



CE sets goals to improve governance and underpin economic revival

THE Chief Executive of the Hong Kong Special Administrative Region, Mr Tung Chee Hwa, highlighted in his annual Policy Address how Hong Kong could seize new opportunities to build on the current economic recovery, meet the challenges of globalisation and improve governance.

Delivering the Policy Address in January, Mr Tung said he was optimistic about Hong Kong's economic prospects and expected to see a continuing decline in unemployment and an easing of deflation in 2004.

The address, 'Seizing Opportunities for Development, Promoting People-based Governance', underlined many positive factors buttressing economic recovery, including:

- a growing Mainland economy and an improving world economy;
- closer interaction between Hong Kong and the Mainland, particularly Guangdong and Shanghai;
- the implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA);
- the development of personal renminbi business by local banks; and
- the expansion of the Individual Visit Scheme for Mainlanders, which will boost local consumption.

Mr Tung said Hong Kong would continue to develop and reinforce opportunities for the core industries of financial services, producer services, logistics and tourism as well as promote new growth opportunities in areas such as manufacturing, high-tech industries, creative industries, the local community economy and international asset management.

He said the government would continue to improve the business environment.

To simplify procedures and improve regulation, the Financial Secretary will establish a new high-level body by merging and reorganising the committees under his purview.

In meeting the challenges of



The Chief Executive, Mr Tung Chee Hwa, speaks at a press conference after delivering his Policy Address at the Legislative Council.

globalisation, Mr Tung said Hong Kong would continue to invest in and develop education services and promote employment and training.

The Chief Executive said that

over the past few months, he and his colleagues had paid particular attention to heightened public expectations for improved governance.

"We are determined to put the interests of people at the forefront of our administration."

Mr Tung said the government attached great importance to constitutional development and would strictly follow the Basic Law in handling the matter.

He also set up a Task Force to seriously examine the issues, particularly those concerning the understanding of relevant provisions of the Basic Law, and consult relevant authorities of the Central People's Government.

"The government is determined to work together with the community in the days ahead to promote Hong Kong's political, economic and social development and overcome any obstacles in the process," said Mr Tung.

"We share a common goal of developing ourselves into Asia's world city, a city that will be the envy of the world." ◇

Talks on Policy Address



The Director of Hong Kong Economic and Trade Office, Mr Rex Chang (third from left), briefing guests at a luncheon in Singapore on the Policy Address.

THE Director of Hong Kong Economic and Trade Office in Singapore, Mr Rex Chang, had given talks in major ASEAN cities on the Policy Address delivered by Hong Kong Chief Executive Mr Tung Chee Hwa.

Addressing at luncheons hosted for the Hong Kong Singapore Business Association and Kowloon Club in Singapore in January, Mr Chang informed guests that the Chief Executive highlighted in his Policy Address how Hong Kong could seize new opportunities to build on the current economic recovery, meet the challenges of globalisation and improve governance.

He said Mr Tung was optimistic about Hong Kong's economic prospects and expected to see a continuing decline in unemployment and an easing of deflation in 2004.

In February, Mr Chang travelled to Bangkok, Thailand, and Kuala Lumpur, Malaysia, where he chaired round-table discussions with key business executives in the two cities and briefed guests on the Policy Address. ◇



Budget to consolidate Hong Kong's recovery

THE 2004-05 Hong Kong Budget will give the community a respite while helping to maintain the momentum of economic recovery, Hong Kong's Financial Secretary, Mr Henry Tang, said on March 10.

The budget contains no tax increases and extends two tax concessions — the salaries tax deduction for home loan interest and the duty concession for ultra low sulphur diesel.

Unveiling his first Budget, Mr Tang said the turnaround in Hong Kong's economic performance last year had demonstrated the tenacity of Hong Kong people.

He said that despite difficulties caused by SARS, the economy staged a rapid rebound to register GDP growth of 3.3% in real terms in 2003, up from 2.3% in 2002.

