

**Summary of Views Expressed at
the Eighth Meeting of
the Committee on Economic Development and
Economic Cooperation with the Mainland
of the Commission on Strategic Development
held on 29 January 2007**

The Chairman welcomed Members to the meeting.

I. Matters Arising from the Last Meeting

2. The Chairman reported that the summary of views of the seventh meeting of this Committee had been issued to Members as well as relevant bureaux and departments, and uploaded to CSD's website on 24 January.

**II. The Hong Kong Economy: Developments since 2003, and a Review of the Structural and Cyclical Issues Impacting on the Economy and the Labour Market
(Paper Ref: CSD/EDC/1/2007)**

Skill mismatch and unemployment

3. Members considered that the marco-economic review of the economic and employment situation in Hong Kong since 2003 was very useful. Some Members remarked that notwithstanding the general economic recovery and the considerable job creation in terms of scale and coverage since mid-2003, the skill mismatch and unemployment situation at sectoral level should not be overlooked. A Member cautioned that there might be a long-term skill mismatch at professional, managerial and other high-skilled levels in specific sectors, e.g. the information and technology, and financial sectors. The current labour statistics, in which a large number of imported skilled and high-skilled talents had been included, might have blurred the picture of shortage of specific groups of labour in the local market.

4. Some Members had expressed concern on the supply of quality workers. There was some doubt on whether the training of

local graduates could meet the demand for skilled workers for important sectors such as the financial sector. In response, a Member suggested that the existing education system should aim at educating and training young people to have the competence to respond effectively to the ever-changing requirements of the global market. Other Members also pointed out that with more and more local skilled talents moving to the Mainland, there could be a shortage of skilled workers in Hong Kong in the long term.

5. Members noted that the weakness of local construction industry was one of the major causes of unemployment for low-skilled workers. Another Member emphasized that the Government should proactively provide retraining opportunities and support to the unemployed low-skilled workers, in particular the young and the middle-aged groups, to enable them to re-enter the job market. This would also be consistent with the broader Government policy of promoting social harmony.

6. A number of Members viewed that the unemployment rate was largely determined by the prevailing economic conditions. Some Members stated that the labour market had been quite flexible and efficient in adjusting to the structural changes of the economy. As our economy continued to improve, the unemployment rate had been declining in the past few years. The Government should continue to maintain a conducive environment for sustained economic growth.

7. That said, the Government should not overlook the fiscal and social implications of a large number of low-skilled unemployed persons who would be dependent on public welfare and medical services. From an optimistic point of view, a Member envisaged that with the introduction of the 9-year compulsory education and expansion of the tertiary education in the 1980s, the proportion of low-education and low-skilled workers in our labour force would be reduced in the medium-term after the retirement of the existing low-skilled workers.

Development of high value-added and knowledge-based economy

8. A Member asked if the relatively higher productivity growth in Hong Kong compared with other countries as indicated in the Paper was largely due to the increase in working hours of our workforce. The Government Economist pointed out that there was an international

trend of increase in average working hours. This should have already been broadly reflected in the comparison. On this basis, the relatively higher productivity growth in Hong Kong should have reflected a combined result of Hong Kong's economic restructuring towards higher value-added service activities and other factors.

9. A Member suggested re-engaging retired people into the workforce so that they could further contribute their knowledge and experience to the society. This would help increase the supply of skilled talents to support our knowledge-based economy.

Infrastructure development

10. A number of Members expressed concern on the slow progress of the implementation of infrastructure projects. They considered necessary to balance the need for infrastructure development and the need to protect the environment, heritage and local culture. In addition, a Member urged the Government to expedite the implementation of the remaining projects initiated by the former Urban Council and Regional Council.

11. The Chairman responded that the Government fully recognized the importance of infrastructure projects, which would not only create employment opportunities and improve quality of life, but also facilitate the economic development of Hong Kong. The Government would earmark about HK\$29 billion for capital works projects each year. Nevertheless, the actual spending would depend on the timely implementation of the projects. It was noted that with the increased public awareness on environment and preservation of heritage, more lead time was required for preparatory work, including public consultation.

Cooperation with the Mainland

12. Members generally agreed that the economic development of Hong Kong was closely linked with that of the Mainland. They pointed out that the clean and small government, rule of law, and extensive application of IT were our important competitive edges. Hong Kong should fully make use of its comparative advantages to tap into the development opportunities brought about by the rapid development of the Mainland, as well as to complement and facilitate

the Mainland's development.

13. On the development of Hong Kong as an international financial centre, a Member raised that it was necessary to respond to the challenges arising from the rise of other financial centres in the Mainland such as Shanghai. Some Members suggested that Hong Kong should proactively liaise with the Mainland authorities in enhancing the capability of our financial system in handling transactions denominated in Renminbi. In particular, a Member raised that under the current arrangement, Mainland enterprises carrying out their initial public offerings (IPOs) in Hong Kong would need to raise capital in Hong Kong Dollar or other foreign currencies. The Government should explore with the Mainland authorities on establishing a mechanism to allow Mainland enterprises to raise capital in Renminbi through IPOs in Hong Kong. This was particularly relevant as the Mainland had already accumulated a large trade surplus over years.

14. In response, the Chairman stated that the Government was studying the relevant proposed specific measures in the Action Agenda prepared by the focus groups of the Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong", and would take appropriate follow-up actions.

Others

15. A Member put forward that Hong Kong should devote more efforts in the development of creative industry. According to the experience of other advanced economies, creative industry could be a key-driver and have a positive spin-off effect on economic growth and creation of employment.

