**Forum on 12th Five-Year Plan and Mainland-Hong Kong Economic, Trade and Financial Cooperation**
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# Step up Cooperation for Development and Prosperity

Speech at the Forum on 12th Five-Year Plan and Mainland-Hong Kong Economic, Trade and Financial Cooperation

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Compatriots and Friends,

I am very pleased to join you at the Forum on 12th Five-Year Plan and Mainland-Hong Kong Economic, Trade and Financial Cooperation co-sponsored by the Government of Hong Kong Special Administrative Region and the Ministry of Commerce, the National Development and Reform Commission and the People's Bank of China. This forum is of great significance, as it brings together business professionals, experts and scholars from home and abroad as well as government officials from both the Mainland and HKSAR to exchange ideas on how to implement the 12th Five-Year Plan and promote economic interaction and cooperation between the Mainland and Hong Kong for common development. Let me express, on behalf of the Central Government, our warmest congratulations on the opening of the forum and pay our high tribute to the people from various sectors who have long dedicated themselves to stronger ties of cooperation between the Mainland and Hong Kong and cared for and supported Hong Kong's development.

A review of the past shows that the Mainland and Hong Kong have had a fruitful economic cooperation with Hong Kong playing an irreplaceable role in China's reform, opening-up and modernization drive and the Mainland providing firm and concrete support for Hong Kong's prosperity and stability. Over the past three decades and more of reform and opening-up, the Mainland and Hong Kong have given play to their respective advantages and kept pace with the times, thus building a

structure of mutually beneficial, win-win and all-dimensional cooperation. Since Hong Kong's return to the motherland, business cooperation between the Mainland and Hong Kong has entered a new period of rapid expansion. The signing and implementation of the Closer Economic Partnership Arrangement (CEPA) have instilled new vitality into their cooperation. Hong Kong, with its extensive global links and unique advantages, has provided important experience for the Mainland's development, thus giving a strong boost to its modernization drive. The Mainland, with its huge market and abundant resources of production factors, has opened up broad space for Hong Kong's economic growth and promoted Hong Kong's economic transformation and international competitiveness. Hong Kong is now the Mainland's largest entrepot trade hub, and the Mainland is Hong Kong's largest trading partner. Both are each other's largest source of direct investment. Financial cooperation between the Mainland and Hong Kong is deepening, with mainland firms contributing over half of the total market value of Hong Kong's stock exchange and the RMB trade settlement between the Mainland and Hong Kong accounting for a fairly large part of the Mainland's total volume of cross-border RMB trade settlement. In meeting the Asian financial crisis and the global financial crisis, the Mainland and Hong Kong stood firm by each other's side and the Central Government provided steadfast support to Hong Kong. Practice has shown that the Mainland and Hong Kong are inextricably linked and mutually reinforcing in the pursuit of development.

Looking ahead, China's development in the 12th Five-Year Plan period will bring new opportunities for Hong Kong. The world we are living in is undergoing major adjustments, major changes and major development, and China is at a critical juncture in its effort to build a moderately prosperous society in all respects. To adapt to the profound changes in the international and domestic situation, the 12th Five-Year Plan takes scientific development and accelerated transformation of the economic development pattern as the focus, highlights innovation and transformation and calls for efforts to make strategic adjustments to the economic structure, expand domestic demand and improve the quality and efficiency of development. The plan gives high priority to people's well-being. It emphasizes balanced economic and social development, implementing key projects related to people's well-being and better extending the fruits of development to all. The plan stresses the need for continued reform and opening-up. It calls for advancing reform in various fields with greater determination, courage and energy and pursuing a more proactive opening-up policy to add to the drive and vigor of development. With the Mainland striving to achieve sustained, steady and

fairly fast economic development, continued advances in industrialization and urbanization, optimization in industrial structure and regional layout, and continued progress in the development of green, low-carbon and circular economies, Hong Kong will be blessed with a more favorable environment and more opportunities for development.

The 12th Five-Year Plan, for the first time, contains a separate chapter on the long-term prosperity and stability of Hong Kong and Macao. The part related to Hong Kong spells out in clear terms the policies of the Central Government to support Hong Kong's development and promote the cooperation between the Mainland and Hong Kong. It fully reflects the principles of "one country, two systems", "Hong Kong people administering Hong Kong" and "a high degree of autonomy", takes into serious consideration the concerns of all sectors of the Hong Kong society, and will surely exert a positive impact on Hong Kong's future development.

