



# HONG KONG update

December 2000

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

## CE Calls for Global Effort to Create a

The Chief Executive, Mr Tung Chee Hwa, has said that the harnessing of opportunities brought by the information technology revolution to bring prosperity and a better quality of life for all is a global effort.

Speaking at the opening of ITU TELECOM Asia 2000 in Hong Kong on December 3, he said: "No country or economy can do it alone. We must promote IT development and share the benefits through collaboration."

He said: "In the past decade, we have witnessed and experienced remarkable advances in information technology. The next decade promises even greater changes at a greater pace."

"This IT revolution has created immense challenges as well as opportunities for every economy in the world. The ITU conference gives us a very valuable opportunity to share our vision, exchange experience and promote co-operation between governments, and between governments and businesses, to overcome the challenges and exploit the opportunities to create a better world for all of us," he added.

He said that Hong Kong placed great emphasis on promoting advances in information technology to enhance the territory's efficiency and productivity, to sustain its economic



Vice Premier Wu, Mr Tung and Mr Yoshio Utsumi (left), Secretary-General of International Telecommunication Union, connecting two cables to symbolise the opening of the event.

growth and generally to improve the quality of life of its people.

Some 500 exhibitors from 30 countries, including Canada, displayed their latest products and shared their vision and ideas with more than 50,000 visitors at the ITU conference which ran from December 3 to 9. More than 200 speakers - regulators, market leaders, academics - exchanged views at forum sessions. It was the first time that the ITU had chosen Hong Kong as the venue for the world's most important telecommunications exhibition and forum.

The event was officially opened by Mr Wu Bangguo, Vice Premier of State Council of the People's Republic of China; Mr Tung Chee Hwa, and Mr Yoshio Utsumi, Secretary-General of the International Telecommunication Union.

Following the official opening, the Financial Secretary, Mr Donald Tsang, said at the ITU Ministers Dinner, that one of the greatest challenges for governments everywhere would be to ensure that all sectors of the community benefited from the leaps and bounds in

information technology.

He said: "In Hong Kong, we have set ourselves a goal to become a regional hub for innovation, technology and communications. To achieve this, we are committed to providing the educational and infrastructural framework needed to bridge the digital divide and to make the Internet - or whatever it develops into - as accessible for grandparents and unskilled labourers as it is for students and business professionals. Only then can we claim to be a cyber city in the cyber century."

He said that nowadays, the buzzwords were convergence and 3G, adding that what lay ahead in these areas must, of course, involve co-operation through the ITU, e.g. in areas such as spectrum planning and allocation and setting compatible standards.

The Financial Secretary pointed out that over the next five years, mobile phone use in the Asia-Pacific region was expected to rise from 150 million to 400 million and by 2010 it would reach 850 million.





Visitors to the Information Services Department booth at the ITU Telecom Asia 2000 exhibition.

Within the next decade, he went on, more than two billion people world-wide would be using mobile multi-media services via 3G systems. The transformation from a wired, to a wireless, world would no doubt present enormous business opportunities in the years ahead.

Meanwhile, the Secretary for Information Technology and Broadcasting, Mrs Carrie Yau, held a series of bilateral meetings with Ministers and Chief Executive Officers of overseas IT and Telecom companies from nine countries, including Canada.

During the meetings, a wide range of issues of mutual interests were discussed, including e-government initiatives, convergence of telecommunication and broadcasting technologies, 3G mobile services and digital broadcasting.

In summarising, Mrs. Yau told the gathering at the farewell reception the following interesting facts and figures which are indicators that the event was a huge success:

- More than 50,000 visitors have come through our doors by this evening. We expect many more as we welcome the IT enthusiastic local public tomorrow for the second public day and the last day of exhibition;
- The number of Forum participants exceeded 1,200;
- Over 1,000 international journalists and more than 240 filming crew covered this prestigious event;
- The freight handlers recorded around 10,000 cubic-metre-tonnes of exhibits and fitting materials;
- Our web site for Asia 2000 has recorded about 50,000 hits per day, its popularity exceeded the Government Information Centre, the top ranking Government web site, by almost a third; and
- A lot of calories were expended; participants consumed something like 10,000 cups of coffee and tea, 5,000 cans of soft drinks, 1,250 cans of beer and 2,500 portions of sandwiches a day during the event. \*

## 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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## Congregation of Hong Kong Business Associations



Mr Brotman (third from right) poses for a group photograph after the reception.

