



# HONG KONG update

September 2000

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

## Hong Kong's GDP **At All Time High**

The Financial Secretary, Mr Donald Tsang, has said that Hong Kong's GDP, which is likely to grow by 8.5 per cent for the year 2000 as a whole, is at an all-time high.

Commenting on the Government Economist's Half-yearly Economic Report for 2000, which was released on August 25, Mr Tsang said that this was an exceedingly high figure which Hong Kong had not seen for over a decade.

He said: "We have recovered all lost ground during the recession in 1998 and 1999. And very few other economies in East Asia affected by the financial crisis have done this."

However, the Financial Secretary sounded a warning that it was not likely that Hong Kong would achieve double-digit growth in the third or fourth quarter.

"And indeed, that would not be desirable," he said. "That would likely overheat our economy if we continued to do this. We must remember that we are a fairly mature and developed economy, and our per capita GDP is among the highest in the world, so it would not be good for ourselves in the long run for the economy to grow at double digit."

Mr Tsang said however, that against the recession that Hong Kong had suffered and the contraction of the GDP in 1998, it was certainly a very stimulating experience.

"This did not mean that Hong Kong had now fully recovered," he said, adding that some imbalances in the system, such as the unemployment rate, remained above the trend rate of about two to three per cent and which now stood at five per cent, and that it would take some time to return to normal levels.

Mr Tsang said however that the trend growth rate, the GDP growth rate beyond this point, was likely to work back to the normal level. "In other words, in the medium term, our GDP will continue to grow roughly at about four to five per cent, and not at 8.5 per cent that we will see for the year 2000," he added.

In his report, the Government Economist, Mr K.Y. Tang, said that Hong Kong's economy continued to put up a highly robust performance.

He said that Hong Kong again attained a double-digit growth in GDP, at 10.8 per cent in real terms in the second quarter of 2000 over a

year earlier, after a 14.3 per cent growth in the first quarter.

However, Mr Tang said that on a seasonally adjusted quarter-to-quarter comparison, GDP had a modest decline of 0.8 per cent in real terms in the second quarter of 2000, having expanded for five consecutive quarters and soared by 5.3 per cent in the first quarter.

Externally, total exports of goods had double-digit growth for three consecutive quarters, rising by 17.7 per cent in real terms in the second quarter of 2000 over a year earlier. This was underpinned by strong global and regional demand and improved price competitiveness of Hong Kong's exports.

Mr Tang said that exports to all the major markets recorded double-digit growth in the second quarter. Exports of services likewise grew markedly, by 16.3 per cent in real terms in the second quarter of 2000 over a year earlier, upon the continued strong uptrend in inbound tourism and brisk offshore trading activities.

Looking ahead, the Government Economist noted that exports of goods and services

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## World's Busiest Port **Grows**



Mr Donald Tsang (centre) at the Ground Breaking Ceremony.

The Financial Secretary of the Hong Kong Special Administrative Region Government, Mr Donald Tsang, has said that the start of work on Container Terminal 9 is an important milestone in the overall development of Hong Kong's port.

Speaking at the Ground Breaking Ceremony for CT9 on July 24, he said that with its completion in 2004, container throughput was expected to exceed the 20 million TEU (twenty-foot equivalent units) mark.

"That's the equivalent of handling one 'box' every one-and-a-half seconds, 24 hours a day, seven days a week. It will also bring to saturation point container development in the Kwai Chung basin," he added.

Last year the container throughput reached more than 16.2 million TEUs, an increase of 11.2 per cent, bringing the territory back to the number

one position as the world's busiest container port.

Mr Tsang said that in the coming years Hong Kong would closely monitor the actual growth in the throughput before making a final decision on the site and timing for the construction of new facilities.

As well, he continued, the Government in conjunction with the Port and Maritime Board and the Airport Authority, would be undertaking several important strategic development studies over the next 12 months to update the territory's sea and air cargo forecasts.

These, he pointed out, would help in formulating development plans to sustain Hong Kong's position as a top class international transportation and logistics hub.

The first berth of CT9 is expected to be ready in May 2002.

should gain further support from the intense demand across virtually all the major markets, including the United States, Europe, mainland China, and the rest of East Asia.

Apart from re-exports, he added, off-shore trading, inbound tourism and business services were expected to be the major growth lines.

Meanwhile, HSBC Economics and Investment Strategy, which also released its revised economic forecasts on August 25, raised its GDP growth forecast for Hong Kong in 2000 by more than a percentage point to 9.8 per cent.

