

### Foreign currency assets stand at US\$92 billion

Hong Kong's currency enjoys rock-solid backing. At the end of August 1998, Hong Kong's foreign currency assets totalled US\$92.1 billion, the third highest in the world after Japan and the People's Republic of China. This amount represents about eight times the currency in circulation, one of the highest ratios internationally.

The currency reserve stood at US\$96.5 billion at the end of July. The Hong Kong Monetary Authority said the fall in foreign assets can be attributed to both fiscal draw-downs by the Government Treasury and the Government's counter activities in the stock and futures markets in August.

### HK to complete adjustment by end of year

The bulk of Hong Kong's economic adjustment will be completed by the end of this year, aided by further disinflation, according to a Hongkong Bank report.

The bank believed that Hong Kong could withstand the economic jolt without sacrificing the currency board system, and that people's faith in the currency remained strong. "In view of the rapid pace of adjustment in retail prices, the demand-side-induced disinflation is expected to be complete towards the end of this year," the report said.

The adjustment would also allow Hong Kong to cope with the continuing outflow of funds and resulting liquidity crunch. "Other than speculation by those attacking the Hong Kong dollar, long-term pressure from the adjustment of the real economy on the exchange system will decrease," it added.

### FS: Asia needs a bond market

Financial Secretary Mr Donald Tsang called for more rapid development of an efficient debt market in Asia to provide an alternative channel for corporates in the region to raise funds in the region.

Speaking at the recent Asian Debt Conference, Mr Tsang said the failure to establish such a market could have been one of the reasons for the region's crisis. He said Asian economies had been characterised by their over-reliance on short-term bank borrowings, making them more vulnerable to sharp liquidity shock once the region's bank credit shrank and stock markets collapsed.

For Hong Kong, the Financial Secretary said, the Government is prepared to invest in high quality benchmark Asian debt paper, provided there are proper credit ratings. ♦

## Updated Right of Abode booklet available at HKETO

An updated booklet on the "Right of Abode (ROA) in the Hong Kong Special Administrative Region (SAR)" is now available for collection at the Hong Kong Economic and Trade Office at 174 St. George Street, Toronto, Ontario M5R 2M7.

In both English and Chinese, the booklet contains information on different transitional provisions in the law for Chinese citizens and non-Chinese citizens to retain their ROA in Hong Kong SAR.

Information regarding the status and ROA eligibility of overseas including Canadian born children of former Hong Kong residents are also set out in the booklet.

Information on the ROA can be downloaded from the "Notice Board" of the Immigration Department's website: [www.info.gov.hk/immd/](http://www.info.gov.hk/immd/). The department's E-mail address is [roa@immd.gcn.gov.hk](mailto:roa@immd.gcn.gov.hk). Enquiries can also be directed to the department's hotline at (852) 2824 4055. ♦

## Pollution control business opportunities

The Government of the Hong Kong Special Administrative Region (HKSAR) is taking the lead in pollution control and environment protection. In fiscal 1997-98, government spending on the environment exceeded US\$ 1 billion. It is also vigorously promoting sustainable development of the territory and enacting new environmental rules and regulations.

Currently about 200 firms provide pollution control and related consulting services in Hong Kong. Foreign firms enjoy a significant share of the business. A majority of their professional staff is recruited in Hong Kong, representing a wide range of disciplines. Many firms use Hong Kong as a base to pursue other business opportunities in China.

Large organizations are moving quickly to establish environment management systems (EMS). Many of them are moving toward the ISO 14001 approach — an international standard that spells out a framework of principles for the design and implementation of an EMS.

In 1998, the Environmental Impact Assessment (EIA) Ordinance came into effect. It requires that all plans for public and private development projects with potential environmental impact to be subject to the EIA process. Subsequently any environmental problems identified and control measures recommended in the EIA studies will be monitored and audited.

The Government has announced that expenditure on Hong Kong's environment programme between 1998 and 2002 will be around US\$6.4 billion. Half of it will be spent on enhancing the environmental infrastructure — sewage, sewage treatment and disposal as well as solid waste treatment and disposal facilities.