"This clearly demonstrates the great advantage we have in leveraging on our special relationship with the Mainland while engaging the world at large," said Mr Tang.

GDP to grow 6%

He forecast a more deep-seated and broadly based recovery in 2004, with GDP expected to grow by 6% in real terms. Deflation should ease further, with a forecast 1% fall in the Composite Consumer Price Index for the year. A trend GDP growth rate of 3.8% in real terms was forecast over the medium term, with a 0.7% increase in the trend rate of the GDP deflator. The trend growth rate of nominal GDP over the period is forecast at 4.5%.

Hong Kong's economic growth in 2004 would be aided by the ongoing implementation of the Mainland-Hong Kong Closer Economic Partnership Arrangement, increased tourist arrivals from the Mainland and solid growth in external trade, including robust performance of offshore trade and professional services exports.

HK\$49 billion deficit

The Financial Secretary revealed that the Government's estimated deficit for 2003-04 would be HK\$49 billion, compared with a HK\$61.7 billion deficit in 2002-03.

The Government's operating expenditure for 2004-05 will be HK\$212.2 billion. The total government expenditure for 2004-05 will be HK\$258.7 billion, with 23% for education, 26.4% for social welfare and health, and 10.5% for security.

Fiscal balance by 2008-09

Mr Tang said he was pleased to see a strong consensus in the community for a balanced budget, and he pledged to



Post-budget brief: Financial Secretary, Mr Henry Tang, attends the Hong Kong's Economy Set to Rebound — A New Economic Positioning for the SAR seminar on March 19. He delivered a speech entitled What's Next After the Budget?

continue with the government's drive to tackle the deficit by stringently containing expenditure. He forecast a return to fiscal balance in the consolidated account and a reduction in public expenditure to 16.9% of GDP by 2008-09.

No tax increases

Mr Tang said he was proposing no further increases in salaries taxes, profits tax or any other taxes in this year's Budget.

"This respite will allow the Hong Kong community and our enterprises to consolidate. It will also create conditions favourable for a sustained economic recovery," he said.

Bonds to be issued

Mr Tang announced plans to issue government bonds to fund infrastructure or other investment projects that will bring long-term economic benefits to Hong Kong.

But he said the government would not issue bonds for the purpose of meeting operating expenditure.

"We will definitely not live on credit," he said.

The Financial Secretary said the issuance of bonds would provide greater flexibility in management of the government's liquidity and also help promote the development of Hong Kong's bond market.

Mr Tang proposed the government should issue up to HK\$20 billion in bonds in 2004-05.

Tax concessions

Mr Tang proposed extending two tax concessions — the salaries tax deduction for home loan interest and the duty concession for ultra low sulphur diesel (ULSD).

The entitlement period for home loan interest deduction will be extended by two years — from five years to seven — with the maximum deduction in any year maintained at HK\$100,000.

The concessionary rate of HK\$1.11 per litre for ULSD, due to expire at the end of March, is proposed to be extended until the end of the year.

Design initiative

To foster creativity and innovation, Mr Tang earmarked HK\$250 million to launch a DesignSmart initiative to nurture start-up design ventures, train human resources in design and branding, and promote and honour design excellence. The initiative also includes setting up a Design and Innovation Centre to attract design talent from different places.

"Through these efforts, we seek to instil into our industries high value-added, high intellectual property and creativity content. We also wish to turn Hong Kong into a focal point of design excellence in the region," he said.

An extra HK\$95 million has been earmarked for tourism promotion and training activities. The Tourism Orientation Programme will be extended for two years and a series of studies will be carried out to formulate a strategy for future tourism development.

Goods and services tax report

Mr Tang said that economies in all parts of the world had successively introduced a goods and services tax (GST) to broaden their tax base and increase tax revenue.

"Hong Kong is the only mature economy that does not have one," he said.

"GST is broad-based and equitable, and is capable of yielding a sizeable and steady revenue."

