

Box 1.2**The 14th Five-Year Plan and Economic Development of Hong Kong**

Endorsed by the fourth session of the 13th National People's Congress in March 2021, the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (14th FYP) sets out our country's main development targets, philosophy and key missions from 2021 to 2025 while specifying the basic realisation of socialist modernisation by 2035 as a long-range objective. This box article outlines some major topics mentioned in the 14th FYP and the content related to our economic development, as well as the opportunities that the 14th FYP can bring to Hong Kong.

First, the 14th FYP takes the promotion of high-quality development as its main theme. After building a moderately prosperous society in all respects, our country has ushered in a new stage of development in the 14th FYP era, the first five-year period during which our country embarks on a new journey towards a modern socialist nation. At the same time, the world is facing profound changes unseen in a century, with increasingly complicated politico-economic landscapes. All these have brought new challenges to our country's development. The key to success in meeting these new challenges and achieving the development targets hinges on the promotion of high-quality development. Hence, the 14th FYP highlights the importance of ongoing application of new development concepts, namely innovation, co-ordination, green, openness and sharing. While reforms and innovation serve as the fundamental driving forces, the development mode should be overhauled, with a view to improving the quality and efficiency of development.

The 14th FYP puts forward the idea of expediting the establishment of a new development pattern featuring "dual circulation", which takes the domestic market as the mainstay while enabling domestic and foreign markets to interact positively with each other. Like other big economies, the Mainland's economy has been increasingly driven by domestic demand. Given a huge domestic market with promising potential, the future economic development of our country will rely more heavily on domestic demand to cope with the global political and economic instability. To promote domestic circulation, our country needs to persist in expanding domestic demand to make production, distribution, circulation and consumption be more supported by its huge domestic market. Also, the supply-side structural reform should be deepened to improve the compatibility of the supply system with the changing demand as well as enhancing the integrity of the industrial chains and supply chains. This domestic circulation, however, is by no means a closed one. Rather, the 14th FYP calls for opening up our country to the world in a wider scope, across a broader spectrum and at a deeper level, leveraging the domestic economic circulation system to attract global essential resources, and enhancing the efficiency and level of domestic circulation through international circulation. This will not only satisfy domestic demand, but also advance our country's technological development, and create new advantages for our country's participation in international economic co-operation and competition.

Besides, in the face of a new round of scientific and technological revolution and industrial transformation across the world, the 14th FYP highlights the core role of innovation in our country's modernisation in all respects, and takes scientific and technological self-reliance as a strategic support for our country's development. The 14th FYP calls for the formulation of an action plan to develop our country into a scientific and technological power, and a boost in basic research by increasing the share of relevant expenses in the total research and development expenditure to over 8%. The primary role of enterprises in the innovation system should also be reinforced to foster an in-depth integration of industries, academia, research institutes and users under a market-oriented mechanism. On industries, the 14th FYP

Box 1.2 (Cont'd)

stresses the need for raising the share of strategic emerging industries' value added in GDP to over 17%⁽¹⁾. The 14th FYP devotes a separate whole chapter to digital economy with the emphasis on the creation of new edges in this area, the empowerment of traditional industries in transformation and upgrading as well as the fostering of new industries and new types and models of business, through which the new engines for economic development can be strengthened.

In the part on Hong Kong, the 14th FYP states that to maintain the long-term prosperity and stability of Hong Kong and Macao, it is imperative to fully and faithfully implement the "One Country, Two Systems" principle. The 14th FYP also clearly ascertains Hong Kong's role in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), demonstrating the Central Government's unwavering support for Hong Kong's development.

On economic development, the 14th FYP continues to support Hong Kong to enhance its status as an international financial, transportation and trade centre; strengthen its position as a global offshore Renminbi business hub, an international asset management centre and a risk management centre; establish itself as a centre for international legal and dispute resolution services in the Asia-Pacific region; promote our service industries for high-end and high value-added development; establish a functional platform for the Belt and Road Initiative; foster our co-operation and exchanges with countries and regions around the world; deepen our co-operation with the Mainland in the areas of trade, innovation and technology; deepen and widen the mutual access between the financial markets of the Mainland and Hong Kong; strengthen the exchanges and co-operation between Hong Kong and the Mainland on different fronts, and improve policy measures to make it more convenient for Hong Kong residents to live and pursue development opportunities in the Mainland. Furthermore, the 14th FYP raises the support for Hong Kong to enhance its status as an international aviation hub, to develop into an international innovation and technology (I&T) hub and a regional intellectual property trading centre, as well as to develop into a hub for arts and cultural exchanges between China and the rest of the world.

On high-quality GBA development, the 14th FYP mentions the deepening of Guangdong-Hong Kong-Macao co-operation as well as Pan-Pearl River Delta regional co-operation, and, for the first time, includes the Shenzhen-Hong Kong Loop as a major platform of co-operation in the GBA. Moreover, the 14th FYP calls for the furtherance of co-ordinated development of industries, academia and research institutes in Guangdong, Hong Kong and Macao to facilitate cross-boundary flows of production factors related to innovation; expedition of the construction of inter-city railways; co-ordinated planning for the positioning of ports and airports; optimisation of the allocation of maritime and aviation resources; deepening of the customs clearance reforms; facilitation of the effective and convenient flow of people, goods and vehicles; expansion of the scope of mutual recognition of professional qualifications among the Mainland, Hong Kong and Macao; and further strengthening of the regulatory interface and connectivity in key areas.

Hong Kong's economy has always been closely connected with the development and demand in the Mainland. The 14th FYP renders support to Hong Kong in various areas, helping us further capitalise on our advantages and realise our potential, and bringing new opportunities to the industries concerned. On I&T, Hong Kong enjoys various advantages, including top-notch capabilities in basic scientific research, robust regime on intellectual property rights protection, attractiveness to research talent from all over the world, and first-class financial support services. Hong Kong should make good use of these advantages and achieve complementarity with other GBA cities that have advanced manufacturing industries, so as to

(1) According to the latest figures, the share of strategic emerging industries' value added in the Mainland's GDP was 11.5% in 2019.

Box 1.2 (Cont'd)

form an I&T upstream, midstream and downstream industrial chain and attain the goal of developing the GBA into an international I&T centre, thereby contributing to the I&T development in our country and at the same time expanding the development scope for our own I&T industry.

The building of a new development pattern by our country will catalyse a new economic landscape in Hong Kong. Over the years, Hong Kong has been riding on our advantages in respect of institutions, talent and external connections to serve the development needs of our country. In the future, Hong Kong will proactively become a “participant” in domestic circulation and a “facilitator” in international circulation. We should grasp the opportunities arising from the expanding Mainland market which has increasing demand for better quality goods and services. By taking the GBA as the best entry point, Hong Kong will strengthen its roles and functions as a springboard, an intermediary, a high value-added services platform, an international talent and fund pool, a testing ground and a firewall, with a view to promoting the interaction between the Mainland and international markets, as well as aligning Mainland standards with international standards. Hong Kong will continue to leverage the unique advantages under “One Country, Two Systems” and integrate into the overall development of our country, thereby creating new impetus for our economic development and sustaining our economic prosperity in the new era.