

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

**Trade and Business**

**Executive Summary**

(Translation)

This paper examines the opportunities and challenges of Hong Kong in trade in goods under the 11<sup>th</sup> Five-Year Plan from the perspective of the Government and public organisations, with a view to generating discussions among the various sectors in the community to formulate a practical “action agenda” by the Economic Summit in the coming few months.

2. According to the World Trade Organisation, Hong Kong is the world’s 11<sup>th</sup> largest service trading entity, with a total trade in services amounted to US\$592.9 billion. Amongst them, trade with the Mainland accounted for US\$265.1 billion, i.e. 45.0% of the total trade amount. On the other hand, Hong Kong is the Mainland’s 3<sup>rd</sup> largest trading partner ( after USA and Japan). In 2005, trade with Hong Kong accounted for 9.6% of the total trade amount of the Mainland.

3. The 11<sup>th</sup> Five-Year Plan highlights the need to expand the domestic market. With a total population of 1.3 billion, China has a huge potential consumer market. In addition, the rapid growth of the middle class which has increasing purchasing power also generates growing demand on imported goods.

4. Hong Kong products have always been popular among Mainland consumers. A product which has a unique identity given by its brand name can be differentiated from other similar kinds of products and can provide confidence to consumers that they are getting their value for money. The Mainland's policy of expansion of the domestic consumer market provides an opportunity for Hong Kong to expand its export. CEPA also provides the chance to promote export of Hong Kong products to the Mainland. We can further explore how Hong Kong manufacturers can establish and strengthen their brand products (particularly for high- and medium-end products) with a view to expand its market share in the Mainland and overseas.

5. Famous as the 'world's factory', the Mainland has seen its industries' production increasing rapidly. The 11<sup>th</sup> Five-Year Plan of the Guangdong Province calls for acceleration in the development of leading industries such as manufacturing of automobile accessories, iron and steel. The demand for raw materials, particularly iron and steel, will thus continue to increase. Most of the enterprises in the Mainland are small and medium sized enterprises with limited knowledge of the international market. In this respect, Hong Kong can play a role and demonstrate to the world the advantages of Hong Kong as a purchasing centre for imported goods and raw materials.

6. The rapid development of the economy in Mainland, on the one hand, provides Hong Kong enterprises in Guangdong more opportunity for development but on the other hand, Hong Kong enterprises also have to face the challenges from the stringent regulations the provincial government implemented in order to control pollution and conserve resources.

7. The 11<sup>th</sup> Five-Year Plan of the Guangdong Province calls for integrated environmental control measures, environmental protection mechanism and policy, strict enforcement of environmental assessment system for construction projects, control on the development of industry and construction projects with reference to the regional environmental capacity and resource conservation capability, and formulation of appropriate policy on the collection of waste emission charges.

8. To assist Hong Kong enterprises operating in the Mainland to meet the challenges on environmental protection, the Government will enhance communication with the relevant departments in Guangdong to ensure the timely release of information on the latest investment and trade ( including environmental protection) policy, regulations and related information to Hong Kong enterprises, and organize visits to the eastern, western and other parts of the region for Hong Kong enterprises interested in moving their operations into these regions. At the same time, the Hong Kong Productivity Council, trade associations and other organizations are also implementing various environmental protection projects and providing support to Hong Kong enterprises on environmental issues.

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