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A newsletter published by the Hong Kong Economic & Trade Office, the official representative of Hong Kong Special Administrative Region Government in Canada

A Budget to Scale New Heights



Mr. Tung Chee Hwa

Mr. Tung Chee Hwa's Visit to Canada

The Chief Executive of the Hong Kong Special Administrative Region (SAR) Government, Mr. Tung Chee Hwa, will visit Canada between April 1 and 5 to reinforce close economic and business ties and to meet with government leaders, journalists, and community leaders.

During the visit, Mr. Tung will update Canadians on the latest developments in Hong Kong, including recovery from the Asian financial turmoil.

He will emphasise Hong Kong's advantages as an international financial, business and service centre, efforts in promoting information technology, as well as the territory's growing attraction as a tourist destination.

Mr. Tung will also highlight the business opportunities in Hong Kong, particularly in the light of China's imminent accession to the WTO, and as the pre-eminent gateway to the Mainland of China.

Mr. Tung will be accompanied in his North America visit by Mrs. Tung, the Secretary for Trade and Industry, Mr. Chau Tak Hay; the Information Coordinator, Mr. Stephen Lam; and the Private Secretary to the Chief Executive, Mr. Richard Yuen.

The Chief Executive and his entourage will fly to New York on April 5 for a three-day visit to the U.S. v

The Financial Secretary, Mr Donald Tsang, announced in his 2000-2001 Budget on March 8 that there would be no new taxes, no tax increases and no reduction in tax allowances despite forecasting a C\$1.15 billion deficit for the new financial year.

He also disclosed statistics confirming a distinct turnaround in Hong Kong's economy in 1999, which saw growth rates of 2.9 per cent in GDP and 3.7 per cent in exports.

Mr Tsang now estimates a small deficit of about C\$300 million for 1999-2000, compared with the original estimate of C\$6.8 billion.

The Financial Secretary said: "This dramatic improvement in our financial position comes about almost single-handedly from an unexpected growth in the earnings on our fiscal reserves invested with the Exchange Fund."

This resulted from Hong Kong's intervention in the stock market in August 1998. Since then, share indices had risen almost 70 per cent, causing the investment earnings on the Government's fiscal reserves to soar to about C\$8.2 billion.

Mr Tsang said that Hong Kong could not expect a repeat of this windfall and his Budget strategy was aimed at balancing needs on two fronts: improving Hong Kong's financial position as much as possible while taking into account the fact that the economy had only just begun to turn around and many citizens and businesses had not yet fully recovered from the turmoil of the last two years.



Financial Secretary, Mr Donald Tsang, holding the 2000-01 Budget Speech entitled "Scaling New Heights"

The Financial Secretary emphasised that it was important to maintain a low, simple and predictable tax regime.

He said that he would retain the existing profits tax of 16 per cent – extremely business-friendly and the lowest in the region – and keep the salaries tax at 15 per cent, although more than 60 per cent of the working population do not pay it and there was a strong case for widening the tax net.

Mr Tsang added that in view of Hong Kong's nascent economic recovery, and in order to avoid putting an additional burden on the community, proposals such as a mooted land departure tax would be considered later.

The Financial Secretary said that trade prospects

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Good Budget, says Chief Executive

Commenting on the Budget, the Chief Executive, Mr Tung Chee Hwa said: "This is a very good budget. It meets the needs of the community but at the same time ensures sustained growth in Hong Kong's economy in the coming years."

Mr Tung said that in the last few months, he and the Financial Secretary had listened very carefully to the views of the community and decided that for the current year we should not raise personal tax or cor-

porate tax, or introduce any new taxes in order to provide a firmer foundation for sustained economic growth in the coming months and years.

He added: "As the International Monetary Fund stated a few days ago, a modest deficit for the year 2000 will help our economy to continue its recovery path. The Financial Secretary's budget for this year will help us to achieve higher economic growth. And I know as a community, by working together, Hong Kong will be able to scale new heights." v

Highlights of Hong Kong Budget 2000-2001

Revenue Measures

- No new, or increased, taxes – despite a lingering deficit forecast for 2000.
- A 10 per cent reduction in the stamp duty on stock transactions from 0.25 per cent to 0.225 per cent to boost stock market competitiveness, and tax concessions for car owners switching to LPG and battery powered vehicles.
- An internal Task Force headed by the Secretary

for Treasury will examine whether Hong Kong has any structural fiscal problems and review the viability of the existing tax regime.

