



HONG KONG update

March 2001

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

秉要執本 常勤精進

Honing Our Strengths
Striving to Excel



Mr Donald Tsang

A Budget to Maintain Steady Economic Growth

Maintaining steady economic growth, providing more resources for the less advantaged in the community and striving for fiscal balance were among the key issues in Financial Secretary, Mr Donald Tsang's, sixth and final budget which he introduced in the Legislative Council on March 7.

In a budget which he described as "deliberately conservative", Mr Tsang outlined a strategy to reinforce Hong Kong's economic partnership with Mainland China, and to turn Hong Kong's strengths into a competitive advantage to become the World City of Asia and an international financial center, "providing an unrivalled breadth and depth of financial and high value-added services".

On the economic front, the economy continued to flourish during 2000. In real terms, GDP grew by 10.5 per cent, the highest since 1987; exports of goods rose by 17.1 per cent; and local consumer spending grew by 5.4 per cent. GDP growth is forecast to moderate to 4 per cent in real terms in 2001 while the Consumer Price Index is expected to show zero growth during the year.

To help balance the books, the Financial Secretary announced a number of specific

revenue raising measures, including modest increases in the duty on tobacco and on certain alcoholic beverages.

In maintaining fiscal prudence, Mr Tsang said that without knowing whether the series of operating deficits was cyclical or structural, the government had to exercise strict control over expenditure and take

Budget Highlights

Hong Kong Economy

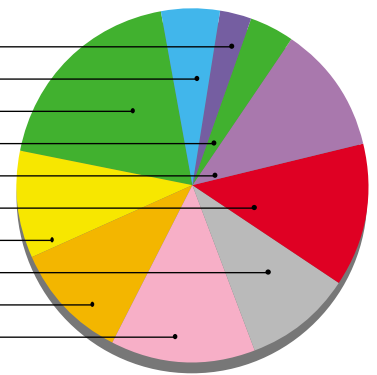
- GDP grew by 10.5% in real terms in 2000
- The decline in consumer prices gradually abating from -5.3% in January 2000 to -1.8% in December 2000
- GDP expected to grow by 4% in real terms in 2001
- Following a gradual rise in consumer prices in 2001, zero inflation expected for 2001
- Trend GDP growth of 4% a year in real terms for 2001-04. GDP deflator of 2.5% a year expected for the same period

Financial Position

- Outturn for 2000-01 shows an increase in estimated deficit from \$6.2 billion to \$11.4 billion
- Overall deficit of \$3 billion forecast for 2001-02
- Overall balanced budgets for 2001-05
- 2000-01 outturn shows an operating deficit of \$19.2 billion; 2001-02 Estimates forecast an operating deficit of \$16.6 billion

Analysis of Total Public Expenditure by Policy Area Group

Community and External Affairs	2.9%
Economic	5.4%
Education	19.0%
Environment & Food	4.1%
Health	11.7%
Housing	13.1%
Infrastructure	9.8%
Security	9.9%
Social Welfare	10.8%
Support	13.3%



appropriate measures to raise revenue.

He added: "However, with modest improvement in the fiscal position over the medium term, expenditure will grow by 4 per cent in real terms from 2002-03 onwards. This is 1.5 percentage points

continued on page 2

continued on page 3

Highlights

- Successive operating deficits from 1998-99 to 2004-05 remain a concern
- Fiscal reserves expected to stand at \$432.9 billion at the end of 2000-01, falling to \$429.9 billion at the end of 2001-02
- Fiscal revenues forecast to drop to \$427.5 billion at the end of the medium term, very close to the lower end of guidelines

Budget Strategy

- Maintain steady economic growth and ensure improvement in people's livelihood
- Devote more resources to address the needs of the community
- Enhance public sector productivity
- Strive to achieve fiscal balance

New Expenditure Initiatives

- Government expenditure will amount to \$252.7 billion in 2001-02, an increase of \$26.6 billion over that in 2000-01
- Expenditure items cover all initiatives announced by the Chief Executive in his Policy

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.