16. In response to a Member's enquiry on the impact of the gradual depreciation of US Dollar and the appreciation of Renminbi to the economy of Hong Kong, the Chairman stated that the Government had no intention to adjust the current linked exchange rate system. The Government Economist added that the effect of changes in currency rate was merely one of the many factors that might affect the trading business and the overall economic performance of Hong Kong.

17. The Chairman made the following comments -

- (i) Members generally agreed that under globalisation and the rapid development of the Mainland, it was necessary for Hong Kong to continue its economic restructuring towards a knowledge-based economy and develop high value-added services industries. In terms of manpower, it was necessary to constantly upgrade the quality of our labour force to sustain the development of our economy;
- (ii) The major challenges faced by Hong Kong during the economic restructuring process included: skill mismatch of the labour force, impact on low-skilled workers and social harmony, income distribution, etc.; and
- (iii) The Government would closely monitor and examine the above-mentioned issues. The strategic directions and actions in the Action Agenda proposed by the focus groups of the Economic Summit had provided an important reference for the Government to consider the way forward for the future development of Hong Kong.

18. The Chairman said that the Secretariat would prepare a summary of views expressed at the meeting, and distribute to Members as well as relevant bureaux and departments for reference. The date of the next meeting had been scheduled for 7 May 2007 (Monday), and would discuss issues on “further development of Hong Kong’s financial industry”.

19. The attendance list is attached.

Secretariat to the Commission on Strategic Development
March 2007

策略發展委員會
經濟發展及與內地經濟合作委員會第八次會議
2007 年 1 月 29 日

**Eighth Meeting of
the Committee on Economic Development and
Economic Cooperation with the Mainland
of the Commission on Strategic Development
29 January 2007**

出席人士

Attendance List

主席 :

Chairman :

The Financial Secretary

財政司司長

官方委員 :

Official Member :

Head, Central Policy Unit

中央政策組首席顧問

非官方委員 :

Non-Official Members :

Mr CHAN Mo-po, Paul, M.H.

陳茂波先生, M.H.

Mr CHAN Yu-ling, Abraham

陳宇齡先生

Mr CHANG Ka-mun

張家敏先生

Mr CHOI Koon-shum, Jonathan, J.P.

蔡冠深先生, J.P.

Mr CHUI Yik-chiu, Vincent

徐亦釗先生

Mr CHUNG Chi-ping, Roy, J.P.

鍾志平先生, J.P.

Prof ENRIGHT, Michael John

恩萊特教授

Mr FENG Xiaozeng

馮曉增先生

Mr FUNG Hau-chung, Andrew

馮孝忠先生

Dr HUI Cheuk-kuen, Desmond

許焯權博士

Mr HUI Ho-ming, Herbert, J.P.

許浩明先生, J.P.

The Hon LEUNG Kwan-yuen, Andrew, S.B.S., J.P.

梁君彥議員, S.B.S., J.P.

Prof LIU Pak-wai, S.B.S., J.P.

廖柏偉教授, S.B.S., J.P.

Ms LO Kai-yin

羅啟妍女士

Mr LO Wing-hung, B.B.S.
Mr MA Fung-kwok, S.B.S., J.P.
Mr MOK, Charles P.
Mr NG Hak-kim, Eddie, J.P.
Mrs NGAN NG Yu-ying, Katherine
Mr TAM Wai-ho, Samson, J.P.
Mr WAN Sui-lun, Raymond
Mr WONG Ho-ming, Augustine
Ms WONG Ying-kay, Ada, J.P.
Prof YEUNG Yue-man, S.B.S., J.P.
Mrs YUEN SO Siu-mai, Betty
Prof YUEN TSANG Woon-ki, Angelina, J.P.
Dr ZEMAN, Allan, G.B.S., J.P.
Dr ZHANG Junsen

盧永雄先生, B.B.S.
馬逢國先生, S.B.S., J.P.
莫乃光先生
吳克儉先生, J.P.
顏吳餘英女士
譚偉豪先生, J.P.
尹瑞麟先生
黃浩明先生
黃英琦女士, J.P.
楊汝萬教授, S.B.S., J.P.
阮蘇少湄女士
阮曾媛琪教授, J.P.
盛智文博士, G.B.S., J.P.
張俊森博士

列席
In Attendance

Mr KWOK Kwok-chuen, B.B.S., J.P.
Government Economist

政府經濟顧問
郭國全先生, B.B.S., J.P.

因事未能出席
Apologies

官方委員 :
Official Member :

Director, Chief Executive's Office

行政長官辦公室主任

非官方委員 :
Non-Official Members :

Prof CHAN Ka-keung, J.P.
Dr CHAN Man-hung, J.P.
Prof CHEN Kwan-yiu, Edward, G.B.S., J.P.
Ms CHIANG Lai-wan, Ann
Mr LAU Siu-hong, Freeman, B.B.S.

陳家強教授, J.P.
陳萬雄博士, J.P.
陳坤耀教授, G.B.S., J.P.
蔣麗芸女士
劉小康先生, B.B.S.

Mr LIU Changle, J.P.

Dr LUK Tei, Lewis

Prof LUNG Ping-yee, David, S.B.S., J.P.

Mr NG See-yuen, B.B.S., J.P.

Prof SIT Fung-shuen, Victor

Prof WONG Yue-chim, Richard, S.B.S., J.P.

劉長樂先生, J.P.

陸地博士

龍炳頤教授, S.B.S., J.P.

吳思遠先生, B.B.S., J.P.

薛鳳旋教授

王于漸教授, S.B.S., J.P.