

September 2001

# 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

## Hong Kong to Spend Over C\$3.5 Billion on

# Tourism Developments



Officiating at the Launching Ceremony of the "Tourism Hong Kong" Exhibition are from left: Chairman of the Hong Kong Tourism Board, Mrs Selina Chow; Mr Tung; the Financial Secretary, Mr Antony Leung; and the Commissioner for Tourism, Mrs Rebecca Lai.



The site of the future Hong Kong Disneyland at Penny's Bay, Lantau Island. Reclamation work is now in progress and the opening of the Disneyland-style theme park is targeted for 2005/2006

The Hong Kong Government will be investing over C\$3.5 billion in major tourism developments, including the Disney Theme Park, over the next five years.

Announcing his plans, the Chief Executive, Mr Tung Chee Hwa, said that Hong Kong was already Asia Pacific's leading tourist destination, welcoming more than 13 million visitors last year.

He said that tourism was one of the key economic drivers of Hong Kong adding that the significant investments the territory was going to make in the next few years would not only add more attractions for visitors but would also create many new jobs for the local community and contribute towards the growth of the economy.

Mr Tung noted that in the first six months of this year, Hong Kong had seen a growth of tourist arrival by 7.5 per cent. This, he pointed out, was against a difficult environment and an economic slowdown in many of the territory's main markets.

He said: "This is a strong testimony to Hong Kong's position as one of the most favourite tourist destinations in the world."

### Mr Tung highlighted five major tourism developments:

First, he said, Hong Kong would develop Yam O on Lantau into a new tourism node. This together with the Hong Kong Disneyland, Tung Chung Cable Car, the Big Buddha and Tai O Village would make Lantau Island a truly tourism island.

Second, Hong Kong would leverage on the countryside and peaceful harbour in Sai Kung and encourage the development of water sports and world class resorts.

Third, Hong Kong would create a culture belt stretching from the new arts, culture and entertainment area on the West Kowloon Reclamation, to the existing museums and performing venues in Tsim Sha Tsui, the former Marine Police Headquarters and the

Tsim Sha Tsui Promenade.

Fourth, Hong Kong would build a heritage, entertainment and dining area in Central, radiating from the site of the existing Central Police Station covering Government House, St. John's Cathedral, Hollywood Road and Lan Kwai Fong.

Fifth, Hong Kong would support the Ocean Park on its strategic plan, integrating it into the new Aberdeen Harbour tourism node.

Mr Tung said that the Disney Theme Park project was making good progress and that Hong Kong looked forward to welcoming Mickey and Minnie in 2005.

Meanwhile, visitor arrivals in Hong Kong for May showed an encouraging 9.1 per cent growth over the same month in 2000, according to figures released by the Hong Kong Tourism Board on July 6.

Total arrivals were 1,165,933, with the healthiest growth coming from Mainland China with 380,989 arrivals, and the North Asia region with 152,801 arrivals.

# Regulating Traditional Chinese Medicine

The Director of Health of the Hong Kong Special Administrative Region Government, Dr Margaret Chan, said during a visit to Canada, that Hong Kong was a fore-runner in regulating traditional Chinese medicine and would continue to develop Chinese medicine as an integral part of the health care system.

Speaking in Toronto in July after attending two conferences organized by the World Health Organisation held in Ottawa, Dr Chan said that the use of traditional medicines had become more popular in many countries throughout the world, therefore, there was a need to regulate in order to protect the health of consumers.

She said: "Hong Kong has made inroads by establishing a sound regulatory framework to regulate the use of Chinese medicines and to register the traditional Chinese medicine practitioners, which will in turn promote the future development of Chinese medicine in Hong Kong."

The Chinese Medicine Ordinance was enacted in July 1999 and September 1999 saw the establishment of the Chinese Medicine Council of Hong Kong, which is an independent statutory body responsible for devising and implementing regulatory measures.

Dr Chan emphasized the importance of a regulatory regime for traditional



*Dr Margaret Chan (left) and Dr T.H. Leung meeting the media in Toronto.*

and herbal medicine.

