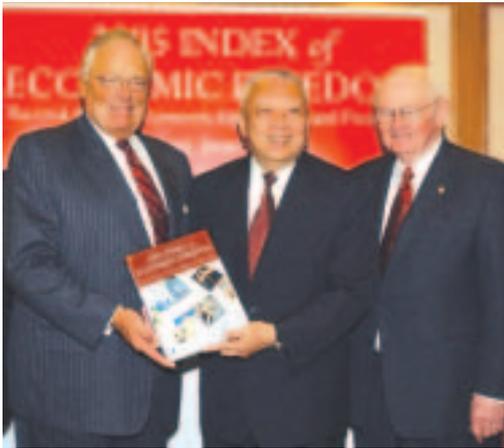




# Review

## HK economy takes top prize yet again



Heritage Foundation President Dr Edwin Feulner (left) presents Chief Executive Mr Tung Chee Hwa with the latest issue of the Index of Economic Freedom.

For the 11th consecutive year, Hong Kong has been rated as the economy least constrained by government interference.

The annual survey by the US-based Heritage Foundation measures economic freedom in countries over a range of 50 criteria. Hong Kong's virtues as 'the world's freest economy' include very low levels of inflation, regulation and barriers to capital flows, as well as generally low governmental intervention in business and strong property rights, says the Foundation.

Welcoming the latest affirmation of Hong Kong's world-leading status, the Financial Secretary, Mr Henry Tang, said: "We see the Government's roles as those of a facilitator, which provides a business-friendly environment...while maintaining an appropriate regulatory regime to ensure the integrity and smooth functioning of a free market."



Legal system in the spotlight

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## CE's plans cover economy, needy and social harmony

Hong Kong's Chief Executive, Mr Tung Chee Hwa, has outlined plans to consolidate and build on the economic revival, help the poor and needy, promote social harmony and stability and more firmly entrench "people-based" governance.

He was speaking on 12 January when he delivered his annual Policy Address, this year entitled "Working Together for Economic Development and Social Harmony".

Mr Tung said the Government's clear direction and positioning, together with the hard work of Hong Kong people, had heralded the first stage of a sustained recovery, with Hong Kong's economy "now at its

best since the Asian financial crisis" of 1997-98. GDP had grown by 7.5 per cent in 2004.

Mr Tung said a broad-based and sustainable recovery had reduced or eliminated some of Hong Kong's problems, such as unemployment, deflation, negative equity among property owners, and the fiscal deficit.

He noted the staunch support of the Central Government in responding positively to the Special Administrative Region Government's suggestions for, among others, the Closer Economic Partnership

Arrangement; allowing more Mainlanders to visit Hong Kong under the Individual Visit Scheme; allowing local banks to conduct personal renminbi business; and streamlining procedures for Mainland enterprises to set up business in Hong Kong.

He said Hong Kong's economy would reach a stage of post-recovery consolidation and growth in 2005.

To promote further growth, Hong Kong would

○ Turn to P8



Words and photos define HK

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Helping the tsunami's victims

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# Justice Secretary highlights SAR's robust rule of law

It is internationally recognised that judicial independence is intact and the rule of law robust in Hong Kong, the Secretary for Justice, Ms Elsie Leung, said in London recently.

Addressing the Hong Kong Association on the legal aspects in the implementation of 'one country, two systems' in the Hong Kong Special Administrative Region (SAR), Ms Leung said this recognition came despite some controversies concerning fundamental rights and freedoms, prosecutorial decisions or political issues since the SAR came into being in 1997.

Her audience included the former UK Foreign Secretary Lord Howe, former Hong Kong Attorneys General Mr Michael Thomas and Mr Jeremy Mathews and former UK Lord Chancellor Lord Irvine.

Ms Leung said that so far as rights and freedoms were concerned, the guarantees in Hong Kong's Basic Law were not empty promises: "They are enforceable through Hong Kong's

fiercely independent judiciary."

