

**Initial Outcomes of the Meeting of the Economic Summit on  
“China’s 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong”  
on 11 September 2006**

**Major Consensus**

The Summit meeting has generated a number of consensus on the strategic direction for the future development of Hong Kong in response to the Plan. The meeting strongly supported that Hong Kong should develop further its status as an international financial centre, trade centre and shipping centre as laid down in the Plan. Among the “three international centres”, financial centre was considered the most important centre that Hong Kong should strive to excel. It is necessary for Hong Kong to strive to attain a leading position on the world stage. Only by doing so that Hong Kong will sustain its unique role while continuing to contribute to the modernisation and development of the national economy and the Mainland’s integration into the international economy.

2. The meeting also widely recognized that Hong Kong should leverage on the unique status stemming from the “One Country, Two Systems” principle. Hong Kong should take the initiative and identify areas where we can contribute to the nation under the “one country” concept, for examples, in the areas of finance, monetary affairs and development of the renminbi business. On the other hand, Hong Kong’s unique advantages under “two systems” should also be maintained, including our legal system, taxation system and business environment in order to make use of our expertise to assist the country to become a part of the international community.

3. The Summit has also identified the following key cross-cutting factors that could enhance the competitiveness of our economy as well as sustain the development of the “three international centres” that we aspire to excel :

- (a) maintain a substantive pool of high quality talents;
- (b) promote free and efficient flow of goods, people, capital and information;

- (c) maintain a high quality of professional services, and information and technology support;
- (d) balance social and economic developments with environmental protection for sustainable development; and
- (e) strengthen liaison with the Mainland authorities

The above factors would be further discussed and addressed in varying degrees in the four Focus Groups. They are the important cross-cutting linkages that enhance our competitiveness and support the sustainable development of the “three international centres”.

### **Specific Strategic Proposals**

4. A number of specific strategic proposals have been raised regarding the following four areas :

- Financial Services
- Maritime, Logistics and Infrastructure
- Trade and Business Services
- Professional Services, Information & Technology and Tourism

(a) *Financial Services*

5. Among the “three international centres”, i.e. financial, trade and shipping centres, financial centre was considered the most important one that Hong Kong should strive to excel. This is also consistent with the Mainland’s interests. 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 financial intermediation and support sustainable economic growth in the Mainland. Hong Kong’s leading position on the financial front is underpinned by our fundamental strengths, including the rule of law, a robust regulatory regime, absence of restrictions on capital flows, sound infrastructure, good corporate governance, free flow of information, high degree of liquidity and efficiency, a business-friendly environment, a rich pool of financial professionals and talents, and business practices aligned with international standards.

6. It is necessary to consolidate and enhance our position as an international financial centre in the Asian region. To this end, the following

strategic proposals have been put forward –

- (i) A five-pronged approach should be adopted to further increase the depth and breadth of Hong Kong's financial markets :
- *Further increasing the presence of Hong Kong financial institutions in the Mainland market* – to expand their range of services and actively develop their business in the Mainland.
  - *Further facilitating funds, investors, fund-raisers and financial institutions in the Mainland to come out and link up with the global market* – to strengthen Hong Kong's role in financial intermediation between the Mainland and the rest of the world, by serving not just inflows to but also outflows from the Mainland. Moreover, Hong Kong could serve as a springboard for Mainland financial institutions to develop their international business.
  - *Bringing financial instruments issued in Hong Kong to the Mainland* - to provide Mainland investors with more investment tools but also allow Mainland enterprises to improve their corporate governance through listing in Hong Kong, while at the same time helping the development of Hong Kong's financial markets.
  - *Further expansion of renminbi business in Hong Kong, particularly in respect of trade settlement in renminbi and the issuance of renminbi bonds* - the Government should continue pushing ahead for the expansion of renminbi business in Hong Kong, which could proceed in tandem with the process of moving towards renminbi convertibility for capital account items in the Mainland.
  - *Strengthening cross-border linkage of payment systems and settlement and clearing systems for equity and bonds* - to strengthen financial infrastructural linkages between Hong Kong and the Mainland.
- (ii) Hong Kong should study the listing rules and regulations in order to facilitate further development of our equity market. One of the major issues to be examined is how to broaden the source of corporations seeking to use Hong Kong as a platform for listing, with a view to attracting listings of quality overseas companies.