Its 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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Exchange Rate HK\$1=C\$0.19

Addresses, including: improving education; strengthening training; easing unemployment; helping the disadvantaged; increasing building safety; and upgrading the environment

- On top of these, the Financial Secretary announced additional expenditure initiatives, including:

Support for Employers' Staff Training

- \$300 million to establish a training fund to support SMEs' training initiatives

Strengthening the Role of District Councils

- \$100 million more a year to strengthen the work of District Councils

Revenue Proposals

The Budget proposes measures that strengthen our human capital and our securities market –

- Maximum amount of deduction for self-education expenses under salaries tax increases from \$30,000 to \$40,000
- Stamp duty on stock transactions drops from 0.225% to 0.2%

In order to improve our fiscal position, the Budget proposes measures that do not impact on economic growth or people's livelihood –

- Tobacco duty increases by 5%
- Duty on alcoholic beverages, except wines and strong spirits, increases from 30% to 40%
- Driving licence fees and vehicle licence fees for private cars, motor cycles and motor tricycles increase by 10%; licence fees for commercial vehicles remain unchanged
- On-street parking meter charges increase from a maximum of \$2 to \$3 for every 15 minutes
- Air Passenger Departure Tax increases from \$50 to \$80 and extends to helicopter passengers

Strategies for Development

- Capture opportunities from China's coming accession to the WTO; step up co-operation with Guangdong, especially with the Pearl River Delta, to capitalise on regional competitive advantage
- Upgrade our human capital to meet demands of a knowledge-based economy and to help improve

From the Chief Executive

The Budget presented by the Financial Secretary is one which builds on the foundation of Hong Kong's economic recovery and which brings us forward into the new century.

Commenting on the Budget, the Chief Executive, Mr Tung Chee Hwa said: "Hong Kong has recovered very well from the Asian financial crisis. International investors have continued to demonstrate confidence in Hong Kong. Aside from the Mainland, investments by international companies in Hong Kong exceed those in other Asian economies. The number of regional headquarters and offices established in Hong Kong increased by 20 per cent last year."

To maintain Hong Kong's pre-eminent position as an international financial center, to sustain our economic growth and to protect the overall interest of the community, the Budget complies with our long standing prudent financial principles. At the same time, adequate resources have been made available to meet the community's needs in the areas of education, medical and health, and welfare, housing and other public services.

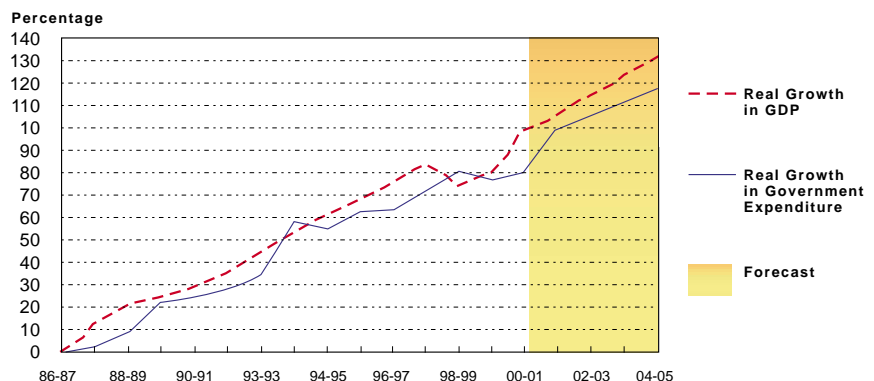
The Budget complements the national development strategy. It also sets out clearly the strategy for Hong Kong to take advantage of China's accession to the World Trade Organization.

"I trust that this Budget will receive wide community support." ★

the standards of living of the disadvantaged; implement an Admission of Mainland Professionals scheme to address a shortage of professionals in order to sustain economic vitality

- Hone our strengths as a centre for international finance and high-value-added services and strive to excel as Asia's World City ★

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



Appointments of Top Officials



Mr Tung (center) with Mr Tsang (right) and Mr Leung.