It is in Hong Kong's need and China's need that Hong Kong continues to bring out the unique advantages it has developed over the years and play its irreplaceable role in the Mainland's reform, opening-up and modernization drive. Under the "one country, two systems" formula, Hong Kong has kept its original economic system. Meanwhile, Hong Kong gains strong support, more opportunities and broader space of development from the increasing prosperity of the motherland. Indeed, it has a double blessing. As an international free port city and a major global financial, trade and shipping center, Hong Kong is one of the world's most open, vibrant and competitive economies. With a highly developed service sector which covers a wide-range of services and accounts for a big share of the economy, Hong Kong enjoys the first-mover advantages and stands to gain more opportunities in the country's development and world-wide competition. Excellent geographical location, complete infrastructure, well-established legal system, abundant capital, quick access to information and a large pool of talented people have given Hong Kong inherent advantages to pursue further development. All these advantages will show their great value as the country develops during the 12th Five-Year Plan period. Hong Kong, as a window and platform to international market, has a role to play as the Chinese economy and global economy integrate more deeply, trade liberalization and investment facilitation progress further and China's all-directional opening-up pattern continues to improve. Hong Kong's service sector can lend a drive as the country advances economic transformation, expand domestic demand in the course of opening-up and upgrade the industrial structure. Hong Kong can also play a part in

building a common bond for the entire Chinese nation, deepening the economic cooperation and trade between the Mainland, Hong Kong, and Macao and promoting the economic relations between the Mainland and Taiwan. As long as these unique advantages are solidified and Hong Kong's due role is brought into full play, Hong Kong will surely achieve greater development.

We have every confidence in the future of China. We have every confidence in the future of Hong Kong. We also have every confidence in the cooperation between the Mainland and Hong Kong. To maintain long-term, steady and rapid economic development and promote social harmony is a goal and requirement set out in the 12th Five-Year Plan. To maintain Hong Kong's long-term prosperity and stability is the starting point and objective of the Central Government's policy on Hong Kong. These two long-term goals are closely inter-connected. They bear on the fundamental interests of Hong Kong and the country as a whole, and represent the common aspiration of all Chinese people. The sustained, steady and rapid development of the national economy is the bedrock for Hong Kong's long-term prosperity and stability. And Hong Kong's long-term prosperity and stability contributes to the sustained, steady and rapid economic development of China. As long as the Mainland and Hong Kong work hand in hand, the two goals will be realized to the benefit of our people in both the Mainland and Hong Kong.

Compatriots and Friends,

Under the requirements of the 12th Five-Year Plan, the Central Government has, in keeping with the realities and with a long-term perspective, adopted a number of new policies and measures designed to support Hong Kong's development and deepen the economic and financial cooperation between the Mainland and Hong Kong. This is consistent with our policy of opening to Hong Kong first under the "one country, two systems" formula and aimed at taking mainland-Hong Kong economic and financial cooperation to a new high.

**First**, **to greatly increase the Mainland's openness to Hong Kong in the trade in services.** At present, zero-tariff treatment to all goods made in Hong Kong is already in place with constantly expanding openness to Hong Kong's service sectors. The two sides have started consultation on Supplement VIII to CEPA and will get it signed before the end of the year. The Mainland will take further steps to broaden market access for both traditional and emerging service sectors in Hong Kong, including medical services, construction services, legal services,

and testing and certification which are of interest to Hong Kong, and will support Hong Kong travel agencies in setting up businesses on the Mainland. We will continue to lower the thresholds for professional service suppliers, substantiate trade and investment facilitation measures, and broaden the scope of CEPA beneficiaries. We will continue to push the "early and pilot implementation" exercises in Guangdong and other provinces and municipalities. Before the end of the 12th Five-Year Plan period, we will basically achieve, thanks to CEPA, liberalization of trade in services between the Mainland and Hong Kong.

**Second**, **to consolidate and upgrade Hong Kong's standing as an international financial center.** Hong Kong's financial sector is where its core competitiveness lies. To beef up its status as a financial center in Asia and globally is crucial for Hong Kong's development. The ETF (exchange-traded fund) constituted by Hong Kong listed stocks will be launched, mainland-based enterprises will be encouraged to get listed in Hong Kong, and Hong Kong-invested banks on the Mainland will be allowed to engage in mutual fund business. The Mainland will increase its openness in both scope and quality to Hong Kong banks and support them in establishing a reasonable and balanced presence in Guangdong, in the form of branches. Hong Kong's insurance companies will be encouraged to access the Mainland's market through opening institutes or acquiring stakes with a view to increasing mainland-Hong Kong cooperation in the development of insurance products, business operation and management. Support will be provided for building Hong Kong into an international asset management center. And this will help the two sides work together to overcome the impact of international financial volatility.

**Third, to support Hong Kong in developing itself into an offshore RMB centre.** Hong Kong enjoys a natural advantage in developing the offshore RMB business. The Central Government will actively support the growth of the RMB market in Hong Kong, expand RMB circulation channels between Hong Kong and the Mainland, and support the innovation and development of offshore RMB financial products in Hong Kong. Cross-border trade settlement in RMB should be extended to cover the whole country. Pilot projects for foreign banks to replenish capital with RMB will be launched and support will be given to Hong Kong enterprises in making direct investment on the Mainland in RMB. The RMB Qualified Foreign Institutional Investors (RQFIIs) will be allowed to invest in mainland securities markets with an initial size of 20 billion RMB yuan.