In devising a long term strategy for promoting the proper use of traditional Chinese medicine and maintaining the professional standard of traditional Chinese medicine practitioners in Hong Kong, she said it was geared towards regulation; education and training; research; services; industry development; information networking; and intellectual property protection.

## Hong Kong to Host PECC Meeting

Representatives of the 25-member economies of the Pacific Economic Cooperation Council (PECC) will meet in Hong Kong for the 14th PECC General Meeting (PECC X1V), which will take place from November 28 to 30.

The PECC Chair and Chairman of the Hong Kong Committee for Pacific Economic Cooperation, Dr William Fung, said: "This will be PECC's most important biennial event, and it will showcase what PECC has achieved in the past two years under our chairmanship, which will come to an end on November 30."

Hong Kong formally took up the chairmanship of PECC in October 1999. As Chair, Hong Kong will be hosting PECC X1V at the Hong Kong Convention and Exhibition Centre before the end of its two-year term.

The meeting is expected to attract about 1,000 participants, roughly 700 from the Pacific region and 300 local guests. The meeting will also bring together high-level policy makers, business leaders and top scholars from around the world.

The theme of PECC X1V is "Managing Globalisation in the 21st Century".

It will examine the opportunities and challenges of globalisation, and how globalisation can best be managed for the benefit of all.

Other key issues for discussion include a new round of WTO talks, China's accession to the WTO, the new financial markets, corporate governance, and community building.

Madam Wu Yi, State Councillor, China, will make a keynote luncheon address on "China: The New Face After Joining the WTO" on November 28 and Mr Tung Chee Hwa, the Chief Executive, will officiate and make a keynote speech at the opening ceremony.

The following dignitaries will address the meeting: Mr Fidel Ramos, former Philippine President; Mr Michel Rocard, former French Prime Minister; Y.B. Dato Seri Rafidah Aziz, Malaysian Minister of International Trade and Industry; Mr Jim Sutton, New Zealand Minister for Trade Negotiation; Mr Guillermo Fernandez de Soto, Colombian Minister of Foreign Affairs; Mr Mike Moore, Director General, WTO; and Ambassador Charlene Barshefsky, former US Trade Representative.



### 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.

For further information, please contact:

**Mrs Rosanna Ure**, Director  
**Mr Kenneth Cheng**, Deputy Director  
**Ms Jean Chan**, Chief Information Officer  
**Miss Alison Chu**, Senior Information Officer

The Office's Investment Promotion Unit provides free consultation on investment in Hong Kong.

To use this service, please contact:

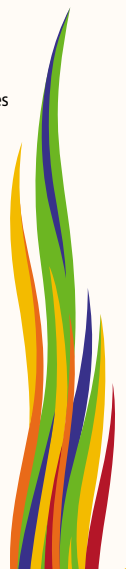
**Miss Shirley Wong**, Principal Consultant

Address:

**Toronto Office**  
 174 St George Street  
 Toronto, Ontario. M5R 2M7  
 Tel: (416) 924-5544  
 Fax: (416) 924-3599  
 E-mail: etotor@hketo.ca  
 Internet: www.hketo.ca

**Vancouver Office**

**Mrs Catherine Yuen**, Information Consultant  
 Park Place, Suite 500, 666 Burrard Street  
 Vancouver, BC. V6C 3P6  
 Tel: (604) 331-1300  
 Fax: (604) 331-1368  
 E-mail: ic@hketo.ca  
 Exchange Rate HK\$1=C\$0.19



## Canadian Delegation Seeks Co-production Opportunities at Filmart



A delegation comprising 10 exhibitors led by the Canadian Film and TV Productions Association (CFTPA), staged a group pavilion at Filmart 2001 to raise the profile of Canadian independent film production in the Asian market and to foster co-production opportunities with Hong Kong companies.

Filmart 2001 attracted 130 film and TV companies from 16 countries and regions to introduce their latest productions. Organised by the Hong Kong Trade Development Council, the event was held in June at the Hong Kong Convention and Exhibition Centre.

The Chairman of CFTPA, Mr Stephen

Ellis said: "Our producers are increasingly recognizing the importance of the Asian film and television market and the importance of Hong Kong as a gateway to that market. We also recognize the importance of developing strategic partnerships with Hong Kong producers."