HSBC's Chief Economist in Hong Kong, Mr George Leung said: "With the threat of interest rate rises fading and given the more stable property market, conditions and sentiment on the domestic economy front are set to continue to improve in the second half."

HSBC revised its Hong Kong GDP growth forecast for 2000 from 8.4 per cent to 9.8 per cent and for 2001 from 2.7 per cent to 3.9 per cent.

# Asia's Best Airport



Hong Kong International Airport (HKIA) has been named as Asia's Best Airport by a leading regional magazine.

The honour was bestowed on HKIA by Asiaweek Magazine in a special edition listing "the best things in Asia" to mark the respected weekly news journal's 25th anniversary.

The Chairman of the Hong Kong Airport Authority, Dr Victor Fung, said on August 10 that this was a great honour and fitting recognition of its place in the region.

"This is an especially gratifying award as it is included among a remarkable survey of the best things Asia has to offer. We are very proud and honoured to be part of it," he said

Earlier, Dr Fung, speaking on the occasion of the second anniversary of the HKIA on July 6, said that the development of logistics centres and a marine cargo handling facility would allow the airport to evolve into a major trans-shipment centre for the Pearl River Delta and southern Mainland cities.

He added that studies were also underway to transform HKIA's vast commercial land bank into "a great Airport City of East Asia", including facilities such as an exhibition and convention centre, hotels, commercial offices, and recreational complexes.

Meanwhile, HKIA has continued its record-breaking streak of passenger and air cargo figures.

For the first time, more than 32 million passengers were handled in a 12-month period, between July 1999 and June 2000. A record of 2.14 million tonnes of air cargo was handled in the same period.

The Chief Executive Officer of the Hong Kong Airport Authority, Mr Billy Lam said that surpassing the 32 million passenger mark was a

significant milestone.

He said: "The continuing strength of the economies among our main trading partners, plus the sustained recovery closer to home, give us much cause for optimism for the rest of the year."

Visitor arrivals in July broke the one million mark for the fifth time this year, according to figures released on August 30 by the Hong Kong Tourist Association (HKTA).

Mid-to-high double-digit growth was recorded in virtually every market. July figures reached 1,095,923, compared with 966,034 in the same month last year and 884,441 in July 1998.

Average room occupancy reached 82 per cent - up from 76 per cent for the same month last year - with High Tariff A hotels showing the most significant increase of 10 percentage points to 77 per cent.

The HKTA said that any lingering misconceptions about Hong Kong being a costly destination were well and truly being dispelled by timely and well-engineered consumer promotions.

The HKTA has also revised its full-year forecast to 12.5 million visitor arrivals, a 10.4 per cent increase over 1999, due to improved growth in tourism during the first half of 2000.

Figures released by the HKTA on August 14 showed that total arrivals for the first six months of this year exceeded 6 million, an increase of 15.7 per cent over the same period in 1999.

Furthermore, there was a noticeable improvement in tourism earnings, with total visitor receipts reaching CAD\$6 billion, a 12.4 per cent increase over the same period last year.

## 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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# CE Anticipates More Good News

The Chief Executive, Mr Tung Chee Hwa, has said that Hong Kong is recovering from the recession brought on by the Asian financial crisis.

Speaking at a Leadership Series Luncheon organised by the American Chamber of Commerce in August, Mr Tung said that led by strong growth in trade, tourist arrivals, activities of the financial markets and consumer spending, Hong Kong had attained double-digit growth for the first quarter and predicted more good news not only for this year but most likely for next year as well.

“The prognosis is very good. Unemployment is declining and residential property prices have stabilised,” he added.

However, he said that the good news had yet to be shared by everyone. As in all free market economies, he pointed out, recovery from recession was always uneven.

He recalled that in the last US recession of the late 80’s and early 90’s, California was one of the last States to recover; but when it did, it was one of the most robust, and Californians, rich and poor, had felt the strong push of the recovery, right up to this day.

The Chief Executive noted that one or two other places in Asia had recovered faster than Hong Kong and that the spread of their recovery might have been more even, especially in places where manufacturing was significant.

However, he pointed out that Hong Kong was probably the only place in Asia where recovery had been matched with genuine reforms conscientiously carried out, both in the financial and public sphere

He said that Hong Kong had merged and demutualized the securities exchanges and the clearing companies and strengthened the law on insider trading.