Canadian companies interested in exploring business opportunities in pollution control and environmental protection may contact Mr Loong Chu, Principal Consultant of the Investment Promotion Unit of the Hong Kong Economic & Trade Office at Tel: (416)924-5544. ♦

**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 interests 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\$0.2**



# HONG KONG UPDATE

A newsletter published by the Hong Kong Economic & Trade Office, the official representative of Hong Kong Special Administrative Region Government in Canada July/August/September 1998

## Moving forward with confidence

"This past year has thrown up many challenges—indeed many more than we had expected, or saw coming. Chief amongst the unexpected was the financial crisis in Asia which sent reverberations around the globe and has affected our economic growth in the short to medium term. Nonetheless, I am confident that Hong Kong has the strengths to ride out the storm with our established institutions of free market, rule of law, prudent fiscal management and robust regulatory systems."

*Mr Tung Chee Hwa, Chief Executive of the Hong Kong Special Administrative Region*

**Hong Kong's** first year after the handover was of tremendous and historical significance. Entering a new era as a Special Administrative Region (SAR) of China, the territory has progressed more smoothly than many predicted. However, the regional financial meltdown has created the toughest times Hong Kong has faced in more than a decade.

Throughout this period, the "one country, two systems" concept has worked out remarkably well. During a celebration marking the first anniversary, the Chief Executive, Mr Tung Chee Hwa said, "Neither the Central Government nor any mainland authorities has interfered with the internal affairs of Hong Kong. On the contrary, the Central Government has repeated their pledge to maintain the prosperity and stability of Hong Kong at all costs."

Referring to the challenges in the time of fiscal difficulties, Mr Tung said, "The biggest challenge we face is how to integrate the development of our bright future with our efforts to relieve the people's hardship. Since the emergence of the financial turmoil, the SAR Government has been working hard to restore confidence in the market and create more job opportunities."

In addition to resolving the immediate problems caused by the financial turmoil, the Government is developing long-

term plans to enhance Hong Kong's competitive position and maintain its economic vitality. Such plans are aimed at strengthening the territory's major economic pillars such as finance, property development, tourism, as well as shipping and trade.

Through a series of bold policy initiatives, the Government is trying to take advantage of the

downturn to assist in the development of new businesses that will serve as future engines of growth and diversity. It is seeking to boost the economy by encouraging further co-operation with the mainland, especially with neighbouring Guangdong Province, strengthening support for small- and medium-sized businesses, fostering high value-added and high-tech industries, as well as creating new and integrated industries such as information technology, telecommunications, film and television.

Besides introducing tax cuts which benefitted 99 per cent of taxpayers and offering further incentives for individuals and

businesses, there were other significant government milestones. These included initiatives to boost home ownership and a growing list of major infrastructure developments.

"Hong Kong has experienced years of high property prices, high inflation and high wage increases which if not corrected will affect our long-term economic vitality. The Asian financial turmoil has accelerated the pace of the correction. The correction will be painful but necessary if we are to remain competitive," said Mr Tung, adding that Hong Kong's strong financial reserves have enabled the SAR Government to press ahead with its massive plan of investment in infrastructure, housing and education as originally planned. ♦

## Economy contracts after decades of growth

After growing at about five per cent a year in real terms for the last 13 years, Hong Kong's economy now suffers from negative growth.

Coming on the heels of the 2.8 per cent first quarter GDP drop, Hong Kong's GDP shrank five per cent in the second quarter of 1998, compared with year earlier figures—resulting in two successive quarters of negative growth. For the entire year, the economy is expected to contract by four per cent. In contrast, the GDP grew by 5.3 per cent in 1997. Despite the slowdown, Hong Kong's currency remains strong — thanks to its solid peg to the US dollar.

The economic downturn is attributed to continuing adjustments to the regional financial crisis. Local consumer demand has been severely weakened by reduced income, a record high unemployment rate of five per cent, and a further fall in asset values. For 1998, imports of goods are expected to drop by three per cent.

Externally, exports continue to slow as regional demand slackens. Exports to North America, including Canada, and Europe remain steady. Further weakness among Hong Kong's major regional trading partners, in particular Japan, will hamper future export performance. The actual pace of recovery of the cargo handling facilities at the new airport has turned out to be faster than expected. The disrup-

tion in July and August should cost less than 0.35 of a percentage point of the GDP.