Each year since reunification with China, there had been significant constitutional litigation covering issues such as the right of abode, freedom to travel and freedom of expression, she said: "The courts have been vigilant in giving a broad interpretation of provisions guaranteeing fundamental human rights, and in giving a narrow meaning to permissible restrictions."

She added that the number of applications for judicial review had risen sharply in recent years in untrodden areas of the law, in the early stage of the interface between the Basic Law and domestic legislation.

"Although most of the time the Government's authority has been reaffirmed through such proceedings, there were occasions when the courts held against the government on the constitutionality of legislation or the exercise of discretions."

Ms Leung noted that: "Article 84 of the Basic Law particularly states that, in



*Britain's Secretary of State for Constitutional Affairs and Lord Chancellor, Lord Falconer, greets Secretary for Justice Ms Elsie Leung at his office in the House of Lords.*

the adjudication of cases, the courts may refer to precedents of other common law jurisdictions. This enables us not only to maintain our legal system, but also to continue to develop it."

She added that despite the misunderstanding of the interpretation of the Basic Law by the Standing Committee of the National People's Congress, Hong Kong courts enjoyed a good reputation for being independent.

Ms Leung later called on the Rt Hon Lord Falconer, QC, Secretary of State for Constitutional Affairs and Lord Chancellor, at the House of Lords, and then met the Rt Hon Lord Goldsmith, QC, Attorney General, at the House of Commons.

## Keep track of business: Click on the calendar

Keeping track of worldwide business opportunities involving the Hong Kong market is now just a click of a computer mouse away. December 2004 saw the launch of the 'HK Inc Events calendar' as part of the Hong Kong Trade Development Council's programme of new developments. The calendar lists events such as trade fairs, receptions and briefings on business opportunities both in Hong Kong and those worldwide where Hong Kong will have a presence. Details can be found at: <http://hkinc.tdctrade.com> A link on the site lists the 20-plus members of the HK Inc grouping.

## Promotional partners

The Hong Kong Association, which hosted a lunch for the Secretary for Justice in London on 24 January, works tirelessly as a focus in the UK for the cherishing and promotion of the long-standing links between the Hong Kong



*Committee members of the Hong Kong Association 2003/2004 with the Financial Secretary Mr Henry Tang. From left: Mr Andrew Leung, Mr Michael Miles, Sir John Bond, Sir Adrian Swire, Baroness Dunn, Financial Secretary Mr Henry Tang, Mr Henry Keswick, Sir Anthony Galsworthy, Mr Raymond Yip and Mr Martin Barrow.*

SAR and the UK, particularly with regard to business and bilateral trade.

The Committee, chaired by former Hong Kong Senior Executive Councillor Baroness Dunn and which includes Mr Henry Keswick, Lord Derwent, Sir John Bond, Mr Mervyn Davies, Sir Adrian Swire, Mr Rod Eddington and the Director-General HKETO, as well as the Regional Director, Western Europe, of HKTDC, holds regular meetings with politicians, officials, businessmen and the news media to focus on particular topics and areas of interest.

The Association also holds at least four dinners or lunches for visiting speakers and senior UK figures. Recent speakers have included the HKSAR Chief Executive, Financial Secretary, Chief Secretary for Administration, the Chief Executive of UK Trade and Investment and Sir John Bond. Its membership is kept reasonably small to maintain a sharp focus and it strives to use all possible ways of nurturing good and strong links. The Association has a very small secretariat in Buckingham Gate, which works very closely with the HKETO, HKTDC and other official bodies.



## Political path

Consultation is under way to find a way forward in developing Hong Kong's democratic political system, following the Fourth Report of The Constitutional Development Task Force.

One open forum has already taken place following publication of last December's report, with another planned for March.

Addressing the Legislative Council (LegCo) on the Fourth Report, Secretary for Justice Ms Elsie Leung said everyone wanted the democratic political system to "develop progressively". She called on all parties to strive to find common ground and accommodate others' differences.

