



## CE attends APEC leaders' meeting

**DONALD TSANG**, Chief Executive of the Hong Kong Special Administrative Region (HKSAR) attended the Asia-Pacific Economic Cooperation (APEC) 14th Economic Leaders' Meeting on November 18 and 19 in Hanoi, Vietnam. He took the chance to thank all APEC economies which supported Dr Margaret Chan to become the next Director-General of the World Health Organisation (see lower article).

With the theme "Towards a dynamic community for sustainable development and prosperity", economic leaders had in-depth discussions on a range of economic issues. These included APEC's role in pushing for the resumption of the World Trade Organisation's Doha Development Agenda negotiations and the implementation of the Busan Roadmap to achieve the Bogor Goals. They also covered issues fundamental to growth and sustainable development in member economies.

Mr Tsang also attended the APEC CEO Summit on November 17, at which President Hu Jintao delivered a keynote speech, and joined the leaders' dialogue with the APEC Business Advisory Council on November 18, to exchange views on ways to further the work of APEC.

In addition, Mr Tsang joined the official dinner hosted by Mr Nguyen Minh Triet, the President of Vietnam and Chair of the APEC 2006 Economic Leaders' Meeting.



*CE Donald Tsang (front left) witnesses the announcement of the Leaders' Declaration in Hanoi.*



*Mr Tsang chats with the guests at the reception for Hong Kong businessmen in Hanoi. On his right is Chairman of the Hong Kong Business Association, Vietnam, Michael Chiu.*

## Dr Margaret Chan elected WHO's Director-General

**DR MARGARET CHAN** of China will be the next Director-General of the World Health Organisation (WHO). After her appointment on November 9, she told the World Health Assembly she wanted to be judged by the impact WHO's work has on the people of Africa and on women across the globe.

Dr Chan was previously WHO Assistant Director-General for Communicable Diseases and Representative of the Director-General for Pandemic Influenza.

She joined the Hong Kong Department of Health in 1978, and was appointed as Director of Health in 1994. She has effectively managed outbreaks of avian influenza and the world's first outbreak of severe acute respiratory syndrome (SARS). ◇

### Keen to see closer Hong Kong-Vietnam ties

At the reception for Hong Kong businessmen in Hanoi on November 17, Mr Tsang said: "Vietnam is one of the fastest growing areas in Asia, enjoying a rapid growth, a change in policy, and it is perhaps one of the most dynamic areas in the region in which Hong Kong people, in order to maintain an international profile, should continue to take a keen interest to invest and to participate in this growth.

"I see there are enormous chances of it, particularly as now Vietnam joins as a contracting party of the World Trade Organisation. And I think for Hong Kong people, entrepreneurial in its own blood, would certainly not lose sight of these opportunities." ◇



## ITU TELECOM WORLD successfully held at AsiaWorld Expo

**THE** International Telecommunication Union (ITU) TELECOM WORLD 2006 – a leading global information and communication technology (ICT) event organised by the ITU, and hosted outside its headquarters in Geneva for the first time, was successfully held at AsiaWorld Expo, Chek Lap Kok from December 4 to 8.

Officiating guests at the opening ceremony were Wu Bangguo, Chairman of the Standing Committee of the National People's Congress; Prof Muhammad Yunus, the Founder of Grameen Bank, Bangladesh and Nobel Peace Prize Laureate; Donald Tsang, Chief Executive of the HKSAR; and Yoshio Utsumi, Secretary-General of the ITU.

Welcoming the guests at the opening ceremony, Mr Tsang said: "We are extremely honoured that the ITU has given Hong Kong the privilege to host ITU TELECOM WORLD 2006. The honour is amplified because this is the first TELECOM WORLD ever held outside Geneva."

"This prestigious international mega-event bears special significance for us. It is one of the largest trade shows ever held in Hong Kong. It underlines Hong Kong's unique position as a global hub for ICT. It reinforces our position as an international events capital, a leading digital city, and Asia's world city," he said.

Mr Tsang added: "Hong Kong's advantages on the digital front are magnified many times by our unique position as the premier gateway to China, the world's largest ICT market.