- An independent committee comprising tax experts, professionals and academics will look at the suitability and implications of introducing new broad-based taxes, including a consumption-based tax.

The Economy

- Impressive rebound in the second half of 1999 with overall GDP growth of 2.9 per cent for the year.
- Consumer prices fell by an average of 4 per cent in 1999 and expected to fall by 1 per cent in 2000.
- Robust economic growth expected in 2000, with GDP forecast to grow by 5 per cent.
- Trend growth of GDP from 1999-2000 to 2003-2004 estimated to be 4 per cent.
- Growth of government recurrent spending will be restricted to 2.5 per cent, half of the forecast GDP growth rate of 5 per cent for 2000-2001.

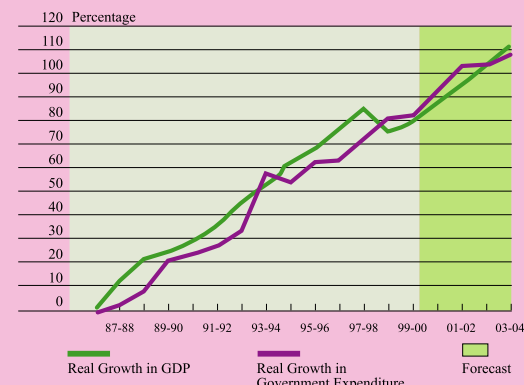
Public Spending

- More than C\$130 million allocated for additional expenditure items to promote employment and training, improve services for elderly, the disabled, and low-income and single-parent families, and enhance building safety.
- An extra C\$149.5 million reserved for implementing new education initiatives.
- Further Public Sector Reform, including reducing the Civil Service by 10,000 over the next three years aided by a new voluntary retirement scheme.

Public Finances

- The 1999 deficit is forecast to be about C\$300 million, about C\$6.5 billion better than the originally estimated C\$6.8 billion, due mainly to a massive windfall from the earnings on investments with the Exchange Fund, which soared to C\$8.2 billion) – almost double the original estimate of C\$4.1 billion) – as Hong Kong stocks rebounded in the latter half of 1999.
- A deficit of C\$1.15 billion is forecast for 2000, while fiscal reserves are forecast to increase by C\$1.6 billion and reach C\$82.5 billion by end March 2004.
- Economy to remain free, open and market-led.
- Better education and training for workforce.

Comparison of Cumulative Growth in Government Expenditure with Cumulative Growth in GDP since the introduction of the Medium Range Forecast



- Maximise the benefits of globalisation through strengthening Hong Kong's position as an international financial centre, harnessing the power of innovation and technology and attracting more companies to the SAR.
- Make the best of Hong Kong's China advantage, especially after its accession to the World Trade Organisation.
- Keep taxes simple, predictable and low – and public finances sound and healthy. v

IMF Revises GDP Growth at 4.3%

The International Monetary Fund (IMF) has revised upward its forecast of Hong Kong's GDP growth from 3.5 per cent to 4.3 per cent for the year 2000.

This revision reflects the recovery of Hong Kong's economy and prospects of a strong and sustained growth, according to IMF's latest report.

The forecast appears in the Staff Report of the IMF's annual consultation with China in respect of the Hong Kong Special Administrative Region (HKSAR).

Earlier, the Chartered Bank had forecast that Hong Kong's economic growth for this year would be 5.5 per cent. This forecast is similar to the one made by Dao Heng Bank. v

HONG KONG update



The Hong Kong Economic & Trade Office in Toronto is the official representative of the Government of the Hong Kong Special Administrative Region in Canada, responsible for promoting Hong Kong's interest across the country.

It's main responsibilities include facilitating trade talks and handling trade-related matters with the Canadian Government, and the promotion of Canadian investment and business opportunities in Hong Kong. It liaises closely with business and commercial sectors, politicians, think-tanks, and the media, etc. It also provides an inquiry service about Hong Kong and organizes various trade, economic, and public relations activities to promote ties between Canada and Hong Kong.

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Hong Kong Tops Freest Economy Ranking

The Hong Kong Special Administrative Region (SAR) and Singapore are the most economically free jurisdictions in the world, according to the Economic Freedom of the World (EFW): 2000 Annual Report released in Hong Kong on January 11.