It was estimated that a GST of 5% would generate HK\$20-30 billion revenue for the government in a full year.

Mr Tang said an internal committee was conducting a detailed and comprehensive study on the implementation of a GST in Hong Kong and a report would be submitted to him by the end of this year. ◇



Hong Kong remains world's freest economy

HONG KONG has been ranked the freest economy in the world for the 10th consecutive year in the Heritage Foundation's 2004 Index of Economic Freedom.

Welcoming the news, the Financial Secretary, Mr Henry Tang, said the government was firmly committed to maintaining Hong Kong as a free market economy that accords maximum scope to the private sector.

"We see the role of the government as a facilitator that provides a business-friendly environment where all firms can compete on a level playing field," he said.

"The government will also maintain an appropriate regulatory regime to ensure the integrity and smooth functioning of a free market."

As in previous years, the Index of Economic Freedom ratings reflect an analysis of 50 different economic variables, grouped into 10 categories encompassing banking and finance; capital flows and foreign investment; monetary policy; fiscal burden of government; trade policy; wages and prices; government intervention in the economy; property rights; regulation; and informal, or black, market activity.

Hong Kong's strengths included:

- duty-free port;
- very low level of government involvement in business activities;



The Chief Executive, Mr Tung Chee Hwa, flanked by the President of the Heritage Foundation, Dr Edwin Feulner (left), and the Chairman of the Foundation's Board of Trustees, Dr David Brown.

- very low inflation;
- very low barriers to foreign investment;
- very low level of restrictions in banking and finance;
- low level of intervention in wages and prices;
- strong property rights;
- very low level of regulation; and
- low level of informal market activity

"We will spare no effort in preserving our strengths and in further improving ourselves where we can," said Mr Tang.

The Index of Economic Freedom report said, "Once again, Hong Kong is the poster city for economic freedom, both in the region and around the world."

"With a duty-free port, Hong Kong is a model for free trade. It also is the world's 10th largest trading entity." ◇

Record year for investment promotion

LAST year was the most successful year ever for investment promotion in Hong Kong, the Director-General of Investment Promotion at InvestHK, Mr Mike Rowse, said at the 2003 year-end press conference in January.

During 2003, the agency helped 142 foreign companies to set up or expand operations in Hong Kong -- an increase of 21% over 2002.

The projects brought in at least US\$319 million and created some 2,500 jobs.

In welcoming the results, Mr Rowse said that despite challenges brought by SARS and difficult economic conditions in the first half of 2003, Hong Kong remained the preferred location for international businesses serving the Asia Pacific region.

Hong Kong has maintained its leading position as a preferred destination for foreign direct investment (FDI).

In the World Investment Report 2003, released by the United Nations Conference on Trade and Development



The Director-General of Investment Promotion, Mr Mike Rowse, presenting the number of completed projects by Invest Hong Kong in 2003.

(UNCTAD), Hong Kong was again named as the best-performing host economy for FDI in Asia.

In terms of FDI, Hong Kong reached US\$12.8 billion in 2002 and retained its position as the second largest recipient of FDI in Asia, after the Mainland (US\$52.7 billion).

In addition, the number of regional headquarters in Hong Kong topped 966, an all-time high. Another 2,241 companies operated regional offices, up 3.2% from the previous year.

"In a difficult year economically, it is especially encouraging that Hong Kong remains second in Asia in FDI inflows and a major destination for FDI globally -- and that the number of regional headquarters reached another all-time high. This is particularly impressive in times when overall investment has been declining globally," Mr Rowse said.

"And there is more good news. For the first three quarters of 2003, the Census and Statistics Department reported FDI inflows of US\$14.8 billion into Hong Kong. This amount has already exceeded the total amount of FDI in all of 2002 by US\$2 billion.