- (iii) We should develop a full-fledged financial market in Hong Kong, including study further development of Hong Kong's foreign exchange, futures and commodities trading. The robust performance of the Mainland economy in recent years has led to increasing demand for risk management in respect of both commodity prices and exchange rates. This presents scope for Hong Kong to consider ways to make the best use of its strengths in serving the Mainland in this area to the benefits of both economies.
- (iv) We should consider how to retain and further attract talents, both groomed locally and recruited globally, to maintain Hong Kong's high standard of financial and related professional services.
- (v) As Hong Kong is one of the most open insurance and re-insurance markets in the world, Hong Kong's insurance practitioners should explore the business opportunities therein, and continue to foster mutual exchange with its Mainland counterparts. To this end, we should study further development of the insurance and reinsurance industries in Hong Kong and the Mainland.
- (vi) Hong Kong should capitalise on the huge amount of wealth in the Asia-Pacific region which provides the tremendous potential for developing Hong Kong's asset management industry. We should study how to attract more pension funds, university endowment and private foundation funds to be set up and invested locally with a view to further strengthening and developing Hong Kong as an international asset management centre.

(b) Maritime and Logistics Services

- 7. Hong Kong's maritime and logistics industries would continue to benefit from the rapid growth of Mainland's economy particularly its external trade. However, the logistics industry also faces intense competition from our neighbouring areas, in particular the Pearl River Delta region. To enhance Hong Kong's position as an international shipping and logistics centre, we should strive to enhance the overall competitiveness, business environment, and efficiency of the industries. The Government should also continue to develop the necessary infrastructural, in particular cross-boundary transportation, facilities. In this respect,

the following strategic proposals have been put forward –

(i) Infrastructure

- Hong Kong should adopt a more forward-looking perspective to tie in with the infrastructure development in the Mainland. In particular, Hong Kong should consider adjusting its established “demand-led” approach in the investment of transport and other infrastructures and seriously explore the suitability and feasibility of “developing infrastructure moderately ahead of the actual requirement” as adopted in the Mainland.
- The Government should consider establishing a high-level inter-departmental coordinating mechanism to formulate cross-boundary infrastructure development strategies and coordinate infrastructure projects.

(ii) Maritime and Logistics

- To work closely with the logistics industry in enhancing cross-boundary trucking efficiency and lowering operating cost in Hong Kong, and in sharpening Hong Kong’s competitive edge in service quality.
- To further streamline customs clearance procedures and explore more innovative and convenient methods of clearance.
- To promote the application of information technology in the logistics sector to enhance efficiency.
- To enhance Hong Kong’s position as the major aviation hub in the region by upgrading and expanding the passenger and cargo handling facilities of the Hong Kong International Airport such as constructing an additional cargo terminal building and a third runway, and seeking to open up more regional civil airspace for Hong Kong airline operators to strengthen competitiveness.
- To continue negotiating with major trading partners for agreements to relieve double taxation on shipping and air transport incomes. The agreements would remove the differential taxation treatment between Hong Kong and other foreign shipping and air transport companies, and provide a fair competitive environment to all.

- To improve the shipping register service, train up the necessary maritime professionals, and reinforce Hong Kong's position as a shipping centre.

(c) Trade and Business Services

8. Hong Kong is an international centre of trade and business in the Asia-Pacific region. The trade and business sectors account for a significant part of Hong Kong's output value. As Mainland emerges as the "factory of the world", and with growing affluence and increasing consumption, many new opportunities arise for Hong Kong's trade and business sectors. This is particularly more so under the Plan which has set the national goal of further promoting domestic consumption.