The Canadian delegation introduced to Filmart all types and genres of production: feature films, television, new media, drama, children's animation, and documentaries.

Mr Ellis said that it was important for Canadian film and TV production companies to participate in Filmart because it would foster the economic

and cultural exchanges between Canada and Hong Kong.

He said that the goal of attending Filmart was to strengthen the exchanges between Canadian film and TV companies and their Hong Kong counterparts.

The Canadian participants also hosted a panel discussion to provide an overview of the Canadian production environment and potential for opportunities with Hong Kong companies.

The governments of Hong Kong and Canada signed a Memorandum of Understanding on Film and Television Co-production in 1991 to promote exchanges between Hong Kong and Canadian film and TV programme producers.

Recently, film companies from Canada and Hong Kong co-produced the film "Lunch with Charles", which was honoured with three awards in the Leo Awards 2001 in British Columbia.



Mr Stephen Ellis (left) promoting exchanges at the Filmart 2001.

## Hong Kong Remains First Choice



Mr Tung meets senior representatives from overseas companies. To his left is Director General of Investment Promotion, Mr Mike Rowse.

The Chief Executive, Mr Tung Chee Hwa, hosted a reception at Government House on August 17 for some 150 chief executive officers and senior representatives of overseas companies to welcome their presence in Hong Kong.

These senior executives represent more than 80 overseas companies which have newly established in Hong Kong or have significantly increased their investment in the territory in the first six months of this year.

Welcoming the guests, Mr Tung congratulated them for choosing Hong Kong to set up their operations. "I can assure you that your decisions are sound and that we will continue to work with you to make your decision to locate in Hong Kong a continuing success," he said.

About 100 more companies have chosen Hong Kong as the location for their regional offices since June 2000, in addition to the 3,001 companies that had already established regional headquarters or offices here at that time.

Mr Tung said: "Our economy this year may slow down some more and the unemployment rate this year may go up slightly. But we must be confident of our future.

"The fact is that over 100 overseas companies have chosen to come to Hong Kong at this time, a time of economic downturn in their own countries. It is a tremendous vote of confidence in Hong Kong and a testimony to the strength of Hong Kong as an attractive centre of international business."

# My Cup of Tea

Many ordinary things may have extraordinary stories. The story of teapot is, undoubtedly, a long and interesting one.

The emergence of teapot can be traced back to the Ming dynasty (1368-1644), an important transitional period of tea drinking in the history of China. The manufacture of tea cakes was prohibited by the emperor Taizu (1368-1398) in the 24th year of Hongwu (1391), bringing about the adoption of loose-leaf tea. Subsequent to the change of tea preparation method, the use of ewers and tea bowls went out of fashion. New utensils which were more suitable for brewing loose-leaf tea became the vogue of the day, marking the beginning of the story of teapots.



An exhibition – “A Story About Teapots” – is now on until February 17, 2002 at the Flagstaff House Museum of Tea Ware. The exhibition features over 100 items of teapots and tea wares from the K.S. Lo Collection, dated from the Ming dynasty (1368-1644) to the 20th

centuries, to illustrate the history of teapots as well as the processes of ceramic and tea production in the 19th century. Tea wares by Hong Kong potters are also on display.

The evolution of the size of teapots and the aesthetic heights of teapot making are illustrated by a wide spectrum of exhibits ranging from the Ming and



Qing dynasties' Yixing potteries, underglaze-blue, monochrome or polychrome tea wares manufactured in Jingdezhen to different kinds of export tea wares.

In late Ming period, the development of ceramic production was further accelerated by the growth of foreign trade. Teapot was one of the major export items at that time. In this exhibition, visitors can have a glimpse of the underglaze blue or enamels kettles and bowls



exported to Japan and one of the eight Yixing teapots found on board of a Dutch sunken vessel, the Geldermalsen. The Yixing teapot on display reflects the taste of the European markets and the



popularity of tea drinking in Europe during the Ming period. Besides, globular teapot with gold mounting commissioned by King Rama in 1907 as well as the underglaze blue ware made for the Vietnam market are also featured in this exhibition to show the significance of export tea wares.