Mr Donald Tsang will take over as Chief Secretary for Administration when Mrs Anson Chan retires in April and Mr Anthony Leung Kam-chung will succeed Mr Tsang as Financial Secretary on May 1.

Announcing their appointments on February 15, the Chief Executive, Mr Tung Chee Hwa said that he was confident that both Mr Tsang and Mr Leung would serve Hong Kong with utmost dedication.

Mr Tung said that Mr Tsang's distinguished career as a Hong Kong civil servant spanned over more than three decades. Mr Tsang, he added, had served Hong Kong with distinction, commitment and dedication in many different capacities.

"Since the handover, in his capacity as Financial Secretary, he has led his team of colleagues to overcome the Asian financial crisis. Today's recovery of the Hong Kong economy owes much to the determination and wisdom

which Donald and his team have displayed over that critical period," he added.

Mr. Tsang last visited Canada in June 2000.

Likewise, Mr Tung said he was delighted to have Mr Leung to serve as Financial Secretary at the critical moment when Hong Kong was facing the twin challenges of globalisation and developing the new economy.

He said Mr Leung would bring with him to the financial portfolio the wealth of experience which he had acquired in international banking over a quarter of a century.

Mr Anthony Leung, aged 49, is the Chairman for Asia-Pacific of J.P. Morgan. He joined Chase Manhattan (which merged with J.P. Morgan in 2000) in 1996. Prior to that, he had worked for Citicorp for 23 years in management positions in investment banking, corporate and private banking in Hong Kong, New York, Singapore and Manila. ★

Conservative Budget

higher than originally envisaged and in line with the trend GDP growth rate."

The Financial Secretary announced two tax concessions to help Hong Kong's development. One increases the amount of self-education expenses which can be claimed against Salaries Tax, to encourage continued learning. The other reduces the stamp duty on stock transactions to keep Hong Kong's stock market competitive.

On Hong Kong's future development, Mr Tsang said that the "stage was set" for another economic take-off in Hong Kong following China's accession to the World Trade Organisation.

But he said that this would only happen if Hong Kong built on its traditional strengths and took the initiative to reinforce its economic partnership with the Mainland, particularly in neighbouring Guangdong Province and the Pearl River Delta.

Mr Tsang said that "intensive discussions" had been held with the Central People's Government and other Mainland authorities on ways to help Hong Kong businesses capture the opportunities in the new markets that would emerge following China's WTO accession, particularly in the services industry and professional services.

He said that more would be done to improve infrastructural links and to provide greater support for businesses and more exchanges of people and knowledge. "We need to smooth the flow of people and goods in the entire region," he said.

The Financial Secretary said that Hong Kong should aim to become a leading player in both high value-added services and international financial services.

He said: "The government will continue to promote tourism and develop Hong Kong's IT capacity. It will improve Hong Kong's financial infrastructure and corporate governance. Initiatives in this area include the preparation of a development plan for further expanding the financial infrastructure."

Mr Tsang said that Hong Kong was now more competitive than before the financial crisis. To succeed in the 21st century, Hong Kong must have a clear vision of the future. It must hone its strengths and strive to excel. ★

IMF lauds HK Economy

The International Monetary Fund (IMF) has highly complimented the HKSAR for adopting a prudent economic and fiscal policy enabling it to gain rapid recovery from the Asian financial crisis.

In a recently released staff report, the IMF attributed the successful turnaround of the economy to the "flexibility of the HKSAR's markets, and the authorities' pragmatic handling of fiscal policy during the recession."

The Executive Directors of the IMF Board reiterated strong support for the linked exchanged rate and

observed that the Seven Technical Measures introduced in 1998 to strengthen the currency board had worked well. They also welcomed the progress achieved in disposing the domestic equities acquired in August 1998 in an orderly and transparent manner.

While the IMF was positive about Hong Kong's ability in meeting the challenge arising from the Mainland's accession to the WTO, a government spokesman said Hong Kong would stand to gain tremendously from the abundant business opportunities this entailed. ★

Team Canada Trade Mission in Hong Kong



The delegation arriving Hong Kong.