"Awarding Hong Kong the right to host ITU TELECOM WORLD 2006 was a vote of confidence in Hong Kong's expertise and China's role in the international arena," he remarked.



*Top: SCIT Joseph W P Wong (left) discusses with the Minister of Energy, Water and Communications, Malaysia, Lim Keng Yaik, on matters of mutual interest.*



*Left: Mr Wong meets with the Second Minister for Information, Communications and the Arts, Singapore, Dr Vivian Balakrishnan to exchange views on ICT issues. Both Ministers attend ITU TELECOM WORLD 2006.*

The theme of this year's expo is "Living the Digital World". About 700 exhibitors from across the world shared the total exhibition space of 66,000 square metres at the AsiaWorld Expo, to showcase their achievements to an estimated 60,000 visitors. ◇

## WTO Members commend Hong Kong's free trade regime

**THE** World Trade Organisation (WTO) commended Hong Kong once again for its open and free trade policy at a Trade Policy Review meeting in December in Geneva.

This was the fifth Review on Hong Kong, and the third one since the inception of the WTO and Hong Kong's reunification with China.

Leading the Hong Kong, China delegation, Yvonne Choi, the Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry), said: "We are pleased to note WTO Members' strong endorsement of our open and free trade policy; and their unanimous commendation, in particular, for Hong Kong's staunch support of the multilateral trading system and our commitment to the liberalisation of world trade.

"WTO Members also applauded Hong Kong's active and constructive participation in the WTO. In particular, they hailed Hong Kong's successful hosting of the WTO Sixth Ministerial Conference in December 2005," she said.

"The three rounds of Trade Policy Reviews in the WTO forum held since our reunification with China have more than amply demonstrated the successful implementation of the 'one country, two systems' principle," Ms Choi added.

The Trade Policy Review examined Hong Kong's economic environment, trade policy regime and sectoral policies. Hong Kong's closer economic ties with the Mainland of China, brought about by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), and the latest developments in various services sectors like financial services were also covered.

### Hong Kong ranks 11<sup>th</sup> largest trading entity

According to WTO's Annual Report "International Trade Statistics

2006", Hong Kong, China (HKC) was the world's 11th largest trading entity in merchandise trade and services in 2005 (same rank as in 2004). Some statistical highlights are as follows:

#### (a) Merchandise Trade in 2005

- i. HKC was the world's 11th largest trading entity in goods (same rank as in 2004).
- ii. Taking the EU as a single trading entity, HKC ranked the world's 6th largest trading entity, same as that in 2004.
- iii. HKC's total merchandise trade was US\$592.3 billion, an increase of 10.0% over the 2004 level.
- iv. HKC accounted for 2.8% of the world's total merchandise trade, as compared to 2.9% in 2004.
- v. HKC was the world's 11th largest exporter and 11th largest importer (both of them same rank as in 2004).

#### (b) Commercial Services Trade in 2005

- i. HKC was the world's 16th largest services trading entity (one rank lower than that in 2004).
- ii. Taking the EU as a single services trading entity, HKC ranked the world's 8th largest services trading entity (one rank lower than that in 2004).
- iii. HKC's total trade in services amounted to US\$94.6 billion, an increase of 13.4% over the 2004 level.
- iv. HKC accounted for 2.0% of the world's total services trade, same % share as in 2004.
- v. HKC was the world's 10th largest services exporter (same rank as in 2004) and 20th largest services importer (one rank higher than that in 2004). ◇



## Government welcomes other options for broadening tax base

**HENRY TANG**, the Financial Secretary (see picture) said in December that for the remaining part of the nine-month public consultation on tax reform, which started in July, the HKSAR Government would not be advocating a Goods and Services Tax (GST).

Mr Tang noted that there were two main points. "First, the public shares the view that there is a need to broaden our tax base. Second, although the public understands that GST can broaden our tax base, it is clear from the views collected that we have not been able to convince the majority to accept GST as



the main option to address the tax base problem. We accept that at this time there is insufficient public support nor are the conditions right for introducing GST," he said.