Mr Tung added that through public sector reforms and improvements in the delivery of services, which began one and a half years ago, Hong Kong had saved CAD\$500 million in expenditure.

“We are setting up administrative bodies to ensure that development policies are compatible with sustainability, just to name a few,” he said.

Mr Tung told his audience that Hong Kong was working hard to take advantage of the enormous opportunities that would arise after China’s accession to the World Trade

Organisation towards the end of this year.

Hong Kong, he said, was also moving as fast as possible in the IT sector, a new economic driver, not only as a means to improve economic efficiency but also as a way to improve the quality of life of all Hong Kong people.

“These are all tasks with long range ramifications. The Government is committed to doing the very best to make them work,” he said.

Earlier, the Chief Executive, in his opening statement to the Legislative Council Session on June 23, referred to some relevant statistics which contributed to Hong Kong’s robust economic recovery.

Mr Tung said that although Hong Kong branch offices of multi-national enterprises were hit by the Asian financial turmoil, there still remained about 2,500 such offices.

Compared with a year or two ago, he went on, Hong Kong now had 2,000, newly-established IT companies in Hong Kong, adding that the tenancy of Cyberport and the first phase of Science Park was almost fully taken up.

“Developing Hong Kong into a centre of innovation and technology is no longer a dream,” he said.

## Report Highlights Key Issues

A report highlighting the key issues of the Hong Kong Special Administrative Region’s third year is being widely distributed overseas and in Hong Kong.

“Hong Kong SAR – the Key Issues 1999/2000”, which was published on June 29, follows two similar reports released in 1998 and 1999 to coincide with the first and second anniversaries of the HKSAR.

The 32-page report, in Chinese and English, carries a foreword by the Chief Executive, Mr Tung Chee Hwa, and includes chapters on the economy, the 2000/2001 Budget, the rule of law, tourism, the environment and constitutional development.

In his foreword, Mr Tung said that Hong Kong’s economy had seen a revival of fortunes in the past 12 months after two very difficult years in 1997 and 1998.

He highlighted reforms in the financial services sector, increased efforts to improve the environment and opportunities arising from China’s accession to the World Trade Organisation.

Mr Tung said that financial market reforms

would enhance efficiency and provide a regulatory and trading environment better equipped to deal with the advances in information technology that were transforming the way global markets operated.

“We will continue to push ahead with our reforms to maintain Hong Kong’s position as a premier Asian financial centre,” he said.

The Chief Executive said that environment protection, in particular improving air quality, had been a priority area in the past year.

He said that he was acutely aware of the concerns of residents and the international business community about Hong Kong’s air quality.

“With this in mind, a considerable section of my 1999 Policy Address was devoted to measures to improve and enhance the living environment in Hong Kong. These included the establishment of a new policy bureau to oversee environmental matters and the implementation of a wide range of initiatives to reduce roadside air pollution caused by the more than 150,000 diesel vehicles in Hong

Kong,” he said.

Mr Tung expected that as a result of these and other measures, Hong Kong would see a noticeable improvement in air quality within the next few years.

He said that China’s eventual entry into the World Trade Organisation, hopefully later this year, would present significant opportunities in a wide range of sectors.

This, he stressed, would take Hong Kong’s role as a conduit for trade and investment to new heights.

“The continuing opening up of the Mainland – a potential market of 1.2 billion people – holds enormous promise for Hong Kong and our overseas partners,” said Mr Tung.

The Chief Executive added that changes and reforms taking place in Hong Kong were laying the groundwork for the dawning of another new era in Hong Kong’s remarkable development.

“I am sure that, in the years ahead, Hong Kong will stamp its mark as Asia’s World City,” he said.

# “Spirit of Hong Kong” Sets Sail



## Intellectual Property Rights **Protected**

The Secretary for Commerce and Industry, Mr Chau Tak Hay, has said that the Hong Kong Government has put in place a highly advanced legal regime for the protection of intellectual property rights in the territory.

Addressing the opening of a seminar on intellectual property rights organised by the Hong Kong General Chamber of Commerce in July, Mr Chau outlined the various measures taken by the Government for the protection of intellectual property rights in Hong Kong.

He said that over the past four years, the Government had completely modernised the laws for protecting patents, registered design, copyright and trade marks, bringing them into line with the highest international standards.

Mr Chau noted that the strength of Hong Kong's intellectual property rights protection regime was recognised internationally. Just last month, he said, the World Trade Organisation (WTO) completed a thorough review of the intellectual property rights laws of Hong Kong.