The Chief Executive, Mr Tung Chee Hwa, met with the Canadian Prime Minister, Mr Jean Chretien, and warmly welcomed the visit of the high-powered Team Canada trade mission to Hong Kong in February which signifies the importance of the trade, investment and cultural relationship between Canada and Hong Kong.

Also attending the bilateral meeting were Canadian Premiers, Territorial leaders, the Minister for International Trade and the Secretary of State for Asia Pacific.

The trade delegation signed a total of 27 business deals worth over C\$75 million in Hong Kong including eight contracts worth C\$51 million, 14 memoranda of understanding value at C\$16 million, as well as two other forms of agreements valued at C\$6 million.

The Canadian Prime Minister and his delegation were updated on economic developments

in the HKSAR by Mr Tung. Mr Tung told the delegation that since the opening up of China's economy in 1978, Hong Kong had been serving and thriving as the main gateway and conduit of trade with China.

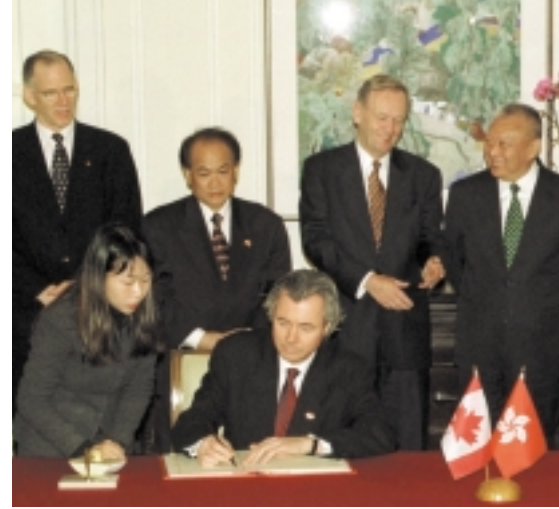
Business with Mainland China accounted for 40 per cent of Hong Kong's trade. Last year, the Hong Kong container port handled 18 million containers, of which 14 million, or three-quarters, were related to trade to and from the Mainland.

Mr Tung said: "The wealth of experience of Hong Kong companies in doing business in China is unrivalled anywhere in the world. We are also strategically located right at the entry of the Pearl River Delta, the fastest growing and one of the most dynamic areas in the Mainland, and we are within short flying distance to major cities in the whole of Mainland China."

He stressed that market knowledge and personal contact were important to success in doing business, especially in developing new business opportunities in emerging markets such as the Mainland of China.

Mr Tung advised that although the large Canadian multinational corporations had the capability and resources to go direct into the Mainland China's market, and many had done so, nevertheless, for the huge number of Canadian small and medium sized enterprises, finding a right local parent would certainly help to reduce the risks and enhance the chance of success in doing business in China as in elsewhere.

He said that the Hong Kong Trade Development Council was developing a database on the business skills and expertise of thousands of SME's in Hong Kong and that it was more than willing to assist Canadian SME's to find a local partner in Hong Kong. ★



Mr Tung and Mr Chretien (center) witnessing the new Memorandum of Understanding on Film and Television.

Hong

Canadian visitors to Hong Kong now have an added attraction - the Hong Kong Heritage Museum.

Occupying a gross floor area of 28,500 square metres, the Museum which provides different exhibitions and activities in history, culture and arts, is one of the major cultural institutions in Hong Kong.

The Museum has acquired a collection of around 70,000 items, more than half of which have been donated by enthusiastic groups and individuals. A fine selection of the collection is displayed in the 12 exhibition galleries of the Museum for public viewing.

Of the 12 galleries, six are permanent exhibition galleries, namely, Orientation Theatre, New Territories Heritage Hall, Cantonese Opera Heritage Hall, Children's Discovery Gallery, T.T. Tsui Gallery of Chinese Art and Chao Shao-an Gallery. The other six galleries are thematic galleries which regularly feature temporary



Accompanied by the Chief Secretary Mrs Anson Chan (right), Mr Chretien is seen chatting with students during his visit to the Canadian International School.