He added that the community generally agreed that the Government should continue public consultation on how to broaden the tax base. The Government would continue to listen carefully and participate in the discussions, so that by March 2007, upon the conclusion of the consultation, a report would be drawn up for consideration by the Government of the next term. ◇

## IMF gives thumbs up to Hong Kong

**AN** International Monetary Fund (IMF) Staff Mission to Hong Kong has welcomed the HKSAR Government's efforts in further strengthening market infrastructure and promoting the financial integration with the Mainland, which are key to Hong Kong's competitiveness.

The Mission expects the Hong Kong economy to grow by 5.5%-6% in 2006, and around 5% in 2007 and over the medium term.

The Mission recognises that, in addition to a strong external environment, skilful macroeconomic management, continued strengthening of financial market infrastructure, and the underlying flexibility of Hong Kong's markets were key in the remarkable turnaround of the economy from the situation three years ago. The Mission also endorses the general policy framework of the HKSAR Government, including its fiscal and exchange rate systems.

The assessment was made by the IMF Mission in their Concluding Statement published on November 7, following the completion of the 2006 Article IV Consultation, which involves an annual review of Hong Kong's exchange rate, fiscal and structural policies.

The Mission considers that Hong Kong's traditional strengths – flexible markets and strong institutions – have been key to its competitiveness.

As to strong institutions, the Mission welcomes progress made by the authorities on implementing Basel II, introducing the deposit insurance scheme, enforcing anti-money laundering and counter-terrorist financing guidelines, assessing potential sources of stress in equity markets and strengthening corporate governance.

Mr Henry Tang, the Financial Secretary said the Mission's positive assessment on the robust market infrastructure of Hong Kong was welcome. "Efficient and well-regulated financial intermediation is crucial to the competitiveness of an international financial centre. We will strive to maintain Hong Kong's success on this front."

The Mission is of the view that financial integration with the Mainland will be a major driver of Hong Kong's competitiveness. It commends the HKSAR Government's efforts to coordinate with the Mainland authorities on ways Hong Kong's advanced financial infrastructure can be used to improve the Mainland's financial intermediation, thereby benefiting both economies. The proposal to issue renminbi denominated bonds in Hong Kong is a good example of such coordination. ◇

## Inward direct investment up 15.2%

**THE** market value of Hong Kong's inward direct investment rose by 15.2% to HK\$4.056 trillion in 2005. Hong Kong's outward direct investment also rose by 16.6% to HK\$3.654 trillion, with the ratio to GDP at 264%.

Both the market value of the stocks of inward and outward direct investment in Hong Kong rose markedly in 2005, in tandem with generally buoyant global economic performance.

Stocks of inward and outward direct investment remained sizable, each amounting to more than 2.5 times the size of Hong Kong's GDP. These underlined Hong Kong's status as a hub for regional headquarters and businesses, as well as an international financial centre.

The Mainland accounted for the largest share of the total stock at the end of 2005, at 31.4%, reflecting the importance of investment from the Mainland in Hong Kong.

### Mainland is top source and destination

The Mainland continued to feature distinctly in Hong Kong's external direct investment, both as a source and as a destination. This reflects Hong Kong's unique position as a gateway to the vast Mainland markets as well as a platform for the Mainland enterprises to access the global markets. This important strategic role has become more entrenched along with the further strengthening of the Closer Economic Partnership Arrangement (CEPA) and economic cooperation within the Pan-Pearl River Delta (PPRD) region.

The Mainland was the most important destination for Hong Kong's outward direct investment, with a share of 40.4% of the total stock. Guangdong remained a popular location for Hong Kong's Mainland investment, accounting for 37.1% (or HK\$548.1 billion) of the total stock.

Direct investment inflow to Hong Kong fell from HK\$265.1 billion in 2004 to HK\$261.5 billion in 2005. The Mainland was the most important supplier of Hong Kong's direct investment inflow in 2005, amounting to \$72.9 billion.