Flagstaff House Museum of Tea Ware is located at 10 Cotton Tree Drive, Central, Hong Kong. It opens from 10am to 5pm daily except Mondays when the Museum is closed (closing day will be changed to Tuesdays commencing October 1, 2001). Admission is free.

For details of the exhibition, please visit the Museum's website at [www.lcsd.gov.hk/hkma](http://www.lcsd.gov.hk/hkma)



## Paint Your Face with the Dragon

Face-painting artist Kazia Kan hardly had the time to rest during the two-day Dragon Boat Festival held on Centre Island, Toronto, when visitors as well as paddlers joined the long queue to have their faces painted with the Brand Hong Kong visual identity – the dragon. Some even had the symbol painted on other parts of their body (see photos).

The free face-painting was offered by the Hong Kong Economic and Trade Office at the venue where a colourful static display promoting the Brand Hong Kong was set up. The display boards made perfect backdrop for family photographs.



## “Spirit of Hong Kong” Completes Round-the-World Voyage

The “Spirit of Hong Kong”, sponsored by Invest Hong Kong, arrives at Ocean Village in Southampton, UK at the end of the 30,000-mile “BT Global Challenge” yacht race.

Sponsored by Invest Hong Kong, the 72-foot yacht began the ocean adventure on September 10, 2000 and finished its race on June 30, 2001.

During its 10-month “BT Global Challenge” race, the crew called at several international cities including Boston, Buenos Aires, Wellington, Sydney, Cape Town and La Rochelle.



# Title Insurance Opens Branch in Hong Kong

US-based First American Title Insurance Company officially opened its Hong Kong Branch on June 28 to provide buyers and lenders cover against a property having a defective title and to facilitate property transactions.

Mrs Rosanna Ure, Director, Hong Kong Economic and Trade Office (HKETO) in Canada, welcomed the company's operations in Hong Kong.

She said that First American was able to establish its business presence successfully in Hong Kong due to the efforts by the investment promotion teams both in Canada and Hong Kong.

Mrs Ure noted that First Canadian Title, a Toronto-based and wholly owned subsidiary of First American, played a pivotal role in the initial planning and development of this project.

She said: "Its team had the foresight in targeting business opportunities in

the Hong Kong property market. Throughout the process, the Investment Promotion Unit of the HKETO (Canada) has offered advice and assistance to First Canadian Title. We are glad that months of hard work has culminated in the successful launch of the company's business in Hong Kong."

The Chief Executive of the Hong Kong branch of First American, Ms Hilary Cordell, said: "We are delighted to open our door for business. We are helping buyers, lenders and their lawyers complete transactions much more quickly, with greater certainty, at lower cost and with less risk. There are huge benefits for the Hong Kong market."

The Director-General of Investment Promotion, Mr Mike Rowse, noted that the opening of First American's Hong Kong branch demonstrated the firm's continuing commitment to expanding



Mr Rowse (right); the Chief Executive of the Hong Kong branch of First American, Ms Hilary Cordell (centre); and the Senior Underwriter of the company, Mr Philip Walden (left), at opening of First American Title Insurance Company.

its international base into favourable jurisdictions.

He added: "Title insurance is an important development for the Hong Kong property market facilitating market liquidity."

## Senior Administrative Officer Recruitment

The HKSAR Government will, for the first time, be directly recruiting Senior Administrative Officers to the civil service. The target candidates are Hong Kong permanent residents who have a university degree or above and have at least seven years of post-first degree working experience. The recruitment exercise will begin in late September and those interested should watch out for details on the following websites:

<http://www.hketo.ca>  
<http://www.info.gov.hk>  
<http://www.csb.gov.hk>

## Yearbook Records Strengths

The remarkable attributes that provide a firm base to position Hong Kong as a "world city" have been highlighted by the Chief Executive, Mr Tung Chee Hwa, in the latest edition of the Government yearbook released in July.