This red-lacquered basin bearing the inscription of "Qianlong Zao Chu" is engraved with fine lines to give a lively representation of the figures in a garden scene. The Emperor Qianlong period of the Qing Dynasty is between 1736 and 1795.



Signing of a
vision Co-operation.



Mrs Betty Tung, wife of the Chief Executive, briefs Mrs Chretien and the spouses of the delegation on the shed theatre setting for the performance of Cantonese Opera during their visit to the Hong Kong Heritage Museum.

Tourism in HK Enters New Era

The Chairman of the Hong Kong tourist Association (HKTA), Mrs Selina Chow, has said that the tourism business in Hong Kong is entering an exciting new era in 2001 with an upgraded structure and management for the HKTA, a major new community-wide tourism initiative and continued growth forecast for visitor arrivals.

Announcing the final visitor arrival and spending figures for 2000. Mrs Chow said Hong Kong's total tourism receipts returned to growth for the first time since 1996, gaining 9.4 per cent on the previous year's total to reach about C\$12.17 billion.

It was also a record year for visitor arrivals, which increased by 15.3 per cent to 13.06 million. Both the receipts and arrivals figures were more than double the global average, according to World Tourism Organisation (WTO) estimates, which anticipated growth of 4.5 per cent and 7.4 per cent respectively.

A total of 253,095 Canadians visited Hong Kong in 2000, representing an 11.9 per cent increase over 1999.

Mrs Chow said that for 2001, the tourism marketing body was taking a "positive but prudent" approach in forecasting a 7.8 per cent growth in arrivals to 14.075 million, and an 8.8 per cent growth in receipts to about C\$13.25 billion.

Mrs Chow earlier announced the appointment of Mrs Clara Chong as the new Executive Director of the HKTA which will be renamed the Hong Kong Tourism Board later this year to put emphasis on promoting the territory globally as a world-class destination and strengthening its advisory role to the Government. ★

Hong Kong Heritage Museum

exhibitions on local and overseas culture.

Each permanent gallery of the Museum, which is the largest of Hong Kong's 13 museums, has special features of its own.

The New Territories

The T.T. Tsui Gallery of Chinese Art displays the artifacts throughout the 6,000-year history of China, which offers the visitors a good chance to appreciate and learn more about Hong Kong's great cultural heritage.

The Children's Discovery Gallery provides young children aged between four and 10 with a wide range of interesting learning activities as a complement to classroom learning.

The Museum has its own website at www.heritagemuseum.gov.hk. ★



"Dragon Robe" worn by opera star Lung Kim-sang in the Cantonese Opera "Emperor Li Hau Chu", is one of the many exhibits displayed in the Cantonese Opera Heritage Hall.



A Tang dynasty pottery camel with sancai glaze. Sancai means the three colors, amber, dark brown and green. As camel was an important mode of transportation on the Silk Road, the discovery of so many sancai camels reflected the frequent cultural and trade exchange between the East and the West in the Tang Dynasty.

Heritage Hall chronicles the social changes of the New Territories over the past 6,000 years, illustrating the process of the transformation of rural villages into modern new towns.

The Cantonese Opera Heritage Hall introduces the cultural gems of South China, which is surely a favourite rendezvous for local Cantonese opera fans, overseas Chinese and visitors.

Hong Kong Disneyland

Hong Kong Disneyland will help consolidate and enhance the territory's position as the region's number one tourist destination as well as a major international city.

It is predicted that the project would deliver about C\$29.3 billion in economic benefits over a 40-year period. Hong Kong Disneyland is expected to attract almost 1.5 million new tourists a year to Hong Kong in the beginning, rising to almost three million after 15 years.

The first phase of the theme park and resort will occupy about 126 hectares of a 280-hectare site to be formed at Penny's Bay, on Lantau Island. It is planned to open in 2005-2006. The entire project will cost about C\$2.82 billion.