The report, published by the Hong Kong Centre for Economic Research, Canada's Fraser Institute, and the U.S.-based Cato Institute, in conjunction with independent institutes from 52 other countries, ranks 123 countries on their level of economic freedom.

This comprehensive index, constructed under the leadership of The Fraser Institute and Nobel Laureate in Economics, Milton Friedman, is the most objective and accurate measure of economic freedom published to date by any organization.

The latest report recognizes that the resumption of sovereignty over Hong Kong by China on July 1, 1997, has not materially hurt the economic freedom long enjoyed by the people of the territory.

The Executive Director of the Vancouver-based Fraser Institute, Mr Michael

Walker, said: "The latest rating maintains Hong Kong's primacy as the most economically free place on earth. This year Hong Kong shares that title with Singapore, however, it is our expectation that Hong Kong will resume sole possession in the future.

Mr Donald Tong, Director of the Hong Kong Economic and Trade Office in Canada, said: "Hong Kong is a tiny spot on the world map, but its economic freedom, sound common law system, and world-class telecommunication infrastructure make it a great place to do business."

Following Hong Kong and Singapore, the next freest economies are New Zealand (3rd), the United States (4th), and the United Kingdom (5th). Other countries ranking near the top of the list include Ireland (6th), Canada (7th), Australia (7th), Netherlands (9th), Luxembourg (9th) and Switzerland (9th).

On November 30 last year, the 2000 index of Economic Freedom released by the U.S. Heritage Foundation and the Wall Street Journal also rated Hong Kong as the world's freest economy for the sixth consecutive year. v

Admission of Talents Scheme Launched

The Hong Kong Special Administrative Region (SAR) Government has launched a scheme to attract talents from overseas to help establish Hong Kong as the cutting edge technology hub of the region and to enhance the competitiveness of the territory's economy.

The scheme, which involves processing admission applications, is handled by the Immigration Department.

Applications are now being received by the Immigration Department and they must be submitted by local companies on behalf of their prospective employees.

Application procedures, guidance notes and information pamphlets can be downloaded from the Hong Kong Economic and Trade Office's website at <http://www.hketo.ca> by clicking the icon "Admission of Talents Scheme" or from the Immigration Department's website at <http://www.info.hk/imm/d/>

It would normally take about three weeks for the Immigration Department to process an application, including consideration by the Selection Committee appointed by the Chief Executive, Mr Tung Chee Hwa.

Successful candidates would normally be granted employment entry permit/visa for 12 months upon entry, and their visas renewed if they apply for an extension early and if they continue to meet the eligibility criteria. v

HK's population *nears 7 million*

The population of Hong Kong at end-1999 was 6,974,800, representing an increase of 169,200 people or 2.5 per cent when compared with the end-1998 population.

There were 51,400 births and 32,800 deaths in Hong Kong during end 1998 to wns-1999. The natural increase (i.e. births less deaths) thus

amounted to 18,600, accounting for 11 per cent of the population growth.

During the same period, the balance of arrivals and departures showed a net inflow of some 150,600 people, constituting 89 per cent of the population growth. v

Business Confidence at Two-Year High

Business optimism is at a two-year high since the fourth quarter of 1997, according to a survey by business information agency Dun and Bradstreet.

Findings of the survey, which involved more than 500 companies of a broad range of industries and sizes, support evidence that Hong Kong's economic revival is starting to take hold.

"The expectations in the first quarter would certainly imply that Hong Kong can expect strong growth in 2000," said the agency's Business

Development Vice President, Mr James Barnett.

Of the companies polled, new orders, particularly exports, are seen higher than a year ago in most cases, while a more modest positive balance of companies envisage rises in inventories and employee numbers.

China's pending accession to the WTO as well as the revival of trade among Asian countries contributed to an optimistic outlook for new business, Mr Barnett said. v

Jobless Rate Drops to 5.7 per cent

Hong Kong's unemployment rate fell to 5.7 per cent from 6 per cent for the three months to January, the lowest level in more than a year.

The underemployment rate dropped marginally to 2.7 per cent in the same period compared with 2.8 per cent in the October-December period.

