

**Forum on 12th Five-Year Plan and Mainland-Hong Kong
Economic, Trade and Financial Cooperation
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**Sharing Opportunities for Common Prosperity
Forum on 12th Five-Year Plan and Mainland-Hong Kong
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**Speech by Mr John Tsang,
the Financial Secretary of the Hong Kong Special Administrative Region**

Director Zhang, Minister Chen, Governor Zhou, Mr Fung, distinguished guests,

Good morning.

Under the topic “Sharing opportunities for a prosperous future”, I am glad to be here to share with you my views on the National 12th Five-Year Plan and economic, trade and financial co-operation and development between the Mainland and Hong Kong.

Under the principle of "One Country, Two Systems", development of Hong Kong has been linked with the National Five-Year Plan before, but this is the first time that a chapter has been dedicated to the development of Hong Kong and Macao in the Five-Year Plan. It has iconic significance for the closer connection between the development of Hong Kong and Macao and the development of the Mainland, and it will draw greater attention in the future.

On the other hand, this also has iconic significance in the closer relationship between the development of Hong Kong and that of the nation. In the long-term, we need to analyse issues from the perspective of 9.6 million square kilometres, instead of from the perspective of 1 100 square kilometres, when thinking about the same problem and analysing the future development of Hong Kong.

We shouldn't solely focus on Chapter 57, the chapter concerning Hong Kong, but the entire national development when studying the 12th Five-Year Plan.

For instance, we must understand the rapidly changing trends in our nation's development in the coming five years. The economic development will switch to expanding domestic demand, developing the service sector and emerging industries, promoting urbanisation and the innovation and enhancement of technology industry, establishing a resource-conserving and environmentally friendly community, and promoting the reform and the "going out" strategy of the nation.

Every sentence in the above-mentioned conclusions relates to the future development of Hong Kong, and probably it will become the engine of the future development of the region as well.

For instance, the 12th Five-Year Plan highlighted the development of the service sector. The contribution of the sector to the overall economy should be boosted from 43 per cent to 47 per cent. This is a great opportunity for Hong Kong in seizing new opportunities and contributing to the nation. We should understand that based on the national GDP last year, at around RMB40 trillion, a 4 percentage points increase would result in a rise of RMB1.6 trillion, and its rise would exceed RMB2 trillion based on the projected GDP after five years. This amount is equal to the Gross Domestic Product of Hong Kong.

After years of transformation and development, service industries have become a major sector in Hong Kong. We are especially strong in providing professional services in business and trade. The service industries account for 93 per cent of GDP and employ 88 per cent of our working population. Since the launch of the Mainland's reform and opening up, Hong Kong has made a tremendous contribution to upgrading the Mainland's secondary industry. While the Mainland is striving to upgrade its tertiary industry, viz service industries, it gives Hong Kong another great opportunity to make a contribution in terms of capital, technology, talent and experience. It not only shows our commitment to promoting our country's development, but also creates new wealth and employment opportunities for Hong Kong.

The upgrade is building on the foundation of expanding domestic consumption and promoting urbanisation. During the National 12th Five-Year Plan, the yearly growth of GDP is set at 7 per cent, and the average growth in the per capita income of citizens is set at 7 per cent or above. Meanwhile, a 1 percentage point increase in our national urbanisation level represents a city

population increase of 13 million, which is almost double the size of the Hong Kong population. This constitutes a large domestic market as well as a strong base of demand for service industries. Our nation's demand for quality service industries that conform to international standards will greatly increase when various industries are continuously trying to upgrade themselves. Hong Kong can make a tremendous contribution in upgrading our country's service industries.

With this vision and the dedicated chapter for Hong Kong and Macao, we are more confident in implementing the plans that facilitate the development of our country.

The National 12th Five-Year Plan refers to "consolidating and enhancing Hong Kong's position as an international financial centre, in particular its global influence in the financial sector." I know that after considering the HKSAR Government's suggestions, the Central Government agreed to use the word "enhancing", which means that consolidating and enhancing Hong Kong's position as an international financial centre, in particular our global influence in the financial sector, is the wish and need of both the Central Government and Hong Kong.

To enhance Hong Kong's position as a global financial centre in the context of an increasingly international financial outlook, it is particularly important to develop RMB services and an RMB offshore centre. Today, our work in developing a Hong Kong RMB clearing platform and RMB trade settlement platform has been very fruitful. For example, RMB trade settlement conducted through banks in Hong Kong in the first five months of 2011 amounted to RMB600 billion, compared with RMB360 billion in 2010.

Moreover, we have worked in association with our Mainland counterparts for overseas promotion so as to promote the relevant business. This year, we have been to Indonesia, Malaysia, Australia and Russia. Later in the year, we will visit London, Paris, Frankfurt, Edinburgh, Madrid, Luxembourg, Zurich, Geneva, etc. The long-awaited RMB internationalisation also promotes the development of the international monetary system. Hong Kong is glad to participate and play a considerable role in this.

Returning from the global agenda, according to the National 12th Five-Year Plan, Hong Kong and the Pearl River Delta will work together for

stronger and more in-depth development. Moreover, integration and development between Guangdong and Hong Kong is one of the important strategic developments as highlighted in the Plan. As many of the integrations involve SMEs and people's livelihoods, they pose a great impact on the general public in both Hong Kong and the Pearl River Delta region. The integration, sometimes engaging in the Mainland's future strategic development, involves co-operation in areas such as innovative technology, environmental protection, tourism, epidemic assessment, telecommunication and creative industries. For instance, electric vehicles co-developed by Hong Kong and Guangdong are among the emerging strategic industries highlighted in the 12th Five-Year Plan.

Ladies and gentlemen, 12th Five-Year Plan can broaden horizons for the Hong Kong people and change ways of thinking. The investment opportunities and consumption demand brought about by the Plan are enormous. Apart from gaining new opportunities, Hong Kong can also contribute to the nation's development.

Vice Premier Li just announced a series of economic and social measures supporting Hong Kong's development, which shows the Central Government's full support to Hong Kong's role in the 12th Five-Year Plan. We not only express our sincere thanks, but also promise to leverage Hong Kong's advantages to strengthen and continue to play the role as the gateway to China. We look forward to the opportunities provided and the prosperity brought about by the National 12th Five-Year Plan.

Thank you.