Noting that recent research had shown Hong Kong to be innovative, up-to-date, dynamic, intelligent, energetic, prestigious and distinctive, Mr Tung said Hong Kong's aspiration was to be in the league of "world cities" like New York and London.

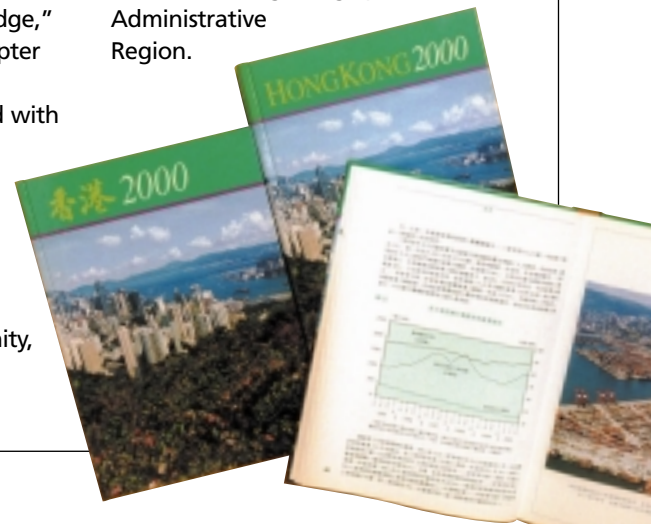
"A 'world city' must have a strong internationally-oriented business sector and, in particular, vibrant service industries with access to a workforce with specialized skills and knowledge," Mr Tung noted in the Review Chapter of "Hong Kong 2000".

"These characteristics, combined with a vibrant economy, a free society based on the rule of law, a position as an international centre of finance, trade and tourism, excellent transportation and telecommunication infrastructure, and a large international community, are all trademarks of these world cities," Mr Tung said.

Mr Tung added that Hong Kong not only possessed all of these attributes but was committed to maintaining and strengthening them.

"Hong Kong 2000" contains 23 chapters covering a wide range of subjects from education, employment, health and social welfare to public works, transport and the environment.

The annual report, with such a wide range of official facts and figures covering the year 2000, is the authoritative source of information on Hong Kong. It is an invaluable reference book for academics, students, business people and all those who want to know more about the Hong Kong Special Administrative Region.



# New Advisers to the Chief Executive

The Chief Executive, Mr Tung Chee Hwa, has welcomed five new members to join his Council of International Advisers (CECIA).

Announcing this on August 17, he said: "We are very pleased to be able to benefit from the advice of the five new members, who are prominent international business and corporate leaders."

The five new members are: Mr Craig R. Barrett, President and Chief Executive Officer, Intel Corporation; Mr Lawrence J. Ellison, Chairman and Chief Executive Officer, Oracle Corporation; Mr Gerald M. Levin, Chief Executive Officer, AOL Time Warner Inc.; Mr Henry M. Paulson, Jr, Chairman and Chief Executive Officer, The Goldman Sachs Group Inc.; and Mr Peter D. Sutherland, Chairman, British Petroleum plc.

Together with the existing 14 advisers, they will advise the Chief Executive from the international perspective on strategic issues pertinent to the long-term development of Hong Kong.

They will also advise on how global and regional trends might affect Hong Kong's development, and on the perception of the international business community on Hong Kong's plans and programmes of activities.

The Chief Executive will seek their views on the measures that Hong Kong should take to enhance its role as a world-class commercial and financial center.

The CECIA meets roughly once a year. Since its establishment in 1998, issues discussed included Asia's adjustment to the financial turmoil, improving Hong Kong's competitiveness, opportunities and challenges for Hong Kong after China's accession to the WTO and strategies for Hong Kong's development.

## Hong Kong's GDP for 2001 Drops

Due to the further worsening external environment impinging on merchandise exports and the sharp ease-back in local investment, Hong Kong's forecast of GDP growth for 2001 as a whole has been lowered further, to just one per cent in real terms from the 3 per cent in the May update.

In his Half-yearly Economic Report 2001 released on August 31, the Government Economist, Mr K. Y. Tang, stressed that the sluggish global economic environment continued to weigh on the Hong Kong economy in the second quarter of 2001. On a year-on-year comparison, GDP rose by only 0.5 per cent in real terms in the second quarter of 2001, further moderated from the 2.3 per cent growth in the first quarter.