"The results show that the fundamentals of Hong Kong's business environment remain attractive to foreign investors and augur well for the future," he said. ◇



First zero-tariff goods cross the border

THE first consignment of goods of Hong Kong origin claiming zero tariffs under Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) were imported to the Mainland without a hitch on January 7. This signifies the successful implementation of liberalization measures for trade in goods under CEPA.

The first batch of goods consisting of 310,000 copies of Hong Kong manufactured compact discs went through Huanggang Customs in the Mainland after clearance by Hong Kong Customs in Lok Ma Chau Control Point.

"We are delighted to see that the first batch of Hong Kong products claiming zero tariffs went through Customs of Hong Kong and the Mainland smoothly. We have worked closely with the Mainland Customs and Hong Kong Customs over the past few months to ensure that everything go right on day one," a spokesman for Trade and Industry Department (TID) said.

Under CEPA, Hong Kong-origin goods imported into the Mainland must fulfill CEPA rules of origin and be accompanied by a Certificate of Hong Kong Origin



The driver of the lorry containing the first consignment of Hong Kong manufactured goods claiming zero tariffs under CEPA submitting a manifest for customs clearance.

(CO)(CEPA) issued by TID or one of the five Government approved Certification Organisations (GACOs) in order to enjoy zero tariff treatment.

"Besides performing its role in issuing and verifying CO(CEPA), TID also works with Hong Kong Customs to ensure that the goods claiming zero tariffs can be imported into the Mainland without delay, whilst at the same time avoid

any malpractice related to CEPA," the spokesman added.

Hong Kong Customs plays dual roles in respect of CEPA — efficiently facilitating Customs clearance of all goods eligible for zero tariff on one hand, and effectively deterring any abuse of CO(CEPA) on the other.

It has pledged to do its utmost to ensure that the control system for trade in goods is implemented effectively.

The control system, jointly operated by Hong Kong Customs and the TID, covers certification, factory registration and inspection, consignment checks, costing checks, investigation, and blitz checks.

To deter origin misrepresentation, Hong Kong Customs will deploy manpower to conduct consignment checks to ascertain that the origin conferring processes of the goods covered by the application are carried out in the applicant's factory as declared. Besides, Hong Kong Customs will conduct costing checks on those goods the origins of which are determined in terms of costing criteria. ◇

AsiaWorld-Expo construction progressing ahead of schedule

THE groundbreaking ceremony for AsiaWorld-Expo, destined to be Hong Kong's world-class venue for exhibitions and events, was held on March 29 at its prime site at Hong Kong International Airport, marking a significant milestone in developing Hong Kong as the "Trade Fair Capital of Asia".

Speaking at the ceremony, the Secretary for Commerce, Industry and Technology, Mr John Tsang, said, "Today marks the beginning of the construction for a world-class centre that will contribute significantly to Hong Kong's position as Asia-Pacific's convention and exhibition hub."

"The Government will be investing HK\$2 billion in the project, which is expected to generate economic benefits of more than HK\$10 billion over a 25-year period, and create good employment opportunities for the local workforce.

"Hong Kong is the premier location for international exhibitions in the region. I am sure that AsiaWorld-Expo will take our convention and exhibition business to a new level of excellence, and it will cement our position as the trade fair capital and the best international business centre in the Asia Pacific," Mr Tsang said.

Strategically sited in close proximity to the heart of the Pearl River Delta and virtually a stone's throw from Hong Kong International Airport, AsiaWorld-Expo will be easily accessible from most of the destinations in the world.



Secretary for Commerce, Industry and Technology, Mr John Tsang (middle), officiating at the groundbreaking ceremony for AsiaWorld-Expo.

To better serve the needs of the exhibitors and visitors, the Airport Express line will be extended to AsiaWorld-Expo by the time of its opening in 2005.

Upon completion in December 2005, AsiaWorld-Expo will provide more than 70,000 square meters of rentable space, including 66,000 square meters of ground level, column-free exhibition hall space and an arena-style multi-purpose hall which will be ideal for concerts, sport and entertainment events as well as major international conventions.