“I am glad to say that our laws were highly regarded by other WTO members and were considered as being fully consistent with the international standards laid down by the WTO,” he said.

Mr Chau added, however, that the Government was not complacent and that it was constantly keeping its laws under review.

He pointed out that in June, the Government enacted new legislation to clarify the Copyright Ordinance to put it beyond doubt that anyone who knowingly used an infringing copy of copyright work in the course of business committed a criminal offence.

“This means that a company which uses, say, pirated accounting software for its business, or photocopies a book without licence from the copyright owner, may be liable to criminal prosecution.”

The Government plans to bring this new law into effect in 2001 after wide publicity.

Hong Kong will be taking part in one of the world's toughest yacht race, the BT Global Challenge 2000-2001, in September this year, as part of a drive to promote Hong Kong's business opportunities.

Invest Hong Kong, the newly launched inward investment promotion agency of the Hong Kong Special Administrative Region Government and the Hongkong and Shanghai Banking Corporation (HSBC) are co-sponsoring the Hong Kong entry.

The Hong Kong yacht, which was officially named the “Spirit of Hong Kong” on Saturday, August 12, in Southampton, in the United Kingdom, was built in the Mainland and in Hong Kong by Hong Kong-based Kim's Yacht Company.

Joining Invest Hong Kong and HSBC as sponsors of yachts in this race are British Petroleum, CGNU, Compaq, the Isle of Man, KeepUpdated.Com, LG Flatron, Logica, Veritas and a consortium of leading technology companies, including Sun Microsystems, Dell Computers, Fujitsu, Nortel Networks, Ericsson, Lucent Bell Labs, Marconi LLP, and Computacenter, called TeamSpiriT.

More than 140 major international companies are sponsoring this event as Business Club members.

The Director-General of Invest Hong Kong, Mr Mike Rowse, said in August: “We are extremely pleased to have the opportunity to demonstrate Hong Kong's many competitive strengths to the world. Hong Kong, like the BT Global Challenge, invites superlatives.

“While this race is the longest, toughest, and most demanding, of international yacht races, Hong Kong is the freest economy, in the most competitive business environment, in the most strategic location in the Asia-Pacific region.

“That is a message we will be taking to everyone around the world who will be following this exciting event.”

Challenge Business, headed by Sir Chay Blyth, is the race organiser and promoter.

Commenting on the Hong Kong entry, Sir Chay said: “We are delighted to have Invest Hong Kong joining one of the biggest corporate communities ever associated with a sporting event. Invest Hong Kong represents the diverse and international appeal of this event and we are proud to welcome Hong Kong and its representatives to it.”

Twelve yachts will be taking part in the race, which was launched on September 10 from Southampton, calling on seven international ports 30,000 miles around the world – Boston in the United States; Buenos Aires, Argentina; Wellington, New Zealand; Sydney, Australia; Cape Town, South Africa; and Rochelle, France. The yachts will return to Southampton in late June 2001.



The Hong Kong Government has approved five applications for television broadcasting licences in line with its policy of liberalising the TV market.

The five successful applicants, including local and overseas companies, are: Hong Kong Network TV Limited; Elmsdale Limited; Pacific Digital Media (HK) Corp. Limited; Hong Kong DTV Company Limited; and Galaxy Satellite Broadcasting Limited.

They will be offered the domestic pay television programme service licences under the new Broadcasting Ordinance.

This follows the 1998 review of the television policy under which the Hong Kong Special Administrative Region Government decided to open up the television market for competition.

At the end of 1999, the administration invited applications for the provision of new TV broadcasting services in Hong Kong. A total of 10 applications were received.

The Chief Executive at the luncheon.



## HK and Canada – It's About People

The Chief Executive, Mr Tung Chee Hwa, praised the special relationship between Hong Kong and Canada at a Canadian Chamber of Commerce luncheon on July 7.

He said: "Canada and Hong Kong have always had a special relationship. And this is not about business, this is not about economics, it is more about people."

Mr Tung said that although divided by the Pacific Ocean, the feeling between Hong Kong and Canada was strong and he was quite sure that in the years ahead this relationship would continue to grow stronger and stronger.

The Chief Executive had good words to say about Canada. "Your education system is amongst the best in the world. You are world leaders in innovation and technology and in areas of environmental technology.

You are in the forefront of those areas," he told his audience.