On a seasonally adjusted quarter-to-quarter comparison, GDP had a 1.7 per cent decline in real terms in the second quarter of 2001, after staying virtually flat in the first quarter.

Mr Tang noted that externally, the slump in global demand resulted in an almost across-the-board fall-off in merchandise exports by market, giving an overall decline of 1.9 per cent in real terms in the second

quarter of 2001 over a year earlier.

Exports of services, he went on, nevertheless held up relatively better on the back of sustained notable growth in offshore trade and inbound tourism, and had a further growth of 5.3 per cent in real terms in the second quarter of 2001 over a year earlier.

Mr Tang noted that increased pessimism for the US economy was the key source of uncertainty dimming the global economic environment in the most recent months. Compounding this, he said, were the most distinct weakening in the European economies, the continued sluggishness in the Japanese economy, and further scale-back in current-year forecasts in many of the other East Asian economies amidst the electronic products slump.

Looking ahead, Mr Tang said that import prices were likely to fall back further, while price pressure on the domestic front would be held off by the current economic slow-down. Thus the forecast rate of change in the Composite CPI in 2001 has been trimmed down slightly further to -1.3 per cent, from -1 per cent in the May update. As to the GDP deflator, the forecast rate of change in 2001 has been kept unchanged, at -1 per cent.

## Slight Rise in Unemployment

The Financial Secretary, Mr Antony Leung, has attributed the slight increase in the unemployment figure for July to the continued process of economic restructuring and the slowing economies of Hong Kong's major trading partners.

Speaking after chairing the 27th meeting of the Task Force on Employment on August 30, he said that although unstable times remained ahead, adaptability had always been the strength of the people of Hong Kong.

"The quicker we could embrace change, upgrade ourselves and explore new opportunities, the sooner we would emerge from the current temporary difficulties stronger. This is in line with the spirit of entrepreneurship, which remains a key factor to our future success," he added.

Mr Leung stressed that the

Government would continue to help train and retrain workers so that they would be able to upgrade their skills in tandem with market demand and technological developments.

According to the latest labour force statistics released on August 20 by the Census and Statistics Department, the seasonally adjusted unemployment rate in May-July 2001, at 4.7 per cent (provisional) was slightly higher than that in April-June 2001, at 4.6 per cent.

However, the underemployment rate in May-June 2001, at 2.2 per cent (provisional), was slightly below that in April-June 2001, at 2.3 per cent.

The number of unemployed people (not seasonally adjusted) went up from 157,400 in April-June 2001 to 165,000 (provisional) in May-July 2001. On the other hand, the number of under-employed people went down from 79,000 to 77,000 (provisional).

# Financial News Capsules

## HK has US\$114.6 Billion in Foreign Currency

The official foreign currency assets of Hong Kong amounted to US\$114.6 billion at the end of July 2001 as compared with US\$114.1 billion at the end of June 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 reserves of US\$114.6 billion represent over eight times the currency in circulation, one of the highest ratios in the world.

## Slight Increase in Companies Registered in HK

The number of registered companies and overseas companies recorded a slight increase in the first six months of this year as compared to the position at the end of 2000, according to the Companies Registry.

The total number of companies registered under the Companies Ordinance at June 30, 2001, was 513,340, an increase of 0.36 per cent over the position at December 31, 2000.

The total number of overseas companies which had established a place of business in Hong Kong was 6,286, an increase of 3.17 per cent over the total number at the end of December.

The number of new companies registered during the first six months of 2001 was 19,225, a drop of 16.28 per cent over the corresponding period of 2000. The number of new overseas companies registered during the first six months was 416, an increase of 0.73 per cent compared with the first six months of 2000.

## Trade Figures for July

The value of total exports of goods (comprising re-exports and domestic exports) decreased slightly by 0.8 per cent over a year earlier to about C\$26.4 billion. Within this total, the value of re-exports rose back by 0.6 per cent to about C\$23.54 billion, while the value of domestic exports recorded a further decline of 10.8 per cent to C\$1.87 billion.