In more positive terms, private sector building activity remains intensive. Similarly, public sector construction and engineering projects are strong bolstered by ongoing work under the Public Housing Programme. At the same time, Hong Kong's tourism continued to show signs of improvement in August with the number of visitor arrivals hitting the highest level since May 1997. Nearly 860,000 visitors came to the city in August, up 4.9 per cent on the previous year.

In July, consumer price inflation fell to a 11-year low of 3.2 per cent, yielding an annual figure of 4.5 per cent for the first seven months of 1997. The annual rate is expected to be 3.5 per cent.

Many Hong Kong firms have adjusted quickly to maintain their competitiveness in world markets. As wages soften and property prices drop, the cost of doing business in Hong Kong has moderated significantly. Once the regional environment improves, Hong Kong will be poised for a rapid return to positive growth. In many ways, the current downturn is simply a pause. Hong Kong has enjoyed 36 consecutive years of economic growth. In per capita term, its 1997 GDP was valued at US\$26,5000 and remains one of the highest in Asia. ♦



"We went into the market to restore order. We are absolutely determined to use all the means available to protect the stability and integrity of our financial markets. We have frustrated the (speculators') plan."

*Mr Donald Tsang, Financial Secretary*

## Thwarting the speculators

The Hong Kong SAR Government, through the Hong Kong Monetary Authority (HKMA), entered the stock and futures markets around mid-August and successfully frustrated the attempts by manipulators to destabilize Hong Kong's economic well-being.

The initiative may appear to some as a contradiction to the Government's long-standing policy of non-intervention. However, it was a necessary step to protect the integrity of Hong Kong's financial markets when speculators were trying to simultaneously manipulate Hong Kong's currency and stock/futures markets or double play, i.e. dumping HK\$ to drive up interest rate so as to reap huge profits from extreme short positions they took in the local stocks and Hang Seng Index futures.

If the Government did not step in, the excessive volatility in Hong Kong's interest rates, created by speculative attacks against the HK\$, could have generated panicky downward pressure on the asset markets leading to chaos in Hong Kong's financial system, loss of public confidence in the HK\$-US\$ peg, and creating further instability in Asian economies.

The Financial Secretary, Mr Donald Tsang, described the incursion in the market as "a very difficult but serious one," adding that "we were in the circumstances that we believed we had absolutely no other option."

"We had to defend the linked exchange rate of Hong Kong, otherwise it would have triggered off another round of devaluation in the whole of the Asian region and probably greater disasters outside the region," he said. Mr Tsang emphasized that the Government was not participating in the market to support stocks at any particular level, and the Hong Kong

market "is still the freest in the world now".

Meanwhile, the Government has introduced a range of measures to enhance the resilience of Hong Kong's economy and financial systems, so that it would be more difficult for manipulators to bet against the market. The measures should reduce the need of market intervention once they are put in place firmly. The Hong Kong Futures Exchange has also announced that it will:

- ❖ Impose a special margin rate of 150% for a member holding more than 10,000 contracts.
- ❖ Reduce the minimum number of contracts a member must report to the Exchange from 500 to 250.
- ❖ Require members to identify the name of the contract holder at the time of the report.

The Financial Secretary summed up the Government's position by saying, "Our policy of minimum intervention and maximum support for business is well known. But as a responsible government, we must take all necessary steps to protect the stability and integrity of our currency and financial markets when they are under speculative attack. We will stand ready to operate in the stock and futures markets whenever the currency manipulators engage in a similar double play." ❖

## Why we intervened

"Our action is targeted at currency manipulation that took advantage of the automatic adjustment mechanism of our currency board system to produce extreme conditions in the interbank market and high interest rates to profit from a short position in stock index futures. We wish to send a very clear message to those manipulating our currency that they may stand to lose money instead. But if there were no currency manipulation, there would be no such intervention."

"Governments have a role in protecting the level of income and employment of their people. The Hong Kong economy has the lowest level of government intervention in the world, and the strongest economic fundamentals with no debt. And yet, manipulative speculative activities threaten to undermine the fabric of this model economy. And if Hong Kong's

## Defence measures supported by public

The government must adopt appropriate measures to maintain the integrity and orderliness of the currency, stock and futures markets to protect Hong Kong's economy and members of the public from unnecessary losses, said the Chief Executive, Mr Tung Chee Hwa.

"From reports in the local media, the decision and measures taken by the government have received the support of most Hong Kong people," Mr Tung said.

