development of specific sectors such as professional services, information and technology, and tourism that are closely related to the continued development of the “three international centres” of Hong Kong.

5. Under the coordination of the Central Policy Unit, relevant bureaux and departments of the Government had prepared ten papers on the above issues for discussion by the panelists of the Economic Summit. The relevant programme, speeches given by the Mainland guest speakers, and the discussion papers have been uploaded to the website for the Economic Summit (URL: [www.info.gov.hk/info/econ\\_summit/eng/index.html](http://www.info.gov.hk/info/econ_summit/eng/index.html)).

### **II. The Meeting**

6. The plenary session held in the morning focused discussion on Hong Kong’s development into the “three international centres” from the following three perspectives -

- (i) From a **global perspective**, issues examined include Hong Kong’s actual positioning in the world with regard to the “three international centres”; whether Hong Kong is yet to achieve and keep a leading position; identification of difficulties and obstacles and means to overcome them; measures being adopted to meet the challenges; and advantages and opportunities in store to help us rise up to these challenges.

- (ii) From a **national perspective**, issues examined include opportunities and challenges arising from the anticipated development of the Mainland under the 11<sup>th</sup> Five-Year Plan, in relation to the maintenance of Hong Kong's international status in three areas – finance, trade and shipping.
- (iii) From a **regional perspective**, issues examined include opportunities and challenges arising from the specific development programmes of the neighbouring Guangdong Province in response to the 11<sup>th</sup> Five-Year Plan, in relation to the maintenance of Hong Kong's international status in three areas – finance, trade and shipping.

7. The salient points made by the panelists at the plenary discussion session were summarised as follows –

- Panelists had a strong consensus on the direction provided for Hong Kong by the 11<sup>th</sup> Five-Year Plan to base our important development in future on the “three international centres”. It was agreed that we should pragmatically work out an action agenda towards this direction and start practical work, in order to attain a leading position on the world stage and to contribute to the modernisation of the national economic development and its integration into the international economy.
- Hong Kong should utilize the two unique roles stemming from the “One Country, Two Systems” principle. The Government should take the initiative and identify areas where Hong Kong can contribute to the nation under the “One Country” concept, for examples, in the areas of finance, monetary affairs and development of the renminbi. On the other hand, we should maintain Hong Kong's unique advantages under “Two Systems”, including our legal system, tax system and business environment in order to use our expertise to assist the country to become a part of the international community.
- In order to maintain and develop our position as “three international centres”, we should continue to improve our

international competitiveness to attain a leading position on the world stage and uphold Hong Kong's position as the most international city in China, so as to better utilise Hong Kong's functions.

- Furthermore, panelists gave an overview of Hong Kong's economic development strategies in response to the 11<sup>th</sup> Five-Year Plan as follows –
  - (i) to enhance the flows on the exchange of people, freight, information and capital between Hong Kong and the Mainland, especially in the Guangdong province;
  - (ii) to strengthen our communication with the Central Authorities;
  - (iii) to step up in the nurturing of talents, to provide more opportunities for talents from overseas and the Mainland to come to Hong Kong, and to assist them to better integrate into our society;
  - (iv) to strengthen the development of Brand Hong Kong.

### III. The Focus Groups

8. In addition, there were discussion sessions of the four focus groups in the afternoon, namely -

- (i) Trade and Business;
- (ii) Financial Services;
- (iii) Maritime, Logistics and Infrastructure;
- (iv) Professional Services, Information & Technology and Tourism.

#### *Trade and Business*

9. Salient points made by the panelists of the Focus Group on Trade and Business were summarised as follows –

- Under the 11<sup>th</sup> Five-Year Plan, the nation has set the goal of further promoting domestic consumption. Hong Kong has an edge in terms of product design, innovation, improvement in productivity, upgrading in quality of goods and the development of Brand Hong Kong. We should

explore how to leverage on our advantages and apply these to the Mainland market. We should also consider how we could further optimize CEPA.

- Hong Kong should provide necessary assistance to the 60,000 Hong Kong-owned factories in the Guangdong Province in upgrading of their operation quality, fulfilling the environmental requirements and obtaining information on the demand of the domestic market.
- Hong Kong could consider applying the Radio Frequency Identification technology at the control points to streamline the custom clearance process and to authenticate products.
- Hong Kong should expedite the implementation and expansion of the existing Quality Migrant Admission Scheme. Without decreasing the number of places for local students, we should enrol more talented students at a young age, whom would be groomed locally and make contribution to Hong Kong after graduation.