Delegates from 28 Hong Kong overseas associations gathered in Hong Kong to launch the Federation of Hong Kong Business Associations Worldwide in November during which Mr Maxwell Brotman, National Chair, Hong Kong-Canada Business Association was elected Chairman.

At a welcoming reception, the Chief Executive Mr Tung Chee Hwa said: "Over the years, all of you have been excellent ambassadors of Hong Kong. Under your leadership and management, your business associations have helped Hong Kong strengthen our commercial relations with our major trading partners around the world."

Mr Tung said that the new federation would

provide an excellent base to link up all 28 Hong Kong overseas associations, with a total membership of 7,700, to further expand Hong Kong's network overseas, and for all of them to widen and deepen their business links with Hong Kong, Mainland China and Asia.

"With China's imminent accession to the WTO," Mr Tung said, "Hong Kong is in the best position to assist foreign companies to participate actively in the growing Mainland market."

He extended his warmest congratulations to Mr Maxwell Brotman from Canada, Mr Bjorn Larsen from Denmark, and Mr David Chu from Australia, who have been elected Chairman, Vice-Chairman and Honorary Treasurer of the Federation, respectively. \*

# Reforms Expected to Boost Hong Kong's Status

The Chief Executive's Council of International Advisers has welcomed the reforms undertaken to strengthen Hong Kong's financial markets and considers that this will enhance the territory's international standing.

Speaking after the third meeting of his Council on November 30, Mr Tung Chee Hwa said his Advisers considered that Hong Kong had coped well with the Asian financial crisis.

He said: "The recovery of the Hong Kong economy is welcomed. They note that Hong Kong's Gross Domestic Product growth in 2000 will exceed that of most economies around the region. A significant part of this growth has been export-led."

Mr Tung said that they had an extremely useful and constructive exchange of views about the international economic outlook, business prospects in the region, and the latest development of growth in the Hong Kong economy.

He said his advisers believed that the economies of North America and Europe would continue to grow in 2001, although they expected growth in the US economy to moderate.

"The Japanese economy will also show positive growth. And these are very important to Hong Kong because they are major markets for our goods and services," he added.

However, the Chief Executive said that his Advisers had cautioned against a number of factors which Hong Kong needed to watch closely.

These, he said, included volatility in international oil prices, a possible downturn in the US economy, the exchange rate of the Euro and the possible volatility of fund flows across regions.

He said that he had taken the opportunity to brief his Advisers on Hong Kong's telecommunications and IT industries and that they welcomed the liberalization measures taken to open up its market.

Mr Tung said that international competition in telecommunications and IT would remain keen and his Advisers believed that it was essential for Hong Kong to continue to liberalise the market to achieve the status of a regional hub.

He said that his Advisers were briefed on the establishment of Invest Hong Kong whose primary function is to promote inward investment into the territory.

"They certainly agree that Hong Kong should maintain its low tax base and the level playing field for all investors. They consider that Hong Kong's advantage lies in our strong financial and service sectors, our international marketing ability and the ready access to the Mainland," he added.

Mr Tung said his Advisers believed that China's impending accession to the WTO was seen as a distinct positive factor. "Hong Kong's economy will benefit substantially from the growth in trade and investment, as well as the rise in opportunities in areas such as distributive trade, banking and finance, insurance, telecom-



Mr Tung and his advisers exchanged views on Hong Kong's long-term development and the opportunities.

munications and tourism," he said.

Eight of CE's 14 Advisers attended the meeting which Mr Tung described as "very useful, very productive, and very constructive". \*

## Mandatory Provident Fund in Full Operation

After years of deliberation and meticulous preparation, Hong Kong's Mandatory Provident Fund (MPF) System has finally come into full operation.

The Chairman of the Mandatory Provident Fund Authority, Mr Charles Lee Yeh-kwong, announced the commencement of the MPF at a news conference on December 1.