The Government Economist, Mr K.Y. Tang said all these indicators suggested that the labour market had improved further.

Mr Tang attributed the across-the-board improvement to the continued pickup in overall economic activity and a surge in demand for

labour close to the Chinese New Year in February.

The Financial Secretary, Mr Donald Tsang, said on January 20 after chairing the 18th meeting of the Task Force on Employment that he was confident labour market conditions would further improve in the near future.

Taking a longer term perspective, Mr Tsang pointed out that Hong Kong should prepare itself for the challenges arising from economic restructuring and China's entry into the World Trade Organisation. v



Hong Kong Celebrates *the New Millennium and the Lunar New Year*



All over Hong Kong, tourists and locals alike gathered and took part in numerous activities that were organised to celebrate the dawn of the new millennium.

The much feared Y2K bug did not deter nor did it affect any of these events, which were held in Happy Valley, Victoria Park, Causeway Bay, Tsim Sha Tsui, Sha Tin, Kwai Chung, and even on the outlying islands of Cheung Chau and Lantau.

More than 50,000 people attended the Millennium Extravaganza, the official and biggest of these celebrations, at the Happy Valley Racecourse from 10.30 pm, rolling over till 2 am of the brand new century.

The highlight of the programme was the count down at the stroke of midnight, led by the Chief Executive, Mr Tung Chee Hwa, and the Chief Secretary for Administration, Mrs Anson Chan, along with other government officials and

guests artists.

The first horse race of the century followed the countdown and the pyrotechnic display. Mr Tung presented the Millennium Cup to the winner of this first race of the millennium and Mrs Chan drew the first prize of the Sweepstake Lucky Draw and brought about C\$4 million worth of gold to the lucky winner.

The Lunar New Year celebrations on February 5 included a spectacular fireworks display over the Victoria Harbour and a waterfront parade watched by hundreds of thousands of people.

As the Year of the Dragon is considered an auspicious year, more than 100,000 packed the territory's race courses – a favourite Hong Kong pastime – to take part in an activity that would bring them good fortune.

For others, it is also a time to visit relatives and loved ones in villages and hometowns in various parts of China and overseas countries. ▽

(top) Fireworks display during the Lunar New Year celebration

(2nd from top) The Chief Executive, Mr Tung Chee Hwa, and Mrs Betty Tung attended the City of Light & Sound Lighting and Countdown Ceremony at Lok Fu Shopping Centre on December 31, 1999

(middle) The Chief Executive, Mr Tung Chee Hwa, and Mrs Tung celebrated Lunar New Year with residents of Chung Uk Village, one of the 26 indigenous villages in Lam Tsuen

(2nd from bottom) Mrs Anson Chan drawing the grand prize for the Millennium Sweepstake Lucky draw, adding extra fun and excitement to the event

(bottom) Lunar New Year Parade



(top) Hong Kong and Mainland artists sing at the grand finale of the dragon dance on the Great Wall
(right) The Chief Secretary for Administration, Mrs Anson Chan, after dotting the eye of a record-breaking dragon in Beijing, China



Record Longest Dragon Dance *Bid on Great Wall*

About 5,000 Chinese youths from all over the world, including Canada, braved bitterly cold and windy conditions outside Beijing to hang on to their assigned positions on the Great Wall in a bid to perform the longest dragon dance on record on February 21.

The participants began to synchronize their dance movements at the famous Ba Da Ling Section of the Great wall in an attempt to gain an entry in the Guinness Book of World Records and to exemplify the spirit of solidarity and vision of all Chinese youths in the New Millennium.

Earlier, the Chief Secretary for Administration, Mrs. Anson Chan, performed the eye-dotting ceremony on the dragon, whose head alone required the collective strength of nine persons to control on the Great Wall.

The dragon has a total length of 3,048 metres (10,000 feet), a diameter of

1.2 metres, and weighs 14,460 kilograms. It took craftsmen 69 days in Beijing to create.

Co-Chairman of the "Dragon at the Great Wall", Hong Kong Committee and Secretary for Home Affairs, Mr. David Lan, said: "The participating youths clearly relished the chance to express their feelings as 'descendants' of the dragon", and to be associated with all the noble qualities attributed to the mythical Chinese dragon."

Chinese superstar Jacky Chan led a contingent of other famous Chinese entertainers to perform on the Great Wall. Both the world record attempt and performance were televised worldwide.