There have been demands from some quarters for universal suffrage to be used for the 2007 selection of Chief Executive and 2008's LegCo elections.

Noting that the Standing Committee of the National People's Congress in Beijing had decided earlier last year that universal suffrage should not be adopted for these two events, she commented: "Any further polarisation of the issue of universal suffrage at this stage could be counter-productive for the long-term resolution of this issue. Political stability will help us achieve our goal of universal suffrage. Political instability will not. The Task Force therefore decided that we should adopt a measured, step-by-step approach to constitutional reform."

## Making the Maltese connection

The Malta Federation of Industry (FOI) and Malta Enterprise jointly organised a well-attended seminar entitled *Hong Kong: Bringing You to China's Markets* on 18 January 2005 at the premises of Malta Enterprise in the San Gwann Industrial Estate.

Mrs Carrie Lam, Director-General of HKETO in London and Mr Lawrence Yipp, Regional Director, Western Europe, HKTDC, were keynote speakers, with this being the London Economic and Trade Office's first participation at a business event in Malta.

Total trade between Hong Kong and Malta amounted to more than US\$100 million in 2004. With a population of less than 400,000, Malta has more than 1.1 million tourist arrivals a year. Similarly, in 2004, Hong Kong tourist arrivals totalled a record-breaking 21.8 million, three times its population of 6.8 million. Both economies are predominantly service-oriented.

Mrs Lam took the opportunity to explain to the Maltese business community the benefits that companies incorporated in Hong Kong could reap under the Closer Economic Partnership Arrangement signed with the Mainland and the exciting developments under the Pan-Pearl River Delta initiative, involving nine provinces in the southern part of the Mainland and the two

Special Administrative Regions of Hong Kong and Macau. She also gave an update on the significant economy recovery in Hong Kong.

Malta, one of the 10 new member states of the European Union, enjoys close economic relationship with the Mainland and seminar participants were interested to learn more about available opportunities in Hong Kong. The Maltese Government is redoubling its efforts to attract inward investment, particularly in electronics, science and technology. In his concluding remarks at the seminar, Malta's Competitiveness and Communication Minister Mr Censu Galea welcomed closer economic ties between Malta and Hong Kong.



*Director-General of the Hong Kong Economic and Trade Office, Mrs Carrie Lam, meets China's ambassador to Malta, Mr Liu Zhengxiu, during her visit to the island state.*

## Students welcome Education Secretary to UK

An enthusiastic group of 45 Hong Kong tertiary students from four major UK colleges gave the Secretary for Education and Manpower, Professor Arthur KC Li, a warm reception during his visit to London in early February.

Professor Li outlined the improved prospects for graduates in Hong Kong and urged students to return there to work upon graduation.

The students came from the London School of Economics, Imperial College London, Oxford University and Cambridge University,



*Secretary for Education and Manpower, Professor Arthur K C Li, exchanges news with HK students studying in the UK during his London visit.*

and are among about 11,500 HK pupils studying in the UK.

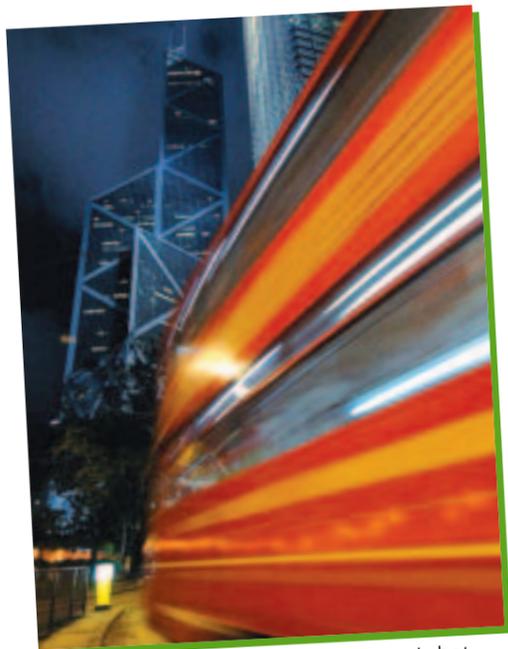
Earlier, Professor Li met Dr Kim Howells, UK Minister of State for

Education, to exchange views on lifelong learning, further education and higher education.