He said: "At long last, after almost 30 years of hard work by all sectors of the society, we are here today to witness the commencement of the MPF System. This is indeed an important milestone in Hong Kong's further advancement as a developed economy."

About 1.44 million employees and 124,000 self-employed persons have joined MPF schemes by December 1. This represents 71 per cent and 44 per cent of the total relevant population respectively. About 135,000 employers have signed up for MPF schemes, representing about 54 per cent of the total relevant population.

Mr Lee pointed out that compared with overseas experience, the 71 per cent compliance rate was already a good start. It showed that both employers and employees recognized the need to work together for the retirement protection of the working population, he added.

However, Mr Lee stressed that a lot more needed to be done to ensure that every eligible member of the work force would be covered by MPF. \*

## Policy Address Supported

The package of initiatives proposed in the Chief Executive's 2000 Policy Address has received majority support from the people of Hong Kong, according to a telephone opinion survey commissioned by the Home Affairs Bureau on October 23-25.

Overall, 60.9 per cent of the respondents supported the measures and proposals in the Policy Address while 15.3 per cent did not. On the whole, 66.4 per cent of the respondents found the Policy Address acceptable while 16.4 per cent considered otherwise.

According to the findings of the survey, results which were released on 30 October, 87.4 per cent of the respondents supported the provision of more employment opportunities with the creation of 15,000 new jobs, while 78.5 per cent supported the proposal to provide training for people with relatively

low educational qualifications and explore with the Employment Retraining Board the possibility of setting up a loan fund to help trainees start their own business.

On the education front, nearly 90 per cent of the respondents supported the initiative to relax the requirements for the Kindergarten Fee Remission Scheme and about 80 per cent favoured injecting HK\$10 billion (about C\$1.93 billion) into the School Improvement Programme to upgrade the teaching and learning environment.

The Chief Executive's undertaking to enhance the accountability of senior government officials and improve the executive-legislature relationship won the support of 78 per cent and 85.5 per cent of the respondents respectively. \*



The Chief Executive, Mr Tung Chee Hwa (fourth from left), joins APEC Economic Leaders on the lawn of the Jerudong Polo Club in Brunei following this year's leader's retreat.

# APEC Declaration Important for Hong Kong

This year's Asia Pacific Economic Co-operation (APEC) Leaders Declaration contained elements of particular interest and importance to Hong Kong.

The declaration, finalized after a day of talks, included calls for a new round of world trade talks, ongoing efforts to reinforce international financial markets, a strategy to harness the forces of technology and the need for stability in world oil prices.

The Chief Executive, Mr Tung Chee Hwa, who was at the APEC meetings in Brunei said that leaders of APEC's 21 economies had decided that there was a need to launch a new round of WTO talks for the benefit of all WTO economies, in particular least-developed and developing economies.

"We agreed that a balanced and broad-based agenda should be finalized within 2001 and that a new round of multilateral talks under the WTO should be launched in 2001," said Mr Tung.

"For decades, Hong Kong has prospered through the expansion in global trade. If we succeed in pushing further trade liberalization on the multilateral front through APEC, Hong Kong stands to gain."

"Hong Kong," he said, "would continue to play a role internationally, through groups such as the Financial Stability Forum."

Mr Tung said that APEC Leaders were determined to ensure that all economies could use technology as a 'passport to prosperity' and to significantly widen community access to the Internet. \*

# Visa-Free Access to EU

The Justice and Home Affairs Council of the European Union (EU) had reached an agreement to grant visa-free access to HKSAR passport holders. This will enable HKSAR passport holders to visit 13 more EU Member States visa-free for a period up to three months.

Welcoming the Council's decision, the Secretary for Security, Mrs Regina Ip said it was a major breakthrough in Hong Kong's efforts to promote travel convenience and showed that the EU had great confidence in the integrity of our immigration control under the 'One country, two systems' principle.

Frequent travelers and businessmen in particular will benefit greatly from the positive decision of the Council, she said.