### *Financial Services*

10. Salient points made by the panelists of the Focus Group on Financial Services were summarised as follows –

- Panelists considered that the relationship between the two financial systems of Hong Kong and the Mainland should be cooperative, complementary and interactive. Hong Kong's financial platform could help improve the efficiency of the financial intermediation and support sustainable economic growth on the Mainland. As such, the Government should seek to work closely with the Mainland authority regarding the country's financial reform. In order to enhance Hong Kong as an international financial centre, we should channel Mainland's international financial activities to Hong Kong, provided that it is in the interest of the country and in line with the principles of fair competition. Apart from the Mainland market, Hong Kong should explore the business opportunities from other economies in our region.

- Panelists considered that the Government should consider how to maintain a strong pool of talent, both groomed locally or recruited globally, to maintain Hong Kong's high standard of financial and related services.
- Panelists agreed to take the following follow-up actions -
  - (i) to explore proposals for the following five-pronged financial development strategy, and to study how Hong Kong could help improve the efficiency of Mainland financial intermediation by strengthening Hong Kong services to both the international and domestic financial intermediation on the Mainland with a view to providing a testing ground for the move towards renminbi convertibility for the capital account -
    - to increase the presence of Hong Kong financial institutions in the Mainland market;
    - to facilitate funds, investors, fund-raisers and financial institutions on the Mainland to come out and link up with the global market;
    - to bring financial instruments issued in Hong Kong to the Mainland. There is also a need to enhance supervisory cooperation between regulators of the two places and to look into issues such as dual-listing rules and cross-border price premiums;
    - to further expand renminbi business in Hong Kong, particularly in respect of trade settlement in renminbi and the issuance of renminbi bonds; and
    - to strengthen cross-border linkage of payment systems and settlement and clearing systems for equity and bonds.
  - (ii) to set up three working parties, each headed by a panelist to study specific strategies to be put forward in the action plan. The three working parties are –
    - the working party headed by the Honourable

Ronald Arculli, will study the listing rules and regulations in order to facilitate further development of our local equity market;

- the working party headed by Mr He Guangbei will study further development of Hong Kong's foreign exchange, futures and commodities trading; and
- the working party headed by Dr Edmund Tse will study further development of the insurance and reinsurance industries in Hong Kong and the Mainland, and how to attract more pension funds, university endowment and private foundation funds to be set up and invest locally with the view of further strengthening and developing Hong Kong as an international asset management centre.

### *Maritime, Logistics and Infrastructure*

11. Salient points made by the panelists of the Focus Group on Maritime, Logistics and Infrastructure were summarised as follows –

#### *Infrastructure*

- Hong Kong should adopt a more forward-looking mentality and a more effective approach to tie in with the development of the infrastructure network in the Mainland.
- Hong Kong should consider adjusting the traditional “demand-led approach” to tie in with the concept of “developing infrastructure moderately ahead of the actual requirement” adopted in the Mainland.
- The Government should consider setting up a high-level inter-departmental coordinating mechanism to formulate cross boundary infrastructure development strategies and coordinate infrastructure projects.
- In optimizing the cross-boundary transportation networks, Hong Kong should take positive actions on various infrastructure items and strengthen direct links with

comprehensive transportation nodes in the Mainland. We should provide more point-to-point railway connections to major cities, explore new and convenient modes of cross boundary transportation to shorten the distance between Hong Kong and the Mainland, and investigate how the planning of transport infrastructures can extend the hinterland of airport and ports of Hong Kong. We should also step up communication and information exchange with the Mainland authorities so that we could keep abreast of initial planning and studies of major transport infrastructures in neighbouring cities of Mainland.

### Maritime and Logistics

- Panelists opined that the local logistics sector would benefit from the rapid growth of the Mainland economy and external trade, while there were also challenges in terms of competition from low-cost areas. The sector should keep improving logistics technology and raise its competitiveness to face the challenges.
- To maintain Hong Kong's position as a logistics and maritime centre, panelists agreed to consider the following suggestions –
  - (i) to work closely with the sector to improve cross-boundary haulage efficiency;
  - (ii) to promote the application of information technology in the logistics sector;
  - (iii) to keep upgrading the facilities of the Hong Kong International Airport and to enhance the competitiveness of our port and airport facilities;
  - (iv) to enhance communication with the airports and ports in the peripheral areas. We need to have clear delineation of roles so that there will be synergy;
  - (v) to continue to liaise with our major trading partners about double taxation exemption measures in terms of



income derived from shipping and aviation transportation;

(vi) to protect the shipping register service;

(vii) to train up the necessary talent; and

(viii) to expand Hong Kong's aviation transportation arrangements with the Mainland to get more civil air space. That would help to upgrade Hong Kong's position as a major aviation hub.