He also updated senior officials from the Prime Minister's Office and the Cabinet Office on the progress of education reform in Hong Kong and met Members of Parliament, the Chinese Ambassador to the UK, heads of UK universities, and Hong Kong Association committee members.

Professor Li also met London-based correspondents for Hong Kong's media.

HONG KONG



Keeping the city moving: This nocturnal shot won Kai-tik Chow 1st runner-up position in the open group.



This cast of characters won Ginger Richardson the open group 2nd runner-up slot.



Modern architecture won the 2nd runner-up in the junior group for Lok-him Lee.

# World City – My City

The factors that make Hong Kong special to the people who live there were brought to life in a competition run by the Government and the *South China Morning Post*.



Left: This busy black and white composition won the youth group for Lai-jing Chu.



Above: Foliage and skyscrapers won Elaine Li 1st runner-up position in the junior category. Right: A moment's solitude. Mark Parsons won the open group with this study.



Kwan-chiu Yau, youth group 2nd runner-up, focused on Hong Kong's most important asset, its people.



Above: Golden reflections light up the water, of the 'Fragrant Harbour'. (Sunny IP, winner junior group.) Above left: City Canyons won Brian Li 1st runner-up prize in the youth group.

**“Moved to tears”** was Chief Secretary for Administration Mr Donald Tsang's response to reading examples of what makes Hong Kong special to the people who live there.

“The entries were all straight from the heart,” Mr Tsang said at the presentation of prizes to winners of the *World City – My City* competition, organised by the Government's Information Services Department and the *South China Morning Post*.

An impressive 951 essays and 260 photographs were entered for the competition, which aimed to promote the image of Hong Kong as 'Asia's world city'.

Mr Tsang noted the regularity with which certain themes occurred in the essays, such as the community's international flavour, respect for different beliefs and perseverance in overcoming difficulties: “It is heartening, and heart-warming, to see that these values are considered to be part of what makes us tick,” Mr Tsang said.

It had also been notable that people who had entered photographs had spent much time and effort in seeking out new angles on familiar aspects of the territory, he said.

**Excerpts from the winning essays:**

**Oliver Cheung**

(junior group, age 10-14)

“For many school kids, Saturday is a day of rest and play. For me, this day is my precious day for classical music study. Every week, I will sit in the third cello stand in concert hall of the Hong Kong Academy of Performing Arts, together with the whole team of Junior Chamber Orchestra members. We will play our instruments skilfully and harmoniously. Each individual sound will contribute to the overall greatness of orchestral performance. I always feel that I am part of a great team.”

**Thomas Belfer**

(youth group, age 15-18)

“I am a 15-year-old Eurasian boy who has lived in Hong Kong all my life. I've travelled to all over the world, met different people and experienced different cultures, but Hong Kong will always be my home. Wherever I go, even if I share some similarities with others, there is no place I've felt as accepted in as Hong Kong. Before I [was] told Hong Kong was only normal, but as I travelled I've found no place like it, and no place as meaningful to me.”

**Pui-lim Lai**

(Open group, age 19 or above)

“The staccato pace, the fusion of east and west, and the rhythm of the city make Hong Kong unique. There are many places in Asia and in the world that have both eastern and western influence. But the fun of Hong Kong lies in the sheer spontaneity of how the East meshes with the West, with the resulting combination having this cosmopolitan, worldly feel of its own.”



# Airport links seek to boost flights

Air traffic through Hong Kong last year bounced back from the disruption caused by the 2003 SARS outbreak, setting new passenger, cargo and aircraft movement records.

The news was followed by the announcement of plans to improve air links with the Mainland through a new strategic alliance.