With the completion of all park facilities, Hong Kong Disneyland would attract more than 10 million visitors a year, with about half of them coming from China. ★

Hong Kong-Canada Link



Exchanging traditional Chinese hats and Calgarian cowboy hats at the Chinese New Year Reception are from left: Mrs Rosanna Ure, Director, Hong Kong Economic and Trade Office, Mr Steve Edwards, General Manager of Calgary Stampede, Mrs Aliana Ho, Director of Canada, Hong Kong Tourist Association and Mr Gary Mar, Minister of Health and Wellness, Alberta.

This was because no other economy in the region could match Hong Kong's entrepreneurial experience and networks in the Mainland market.

"It is hardly surprising that many enterprises choose to form alliances and partnership with Hong Kong companies in order to gain an early foothold in the vast Chinese market," she said, calling on Canadians to consider taking this route.

Mrs Ure also took the opportunity to welcome home the Calgary Stampede and congratulated the team on their successful participation in the Chinese New Year Parade organized by the Hong Kong Tourist Association and their promotional activities at the Hong Kong Jockey Club.

Earlier, Mrs Ure said at a luncheon hosted by the Hong Kong - Canada Business Association that Hong Kong could benefit from Canada's experience in information technology.

She said that the Canadian government's policy of high connectivity and the private sector's innovative and entrepreneurial endeavours impressed Hong Kong.

"We feel that Hong Kong could certainly learn a lot from the Canadian experience," she said. ★

Correctional Service Delegation in Hong Kong

The visit to Hong Kong by the delegation of the Correctional Service of Canada has achieved its objective of mutual benefit through multi-level experience sharing.

This is the consensus of the Solicitor General of Canada, the Honourable Lawrence MacAulay; the Commissioner of Correctional Service of Canada, Ms Lucie McClung; and the Commissioner of Correctional Services of Hong Kong (CSD), Mr Benny Ng Ching-kwok.

The Honourable MacAulay and Ms McClung led an eight-member delegation, including Canadian front-line correctional officers, to visit Hong Kong from March 3 to 8 at the invitation of Mr Ng.

During their stay in Hong Kong, the delegation visited a number of correctional institutions and took part in seminars and workshops to share experience with their Hong Kong counterparts.

Ms McClung was impressed with the education, employment and counselling programmes aimed at preparing offenders for their safe return to their communities. She commends the work done by the CSD to reach out to Hong Kong citizens to strengthen the necessary links between incarceration and community re-integration.

To further strengthen the tie and professional exchanges between the two jurisdictions, the two parties signed a Memorandum of Understanding which will further enhance mutual co-operation and the development of correctional programmes. ★

The Director of the Hong Kong Economic and Trade Office, Mrs Rosanna Ure, told Calgarians that Canadian businesses had flourished in Hong Kong and reiterated that her office would continue to promote economic exchanges and growth which would benefit both Hong Kong and Canada.

Speaking at a Chinese New Year reception in Calgary, Mrs Ure said that with China's imminent entry into the World Trade Organisation, Hong Kong's role as the gateway to China would become more important.

Native dancer Chief Earl Healy looks on as the Jing Woo Lion Dance Troupe performs the vibrant lion dance.



Photo by courtesy of Calgary Sun.



Ming Chak Hin a Resourceful Centre

The Canada-Hong Kong Resource Centre (CHKRC) which is a joint facility of the University of Toronto and York University collects publications and other materials on three major subjects: Hong Kong, Hong Kong immigrants in Canada and relations between Hong Kong and Canada. The Hong Kong Economic and Trade Office is a major source of Hong Kong government publications to the center. The Centre was first established in 1994 and within six years has outgrown its original premises at Spadina Crescent. The Honourable Senator Vivienne Poy (center) officially unveils the commemorative plaque "Ming Chak Hin" at the new premises of the Canada-Hong Kong Resource Centre at the Munk Building in the University of Toronto. Second from right is ETO Director Mrs Rosanna Ure. *

Mobile Certification Services

Hong Kong Post, Entrust Technologies, Inc. of Canada (Nasdaq: ENTU) and Infomaster Holdings Limited signed a Memorandum of Understanding for the provision of mobile certification services to the people of Hong Kong. The Director of the Hong Kong Economic and Trade Office, Mrs Rosanna Ure, welcomed the deal, saying that it was in line with Hong Kong's direction toward becoming a digital city in the 21st century.