He said that Hong Kong was very much focused on these areas adding that the territory wanted to move ahead in education, information technology and environmental protection.

Mr Tung said: "I would hope that in the months and years ahead, Canada and Hong Kong, in these areas, can cooperate a lot more closely together. I should really use the words, that Canada actually can help Hong Kong a great deal in all these areas."

He said he was looking forward to Prime Minister Jean Chretien's visit to Hong Kong in November. "I look forward to welcoming him to Hong Kong and to returning his very warm hospitality," he added.

## Injection of Funds for

# Institute of Chinese Medicine

The Hong Kong Institute of Chinese Medicine has received a C\$96 million donation from the Hong Kong Jockey Club (HKJC) to fund its research programmes and activities.

The institute will formulate long-term strategies for the Chinese medicine industry, develop quality assessment of Chinese medical products and stimulate more efforts towards the commercialisation of Chinese medicine.

With longstanding cooperation with Mainland China and established brand names in Chinese medicine, it would enable Hong Kong to become a centre for innovation and commercialisation of traditional Chinese medicine.

The HKSAR Government, through the Innovation and Technology Fund, has committed to providing more than C\$19.2 mil-

lion to local institutions to conduct Chinese medicine-related research and infrastructure projects.

This involves research on drug discovery, pre-clinical development, manufacturing process development, analytical characterisation and quality control of Chinese medicinal materials.

The Chief Executive, Mr Tung Chee Hwa, in welcoming the HKJC's donation said: "I am confident that with the integration of resources and strengths from the Government, the Hong Kong Jockey Club, enterprises and tertiary institutions, we will definitely gather greater momentum for achieving our goal of developing Hong Kong into an international centre for Chinese medicine, explore a new horizon for the development of Hong Kong's economy, attract more investment and create more job opportunities."



Clockwise from left: Mr Tung Chee Hwa (centre) starts the vote counting process; Mrs Anson Chan visiting the Press Centre; Mr and Mrs Donald Tsang casting their votes.



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## Lawmakers Returned by Elections

### New TDC Chairman Appointed

Mr Peter Woo Kwong-ching, the former Chairman of Wheelock and Co. Ltd. and The Wharf (Holdings) Ltd., has been appointed Chairman of the Hong Kong Trade Development Council (TDC) for a period of two years with effect from October 1. Mr Woo succeeds Dr Victor Fung, whose appointment as TDC Chairman ended on September 30.

Commenting on Mr Woo's appointment, the Chief Executive, Mr Tung Chee Hwa said he was confident that, with his wealth of experience in the business sector as well as in public service, Mr Woo would be able to lead the TDC with vigour and dedication.

Mr Woo has a long record of public service and has served in various capacities, most recently as the Chairman of the Hospital Authority from April 1, 1995 to September 30, 2000.

Mr Tung praised the outgoing TDC Chairman, Dr Victor Fung, for his stewardship of the TDC.

He said: "Dr Fung has served as Chairman of the TDC with great distinction for nine years. Under his able leadership, the TDC has done a great job in promoting Hong Kong's trade and Hong Kong as a premier hub for business."

More than 1.3 million voters turned out on September 10 to cast their votes and elected 60 lawmakers to the second Legislative Council (LegCo) of the Hong Kong Special Administrative Region (HKSAR).

In congratulating the newly elected members who will start the four-year term of office in October, the Chief Executive of the HKSAR, Mr Tung Chee Hwa, pledged to work closely with them and to exchange views with them on issues of concern to the community.

"The entire electoral process has been conducted in an open, fair and honest manner.

"This election has marked a further step forward in the implementation of constitutional reforms in Hong Kong in accordance with the Basic Law," Mr Tung said.

The Basic Law, which is the mini constitution of the HKSAR, sets out the blue print for Hong Kong's democratic development.

It provides for a steady increase in the number of geographical seats, which is: 20 seats for the first LegCo term in 1998; 24 for the second term in 2000; and 30 for the third term in 2004.

According to Article 68 of the Basic Law, the method for forming the Legislative Council shall be specified in light of the actual situation in the HKSAR and in accordance with the principle of gradual and orderly progress. The ultimate aim is to elect all 60 members by universal suffrage.

# Hong Kong as a World-Class Tourist City

To echo the Chief Executive, Mr. Tung Chee-hwa's vision of building Hong Kong as a world-class city, the Commissioner for Tourism and Director-General of Invest Hong Kong, Mr. Mike Rowse said they were determined to make Hong Kong a world-class city for tourists as well.