Explaining the rationale behind government's defence measures, the Chief Executive pointed out that when the financial markets are manipulated, the free market system cannot function normally and investors will stop coming.

"This is exactly the unusual situation our markets have been facing in recent months. Therefore, we must adopt effective measures to quickly restore order in the free markets to ensure their proper functioning in a bid to attract investors."

He has assured that the measures are not pinpointing or excluding a certain category of investors. "Our regulations and measures will apply equally to all local and overseas investors. We will certainly not introduce exchange control as this goes against the free market principles we are committed to uphold." ❖

strongest fundamentals can be threatened by such speculation, what hope is there for the rest of the non-industrial and emerging markets? We need to provide a more balanced picture of the dangers of panicking markets leading to widespread contagion, rather than promoting the unrealistic view that devaluation (and by implication volatile markets) is the solution to the global crisis. Competitive devaluation is adding to the deflationary pressure in the world. We are already witnessing how panicking markets have sent some of the strongest economies in Asia to crisis and distress. We have an obligation to present a balanced picture of the situation."

— Extracted from an article by Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority, published in the *Asian Wall Street Journal* on August 20, 1998.

## Measures to tighten up securities and futures markets

The Hong Kong SAR Government has introduced a 30-point program aiming to tighten up market discipline and restoring market order in the securities and futures markets.

The programme calls for heavier penalties on breaches of securities legislation and market rules in relation to naked and unreported short selling and default in settlement. It also commissions urgent studies on regulation over custodians and registrars as well as over stock lending and borrowing activities. To facilitate cross-market communication, a new inter-agency committee comprising representatives from the five financial regulatory bodies — the Hong Kong Monetary Authority (HKMA), the Securities & Futures Commission (SFC), the Stock Exchange of Hong Kong (SEHK), the Hong Kong Futures Exchange (HKFE) and Hong Kong Securities Clearing Company (HKSCC) — has been set up under the Financial Services Bureau of the Government.

Legislation is being considered to empower the Chief Executive to give direction to the exchanges and clearing houses houses in emergency situation where the stability and integrity of the monetary system is under serious threat.

The programme shows the Government's determination to enforce the "T+2" rule strictly and to punish brokers who fail to settle their positions two days after trade. Penalties could include suspension of rule-breaking brokers. Naked short-selling, i.e. investors selling shares they do not own or have not borrowed, is prohibited in most financial markets, including Canada's.

Measures such as reinstating the "uptick" rule to reduce the selling pressure of short selling on market prices are included in the package. Similar rule exists in North America. Other measures such as all dealers have to make submissions on short selling trades performed in the past two weeks; and SEHK members have to ascertain their clients do have the covering stocks for sales order and in the case of short sales do have appropriate arrangements in hand, are part of the programme.

In order to avoid brokers maintaining a trading position inconsistent with its capi-

tal level, HKFE rules on capping trade limits in relation to brokers' capital are to be strictly enforced and the rules limiting the "buffer" to no more than 20% of the capital be strictly observed.



## Strengthening of Currency Board

The Hong Kong SAR Government is firmly committed to the maintenance of the linked exchange rate system and the adherence to the discipline of the Currency Board arrangements under that system. This policy has served Hong Kong extremely well over the past 15 years.

The linked exchange rate system has also proven to be the linchpin of financial stability in Hong Kong, and beyond, against the worst financial turmoil in the history

of Asia. It has the wide support of the community of Hong Kong and the international financial community.

Recent developments in the global financial system, encouraged by financial liberalisation and the advancement of information and telecommunications technology, have been characterised by very high volatility in international capital flows. This can at times be very destabilising and presents tremendous risks for the world economy, in particular for the small open economies, as is clearly demonstrated by events in the past year or so.

These risks have to be properly managed and financial stability ensured so that the benefits in the freedom of capital flows can be fully realised. Hong Kong does not believe in exchange controls. Indeed, the Basic Law — the mini constitution of Hong Kong — specifies clearly that no foreign exchange control policies shall be applied in the Hong Kong SAR.

Hong Kong is very well prepared to bear the pain of adjustments, including interest rate adjustments, under the linked exchange rate system. But in managing the risks of free capital flows, including the possibility of financial markets being subject to manipulation that exacerbates financial volatility and hence the severity of economic adjustment, there is a need to strengthen further the Currency Board arrangements in Hong Kong's linked exchange rate system.