"We are delighted Entrust Technologies, the global leader in solutions that brings trust to e-business, have taken part in this process," she said, adding that Hong Kong had one of the highest mobile phone penetration rates in the world, currently at 71 per cent.

At the signing ceremony are (from left) : Mr Liu Zheng-yu, Technical Manager, Greater China, Entrust Technologies, Inc., Mr. John Ryan, CEO, Entrust Technologies, Inc., Mr Luk Ping-chuen, Postmaster General and Mr Albert Wan, Managing Director of Infomaster Holdings Ltd. *



S&P Upgrades HK's Ratings

Standard and Poor has given Hong Kong a double "A" from single "A" for local currency sovereign ratings. In other words, generally all the lost ground Hong Kong had incurred during the financial crisis over the last two years has now been recovered.

Hong Kong is now more or less on the same footing as the credit ratings for the territory immediately before the handover, which was the golden period of Hong Kong.

The revised ratings for Hong Kong are: A+ (long-term foreign currency), A-1 (short-term foreign currency), AA- (long-term local currency) and A-1+ (short-term local currency).

The Government has welcomed Moody's announcement to change the outlook for Hong Kong's foreign currency country ceilings for bonds and bank deposits to positive from stable, and hopes that Moody's will upgrade the ceilings shortly.

A Government spokesman said: "We are pleased to note Moody's recognition of Hong Kong's solid performance since 1997 and success in weathering the Asian financial crisis. This should underpin the confidence of international investors in Hong Kong." *

HK Official to Chair ITU Forum

The Director-General of Telecommunications, Mr Anthony Wong Sik-kei, has been elected as the Chairman of the third ITU World Telecommunication Policy Forum (WTPF) at its inauguration session in Geneva, Switzerland.

This is the first time ever that a Hong Kong SAR government official is elected to chair such a significant international forum, demonstrating the increasingly important role that has been played by Hong Kong in the international telecommunication arena.

"I am greatly honored and pleased to be elected as the Chairman of the Forum," Mr Wong said. "I will be fully dedicated to facilitate the Forum to achieve fruitful results and success, and in so doing I hope I may contribute towards the further enhancement of Hong Kong's image and status as an international telecommunications hub," added Mr Wong.

The third ITU World Telecommunication Policy Forum, a focus event of international telecommunications sector this year was held between March 7 and 9, with more than 700 participants from various countries.

The ITU, founded in 1865, is the world's oldest inter-governmental organization. With 189 Member States and over 550 sector Members from scientific and industrial companies, public and private operators, broadcasters and regional/international organizations, ITU is also the largest and most influential telecommunications body in the world. *

FINANCIAL NEWS CAPSULES

HK Has US\$114.3 Billion in Foreign Currency

The official foreign currency assets of Hong Kong amounted to US\$114.3 billion at the end of February 2001 as compared with US\$111.5 billion at the end of January 2001.

In terms of foreign currency reserves ranking, Hong Kong is the world's third largest holder of foreign currency reserves, after Japan and Mainland China.

The total foreign currency reserve assets of US\$114.3 billion represent over eight times the currency in circulation, one of the highest ratios in the world.

WTO Appointment

The Permanent Representative of Hong Kong, China to the World Trade Organisation (WTO), Mr Stuart Harbinson, has been elected as the Chairman of the WTO's General Council for the year 2001.

The General Council is the WTO's top decision-making body, meeting regularly to carry out the functions of the WTO. It has the authority to act on behalf of the WTO's Ministerial Conference, which only meets once every two years.