A visible trade deficit of C\$1.54 billion, equivalent to 5.5 per cent of the value of imports of goods, was recorded in July 2001. This was slightly smaller than the corresponding deficit of C\$1.6 billion, equivalent to 5.7 per cent of the value of imports of goods, recorded in July 2000.

For the first seven months of 2001 as a whole, the value of total exports of goods decreased by 1.4 per cent over a year earlier. Within this total, the value of re-exports was up marginally, by 0.2 per cent, while the value of domestic exports decreased significantly, by 12.9 per cent.

Over the same period, the value of imports of goods also declined marginally, by 0.3 per cent. A visible trade deficit of C\$13 billion, equivalent to 7.2 per cent of the value of imports of goods, was recorded

in the first seven months of 2001. This was larger than the corresponding deficit of C\$11.2 billion, equivalent to 6.2 per cent of the value of imports of goods, recorded in the same period in 2000.

## Airport Reports Profit for First Time

The Airport Authority (AA) has reported a consolidated net profit of C\$14.05 million in its 2000/01 Annual Report. This is the first year since the opening of the new Hong Kong International Airport (HKIA) that the AA has reported a net profit, setting the stage for future growth in both revenue and profitability.

AA Chief Executive Officer, Dr David Pang said that the last financial year had been a good one for the Authority and HKIA as a whole. "We have performed satisfactorily across the spectrum of our business and established high levels of safety, security, quality services and operational efficiency," he added.

## HK's GNP and External Factor Income Flows (EFIF)

Hong Kong's Gross National Product (GNP) for the first quarter of 2001 was estimated at C\$63.2 billion at current market prices, representing an increase of 1.6 per cent over a year earlier. The difference of C\$2.4 billion from the Gross Domestic Product (GDP), estimated at C\$60.8 billion for the same quarter, represented a net factor income inflow equivalent to 3.9 per cent of GDP in that quarter.

After netting out the effect of price changes, Hong Kong's GNP rose by 3.4 per cent in real terms in the first quarter of 2001 over a year earlier. This was above the growth of 2.5 per cent in real terms for Hong Kong's GDP in the same quarter.

Total factor income inflow into Hong Kong, estimated at C\$19.6 billion, decreased by 9.3 per cent in the first quarter of 2001 from a year earlier. Concurrently, total factor income outflow declined more, by 13.0 per cent to C\$17.2 billion.

These inflow and outflow were equivalent to 32.2 per cent and 28.3 per cent respectively of GDP in that quarter. Taking the inflow and outflow together, net EFIF amounted to C\$2.4 billion in the first quarter of 2001, as compared to C\$1.8 billion in the same quarter in 2000.

## Exchange Fund Assets

The total assets of the Exchange Fund, at C\$204.3 billion at the end of July 2001, were C\$0.74 billion lower than at the end of June 2001. Foreign currency assets increased by C\$0.44 billion while Hong Kong Dollar assets decreased by C\$1.18 billion.

Commenting on the half-year Exchange Fund Balance Sheet, the Chief Executive of the Hong Kong Monetary Authority, Mr Joseph Yam, noted that the market conditions had been extremely

difficult during the first six months of 2001.

Since the beginning of the year, he added, US interest rates had been reduced by a total of 275 basis points. As the end of this phase of monetary easing approached, bond markets had recently come under increasing pressure.

Mr Yam said: "Yet at the same time, despite the monetary and fiscal stimulus in progress in the US, equity markets remain weak against a background of disappointing corporate earnings and continuing uncertainty about the world economy."

## China's NTR Status in the US Extended

The Secretary for Commerce and Industry Mr Chau Tak Hay, has welcomed the US House of Representatives' vote defeating a resolution to disapprove President Bush's decision to extend China's Normal Trade Relations (NTR) status for another year.

Mr Chau said that extending China's NTR status was not only in the interest of the Mainland and the US, but also beneficial to Hong Kong because the Mainland and the US were the territory's largest trading partners.

## 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 the "About Hong Kong" section at website <http://www.hketo.ca>.