Of the EU Member States, the UK and Ireland have already granted vis-free access to HKSAR passport holders. In 1999, Hong Kong residents made some 310,000 trips to Europe. The EU Council's decision, when implemented, will bring to 86 the total number of countries/territories granting visa-free access to HKSAR passport holders. \*



## Calgary Stampede Heading to City of Life

The Calgary Stampede, known the world over as "The Greatest Outdoor Show on Earth" will be celebrating the Chinese New Year in Hong Kong on January 24, 2001. The authentic western spectacle from Calgary, Alberta will be seen in the famed streets of Hong Kong, and during the live broadcast, as the chosen group take their places in the Cathay Pacific New Year Parade and thrill their audience with their demonstrations. Included in the group will be authentic native dancers and drummers in full traditional costumes, singing cowboys, a fancy trick roper and, to crown it all, the award-winning Calgary Stampede float.

The float destined for Hong Kong is seen being blessed by a Taoist priest and a native medicine man in Calgary in November. This ritual serves to ward off evil and to sanctify the float and all its participants.



### Courtesy Calls

The Director of Hong Kong Economic and Trade Office, Mrs Rosanna Ure, recently visited Mayor Pierre Bourque of Montreal (above) and Premier Ralph Klein of Alberta (right).



# Policy Address **Targets** Reform

Education, poverty and Hong Kong's governance received the greatest emphasis in the Policy Address delivered by the Chief Executive, Mr Tung Chee Hwa in the Legislative Council on October 11.

He said that the Government would focus on these areas in the coming year.

Mr Tung stressed that education reform should be a matter of concern for society generally.

"The poor need our support; the implementation of various policies requires the monitoring, support and participation of the public," he said, adding: "I sincerely hope that every member of the community can join hands with me, sharing common goals, so together we can build a better Hong Kong."

The Chief Executive went on: "It is our duty to assist the disadvantaged in society. We plan to allocate over HK\$2.7 billion (about C\$0.52 billion) in the next two years to finance various measures to help the poor.

"But I must point out once again that the fundamental way to address the poverty problem is to create ample employment opportunities through sustained economic growth on the one hand, and continuously upgrade the quality of people's skills through education on the other. We must persevere in our efforts in these areas," he said.

On education, Mr Tung said that he had stressed from the beginning of his tenure that he would do his best to cultivate the talents Hong Kong needed. Resources allocated to education had continued to rise significantly despite overall budgetary constraints.

He said: "Total spending on education this financial year amounts to HK\$54.4 billion (about C\$10.52 billion), a jump of 43 per cent compared to that before our reunification," he said. "It now represents 4.25 per cent of our Gross Domestic Product."

Mr Tung said that the education system could no longer meet the challenges of the new age. The knowledge-based New Economy needed a large pool of tal-

ent equipped with the right skills and creativity. Improvement would start at the earliest stage, by upgrading the quality of teachers.

The Chief Executive went on to say that Hong Kong had to catch up with developed countries and some major cities in Asia, where up to 60 per cent of senior secondary school graduates could pursue tertiary education.

"For Hong Kong, however, the rate is just about half that, not only are we lagging far behind, but we are failing to meet the needs of a knowledge-based economy," he said. "Our objective is that within 10 years, 60 per cent of our senior secondary school leavers will receive tertiary education.

"As education is our most important long-term investment, we are determined to continue to provide the necessary resources. Full implementation of all the plans I have outlined will increase our annual recurrent expenditure on education by about HK\$2 billion (about C\$0.38 billion)."

On the subject of Hong Kong's governance, Mr Tung said that several issues had been raised: the relationship between the executive and the legislature, accountability and community involvement in public affairs.

He pointed out that the experience of the past three years demonstrated that the political system stipulated in the Basic Law could function effectively.

"Of course, having inherited most of the systems and institutions operating prior to the reunification, the SAR has to go through a process of adjustment and adaptation before it can function optimally. This process takes time," he said.

Mr Tung added that as Hong Kong people were now running Hong Kong, he appreciated their aspirations for the SAR Government to be subjected to a higher degree of accountability.