### *Professional Services, Information & Technology and Tourism*

12. Salient points made by the panelists on the Focus Group on Professional Services, Information & Technology and Tourism were summarised as follows –

#### Professional Services

- A number of professional services have secured the opportunities to develop further in the Mainland under CEPA. It was agreed that the Government should continue to enhance communication with the Mainland to assist professionals in Hong Kong to gain access to the Mainland market; to follow up on the issue of additional requirements imposed on professionals practice in the Mainland; and to study how we should promote cooperation between professionals of the two places. The industries should also develop their services to cope with the Mainland market, and to gain a better understanding of the Mainland situation so that they can play a complementary role with their Mainland counterparts. Hong Kong should continue to maintain our international exposure with a view to strengthening our role as the service sector capital of China.
- to establish our brand.
- to enhance the programme in admitting students from the Mainland.

## Information & Technology

- For innovation and technology, panelists agreed that we should develop our strength in research and technology services, attract and nurture talents on innovation and technology; and strengthen the technology cooperation of Hong Kong and the Mainland, especially Shenzhen and the cities in Pan-PRD region.
- For information services, panelists agreed that Hong Kong enterprises should be allowed to take part in more information projects in the Mainland, and take Hong Kong as a platform for exhibition and trade; Hong Kong should develop its own brand and services to cater for the Mainland market; cross-boundaries linkage in broadband should be established between Hong Kong and the Mainland in application and services level; Hong Kong should enhance cooperation in the Pan-PRD region to extend our telecommunication services to the Mainland market.

## Tourism

- For tourism, the panelists agreed that our cooperation and competition with the Mainland should be enhanced, i.e. promote thematic multi-destination itineraries to highlight Hong Kong's position as a cosmopolitan city as well as a convenient interchange for overseas visitors to the Mainland. In line with the China National Tourism Association's promotion of "Honest and Quality Travel", it was suggested that a pilot scheme to allow Hong Kong travel agencies to operate Hong Kong and overseas tours should be considered. As such, local operators could bring their well-established modes of corporate management to the Mainland and enhance gradually the quality of tourism services. Through cooperation and exchange with the professionals and experts on tourism in Hong Kong, the quality of tourism services in the Mainland would be enhanced. More international conferences, trade fairs and festive activities should be organized to promote tourism in Hong Kong and the Mainland. Hong Kong should also

strengthen the development of tourist spots and facilities.

13. The panelists agreed to set up three working parties on professional services, information and technology and tourism respectively to solicit the views of the respective sectors and to come up with specific follow-up actions to be included in the “action agenda”. Miss Leung Oi-sie, Elsie, Mr SO Chak-kwong, Jack and Mr Wong See-sum, Jackie would be the convenors of the three working parties respectively.

### **The Next Step**

14. Based on the discussion and consensus in the Economic Summit, the four Focus Groups will in the next few months continue to study and discuss in depth the strategic proposals they have made, consulting the community as well as the relevant industries, academics and experts through various means as and where appropriate. As mentioned in paragraphs 10 and 13 above, six working parties have been established under two Focus Groups to take follow-up actions. At the same time, a seminar is being organized by the Central Policy Unit on 2 November to engage the academics, think tanks, middle class, small and medium enterprises, grass-roots and labour sector and youth to discuss and exchange views on the work of the Economic Summit.

15. Each Focus Group will submit to the Chief Executive an “action agenda” with clear and practical objectives by the end of the year or early next year. The action agenda will set out specific actions to be followed up by the Government, the business sector, the academics and relevant public organisations. The implementation timetable and target completion dates would tie in with the 11<sup>th</sup> Five-Year Plan period. The action agenda will serve as a reference for the Government to consider economic policies.

### **Issues to be Considered**

16. Regarding the follow-up on the Economic Summit on "China's 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong", Members are invited to consider the following strategic issues :

- (i) To maintain our position as “three international centres”, what are the strategies and specific measures to be adopted in the development of the financial services,

trade and shipping sectors, so as for Hong Kong to achieve and maintain a leading position not only at national level, but also at global level?

- (ii) Further to the discussion of the Economic Summit, are there any major strategies and specific measures related to the financial services, trade and business, maritime, logistics, infrastructure, professional services, information & technology and tourism which are yet to be reflected?
- (iii) In strengthening Hong Kong as “three international centres”, there are common and inter-related aspects, e.g. nurturing of talent and the free flows of people, freight, capital and information. What are the strategies and specific measures to be adopted in developing these common aspects to support the development of the “three international centres”?
- (iv) How could Hong Kong contribute to the modernisation of the national economic development and its integration into the international economy during the implementation period of the 11<sup>th</sup> Five-Year Plan?
- (v) To achieve the aim of strengthening Hong Kong as an international city, what are the major areas that require further development and improvement?

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