We will have more mainland-based financial institutions issuing RMB-denominated bonds in Hong Kong, allow mainland enterprises to issue RMB bonds in Hong Kong, and raise the amount of RMB bonds issued by mainland institutions in Hong Kong. Today, China's Ministry of Finance will issue a total of 20 billion yuan of RMB treasury bonds in Hong Kong, up by 12 billion yuan compared with last year. In these bonds, 5 billion yuan are targeted at individuals, giving more investment opportunities for Hong Kong residents. Issuing RMB treasury bonds in Hong Kong will be a long-term institutional arrangement of the Central Government. We will gradually increase the size of issuance and work for the development and improvement of the RMB bond market in Hong Kong.

**Fourth, to support Hong Kong in its participation in international and regional economic cooperation.** The Central Government will continue to give vigorous support to Hong Kong in actively participating in multilateral and regional economic cooperation, with the recent priority of supporting Hong Kong's involvement in East Asian regional cooperation and a feasibility study on Hong Kong's joining of the FTA agreements already signed by the Mainland. In the future, when negotiating FTA agreements with foreign countries, greater consideration will be given to Hong Kong's interests and concerns. At the same time, efforts should be made to step up coordination and interaction between the Mainland and Hong Kong in WTO and APEC, with a view to enhancing Hong Kong's involvement in economic cooperation at both multilateral and regional levels.

**Fifth, to help enterprises in both the Mainland and Hong Kong to "go global" together.** With Hong Kong enjoying a competitive edge in financial, trade, investment, legal, accounting and consulting sectors, and the Mainland enterprises moving faster in "going global", there is so much for them to accomplish by working together. We will give more policy support to enterprises from both sides in terms of project matchmaking, investment expansion, information sharing and personnel training, so that they can "go global" together. We will actively promote cooperation by these enterprises to explore international market and establish marketing networks for their products. We will encourage these enterprises to jointly develop international investment and infrastructure markets through joint investment, joint bidding and joint contracting of projects and other schemes.

**Sixth, to give full play to Hong Kong's important role in Guangdong-Hong Kong-Macao cooperation.** The combined economic size of Guangdong, Hong Kong and Macao as a metropolitan cluster ranks among the top globally. And Hong Kong's unique position allows it to play a more important role in enhancing the area's overall competitiveness. The Mainland will speed up the implementation of Guangdong-Hong Kong and Guangdong-Macao cooperation framework agreements, develop a world-class metropolitan cluster and a base for advanced manufacturing and modern service industries with greater overall competitiveness, and support the building of a Hong Kong-led financial cooperation area, a modern economic circulation circle and a high-quality life circle in the Pearl River Delta area. Efforts should also be made to move ahead with the transformation and upgrading of the demonstration area of processing industries in the Pearl River Delta and support the smooth development, transformation and upgrading of Hong Kong-funded processing industries.

We will deepen cooperation between the Mainland and Hong Kong in tourism, environmental protection, clean development, healthcare, food safety and old-age care. We will formulate preferential policies in the areas of finance and taxation, land, labor protection and human resources, vigorously develop the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and actively develop innovative finance, modern logistics, information services, scientific and technological services and other specialized services. We will speed up the connectivity of infrastructures in Hong Kong and the Mainland and improve the transport system linking the Pearl River Delta, Hong Kong and Macao. We will strengthen Guangdong-Hong Kong cooperation in water, power and gas supply networks, and make the Hong Kong branch of the Second Pipeline of the West-East Gas Transmission Project operational in the latter half of 2012.

The policies and measures above give expression to the Central Government's firm resolve to support Hong Kong's development. In the next phase of the forum, responsible officials from relevant departments of the Central Government will give detailed explanations on these policies and measures. In the next stage, the relevant departments and localities of the Mainland will strengthen coordination with their counterparts in Hong Kong to get these policies and measures implemented to the fullest extent possible so as to continue to promote Hong Kong's development and cooperation between the two sides, as well as to bring tangible benefits to people in both Hong Kong and the Mainland.

Compatriots and Friends,

Hong Kong's destiny and prosperity link closely with those of the motherland. Let me reiterate here: the Central Government will exert its utmost to do everything that contributes to prosperity and stability of Hong Kong and to the common development of Hong Kong and the Mainland. I am confident that in the course of building a moderately prosperous society in China and achieving the great rejuvenation of the Chinese nation, Hong Kong will surely write a fresh and shining page by creating new miracles!

May I conclude by wishing the forum a complete success.

Thank you.