He went on: "The principal officials of the SRAR Government at Secretaries and Directors of Bureaux

rank assume an important role in policy formulation and implementation which is different from that of other civil servants. Therefore, we should examine how, under the leadership of the Chief Executive, the accountability of principal officials for their respective policy portfolios can be enhanced.

"This involves very complicated issues. We would need to consider devising a compatible system of appointment for these principal officials, setting out their powers and responsibilities and at the same time defining clearly their role in formulating and implementing government policies under the new system.

"I appreciate that the people of Hong Kong would like to see the establishment of a comprehensive system of public accountability. A decision will be taken as soon as possible on the basis of our deliberations."

Mr Tung stressed: "In future, regardless of the system to be adopted in respect of the appointment of principal officials, we will maintain the stability of the civil service structure, preserve the principles of permanence and neutrality of the civil service, and maintain a highly efficient, professional and clean government."

Following his Policy Address in the Legislative Council, the Chief Executive said in a five-minute TV and radio message to the people of Hong Kong that his Policy Address dealt with issues "really, really close to my heart."

He said: "It is an Address that, as in the past three years, heeds the people's voices and aspirations, on issues that concern themselves, their sons and daughters and their parents. It answers queries and criticisms, and, in a year still not that distant from the Asian financial turmoil, responds to the entreatments for help from the less fortunate among us.

"It reaffirms beliefs, incorporates useful new thinking, points to opportunities and maps out strategic moves. It is a document of hope." \*



Hongkong Post hosted an issuing ceremony of "Definitive Stamp Sheetlet (No.2) to Commemorate the ITU TELECOM ASIA 2000 in Hong Kong" during which Mr Luk Ping-chuen (right), Postmaster General and Mrs Carrie Yau, Secretary for Information Technology and Broadcasting, were photographed stamping and blow up souvenir cover.



# Hong Kong: E-Commerce Hub

The Secretary for Information Technology and Broadcasting, Mrs Carrie Yau, said during a visit to Canada in October that Hong Kong had witnessed tremendous progress in its development and adoption of e-commerce in the past two to three years.

Addressing IT company executive at a Hong Kong-Canada Business Association luncheon in Vancouver on October 12, Mrs Yau said that internet banking, online stock trading and internet shopping were becoming part of the community's daily lives.

"And in one to two months' time, the Electronic Service Delivery scheme – Hong Kong's flagship Government-to-Citizen (G2C) and Government-to-Business (G2B) online service – will also be launched," she said.

Mrs Yau, who was leading a Hong Kong IT delegation to Ottawa and Halifax, to promote co-operation and exchange on IT, told her audience that Hong Kong was recognized internationally as one of the places with the best potential to develop e-business and had every potential of becoming the e-commerce hub for the Asia Pacific Region.

She said: "The Economist Intelligence Unit ranks Hong Kong's e-business readiness as ninth in the world, and second in Asia. And, according to Forrester Research, Hong Kong will be among the lead group of economies in Asia-Pacific to register e-business hyper-growth, with the value

of e-business surging to US\$70 billion in 2004."

Turning to the collaboration between Canadian and Hong Kong companies, she noted that many successful partnerships had taken place since the signing of the Memorandum of Understanding (MOU) on Cooperation in Information and Communications Technology between the two governments in 1998.

She cited the following examples: in e-commerce – the merger between Canada's Multiactive Software and Hong Kong's ABC Data & Telecom; in telecommunications – the partnership between Sunday of Hong Kong and Nortel of Canada for the development of General Packet Radio Service and the development of high-speed wireless data services; and in multimedia technologies – the partnership between CML Global Capital of Canada and CML Capital of Hong Kong for the production of content shows for in-flight entertainment.

"These and other partnerships clearly demonstrate the emergence of a winning business strategy by combining Canadian technology with Hong Kong's entrepreneurial spirit and marketing expertise," Mrs Yau added.

While in Vancouver, Mrs Yau met Mr Stuart Culbertson, Deputy Minister of the Information, Science and Technology Agency, British Columbia, and visited the Information Systems Management (B.C.) Corporation,



Mrs Carrie Yau receiving a souvenir from Mr John Manley, the then Minister of Industry.