Taking direct investment inflow and outflow together, there was a net inflow of HK\$50 billion in 2005. ◇



## Hong Kong and Malaysia launch cross-border payment-versus-payment link

**HONG KONG** and Malaysia launched on November 13 the new cross-border payment-versus-payment (PvP) link between Hong Kong's US Dollar real time gross settlement (RTGS) system and Malaysia's Ringgit RTGS system.

The link eliminates settlement risk in foreign exchange transactions between the US Dollars and Malaysian Ringgit by ensuring the simultaneous delivery of US Dollars in Hong Kong and Ringgit in Malaysia. This is the first cross-border PvP link established in Asia.

On December 8, 2005, the Hong Kong Monetary Authority (HKMA) and Bank Negara Malaysia signed a Memorandum of Understanding on the establishment of the PvP link. Following the completion of system development and testing, the link went live on schedule.

The link is operated in Malaysia by Bank Negara Malaysia and in Hong Kong by Hong Kong Interbank Clearing Limited, which operates the interbank clearing systems in Hong Kong, and is

jointly and equally owned by the HKMA and the Hong Kong Association of Banks.

Joseph Yam, Chief Executive of the HKMA, said, "The link between the US Dollar RTGS system in Hong Kong and the Ringgit RTGS system in Malaysia is the first cross-border PvP link between two RTGS systems for two different currencies in the region. Link of this nature provides a safer and more efficient payment flow and enhances monetary and financial stability by eliminating settlement risk arising from the delivery of different currencies in different time zones."

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Governor, Bank Negara Malaysia, said: "The establishment of this PvP link will further promote collaboration and cooperation of payment systems in Malaysia and in Hong Kong. It will also further enhance efficiency in the areas of payment and settlement systems, providing greater support to trade and investment flows in this region." ◇



*S for S Ambrose S K Lee (right) presents a souvenir to the Attorney General, Malaysia, Tan Sri Abdul Gani Patail, at the signing ceremony.*

### Hong Kong and Malaysia sign mutual legal assistance agreement

**AMBROSE S K LEE**, the Secretary for Security, on behalf of the HKSAR Government and Attorney General of Malaysia, Tan Sri Abdul Gani Patail, representing the Government of Malaysia, signed on October 17 an agreement concerning mutual legal assistance in criminal matters (MLA) and the Protocol Supplementary to the Agreement for the Surrender of Fugitive Offenders (SFO) signed in Hong Kong on January 11, 1995.

The MLA Agreement is the 21st bilateral agreement of its kind signed by Hong Kong. It contains all the essential features and safeguards for international agreements of this type.

The existing SFO Agreement with Malaysia came into force in June, 2001. The protocol supplements it by expanding the scope of extraditable offences; obligating both parties to give reasons for not taking action in response to a request for provisional arrest; and improving other operational aspects of the existing agreement. The safeguards contained in the existing agreement will not be affected. ◇



*SHA Dr Patrick Ho (right) shakes hands with the Minister for Culture and Information, Vietnam, Dr Le Doan Hop.*

### Hong Kong and Vietnam ink MoU on cultural cooperation

**THE** HKSAR Government and the Government of the Socialist Republic of Vietnam signed the Memorandum of Understanding (MoU) on Cultural Cooperation on November 9 with a view to promoting and strengthening cooperation in the fields of culture, the arts and education.

The MoU was signed by Dr Patrick Ho, the Secretary for Home Affairs, and Dr Le Doan Hop, the Minister for Culture and Information, Vietnam.

Speaking on the occasion, Dr Ho and Minister Le Doan Hop remarked that both Governments would commit to further cultural exchanges by presenting each other's performances or exhibitions in Hong Kong and Vietnam. ◇

### Emergency relief for typhoon victims in the Philippines

**THE** HKSAR Government in December approved two grants of HK\$1.5 million and HK\$1 million from the Disaster Relief Fund to World Vision Hong Kong and the Association of Chinese Evangelical Ministry Limited respectively for emergency aid to typhoon victims in the Philippines.

It is hoped that the grants help provide relief to those who suffer from the calamity in the country.