9. The following strategic proposals have been put forward –

- To strengthen Hong Kong's role as a stepping stone for foreign investors to enter the Mainland market and for the Mainland enterprises to "go out" to explore the international markets.
- To promote the "Brand Hong Kong" at full strength and boost the brand globally and in the Mainland. The Brand should symbolize high quality, efficiency, international and fashionable products and services. It should also represent Hong Kong's image as an international city with a vibrant and cosmopolitan lifestyle.
- To make full use of Hong Kong's international advantage to access to the Mainland domestic market which has many trade and business opportunities arising from increasing domestic consumption in the Mainland.
- To advise and assist the 60 000 Hong Kong-invested factories in Guangdong to cope with the challenges of upgrading their products and technology, meeting more stringent environmental protection standards, coping with the competition as the Mainland market is opened up, etc.
- To implement effectively the Mainland and Hong Kong

Closer Economic Partnership Arrangement (CEPA)<sup>(1)</sup> so as to help Hong Kong companies gain a foothold in the Mainland market and look into specific cases that companies might have encountered difficulties in entering and operating in the Mainland market efficiently.

- To strengthen Hong Kong's research and development capacities so as to enhance product functions and promote original brand name developments as well as sales.
- To attract and nurture talents. Efforts should be made to attract young entrepreneurs from the Mainland to set up their companies in Hong Kong, to promote existing talents admission schemes, and to enroll more talented students to study in Hong Kong.
- To put environmental protection as a priority issue. Emphases should be given to enforcement of regulations against the polluters and better coordination with the Mainland authorities.

*(d) Professional Services, Information & Technology and Tourism*

10. To consolidate Hong Kong's status as an international centre for financial services, trade and shipping, we need to upgrade our other supporting services, including the professional services, information & technology and tourism. The following strategic proposals have been put forward –

*(i) Professional Services*

- Hong Kong should continue enhancing communications with the Mainland to assist professionals in Hong Kong to gain access to the Mainland market under CEPA, and to follow up on the issue of additional requirements imposed on professionals practising in the Mainland. At the same time, the Government together with the relevant industries should foster closer cooperation of Hong

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<sup>(1)</sup> Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) aims to strengthen the trade and investment flows between the Mainland and the Hong Kong Special Administrative Region and promote joint development of the two sides through the implementation of liberalization measures, including progressively eliminating tariff and non-tariff barriers, progressively achieving liberalization of trade in services, and promoting trade and investment facilitation. The main text of CEPA was signed in June 2003. Since then, three supplements were signed in 2004, 2005 and 2006.

Kong professionals 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 and to develop the “Hong Kong brand”.

(ii) Information and Technology

- Future competition in many products will come down to technology and design. The application of innovative technology and design can enhance product functions, help promote original brand name development as well as sales. Hong Kong should develop its strength in research and technology services, attract and nurture talents on innovation and technology; and strengthen the technology cooperation between Hong Kong and the Mainland, especially Shenzhen and the cities in Pan-Pearl River Delta<sup>(2)</sup> region.
- For information services, Hong Kong enterprises should be allowed to take part in more information and telecommunications services in the Mainland market. Cross-boundary linkages in broadband should be established between Hong Kong and the Mainland to facilitate cross-boundary information flows and promote further development of the related industries.

(iii) Tourism

- Cooperation with the Mainland should be enhanced. We should consider promoting Hong Kong, a cosmopolitan city, as a thematic multi-destination stop and a convenient interchange for overseas visitors to the Mainland. In line with the China National Tourism Association’s promotion of “Honest and Quality Tourism”, it was also suggested that a pilot scheme to allow Hong Kong travel agencies to operate Hong Kong and overseas tours in the Mainland should be considered. More international conferences, trade fairs and festive activities should be organized to promote tourism in Hong Kong and the Mainland. Hong Kong should strengthen the development of tourist spots and facilities.

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<sup>(2)</sup> Pan-Pearl River Delta region which is also known as “9+2” covers nine southern Mainland provinces / autonomous region, namely Guangdong, Fujian, Jiangxi, Hunan, Guangxi, Guizhou, Yunnan, Sichuan and Hainan, as well as Hong Kong and Macau.