Sierra Wireless, Multiactive Software, Norsat International and the Vancouver Film School, one of the top ten new media schools in North America.

In Ottawa, she met the then Federal Industry Minister, the Hon John Manley (now Minister of Foreign Affairs), to discuss cooperation in the IT field. Both sides encouraged more cooperation under the auspices of the MOU.

Mrs Yau visited Nortel's research and development center in Kanata and addressed IT companies at a luncheon co-organised by the Hong Kong-Canada Business Association and the Ottawa Centre of Research and Innovation.

In Halifax, she spoke at the Alliance Partner Presentation at the opening of the Softworld 2000. Mrs Yau introduced Hong Kong as a strategic IT partner in Asia and invited Canadian telecommunications companies to participate in the future auction of 3G mobile service licenses. \*



## All Hong Kong Embraces EuroChristmas

Hong Kong's EuroChristmas, the biggest public event held in the territory, is a retail, dining and entertainment experience set in a fantasy European winter setting.

Hong Kong's biggest private companies, government departments, the retail, hotel and travel industry and public transport companies have all come to the party.

Also coming from Europe and appearing

daily will be the Heineken Ski Display Team, featuring five Olympic ski jumpers performing aerial acrobatics from a ski slope built into a specially designed "Snow Mountain". There is also a full programme of European cultural acts appearing on the event's main stage.

Hong Kong's EuroChristmas is open to the public, free of charge, from 12 noon to 10 pm from December 16 to January 2. Opening hours

will be extended until 1 am over Christmas and New Year's Eve.

The event is designed to showcase Hong Kong as an international city, boost trade links with Europe and to promote East/West cultural exchange. It is also expected to establish Hong Kong as Asia's Christmas capital and to help raise visitor arrivals to a new all-time high. \*



# 2001 Fortune Global Forum Chooses Hong Kong

Hong Kong has been chosen to host the 2001 Fortune Global Forum which will be held between May 8 and 10.

Announcing details of the Forum at a news conference, the Director-General of Investment Promotion, Mr Mike Rowse, said that this was an excellent and timely reminder of Hong Kong's position as the best place in the world to do business.

"This is particularly true in respect of Asia, a continent which offers enormous market potential in a fast-changing world," he said.

Mr Rowse added: "As a prime example of a free economy that has benefited the most from globalisation in the past 15 years, Hong Kong will provide the ideal backdrop for this prestigious international event."

The Chief Executive, Mr Tung Chee Hwa, and other senior government officials will take part in the Forum.

The theme of the Forum is "Next Generation Asia". Proposed topics for discussion include emerging technologies, new leadership, Asian conglomerates in transition, youth culture, consumer trends, the outlook for capital markets and the rapidly evolving changes in China and beyond.

The Chief Secretary for Administration, Mrs Anson Chan, said that she was delighted that

Hong Kong had been chosen as the venue for the Forum.

She said: "As you know this is a highly prestigious international event and will draw to Hong Kong some of the world's top CEOs as well as other leaders. I think this Forum will serve to underline Hong Kong's importance as an international financial centre and as a communications hub, and also as the best place in Asia to do business."

Mrs Chan believed that with China's imminent accession to the WTO the Forum would also be a very timely reminder of Hong Kong's unique and traditional role as the gateway to China.

Fortune magazine Managing Editor, Mr John Huey, said that Hong Kong would be the perfect setting for heads of major international companies to talk about how quickly business was changing in Asia.

He said: "With Next Generation Asia as the theme, we'll focus not only on the leaders driving Asia into the next century, but also the styles and emerging trends shaping business in the Pacific Rim."

Arthur Andersen, Bank of China, British Telecommunications PLC (BT), Dell Computer Corporation, Goldman Sachs and Nortel Networks. Invest Hong Kong is the host sponsor. \*

## Optimism and Confidence in Hong Kong's Economy

The American Chamber of Commerce in Hong Kong (AmCham) recently released the results of its 2000 Business Outlook Survey which illustrated growing optimism and confidence in Hong Kong's economy in the aftermath of the Asian financial crisis.