The Dragon Dance is one of the three major events of the Dragon at the Great Wall project. **v**

* Continued from page 1

remained promising in 2000.

"The on-going cost and price adjustments in the local economy coupled with stronger currencies in the rest of Asia should help enhance Hong Kong's external competitiveness," he said.

Mr Tsang said that Hong Kong was already the regional headquarters for more than 800 multinational enterprises and announced measures to attract more foreign investment into Hong Kong. These included setting up a dedicated agency in the Trade and Industry Bureau to do this.

"Thanks to the favourable domestic and external environment, I expect the economy to continue its vigorous growth. For the year as a whole, I forecast GDP to grow by 5 per cent in real terms," he said.

The trend growth of GDP from 1999-2000 to 2003-2004 has been revised upwards from 3.5 per cent to 4 per cent.

To put Hong Kong's medium-term finances on a healthy footing, the Financial Secretary said that he would restrict the growth of recurrent government expenditure to 2.5 per cent in 2000-2001. This is 1.5

per cent lower than the forecast trend GDP growth rate of 4 per cent for the medium term from 1999-2000 to 2003-2004.

Mr Tsang said that the Government would cut costs by reducing the size of the Civil Service by 10,000, or about 5 per cent, over the next three years. This would reduce the number of civil servants from the current 198,000 to the 1995 level of about 188,000. A voluntary retirement scheme would accelerate the pace of reform.

However, Hong Kong faced operating deficits between 1998-1999 and 2002-2003 – something that had not happened in the 50 years up to 1998.

The Financial Secretary said that, with the recession behind us, it was time for Hong Kong to resume its normal fiscal behaviour and return to balanced budgets in the medium term.

To ensure that Hong Kong would be safe from fiscal instability and the government could continue to have money to pay its bills, he said that he had decided to take a two-pronged approach.

First, the Secretary for Treasury, Miss Denise Yue, would head an internal Task Force to monitor the level

of government's recurrent income as against overall economic growth. This should allow the government to find out whether Hong Kong's fiscal problem is cyclical or structural in nature. The Task Force would also examine the viability of the existing tax regime.

Secondly, the government would set up an independent committee with tax experts, professionals and academics to look into the suitability and implications of introducing new types of broad-based taxes, including a consumption-related tax.

Mr Tsang saw bright prospects for Hong Kong in the longer term thanks to the many fresh business opportunities offered by globalisation and China's further development after joining the WTO. He said the latter "will open numerous doors to wealth for Hong Kong".

The Financial Secretary concluded: "Looking back at what we as a community achieved in the last century and the recent rebound of our economy, I am confident that Hong Kong will continue to outdo itself in scaling new heights." **v**

CE Optimistic about HK's Economic Prospects

The Chief Executive, Mr Tung Chee Hwa is confident that with an active financial market, a thriving tourist industry, enhanced foreign trade, the gathering momentum of technological developments as well as the momentous development of China's forthcoming accession to the World Trade Organisation, Hong Kong can be cautiously optimistic about its medium and long-term economic prospects.

He believes that Hong Kong's economy has bottomed out and its economic recovery will continue unabated.

Mr Tung said that apart from sustained economic growth, Hong Kong also took much joy and pride in the successful implementation of the "One country, Two Systems" principle and the upholding of the rule of law.

"These achievements have boosted the confidence of the people of Hong Kong as well as the international community on Hong Kong's prospects," he added.

"On the economic front," he continued, "both short and long-term capital is returning to our market. As for human resources, many of those who have emigrated have returned since the reunification."

Mr Tung pointed out that figures provided by the Immigration Department

showed that the number of people emigrating overseas last year was the lowest of the decade. "All this augurs well for the future of Hong Kong," he added.

He said that the efforts Hong Kong had made in the past two years had been crowned with success. However, he added, Hong Kong was not, and should not be, complacent.

"We still have much to do. We should capitalise on our excellent position to strengthen the momentum of development in Hong Kong in order to enhance our position as a leading metropolis in Asia," he said.

The Chief Executive said that he was confident that he could lead the Hong Kong Special Administrative Region Government and the Hong Kong community to reach this goal.

Mr Tung said that as a result of economic restructuring, Hong Kong needed to address the issues of employment and the growing disparity between the rich and the poor in our community.

