

Box 1.1**The Eleventh Five-Year Plan and
the Economic Development of Hong Kong****Background**

The Outline of the 11th Five-Year Plan for National Economic and Social Development of China (hereinafter referred to as the Plan) was endorsed in the fourth session of the 10th National People's Congress held in Beijing in March this year. Drawn to clarify national strategic intentions, identify priorities of government work and guide the behaviour of market entities, the Plan is a grand blueprint for China's economic and social development in the next five years. In the Plan, the Central Government unequivocally "supports Hong Kong's development on fronts such as financial services, logistics, tourism and information services, and the maintenance of Hong Kong's status as an international hub on financial services, trade and shipping". The Central Government has not only re-affirmed its recognition of Hong Kong's advantages but also indicated for the first time Hong Kong's roles and functions in the development process of the country.

The 11th Five-Year Plan: Managing the overall situation of economic and social development with the scientific concept of development

The National Plan not only set a sustained high target average annual growth rate (the target average annual growth rate of China's Gross Domestic Product (GDP) is 7.5% in the 11th Five-Year Plan period and it is aimed to double the per capita GDP for 2000 by 2010), but also emphasized the importance of improving the quality and efficiency of economic growth. In order to achieve the objective of modernized development, China must manage the overall situation of economic and social development with the scientific concept of development, earnestly shift socio-economic development onto the track of all-round coordinated and sustainable development, as well as adhere to the following six principles:

- (1) Maintaining balanced and fairly rapid economic development. Further expand domestic demand; regulate the relationship between investment and consumption; control investment in a reasonable manner and strengthen the pulling effect of consumption on economic growth.
- (2) Speeding up the transformation of economic growth pattern. Uphold resource conservation as a basic national policy; develop a recycling economy; protect the ecological environment; expedite the building of a resource-conservation and environmental-friendly society; facilitate the coordination between economic development and population, resources and environment. Promote national economic and social informatization; move earnestly along the path of new industrialization and realise sustainable development.
- (3) Improving the capability of independent innovation. Promote independent innovation capability as the strategic hub for scientific and technological developments as well as the core element for adjusting industrial structure and modifying the mode of economic growth.
- (4) Promoting balanced development between urban and rural areas and among regions. Promote the building of a new socialist countryside and facilitate the healthy development of urbanisation. Implement general strategies of regional development so that a development mechanism with regional coordination can be formed, in which the eastern, central and western regions of China can complement each other's strengths and interact positively.
- (5) Strengthening the building of a harmonious society. The society should be people-oriented and employment should be increased. More emphasis should be put on social fairness so that all people can share the fruits of reform and development, and social stability and solidarity can be maintained.
- (6) Deepening reform and opening-up persistently. Improve the modern enterprise system and modern property right system. Establish a pricing mechanism which reflects the market supply and demand situation as well as the extent of resource scarcity. Give better play to the fundamental role of the market in resource allocation and enhance the efficiency of resource allocation. Rationalize the Government's functions and improve the macro-economic control system of the country.

Box 1.1 (cont'd)

The 11th Five-Year Plan: closely related to the economic development of Hong Kong

Under the guidance of the National Plan, the Guangdong's provincial-level 11th Five-Year Plan has laid out 10 major tasks, including (1) adjusting and optimizing industrial structure; (2) improving independent innovation capability; (3) promoting the coordinated development between domestic and foreign-oriented economies; (4) strengthening regional coordination and cooperation; (5) coordinating rural and urban development; (6) developing educational, cultural and talent enterprises; (7) building a green Guangdong; (8) completing infrastructural development moderately ahead of schedule; (9) deepening institutional reforms and (10) facilitating harmonious social development.

The National and Guangdong's provincial-level Plans have formulated a number of strategic policies and initiatives, which include speeding up the financial system reform, developing modern logistics industry, according priority to developing transportation industry, vigorously developing business services, information services and tourism, facilitating coordinated development of regions, pushing ahead the strategy of "talent-strong nation", as well as building an environmental-friendly society for sustainable economic development, etc. All these are closely related to the future development of the Hong Kong economy. For example, with regard to facilitating coordinated development of regions, the National Plan proposes that the city clusters, including the Pearl River Delta (PRD), should continue to give full play to their strengths to boost development of the wider surrounding region, and that the cities within the city clusters should better define their social functions to complement each other's strengths to enhance the competitiveness of the whole city clusters. Guangdong's provincial-level Plan has formulated the corresponding development strategies to promote regional coordination, which include, inter alia, upgrading the level of development of the PRD, enhancing cooperation between Guangdong, Hong Kong and Macao, as well as promoting Pan-PRD cooperation.

Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong"

The National and Guangdong's provincial-level Plans will have an important and far-reaching influence on Hong Kong's long-term development. For instance, we need to seriously probe into and examine the issue of, and formulate proposals on, how Hong Kong can enhance its integration and coordination with the PRD city clusters and further strengthen and upgrade its international competitiveness in order to further bring into play its role as an international metropolis and a world-class economy, so as to reach basic consensus on the way forward and on the strategic approaches for Hong Kong. The Government has therefore decided to hold an economic summit on 11 September 2006 to conduct strategic discussion on the challenges and opportunities brought about by the Plan for the economic development of Hong Kong, and to thrash out a series of strategies on how to respond to these challenges and opportunities to further develop our economy.

The economic summit will decide on the government departments, advisory bodies, business organisations and other stakeholders to be responsible for the follow-up work, so as to draw up an action agenda with clear objectives and practical actions as the working strategy to promote Hong Kong's economic development. The SAR Government will seek to discuss the recommendations of the Summit with the Central Government, ministries and commissions, Pan-PRD Regional Co-operation and Development Forum, Hong Kong-Guangdong Co-operation Joint Conference and various provincial governments. The work of the economic summit will be completed in the first half of next year.