The Disaster Relief Fund was established in December, 1993, for emergency disaster relief in places outside Hong Kong. ◇



## Hong Kong is gateway to Mainland, ASEAN businesses told

**THE** ASEAN business community has been encouraged to focus on the distinct advantages of Hong Kong as a strategic gateway to access the Mainland China market with the implementation of the Closer Economic Partnership Arrangement (CEPA) and the launch of the Pan-Pearl River Delta (PPRD) Regional Cooperation initiative.

Linda Lai, the Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry) and K K Lam, Director, HKETO provided an overview of CEPA and PPRD initiatives respectively to the audience at the ASEAN-China Business Forum 2006 "ASEAN and China: Forging New Partnership in a Changing Era" in Kuala Lumpur, Malaysia on December 8. The forum was organised by the Asian Strategy and Leadership Institute.

### CEPA has unlimited potential

In her presentation, Ms Lai emphasised that Hong Kong's closer economic ties with the Mainland would reinforce its role as a two-way springboard for the flow of people and capital from overseas to the Mainland and vice versa.

She told the participants that the free trade pact had enhanced the attractiveness of Hong Kong to foreign investors wishing to gain greater access to the Mainland China market. Investors could set up manufacturing processes in Hong Kong and immediately export products meeting CEPA origin rules tariff-free to the Mainland. They might also choose to manufacture products with substantial intellectual property (IP) content, thereby taking advantage of Hong Kong's legal system and IP protection regime.

"As for services liberalisation, we believe that the measures to be agreed will have to take effect by phases and it would be more opportune to seize the 'first mover' advantage that CEPA



*(From left) Deputy SCIT (Commerce and Industry) Linda Lai, Secretary General of The Associated Chinese Chambers of Commerce and Industry, Malaysia, Tan Sri Dato' Soong Siew Hoong, and Director, HKETO, K K Lam listen to the audience's feedback. Tan Sri Dato' Soong is the moderator.*

offers. The long-standing experience of Hong Kong in doing business with the Mainland should also help foreign firms understand and explore the market. The potential offered by CEPA is unlimited. I would encourage all ASEAN enterprises to take a closer look at CEPA and take immediate steps to make the most out of it," Ms Lai said.

### PPRD presents a huge market

On the PPRD initiative, Mr Lam said that in ensuring that "9+2" (i.e., nine provinces in southern China and two special administrative regions of Hong Kong and Macao) would become the bridgehead for promoting "10+1" (i.e., ASEAN and China), Hong Kong would play an important role. He said that in trade, Hong Kong had developed close ties with ASEAN countries. ASEAN ranked

as Hong Kong's third largest trading partner.

"ASEAN enterprises may take Hong Kong as the base to access PPRD. By making good use of CEPA, and cooperating with Hong Kong enterprises, they can open up the market in the PPRD more effectively. By end-2005, ASEAN enterprises had set up 57 regional headquarters and 111 regional offices in Hong Kong. In return, PPRD enterprises may also use Hong Kong as a base to open up the ASEAN market.

"As PPRD is in need of substantial capital for its development, Hong Kong may leverage its status as an international financial centre and CEPA to facilitate ASEAN countries to invest in the infrastructure projects of PPRD," he said.

The HKETO will continue its efforts to promote the business opportunities arising from the CEPA and PPRD initiatives to various sectors in the ASEAN to encourage them to further exploit Hong Kong's competitive advantages. ◇

## Economy, families and environment top CE's policy agenda

**BOOSTING** economic development, helping families and intensified efforts to protect the environment would top the Government's policy agenda in the next year, Donald Tsang, Chief Executive, announced in his Policy Address on October 11.

On the economic front, Mr Tsang unveiled initiatives to boost financial services, trade and logistics, information technology, cultural and creative industries, the performing arts and labour rights protection.

On the environment front, Mr Tsang pledged to provide financial incentives to phase out older diesel vehicles, reduce registration tax for low-emission vehicles, review air quality objectives, and to introduce trial scheme on waste charging.