Against this background, the Hong Kong Monetary Authority (HKMA) has announced a package of seven technical measures to strengthen the Currency Board arrangements in Hong Kong.

One of the technical measures is in the form of a clear undertaking from the HKMA to licensed banks to convert Hong Kong dollars in their clearing accounts into US dollars at the fixed exchange rate of HK\$7.75 to US\$1 (the Convertibility Undertaking).

This explicit Convertibility Undertaking is a clear demonstration of the Government's commitment to the linked exchange rate system. The rate of 7.75 has been chosen because it is the current intervention rate of the HKMA. However, the rate will slowly climb up over a period of 500 days from next April to 7.80, which is the fixed exchange rate of Hong Kong's linked exchange rate system applicable to the issue and redemption of Certificates of Indebtedness backing the bank notes. The banking circle welcomed these arrangements.

Another important factor is the significant increase of the aggregated balance of the banking system. The huge increase in the monetary base will lessen the opportunity for manipulation and reduce volatility in the Hong Kong dollar interest rate. This is certainly conducive to the economic recovery of Hong Kong. ❖

(Details of the seven technical measures are available at [www.hketo.ca](http://www.hketo.ca).)

The programme, together with the seven technical measures announced by the HKMA regarding the strengthening of the currency board arrangements, form a comprehensive plan to improve the ability of Hong Kong's financial systems to withstand cross-market manipulation by market manipulators. ❖

(Details of the 30-point programme can be found at the Hong Kong Economic & Trade Office's website at: [www.hketo.ca](http://www.hketo.ca).)

# Hong Kong SAR Anniversary

**The Hong Kong** Economic and Trade Office (HKETO) hosted three major receptions for about 1,800 guests in Toronto, Vancouver and Calgary to celebrate the first anniversary of the establishment of the Hong Kong Special Administrative Region of the People's Republic of China.

During the receptions, a special message from the Chief Executive, Mr Tung Chee Hwa, was played on giant screens. Mr Tung said despite the Asian financial turmoil, Hong Kong's strong financial reserve has enabled the territory to press ahead with its massive plan of investment in infrastructure, housing and education. "While we in Hong Kong are moving forward with confidence, we are also mindful of the difficulties, and opportunities as well which lie ahead. Our community is working wholeheartedly together to turn our vision into reality and make our city an even better place as the new century unfolds."

In his welcoming remarks at the receptions, Mr Donald Tong, Director of the HKETO, reiterated Hong Kong's ability to recover from the economic downturn, adding that with the support of the motherland the territory will recover soon in future. "Hong Kong has a resilient community which manages crises well. It is through experience in making regulatory

changes and adjustments swiftly that we have been resoundingly successful."

Mr Tong also pointed out the package of measures announced recently by the Hong Kong SAR Government to smoothen the recovery of the economy, including advancing schedules for infrastructure developments, would create 100,000 new jobs within the next 18 months.

He told the gatherings that, apart from the financial turmoil, Hong Kong's transition was carried out smoothly under the "One country, two systems" concept. He said China has kept its promise to leave the administration of Hong Kong to the SAR Government and it is business as usual in Hong Kong.

Apart from the receptions, the HKETO also mounted photo exhibitions at 10 different locations to mark the anniversary, including Toronto's City Hall, Vancouver's Central Library and Calgary's Dragon Boat Festival, as well as the Chinese Cultural Centres in these three cities. The month-long exhibitions, featuring about 250 pictures, highlighted Hong Kong's smooth transition, its achievements as an economic powerhouse in the region and the vibrancy of the metropolis. Photographs of the



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new Hong Kong International Airport were also prominently displayed. About 63,000 people visited the exhibitions. ♦



Mr Donald Tong entertaining questions from the audience after his presentation at the Chinese Cultural Centre in Calgary.



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1 Mr Donald Tong toasting to some of the VIPs — (from left) Toronto Mayor Mel Lastman; Ontario's Education Minister David Johnson; Member of Parliament Joe Volpe; and Chinese Consul General Zhou Xingbao.