"I earnestly hope that the people of Hong Kong will all respond to my call and work with the HKSAR Government to achieve this goal," he concluded. **v**

Smooth Transition to Y2K



The Chief Secretary of Administration, Mrs Anson Chan (center), receiving a briefing by the then Secretary for Information Technology and Broadcasting, Mr Kwong Ki-chi (right) and the Deputy Secretary for Information Technology and Broadcasting, Mrs Jessie Ting (left) on the operation of the Government's Y2K Central Co-ordination Center

Hong Kong moved into the year 2000 without a single Y2K-induced incident. All essential service sectors reported "business as usual" on the first working day of the new year.

The essential sectors covered aviation, broadcasting, energy supply, environment, fire and emergency services, financial services, food supply, immigration, port management, public health, public order, telecommunications and transport.

And all Government bureaux and departments which carried out wellness checks on their systems to ensure that they would continue to function on the first working day on January 3 did not discover any major Y2K related glitches.

The Secretary for Information and Technology, Mr Kwong Ki-chi, said at a press conference on January 3 that the fact that essential service providers in the public and private sectors were operating normally was due to extensive preparations.

He said: "Because of our considerable efforts, and those in the private sector, we have not seen any widespread disruption of essential services in the first three days of the new year."

Mr Kwong added: "If we keep up our monitoring and tackle any problems reported to us then we should not expect any widespread service disruptions over the rest of the year."

Meanwhile, a Government spokesman said on February 29 that the leap year rollover in Hong Kong had, as expected, been smooth and none of the 13 essential services sectors had encountered any Y2K-induced problems so far. **v**

Measures to Boost HK's Competitiveness



Director of Hong Kong Economic & Trade Office,
Mr Donald Tong

The Director of the Hong Kong Economic and Trade Office of the Hong Kong Special Administrative Region (SAR), Mr Donald Tong, has said that Hong Kong has taken a series of measures to bolster its competitiveness and turn the territory into a cutting edge information technology centre of the region.

Speaking at a luncheon seminar organised by the Mississauga Board of Trade, the Mississauga Board of Chinese Professionals and Businesses, and the Mississauga Technology Association on February 15, Mr Tong encouraged businessmen to participate in Hong Kong's quest to become a cosmopolitan city comparable to New York and London.

He said there were 150 Canadian companies such as Nortel, Bell, Manulife, Newbridge and major banks doing business in the SAR.

"In addition to building our traditional strength as a financial/trading/shipping/fashion centre in Asia, we have already undertaken a series of plans to bolster our competitiveness. We have decided to accelerate our investment in major infrastructure projects including C\$44 billion in our highways, rails and schools," he said.

Mr Tong said Hong Kong would also turn into a knowledge-based society by developing informa-

tion technology and telecommunications and high value-added industries and added that a Cyberport was being developed so as to establish a cluster of IT/telecommunications exports to jump start hi-tech industries in Hong Kong.

"We are also working very hard on e-commerce and provision of government on-line services to the Hong Kong public and have opened our external telecommunications services and facilities markets with a view to turning Hong Kong into an international IT/telecommunications hub.

"All these no doubt would continue to generate excellent business opportunities for Canada," he said.

On financial services, Mr Tong pointed out that considerable progress had been made in the past two years. "We have successfully launched the Growth Enterprise Market which is Hong Kong's Nasdaq. By March, a new body – the Hong Kong Exchange and Clearance Limited will be created by merging the Stock Exchange, the Futures Exchange and three clearing houses."

Furthermore, he added, China's imminent accession to the World Trade Organization will generate an even more optimistic outlook for Hong Kong. As China opens up further to the outside world, its trade volume and demand for services in China would increase significantly.

Mr Tong said that since Hong Kong was the major entrepot, servicing and fund-raising centre for China and since both had a common language and cultural background and a very vibrant servicing and professional industry, Hong Kong would certainly stand to gain significant benefits.

He said: "We estimate that China's accession to the WTO will raise Hong Kong's exports by 1.3 per cent each year and contribute an additional half of a percentage point to Hong Kong's economic growth each year."

"China is a big market and will be the growth engine in Asia in the new millennium. I'm sure that you would not want to miss this golden opportunity," Mr Tong concluded.