Speaking at the luncheon of the Hong Kong-Canada Business Association in Toronto, he said Hong Kong welcomed "anyone with a world-class product."

He said the very first step was the completion of the Disneyland theme park at Penny's Bay on Lantau Island in 2005.

Mr. Rowse, who took nine months to negotiate the deal with Disneyland for the Hong Kong Special Administrative Region Government, stressed that no special deal such as tax concessions had been granted to Disneyland because it was important to maintain a level playing field for anyone interested in investing in Hong Kong.

Turning to investment promotion, Mr Rowse pointed out that they would have to respond quicker to approaches from companies interested in investing in Hong Kong, facilitating access to senior levels of the Government.

Also, their investment promotion units would have to be more focused on particular sectors of the economy and provide after-care



At the Minister's office are from left: Miss Winnie Ng, Mrs Erika Hui, Mr Mike Rowse, the Hon. Cam Jackson, Mrs Aliano Ho and Mr Eddie Cheung.

service to these companies.

Mr Rowse, accompanied by Assistant Commissioner for Tourism, Mrs Erika Hui, Assistant Secretary, Miss Winnie Ng and HKETO Acting Director, Mr Eddie Cheung and Mrs Aliana Ho of HK Tourist Association, also called on the Ontario Minister of Tourism, the Hon. Cam Jackson, during their brief visit

to Toronto.

He was told by the Minister that while Hong Kong was taking a more focused approach in promoting some selected mega-projects, Ontario's approach was to offer an array of tourist attractions where visitors can tour to discover.



From left: Mr Donald Tong, Mrs Rosanna Ure and Deputy Mayor Case Ootes.

## New Director in Post

Mrs. Rosanna Ure Lui Hang-sai has arrived in Toronto to take up her job as the new Director of Hong Kong Economic and Trade Office, Canada, succeeding Mr. Donald Tong, who has returned to Hong Kong to take up another civil service post.

She came to Toronto in mid-June for a week-long familiarization visit, which included a visit to Ottawa where she met the Canadian Secretary of State (Asia Pacific) Raymond Chan and other officials at the Ministry of Foreign Affairs and International Trade.

In Toronto, she met city officials including Deputy Mayor Case Ootes. The Hong Kong Economic and Trade Office also hosted a reception for Mrs. Ure to meet more than 200 politicians, businessmen and community leaders.

She said at the reception that under a string of reform measures undertaken by the Hong Kong Special Administrative Region Government to reinforce Hong Kong's economy, investment opportunities were tremendous for Canadian businessmen.

Mrs. Ure joined the Hong Kong civil service as an Administrative Officer in 1983.

Over the years, she has worked in various policy branches and departments responsible for home affairs, planning, environment and land matters.

She obtained her Bachelor of Arts degree from the University of Western Ontario in London, Ontario, in 1978, and a Master degree in Social Work from the University of Hong Kong in 1981.

# FINANCIAL NEWS CAPSULES

## Canadian Loan for KCRC

Kowloon-Canton Railway Corporation (KCRC) has obtained a CAD\$62 million loan from Canada's Economic Development Corporation to buy a train and signaling system from Alcatel Canada.

The environmentally friendly system will be installed in KCRC's latest West Rail project, which is scheduled to come into operation in late 2003. Environmental benefits of automatic train operation include minimizing noise and efficient energy consumption.

The CAD\$9.7 billion railway system will link northwest New Territories with central Kowloon peninsula.

Meanwhile, Moody's Investors Service said in its annual report on the KCRC that the rail company's market position was likely to remain strong despite increasing competitive pressures.

The report said that KCRC displayed ample financial flexibility as a result of passenger growth, prudent management practices and government support.

## HK Has US\$98.9 Billion In Foreign Currency

The official foreign currency assets of Hong Kong amounted to US\$98.9 billion at the end of July 2000, as compared with US\$97.1 billion in June.

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 reserve assets of US\$98.9 billion represent over seven times the currency in circulation, one of the highest ratios in the world.

## Exchange Fund Assets

The total assets of the Exchange Fund at the end of July 2000 was CAD\$188.27 billion, just over CAD\$5 billion higher than at the end of June. Both foreign currency assets and Hong Kong dollar assets increased by CAD\$3.14 billion and CAD\$1.95 billion respectively.