2 Mr Tong speaking to the guests at the Vancouver reception.

3 Mr Tong thanking the Secretary of State for Asia Pacific, Mr Raymond Chan, for officiating at the Vancouver reception.

4 Guests at the Calgary reception watching a video message from Mr Tung Chee Hwa.

5 Mr Tong and Ms Maureen Siu, Deputy Director of the HKETO, welcoming Calgary Mayor Al Duerr upon his arrival.

6 VIPs at the Vancouver reception toasting to the Hong Kong-Canada friendship — (from left) Member of Parliament Ms Sophia Leung; Secretary of State Raymond Chan; Chinese Consul General Song Youming; Mr Donald Tong; Richmond Mayor Greg Halsey-Brandt; Minister of Municipal Affairs Miss Jenny Kwan; former Lt. Governor of B.C., Dr David Lam; Minister of Employment & Investment Mike Farnworth; and Vancouver Mayor Philip Owen.

7 Proposing a toast at the Calgary reception — (from left) Deputy Consul General Liang Baoshan of China, Alberta's Education Minister Gary Mar, Calgary Mayor Al Duerr, and Mr Donald Tong.

8 Richmond Mayor Greg Halsey-Brandt (centre) chatting with Chief Information Officer Frank Chuan (right).

9 Dr David Lam (centre), former Lt. Governor of British Columbia, was one of the VIPs at the Vancouver reception.

10 Member of Parliament Ms Sophia Leung (right) being shown the "Challenge & Vitality — The Story of Hong Kong" photo exhibition by Stephen Siu of the HKETO.

## Bold steps to sustain competitiveness

**In a series** of speaking functions leading up to the Hong Kong SAR's first anniversary, the Director of the Hong Kong Economic and Trade Office, Mr Donald Tong, outlined some of the bold measures Hong Kong has announced to reverse the economic and financial crisis sweeping Asia.

He spoke at a 100-people forum hosted by the Sino-Canadian Association of Culture, Technology and Commerce in Montreal; a 300-people dinner jointly organized by the University of Calgary, the Hong Kong Canada Business Association (HKCBA), and the Chinese Cultural Centre in Calgary; and to over 100 businessmen and politicians at a luncheon organized by the Edmonton Chamber of Commerce and the Edmonton Section of the HKCBA.

He said the special measures will facilitate economic adjustment currently in progress and will enable the territory to sustain its competitiveness.

"We realise that Hong Kong cannot stay immuned to the economic and financial crisis sweeping Asia, and that is why Mr Tung (Chee Hwa) has taken the initiative by announcing the bold measures so as to address the present problems," Mr Tong explained.

Mr Tong also warned that if the SAR Government did not maintain the US\$-HK\$ peg, the economic consequences would be unthinkable. "Our policies to stick to the linked exchange rate system and prudent fiscal management will remain unchanged. Given this, and coupled with the strong economic development in the Mainland, Hong Kong will ride through the economic adjustments with success."

The measures introduced by the Government include:

- ♦ Exempting interest income earned locally from profits tax with immediate

effect to attract repatriation of savings overseas.

- ♦ Setting up a new C\$400 million scheme to help non-export related small and medium enterprises to obtain loans.
- ♦ Suspending all land sales by auction and by public tender until end of next March.
- ♦ Increasing substantially the quota of families eligible for the Home Purchase Loan Scheme and expanding the Home Starter Loan Scheme.
- ♦ Reducing duty on diesel oil by 30 per cent to provide relief to more than 22,000 taxi and light bus drivers.
- ♦ Freezing the adjustment of salaries of senior government officials for this financial year.

Mr Tong also told his audiences the SAR's achievements during the past 12 months after July 1, 1997. These include, he said, Hong Kong's position as the world's busiest container port, the 8th largest trading economy and its per capita standing at C\$38,000.

He said there is now universal recognition that the concept of "One country, two systems" is truly being implemented and realised in Hong Kong, adding that this has been acknowledged by the British Government, the co-signatory to the Joint Declaration, and most positively in the recent US State Department reports to the US Congress.

"In the past 12 months, the institutions of civil society, e.g. the rule of law, an independent judiciary, an elected legislature, a free press, churches and non-government organisations remain not just intact but vibrant," he said.

Mr Tong also cited the turnout of nearly 53 per cent of all eligible voters for the May 24th elections despite heavy rain as a sign of enthusiasm from Hong Kong citizens that reflected "very strong support for the Basic Law and the spirit of Hong Kong people ruling Hong Kong."