The seminar was attended by Mayor Hazel McCallion of Mississauga and attended by over 100 participants. Other speakers at the seminar included Loong Chu, Principal Consultant, HKETO, John See, Vice-Chairman of TD Waterhouse, which just expanded its presence in Hong Kong 1994, Andrew Yui of Hong Kong Trade Development Council and Jean-Charles Joly, Trade Commissioner of Industry Canada. ▽

HK Liberalises Telecommunications Market



Hong Kong maintains its cutting edge position as
Asia's leading telecommunications hub

Following the liberalisation of Hong Kong's external telecommunication facilities market in January 2000, the Hong Kong Telecommunications Authority (TA) has decided to issue Letters of Intent (LOIs) to 13 applicants for cable-based External Fixed Telecommunication Network Services (EFTNS) licences on July 1.

The Information Technology and Broadcasting Bureau announced on February 1 that the successful applicants would invest directly in a total of seven new submarine cables and four new overland cables.

The proposed cable systems would increase the external telecommunications capacity of Hong Kong by 384 Gigabit per second (Gbps) from 44 Gbps at present to 428 Gbps in the next three years.

The new capital investment in the first three years in building up their telecommunications

infrastructure to Hong Kong would amount to about C\$1.66 billion.

The new cables will bring a significant increase in bandwidth for external connection, which is key to Hong Kong's development as a leading telecommunications centre and an Internet and broadcasting hub in the region.

Consumers will benefit from increased competition which is expected to drive down prices, improve service quality and induce the introduction of innovative services.

In January the TA decided to issue five licences to operate local fixed wireless networks (FTNS) and 12 licences for satellite-based (EFTNS) licences. The total investment would amount to C\$759 million. Teleglobe is one of the prospective EFTNS licensee. ▽

Financial News Capsules

HK Exchanges and Clearing Ltd Launched

Hong Kong is on the road to becoming Asia's leading securities and futures market following the launch of the Hong Kong Exchanges and Clearing Limited (HKEx) on March 6.

The HKEx was created by the merging of the previous Hong Kong Stock Exchange, Hong Kong Futures Exchange and the three clearing houses.

The creation of the HKEx has brought to the financial industry economies of scale; higher efficiency and savings in infrastructure investment; strengthened hedging and risk management; as well as providing greater financial support to meet external competition.

It will also promote greater transparency, accountability and market discipline.

Privatization of Hong Kong's Subway

The Mass Transit Railway (MTR) Bill has been passed by the Legislative Council. The enactment of the Bill is an important step towards the planned privatization of a minority share of the MTR Corporation (MTRC) later this year, as announced in the 1999 Budget speech.

The MTRC has built up over the years a reputation, both locally and internationally, as a government-owned statutory corporation providing efficient and high quality railway services. It is also one of the very few railways in the world operating profitably and on prudent commercial principles with no subsidy from Government.

The MTR Bill provides the legislative framework to replace the MTRC as a statutory corporation with a limited liability company (to be known as MTR Corporation Limited), and to award the MTR franchise to that company.

Foreign Currency Assets

The official foreign currency assets of Hong Kong amounted to US\$93.1 billion at the end of February 2000, as compared with US\$94.3 billion in January.

In terms of foreign currency reserves ranking, Hong Kong is the world's fourth largest holder of foreign currency reserves after Japan, Mainland China and Taiwan. The total foreign currency assets of US\$93.1 billion represent over six times the currency in circulation, one of the highest ratios in the world.

Ninth largest trading entity

The Hong Kong SAR's ranking as the 9th largest trading entity in merchandise and services trade in 1997 has remained unchanged in 1998, according to the World Trade Organisation (WTO) Annual Report.

The report points out that in merchandise trade, Hong Kong was overtaken by the Netherlands and became the world's 9th largest trading entity in goods in 1998. This was one rank lower than that attained in 1997.

But taking the European Union as a single trad-

ing entity, the territory ranked 5th in 1998, similar to the 1997 ranking.

Hong Kong accounted for 3.28 per cent of the world's total merchandise trade in 1998, as compared to 3.62 per cent in 1997.

In commercial service trade, the territory was the world's 12th largest in 1998, one rank lower than that in 1997. Its total trade in services in 1998 amounted to US\$56.9 billion, a decrease of 5.2 per cent when compared with 1997.