Mr Mike Rowe, Chairman of AsiaWorld-Expo, said at the ceremony,

"The new AsiaWorld-Expo will become one more attraction to international exhibitors, in addition to the many advantages Hong Kong offers. Hong Kong provides an excellent environment for hosting large-scale trade fairs and exhibitions. We have a sophisticated business infrastructure and telecommunications services, world-class transportation network, as well as a pool of experienced exhibition professionals and practitioners in related industries. We look forward to the continuous growth of the convention and exhibition industry in Hong Kong, which will benefit the Hong Kong economy as a whole." ◇



Hong Kong hosts Chinese New Year receptions in ASEAN cities

THE Hong Kong Economic and Trade Office (HKETO) in Singapore, in collaboration with the Hong Kong Tourism Board (HKTb) and Cathay Pacific Airways, hosted a series of Chinese New Year receptions in four major ASEAN cities including Singapore; Kuala Lumpur, Malaysia; Bangkok, Thailand; and Jakarta, Indonesia, in January and February for representatives of the travel trade and the media.

Addressing at the receptions, Mr Rex Chang, Director of HKETO (Singapore), informed guests that Hong Kong



The Director of HKETO, Mr Rex Chang, (first from right), and other organisers of the Chinese New Year Reception presenting prizes to a lucky winner (centre) at the reception in Kuala Lumpur.

Talks on Hong Kong Budget 2004-05

FOLLOWING the delivery of the Hong Kong Budget 2004-05 by the Financial Secretary, Mr Henry Tang, in Hong Kong, the Director of Hong Kong Economic and Trade Office (Singapore), Mr Rex Chang, hosted in March a series of luncheon and dinner talks

on the Hong Kong Budget 2004-05 in Singapore, Bangkok, Thailand; Kuala Lumpur, Malaysia; and Ho Chi Minh City, Vietnam where he briefed key contacts in the four cities on Hong Kong's 2004-2005 Budget and updated them of the latest economic situation in Hong Kong.

Mr Chang said that Hong Kong's economy staged a V-shaped rebound after SARS and the economic growth rate for 2003 in real terms was 3.3 per cent

He said the Financial Secretary expected Hong Kong's economic recovery in 2004 to be more deeply seated and broadly based.

"The economic growth in real terms for 2004 is forecast to be 6%," the Director said.

Mr Chang also said the Financial Secretary had highlighted in his Budget speech that Hong Kong's economic growth in 2004 would be aided by the ongoing implementation of the Mainland/Hong Kong Closer Economic Partnership Arrangement, increased tourist arrivals from the Mainland and solid growth in external trade, including robust performance of offshore trade and professional services exports. ♦



Mr Rex Chang, Director of HKETO, addressing at a luncheon talk on Hong Kong Budget 2004-05 in Singapore.

economy was now experiencing a V-shaped rebound, with unemployment falling, deflation easing and the property market stabilising. He added that tourists were flocking into Hong Kong, which has helped boost the travel related industries.

Also officiating at the receptions, Mr

David Leung, Regional Director (South and South East Asia) of HKTb, said 15.5 million visitors visited Hong Kong in 2003.

The Chinese Music Ensemble of the Hong Kong Academy for Performing Arts performed at the receptions in Kuala Lumpur and Singapore to promote Hong Kong's cosmopolitan culture. ♦

LegCo boosts ties with Singapore and Thailand



Dr Lui Ming-wah, leader of the Legislative Council delegation, receiving souvenirs from Mr Abdullah Tarmugi (top), speaker of Singapore Parliament, and Mr Suchart Tonjaroen (bottom), Deputy Speaker of the House of Representative, Thailand.

A delegation from the Hong Kong Legislative Council led by the Hon. Dr Lui Ming-wah paid a six-day visit to Singapore and Thailand in February to enhance the Council's ties with parliamentary groups in the two countries.