Figures in the Currency Board Account show that the Monetary Base at the end of July was CAD\$39.77 billion, a decrease of CAD\$0.13 billion, or 0.4 per cent, from the end of June 2000.

## US Dollar Clearing System goes live

Hong Kong processed its first transaction through the new US dollar clearing system on August 21. The system was commissioned by the Hong Kong Monetary Authority (HKMA) in March, with the Hongkong and Shanghai Banking Corporation Limited appointed as the Settlement Institution.

The new service will allow local financial institutions to settle US dollar transactions real time in the Asian time zone instead of 12 hours later in the New York time zone.

The Chief Executive of the HKMA, Mr Joseph

Yam, said: "With an efficient and reliable US dollar clearing system in Asia, the Herstatt risk – which is the foreign exchange risk related to time zone differences – associated currently with the settlement of US dollar denominated transactions in New York time, can be reduced, if not eliminated."

This US dollar real time gross settlement system would be an important addition to the region's financial infrastructure and would strengthen Hong Kong's position as an international financial center, he added.

## Further increases in HK's exports and imports

Hong Kong's total exports of goods and imports of goods showed further notable increases in July 2000, according to figures released on August 24 by the Census and Statistics Department.

The value of total exports of goods (comprising re-exports and domestic exports) increased by 9.6 per cent in July 2000 over a year earlier to CAD\$25.75 billion. Within this total, the value of re-exports rose markedly by 11.1 per cent to CAD\$22.64 billion, while that of domestic exports increased slightly by 0.1 per cent to CAD\$3.12 billion. Concurrently, the value of imports of goods increased by 11.6 per cent in July 2000 over a year earlier to CAD\$27.3 billion.

A visible trade deficit of CAD\$1.55 billion, equivalent to 5.7 per cent of the value of imports of goods, was recorded in July 2000. This was larger than the deficit of CAD\$0.97 billion, equivalent to 4.0 per cent of the value of imports of goods, recorded in July 1999.

For the first seven months of 2000 as a whole, the value of total exports of goods increased considerably, by 17.0 per cent over a year earlier. Within this total, the value of re-exports increased by 18.3 per cent, and that of domestic exports by 8.1 per cent.

Over the same period, the value of imports of goods also rose significantly, by 19.8 per cent. Taken together, a visible trade deficit of CAD\$10.84 billion, equivalent to 6.2 per cent of the value of imports of goods, was recorded. This was larger than the deficit of CAD\$5.78 billion, equivalent to 4.0 per cent of the value of imports of goods, recorded in the same period in 1999.

## Robust Retail Sales

The value of total retail sales in June 2000, estimated at CAD\$2.93 billion, increased by 3 per cent over June 1999. After discounting the effect of price changes over the period, the volume of total retail sales increased by 7 per cent.

For the first half of this year as a whole, total retail sales rose by 12 per cent in volume over a year earlier, up considerably from the 3 per cent increase in the second half of 1999.

Based on the seasonally adjusted series, total retail sales increased by one per cent in volume in the three months ending June 2000 over the preceding three-month period.

A Government spokesman noted that the year-on-year growth in the volume of retail sales in June, whilst still highly robust by normal standard, moderated somewhat from the double-digit increases in the past few months. This was due in part to gradual dissipation of the effect of the low base prevailing in the early part of last year.

The spokesman also observed that there was a

much less rapid rise in retail sales volume of consumer durables, especially motor vehicles, and durables other than furniture and fixtures, as well as some decline in retail sales of jewellery and watches. For most of the other commodity categories, retail sales nevertheless continued to hold up well.

## Consumer Price Index down

The composite consumer price index fell by 4.5 per cent in June over a year earlier, the same as that in May.

Consumer prices stayed on a decline, as significant price discounts continued to be offered for a wide range of consumer items amidst keen competition in the local retail market. Lower consumer prices helped the real purchasing power of households.

## Company registrations up

The total number of companies registered under the Companies Ordinance at the end of June 2000 was 505,754, an increase of 3.03 per cent over the position at December 31, 1999. The number of new companies registered during the first six months of the year was 22,963, an increase of 36.38 per cent over the corresponding period of 1999.

The total number of overseas companies which had established businesses in Hong Kong at the end of June 2000 was 5,884, an increase of 4.53 per cent over the total number at the end of December 1999. The number of new overseas companies registered during the first six months of 2000 was 413, an increase of 51.28 per cent compared with the same period of 1999.

## 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>.