Hong Kong accounted for 2.17 per cent of the world's total services trade in 1998, slightly lower than the 2.3 per cent recorded in 1997.

Growth Enterprise Index Launched

The Stock Exchange of Hong Kong has introduced the Growth Enterprise Index (GEI) to provide investors with a benchmark indicator to assess the movement of the Growth Enterprise Market (GEM).

The base value of GEI is 1000 index points and the base date of the index was March 17, 2000. GEI is market-value weighted, which means that the index is weighted according to each company's market capitalisation. All GEM stocks will be included in the index.

A spokesman for the Exchange said the introduction of GEI would allow investors to measure the overall performance of GEM, which started trading on November 25, 1999, in a more efficient manner and help investors to make their investment decisions accordingly.

"The movement of GEI will be driven initially by a few large companies. This reflects the market structure and may change with the listing of more companies on GEM," the spokesman said.

With effect from March 20, real time GEI data will be available on teletext page 8788 and disseminated to all existing information vendors. The GEI will also be posted on the GEM web site (<http://www.hkgem.com>) and disseminated by Electronic Mailing Stock Information Service. Data available on the web will be 60 minutes delayed.

HACTL handles 20% more air cargo

Contrary to earlier forecasts, 1999 has proved to be a record year in terms of throughput for the air cargo industry in Hong Kong, thanks to the strong growth in exports to Hong Kong's major trading partners.

Hong Kong Air Cargo Terminals (HACTL) handled 1.58 million tonnes of air cargo last year, a 20 per cent year-on-year increase.

North America continued to be the largest destination for Hong Kong's exports, accounting for 31.5 per cent of HACTL's total cargo volume. Europe, HACTL's second-largest market for exports, accounted for 25.9 per cent of the total, followed by Southeast Asia with 22 per cent.

For the year as a whole, the international air cargo handled at the new airport has increased by another 21% to 1.98 million tonnes.

Cathay to revive expansion plan

Cathay Pacific Airways is to revive its expansion plan, which has been shelved more than two years, by buying additional aircrafts and adding routes.

The Chief Executive of the airline, Mr David Turnbull, says the company aims to boost the number of passengers it carries to 20 million a year, up eight million from the present load.

Predicting a surge in air traffic in Asia during the next 20 years, Mr Turnbull says the company wants to add capacity to enable it to fly to every major Asian city several times a day.

Surge in HK's Tourism

Tourism continued its strong growth into the new millennium with January arrivals surging to almost one million visitors. The 990,448 arrivals represent a 12.7 per cent increase over January 1999.

The overall hotel occupancy rate in January was 80 per cent, compared to 78 per cent in 1999.

Hong Kong attracted 10.68 million visitors in 1999 - representing an 11.5 per cent growth on the 1998 total. This figure is the second highest total recorded since 1996 when 11.7 million tourists visited the territory.

The two biggest source markets - the Mainland and Taiwan - both set new records, with their arrivals topping three million and two million respectively for the first time.

This year, arrivals are expected to increase by 6.8 per cent to about 11.4 million visitors.

More than 210,000 Canadians visited Hong Kong in 1999, 8.5 per cent more than 1998.

The Basic Law - Hong Kong SAR's Constitution

Hong Kong became a Special Administrative Region (HKSAR) of the People's Republic of China on July 1, 1997. Hong Kong's constitutional document, the Basic Law, enacted by China's National People's Congress, came into effect the same day.

The Basic Law embodies the concept of "One Country, Two Systems" and guarantees a high degree of autonomy with the Hong Kong people running Hong Kong in all areas except for foreign affairs and defence.

In particular, it ensures that Hong Kong's capitalist system and way of life under the rule of law will remain unchanged for at least 50 years.

The key provisions of the Basic Law which have been fully implemented in Hong Kong includes:

- The laws previously in force in Hong Kong have been maintained and separate from that in the Mainland.
- Continuation of freedom of speech; of the press and publications; of assembly; of religion; of procession and demonstration and the right and freedom to form, join trade unions and to strike.
- Independent finances separate from the Mainland and formulation of Hong Kong's own monetary and financial policies and safeguard for the free movement of goods, assets and capital.

For details of the Basic Law, click icon "Basic Law" at website <http://www.hketo.ca>.