The media remain very vocal and issues considered sensitive on the mainland of China are still being reported and commented on.

"These show that the pessimists, who before the handover predicted the failure of the 'One country, two systems', are utterly wrong."

Mr Tong said: "I would say that as far as the political transition is concerned, Hong Kong has gone much better than most people expected. The financial turmoil has brought pain to everyone in Hong Kong but we understand that this economic adjustment is necessary if Hong Kong is to remain competitive in the long run." ♦

# New airport consolidates HK's leading position



The first landing at the new airport — an amazing engineering project in which Hong Kong takes pride.

"As the 21st century unfolds, it is indeed encouraging to note that Hong Kong has made an early start in upgrading its facilities," Mr Tung Chee Hwa told his guests, including President Jiang Zemin (1st left) and Vice-Premier Qian Qichen (2nd left), at the opening ceremony of the new airport.

With its inauguration in early July, the Hong Kong International Airport not only caters for the future needs of Hong Kong, but also consolidates Hong Kong's position as a transport hub as well as a major centre of trade, finance and tourism in the Asia-Pacific region.

The new airport at Chek Lap Kok is the largest investment item in the history of Hong Kong. It took seven years to complete and cost about C\$31 billion.

It is one of the most efficient airports in the world. Its passenger traffic services have attained a performance level equivalent to or even higher than that offered by the former Kai Tak Airport. The Immigration Department has improved its performance by clearing all passengers within 15 minutes after arrival. Passengers wait an average of 10 minutes to reclaim their luggage which is often on the carousel by the time they clear Immigration.

In its first month of operation, the new airport handled an average of 87,000 passengers and 460 flights per day. In early August, almost 70 per cent of flights left on time or within 15 minutes of their scheduled departure, while 83 per cent left within 30 minutes.

Cargo throughput has steadily improved to 4,700 tonnes on August 2 from 2,700 tonnes on July 14. Software problems that affected incoming shipments when the airport opened have all been solved before end of August.

With the completion of the airport, the Hong Kong SAR Government is launching an even larger scale C\$47 billion package of infrastructural improvements including the construction of railways, highways, residential developments, and educational facilities. ♦



## Container port to be enlarged

Building on its strengths as the world's largest container port and international air-freight centre, Hong Kong is expanding its sea transport capacity further.

Asia Container Terminals, Modern Terminals Limited and Hong Kong International Terminals have agreed to terms on the joint development of the proposed C\$2 billion Container Terminal (CT) 9 project. It is expected to create 1,500 direct jobs. Construction will begin by the end of the year. Phase 1 will be finished in late 2001. When it is fully completed in 2004, the new terminal will have six berths capable of handling 2.6 million TEUs (tonne-equivalent units). It will fur-

ther bolster Hong Kong's position as the world's busiest container port.

"The agreement on CT9 is a clear demonstration of these companies' commitment to Hong Kong and their confidence in the long-term prospect of our container port and economy," said the Financial Secretary, Mr Donald Tsang.

To take full advantage of shipments originating from neighbouring Guangdong Province, Hong Kong will also start work at the end of 1998 on its first river trade terminal at the mouth of the Pearl River estuary. The new terminal is designed to improve the efficiency of existing terminals by consolidating river trade cargoes before they are transferred to ocean-going vessels. When finally completed in late 1999, the terminal will have the capacity to handle 1.3 TEUs annually.

In addition to relieving congestion on roads and boundary points between Hong Kong and the mainland, the new terminal will extend access to other points in the Pearl River Delta that are not well served by roads. ♦

## Greenlight for West Rail



The Executive Council of the Hong Kong SAR Government has authorised the construction of a second railway project which is estimated to cost C\$13 billion.

Work on the new railway, linking Kowloon West urban districts and the North West New Territories, will begin in a few months. The infrastructure project will be the largest after the new airport development. It will create business opportunities for both local and overseas firms.

The new railway, which will complement the current line running from urban Kowloon to the Hong Kong-China border at Lowu, is part of Hong Kong's massive infrastructure program in the next five years costing around C\$47 billion.