During the visit, the delegation met members of the Singapore-Hong Kong Parliamentary Friendship Group and fostered liaison with members of the Thai National Assembly. They updated these legislatures on the latest developments

in Hong Kong.

The delegation also met with parliament members and committees dealing with economic development, trade and commerce, heritage preservation and housing matters, as well as senior officials of the two governments responsible for these activities.

Other members of the delegation included the Hon. Chan Kam-lam, the Hon. Chan Kwok-keung, the Hon. Howard Young and the Hon. Wong Sing-chi. ♦



Hong Kong Dragon roars into Lion City

THREE vibrant buses sporting the Brand Hong Kong visual identity — a stylised dragon will ply major bus routes in Singapore over the next three months to promote Hong Kong as Asia's world city.

Officiating at the launch of the buses in mid-March, Director of the Hong Kong Economic & Trade Office (Singapore), Mr Rex Chang, said the brand will publicise, among other things, Hong Kong's strong competitive position as a gateway to the Mainland and as a hub for business throughout the Asia-Pacific region.

He said, "The dragon's free-flowing lines — which incorporate both the Chinese characters for 'Hong Kong' and the English letters HK — embody the free spirit of Hong Kong people.

"The Brand Hong Kong dragon represents our core values — stability, freedom, progressiveness, high quality and opportunity. These underpin the uniqueness of our society and development as a sophisticated economy."

Mr Chang said since the brand's



Director of Hong Kong Economic and Trade Office in Singapore, Mr Rex Chang, pumps "Hong Kong energy" into a bus decked with Hong Kong visual identity — a stylised dragon, at the launching ceremony of the Brand Hong Kong Bus in Singapore.

launch in Hong Kong in 2001, the HKETO (Singapore) has staged many large-scale promotional programmes, including the Brand HK Skytrain in Bangkok and roving photo exhibitions across major cities in

the ASEAN region.

"It is our hope that in the years ahead Brand Hong Kong becomes an instantly recognisable Hong Kong icon all over the world." ♦

Mike Rowse speaks at luncheon in Singapore

THE Director-General of Investment Promotion, Mr Mike Rowse, visited Singapore in February where he gave a talk on the future of Hong Kong economy and investment opportunities in Hong Kong.

Addressing at a luncheon jointly hosted by the Hong Kong Economic and Trade Office and Singapore International Chamber of Commerce, Mr Rowse said Hong Kong's advantages — including our sophisticated infrastructure, geographic



The Director-General of Investment Promotion, Mr Mike Rowse, addressing at the luncheon in Singapore.

location, level playing field, simple and low tax regime and the rule of law — continued to attract foreign companies to choose Hong Kong to set up their regional operations. He also said the implementation of the 'Mainland and Hong Kong Closer Economic Partnership Arrangement' (CEPA) in January made Hong Kong the most attractive location for overseas companies to set up their regional bases to access the Mainland market. ♦

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Hong Kong Economic & Trade Office,
9 Temasek Boulevard #34-01 Suntec City Tower Two, Singapore 038989.
Tel: (65) 6338 1771, Fax: (65) 6339 2112.

New chief for Hong Kong Trade Development Council

THE Hong Kong Trade Development Council (HKTDC) announced the appointment of Mr Frederick Lam as Executive Director to succeed Mr Michael Sze, who will retire on May 1.

Mr Lam, 45, joined HKTDC in 1986 and has been a deputy executive director since 1993. He currently oversees the Council's international promotion of Hong Kong's trade in products and services, as well as its global network of branch offices. He also oversees the Council's portfolio of exhibitions and trade publications.

The HKTDC is the statutory organisation responsible for promoting the HKSAR's external trade. Its mission is to create and facilitate opportunities in international trade for Hong Kong-based companies, many of which are small and medium-sized enterprises, and their trading partners. The HKTDC also promotes a positive image of Hong Kong as a global platform for trade, industry and commerce. ♦