To promote understanding of Hong Kong's latest policy initiatives to the regional interlocutors, K K Lam, Director,



*Director, HKETO, K K Lam (left) addresses the gathering with members and friends of the HSBA. Looking on is the HSBA President Richard Eu.*

HKETO and his deputy gave talks and hosted discussions on the Policy Address and other business issues in Singapore, Malaysia, the Philippines, Indonesia and Thailand in October and November. The elements that were of significant interest to businesses were highlighted and explained.

### Initiatives further elaborated at pre-Christmas gatherings

HKETO joined hands with the Hong Kong-Singapore Business Association (HSBA) and three alumni associations of universities of Hong Kong in Singapore to organise two pre-Christmas receptions at the HKETO office. The participants listened with interest updates on Hong Kong in various social and economic aspects by Mr Lam, who also made special introduction of the Quality Migrant Admission Scheme as one of the means of the HKSAR Government to attract foreign talents. ◇



## Hong Kong delegation boasts record achievements in Asian Games

**THE** community in Hong Kong celebrates a zenith with the unprecedented scoop of six golds by Hong Kong sportsmen in the Asian Games in Doha, held between December 1 and 15. The delegation brought home a total of 28 medals including 12 silvers and 10 bronzes. Various Hong Kong records were also broken during the Games.

Dr Patrick Ho, the Secretary for Home Affairs, said, "I am thrilled at the excellent results of our athletes in the Asian Games. Their excellent performance has fully demonstrated their determination to do their best and has won the acclaim of the whole community."

"To make the most of the opportunities of staging the 2008 Beijing Olympic and Paralympic Equestrian Events and hosting the East Asian Games in 2009, we will increase our investment in sports to promote sports development in Hong Kong in accordance with our three main directions – Sports for All, Elite Athletes and Major Sporting Events."

Carrie Lam, the Permanent Secretary for Home Affairs flew to Doha to support the Hong Kong athletes and returned with them on December 17. She joined representatives of the local sports sector and hundreds of enthusiastic supporters in giving a warm welcome to the delegation.

Mrs Lam said that the Government's ongoing efforts to make Hong Kong a major location for international sports events would benefit Hong Kong's athletes by providing more opportunities for competition and exchange with their overseas counterparts.

Hong Kong sent the largest ever delegation with over 400 top athletes and officials to compete in 28 competition sports at the 15th Asian Games this year.



*CE Donald Tsang welcomes the victorious return of athletes on December 19 at a reception at the Hong Kong Stadium.*

### Athletes with disabilities lauded

Another group of athletes returning to Hong Kong earlier in the same month with outstanding performance was also praised by Mrs Lam (standing, centre in the lower picture).

She congratulated Hong Kong athletes with disabilities returning from the FESPIC Games in Kuala Lumpur, Malaysia for their achievements. They proudly hauled 25 gold, 30 silver and 23 bronze medals.

The FESPIC Games are the biggest multi-sports and multi-disability event for athletes with

disabilities in Asia and Oceania. The 9th FESPIC Games was held from November 25 to December 1 with some 4,000 athletes from more than 50 nations gathering up in this year's host city to compete in 19 sports categories. ◇



## Tourism stakeholders win excellence awards

**THE** Hong Kong International Airport (HKIA)'s unwavering commitment to providing the best airport services and facilities earned it TTC's Best Airport award fourth time in a row in October and three other awards for excellence in subsequent months.

On November 27, TravelWeeklyChina cited HKIA for offering the best airport facilities at the trade magazine's biannual industry awards. In mid-November, HKIA was named best airport in China in the Business Traveller China Awards 2006. Completing the trio, readers of SmartTravelAsia.com picked HKIA as the best airport worldwide in the online magazine's Best in Travel Poll 2006.

Meanwhile, Hong Kong has been voted Favourite Overseas City in the UK's 2006 Guardian, Observer and Guardian Unlimited Travel Awards. Hong Kong was also the only Asian city to feature in the poll's top 10 and its winning position marked a further improvement on the previous year's third overall placing.

Visitor numbers to Hong Kong exceeded 2.08 million in November, representing growth of 1.0% compared with the same month in 2005. This takes cumulative arrivals for January-November 2006 to more than 22.84 million, an increase of 8.0%. ◇

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