The major points include:

- 95% Amcham member companies foresee a "good" or "satisfactory" outlook for Hong Kong's economy in 2001, up from 84% for the forecast for 2000. The positive outlook is expected to sustain through 2005.
- Of the 72% respondents that have regional headquarters in Hong Kong, a larger proportion (89% in 2000 vs. 81%) intend to retain their regional base here. Moreover, 41% of respondents plan to increase the size of their Hong Kong regional office over the next year, a return to pre-Asian crisis levels.

- Amcham member companies continue to value and rate highly Hong Kong's geographical location, rule of law, low and simple taxation system, free port status, communications network, superior infrastructure and high quality personnel.
- A record high of 99% of respondents consider that the Mainland investment climate over the next five years will be "good" or "satisfactory". Of the 73% of respondents that already have a presence in the Mainland, 83% plan to make additional investments over the next three years.

In response to such confidence, the Hong Kong Government has pledged to upkeep and wherever possible enhance the strength, including the rule of law, low and simple taxation system, free port status, communications network, superior infrastructure and high quality personnel. \*

## European Allegations Refuted

Hong Kong Information Coordinator, Mr Stephen Lam, has refuted allegations in the European Parliament Report about competition in the Hong Kong market being restricted.

He told the news media that the allegations were "unsubstantiated".

Mr Lam said that all companies in Hong Kong, regardless of background or size, were free to enter the Hong Kong market. The Government, he added, treated all investors on an equal footing.

He pointed out that Hong Kong had been rated as the freest economy in the world by The Heritage Foundation for the seventh consecutive year, adding that the Government's open tendering system complied with the requirements of the World Trade Organisation.

Mr Lam's comments came immediately after a meeting between the Chief Executive, Mr Tung Chee Hwa and a delegation led by the Chairman of the Foreign Affairs Committee of the European Parliament, Mr Cushman.

He described the discussions as "very wide ranging" and useful. \*

## HK's GDP Revised to 10%

The Financial Secretary, Mr Donald Tsang, said that Hong Kong has had to revise its GDP growth estimate again for the year as a whole to 10 per cent because the territory's overall economic performance continues to be robust.

He told the news media that Hong Kong's economy was firmly on the road to recovery. "We have now had six consecutive quarters of positive GDP growth – the last three recording double digit growth."

Earlier, the International Monetary Fund (IMF) Staff Mission to Hong Kong said that GDP growth should reach 9.5 per cent this year. However, it anticipated that that economic growth would moderate to 4 per cent in 2001.

Mr Tsang said, however, that he fully understood that many people were still suffering from the effects of the financial turmoil and the economic adjustments that had taken place over the past two years.

This was particularly true for the lower-to-middle-income employees who had not yet felt the full benefits of the recovery. Pay cuts or pay freezes, which were imposed at the onset of the crisis, remained in place for most of these employees, he added.

Mr Tsang said that the Mandatory Provident Fund, which comes into effect on December 1, would provide much-needed long-term financial security for employees.

This scheme, he continued, was the most important social policy Hong Kong had implemented in recent years, and represented the consensus of the community reached over some three decades of discussion.

"It has far reaching positive implications for the benefit of our workforce and for this reason it needs to begin as scheduled on December 1. We cannot afford any last minute hold-up," he said. \*

# FINANCIAL NEWS CAPSULES

## HK's Foreign Currency Reserves Exceed US\$100 Billion

The official foreign currency assets of Hong Kong amounted to US\$104.2 billion at the end of November 2000 as compared with US\$102.7 billion in October.

In terms of foreign currency reserves, 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\$104.2 billion represent about eight times the currency in circulation, one of the highest ratios in the world.

## HK Best City for Business

Hong Kong has been rated as the best city for business in Asia by Fortune magazine.

Hong Kong regained the title as the best city among 25 Asian cities with a leap from last year's fourth place. Hong Kong was followed by Sydney and Singapore in second and third places.

The best cities in different regions all shared key requirements necessary to doing well in business – a city's overall business environment, the cost of doing business, the caliber of the local work force, and quality of life.

## Currency Rating Upgraded

The Japan Credit Rating Agency (JCRA) has upgraded the foreign currency rating for Hong Kong from "AA-" to "AA".