To be known as West Rail, the project will create about 13,000 jobs in the next few years, with 14 main civil construction contracts being awarded by mid-1999. It will be a 30.5 kilometres long, electrified, double-track railway. Phase I will serve 340,000 passengers a day when it opens in 2003, rising to more than 500,000 passengers a day by 2011.

The West Rail would provide easy access for urban residents to the rapidly growing North West New Territories. With the use of high-capacity train cars, the journey would take just 30 minutes. It will enhance the development potential of the vast rural area of North West New Territories, which is one of the strategic growth area in terms of housing in the next 20 years. ♦

### Railway system map and proposed future extensions



## Garden City at Kai Tak

Plans are being drawn up to build a Garden City at the Kai Tak airport site and adjacent areas to house more than 320,000 people.

The ambitious programme, known as the South East Kowloon Development, is being speeded up to allow for the intake of population to start in 2003.

The new city will be fully self-contained with world class amenities and transport links to other urban districts. It will involve 579 hectares of land of which 280 hectares will come from the existing airport site and the rest from reclaimed land.

The Garden City will have a 50-hectare Metro Park, a world-class international sports stadium with a retractable roof, an Aviation Academy and Museum, 45 schools, a hospital and office buildings and malls.

More than 14,000 jobs will be created during the reclamation and construction period which is expected to span more than 10 years. Site formation will start at the end of this year.

The Garden City is yet another major project on top of the C\$47 billion infrastructure developments the SAR Government has initiated for the next five years. ♦

## HK set to sustain competitiveness in information age

The Government is committed to promoting Hong Kong's information infrastructure and services to make it a leader in the information world, according to Mr K. C. Kwong, Hong Kong's Secretary for Information Technology and Broadcasting.

Mr Kwong was visiting Toronto in late September after leading a Hong Kong IT delegation to attend Softworld '98 in St John's.

Addressing a luncheon hosted jointly by the Hong Kong Canada Business Association, the Hong Kong Economic and Trade Office, the Hong Kong Trade Development Council, and the Toronto Board of Trade, Mr Kwong maintained that "a leadership position will help Hong Kong achieve competitive advantage leading to greater economic and social success regionally and internationally."

To illustrate Hong Kong's position on IT development, Mr Kwong told the gathering that spending on IT in Hong Kong last year amounted to US\$2.4 billion; 90 per cent of the firms in the service sectors are using OA software; 50 per cent of these firms have networked systems; the home penetration rate of PCs stands at 34% and there are more than 570,000 Internet accounts.

"In order to further encourage the development of electronic business, we aim to introduce legislation to facilitate the implementation of electronic commerce, set up Certification Authorities and establish a common Chinese language interface.

"We are also determined to make Hong Kong an Internet hub in the Asia Pacific Region and cooperate with the Mainland of China and other places on IT-related matters," he said.

In addition, the Government is committed to promoting the development of the local IT industry through the vigorous outsourcing of Government IT projects; providing support to industry through the Industrial Support Fund and Applied Research Fund; facilitating the technology collaboration between business and academia, and launching an Electronic Service Delivery scheme whereby the public would be able to transact business with the Government on-line 24 hours a



Mr. K.C. Kwong speaking at the "Hong Kong IT Seminar" in Toronto

day, seven days a week through a wide range of electronic communication devices.

Noting the importance of providing Chinese language support for the development of applications and content on the Internet, Mr Kwong said, "Within the Government, we have adopted a common Chinese character set to facilitate data exchange between Government departments and the public.

"We are also working closely with other governments and institutions under the aegis of the International Standards Organizations in the development of the ISO 10646 standard, which is an international coding standard aimed at encompassing characters of the Chinese and related Asian languages into one single common character set," he said.

Also speaking at an IT seminar in Toronto, Mr Kwong noted that Hong Kong and Canada were entering a new era of IT partnership.

In May this year, Hong Kong and Canada signed a Memorandum of Understanding (MOU) between the two places aimed at fostering and promoting co-operation and exchange on information and communications technology. The MOU focuses on areas of mutual interest for co-operation, such as multimedia and software applications and products, electronic commerce infrastructure and policy, broadband networks and applications, and Internet applications.

"The signing of the MOU will enable Hong Kong to benefit from the experience and expertise of Canada. This will in turn help us maintain our lead in IT and foster the growth of the local IT industry," Mr Kwong added. ♦