The Chairman of the General Council is elected in his personal capacity, and is expected to be impartial in conducting the WTO's business.

Increase in Regional Offices

A survey of regional offices representing overseas companies in Hong Kong showed that as of 1 June 2000, there were 3,001 overseas companies with regional representation in the territory - 855 regional headquarters and 2,146 regional offices. This represented a 20.5 per cent overall increase over 1999.

Regional headquarters by country/territory of origin - US (212 companies); Japan (127); UK (81); Mainland China (69); Germany (50) and Canada (21).

Regional offices by country/territory of origin - Japan (492 companies); US (358); Mainland China (160); UK (155); and Taiwan (113).

According to the survey, operators of 95 per cent of regional headquarters and 97 per cent of regional offices said that they would remain in Hong Kong. Some 74 per cent of companies felt that the Hong Kong investment climate would continue to be very favourable or favourable in the next five years.

Asian HQs for Insurance Group

ING Group will make Hong Kong its Asian headquarters and springboard for the regional expansion of its insurance business.

The Dutch financial group has become the second-largest life insurance company in Asia following a recent acquisition of an insurance business and the group will focus on six Asian markets - Hong Kong, Taiwan, Japan, Korea, Malaysia and Australia.

The group also plans to expand in China and India and has acquired a licence to set up a life insurance joint venture in China.

Trade Figures for January

The value of total exports of goods (comprising re-exports and domestic exports) decreased slightly by 0.4 per cent in January 2001 over a year earlier to about C\$24.03 billion. Within this total, the value of re-exports rose by 1.8 per cent to some C\$21.52 billion, while the value of domestic exports dropped by 16.1 per cent to C\$2.51 billion. The value of imports of goods fell by 4.0 per cent in January over a year earlier to C\$23.78 billion.

A Government spokesman pointed out that while the distinct slow-down in Hong Kong's merchandise exports in January 2001 was partly attributable to the slackened global demand, it could have also been caused by the difference in timing of the Lunar New Year holidays, which fell in January this year but in February last year.

Retails Sales Slightly Up

The value of total retail sales in December 2000, estimated at C\$3.3 billion, increased by one per cent over December 1999. After discounting the effect of price changes over the period, the volume of total retail sales increased by three per cent.

For 2000 as a whole, total retail sales increased by four per cent in value or eight per cent in volume over a year earlier.

Another Leading IT Firm Chooses HK

Another leading information technology company has selected Hong Kong as its regional office for China.

FreeMarkets' Inc, with its headquarters in the United States, is the leading B2B eMarketplace in the world based on the volume of goods and services sourced by Global 100 buyers and other major purchasing organizations.

The Acting Director-General of Investment Promotion, Mr John Wan, said after a meeting with the Chairman and CEO of FreeMarkets, Mr Glen Meakem, on February 19 that he was delighted that FreeMarkets had chosen Hong Kong as its stepping stone into the China market.

He said: "FreeMarkets' establishment of a regional office for China here reflects the importance of Hong Kong as a hub for the company's China business development. The investment is one of the latest in a series of companies who saw Hong Kong as an excellent base for China."

CPI Down

Overall consumer prices declined by 1.2 per cent in January 2001 over a year earlier, smaller than the 1.8 decrease in December 2000.

A Government spokesman attributed this drop to the

continued bottoming off in private residential rentals, as well as reduced falls in the import prices of foodstuffs and consumer goods.

Top Marks for Cathay Pacific Cargo

Cathay Pacific Cargo has again been named the "Best Carrier to the Far East" by Canada International Freight Forwarders Association (CIFFA).

This is the second year running that the airline has been recognized as the top carrier in this category. Honours were also given to the airline as "Best Carrier to the South West Pacific".

Unemployment Slightly Lower

The seasonally adjusted unemployment rate in November 2000 - January 2001, at 4.3 per cent (provisional), was slightly lower than that in October - December 2000, at 4.4 per cent. The underemployment rate stood at 2.7 per cent (provisional) in November 2000 - January 2001, the same as that in October - December 2000.

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>.