A Government spokesman said on November 6 that he was pleased to note JCRA's recognition of Hong Kong's strong economic recovery, extensive external reserves and solid fiscal position, high standard in financial market regulation and successful reforms of Hong Kong's financial and monetary regimes.

He said that the JCRA also recognized Hong Kong's reputation as one of the most transparent, well-governed, and least interventionist places in the world to do business, adding that he believed that the upgrade should boost the confidence of investors in Hong Kong.

## Modest rise in Retail Sales

The value of total retail sales in September 2000, estimated at C\$2.9 billion, increased by 5 per cent over September 1999. After discounting the effect of price changes over the period, the volume of total retail sales increased by 8 per cent.

For the first nine months of 2000 as a whole, total retail sales increased by 5 per cent in value or 10 per cent in volume over a year earlier.

On a seasonally adjusted basis, the volume of total

retail sales decreased by 5 per cent in the three months ending September 2000 compared with the preceding three-month period.

A Government spokesman noted that the performance of retail business improved further in September 2000, with the year-on-year growth in the volume of total retail sales picking up for the second month after the deceleration in the preceding four months.

Of particular note was the distinct rebound in retail sales of motor vehicles, upon substantial price discounts and introduction of new models. Also, retail sales of clothing and footwear registered particularly impressive growth.

## Visitor Arrivals Up

Consistent growth from long-haul markets assisted Hong Kong in receiving a total of 1,075,893 visitors in September, an increase of 22.5 per cent over the same month last year, according to figures released on October 30 by the Hong Kong Tourist Association (HKTA).

For the period January to September 2000, visitor arrivals totalled 9,520,155, an increase of 16.2 per cent compared with the same period last year.

The HKTA said that Hong Kong today was generally regarded as being less expensive and more competitive than in the pre-handover peak of 1996. While statistics indicated visitors might be staying for shorter periods, tourism receipts for the period January to June 2000 reached C\$5.82 billion, an increase of 12.4 per cent over the same period last year.

## US and Germany Choose HK

Intershop Communications Inc, a fast-growing global provider of e-commerce applications and software solutions from the United States, has selected Hong Kong as its Asia Pacific headquarters.

The Secretary for Information Technology and Broadcasting, Mrs Carrie Yau, said on November 17: "We are pleased to see overseas IT companies establishing businesses here to capture new opportunities in e-commerce across the region. This will help develop Hong Kong's high-tech sector."

She said that Intershop's expansion in Hong Kong underlined the territory's potential to become the pre-eminent e-commerce hub of the Asia Pacific region.

Germany's oldest and largest Internet incubator has also chosen Hong Kong as its Asia regional headquarters because of the presence of a good financial market in the territory.

The company, InternetMediaHouse Asia (IMH), sees Asia as the continent with the greatest number of Internet start-ups.

Speaking at IMH's celebration party on November 21, the Director-General of Investment Promotion, Mr Mike Rowse, said that the move reflected the importance of Hong Kong as a hub for IMH's regional business.

He added: "By linking us with the German technology market, this will help strengthen our technological capability and competitiveness in the New Economy."

## British Businesses express confidence

British companies in Hong Kong have expressed continued confidence in the city's economy, according to

a business confidence survey by the British Chamber of Commerce.

About 90 per cent of the chief executives said they felt confidence in the current state of the economy, with the figure rising to 97 per cent when they were asked about the outlook for the next five years.

The Chairman of the British Chamber of Commerce, Mr Mervyn Davies, said that he was not surprised by the results which showed the majority of British businesses were satisfied with the standard of communications, infrastructure, free port status and the taxation system.

## HK-based Global Sources mong 20 "potential stars"

Forbes Global has named a Hong Kong-based global merchandise trader enabler, Global Sources, as one of 20 potential stars for 2001 in its list of the 300 best small firms world-wide.

Companies chosen for the 20 for 2001 were selected not only for demonstrating strong potential for a solid, growing business but also based on recommendations by Forbes' own sources as key companies for the future.

Forbes said that while most e-commerce companies were just getting started, Global Sources had been developing e-commerce on the internet for five years.

## 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>.