A letter of intent between Airport Authority Hong Kong (AAHK) and Hangzhou Xiaoshan International Airport Company (HXIA) in the Yangtse River Delta aims to create a new joint venture company. The airports will assist each other through utilisation of resources and the creation of an 'air

bridge' on the two-hour sector.

The joint venture is regarded as an important step in the reform of China's civil airports.

HXIA talked with several international airports before settling on AAHK as its partner, citing the latter's airport management expertise. Hong Kong International Airport has been rated the world's best for four consecutive years.

In 2004, it handled 37.1 million passengers, up more than 35 per cent over 2003, whose figures suffered badly from the SARS outbreak. Perhaps more significantly, 2004's figures were up by 8.2 per cent on 2002.

Cargo throughput was also sharply



The letter of intent is signed by the two airport authorities.

higher at more than 3.1 million tonnes, up 17.4 per cent on 2003 and 25.2 per cent on 2002.

## Record-breaking 2004

InvestHK had a record-breaking year in 2004, helping 205 companies to set up or expand operations in Hong Kong. This was an increase of over 40 per cent on the 2003 result and brought more than HK\$4.6 billion into the Hong Kong economy, creating jobs for more than 3,000 people with 4,600 more forecast by the new investors in the next two years.

On Friday 8 April 2005, Mr Simon Galpin, Associate Director-General at InvestHK, will visit the UK to meet companies in the business and professional services, financial and trade-related services (e.g. retail, wholesale, sourcing and distribution). He will brief companies on HK's business climate and opportunities.

On Monday 9-Tuesday 10 May 2005, Mr John Rutherford, InvestHK Associate Director-General, will visit the UK to see companies in the technology & IT sectors, focusing on biotechnology and electronics.

If your business is among these – or any of the eight priority sectors identified by the HKSAR Government (Financial Services, Business and Professional Services, Information Technology, Telecommunications & Multimedia, Technology, Tourism and Entertainment, Trade Related Services and Transportation) – and you would like to discuss opportunities with incoming InvestHK teams, we would be pleased to arrange a visit to your company.

Please contact London-based consultants Ms Julia Herries, UK Representative and Principal Investment Consultant, or Ms Lynette Quah, Investment Consultant, at Invest Hong Kong, Hong Kong Economic and Trade Office, 6 Grafton Street, London W1S 4EQ, Tel: 0207499 9821. Email: lynette\_quah@hketolondon.gov.hk

## 2.08m December arrivals cap record year

Visitor arrivals in December 2004 reached 2,085,127, the highest single-month total on record, according to the Hong Kong Tourism Board (HKTb).

It was 16.3 per cent up on the December 2003 total of 1.79 million, which was itself a record.

The strong December performance took arrivals for 2004 to 21,810,630, comfortably outstripping the HKTb's forecast of 21.36 million and improving

by nearly one third on the previous annual record of 16.57 million, achieved in 2002. Overall growth for the year was 40.4 per cent compared with 2003, when Hong Kong was badly affected by the impact of SARS.

All long- and short-haul market regions showed double-digit growth on 2003 while the 411,287 arrivals (+46.2 per cent) from the United Kingdom were the highest since 1996,

when British interest in visiting Hong Kong peaked before the Handover. Many of Hong Kong's key source markets achieved their best-ever figures during 2004, including Mainland China, the United States, Canada, Australia, South Korea, Singapore, Malaysia and India.

A major boost to December arrivals was the HKTb's staging of Hong Kong WinterFest, which attracted family visitors from around the region and boosted their spending.



Tourists survey the city from a traditional attraction, the Peak Tram. More visitors than ever visited Hong Kong in 2004.

## AsiaWorld Expo exhibition centre nears completion

Barely a year after ground was broken on-site, the roof of the new AsiaWorld-Expo exhibition centre has been lifted into position.

Speaking at a ceremony marking the jacking-up of the structure, Hong Kong's Secretary for Commerce, Industry and Technology, Mr John Tsang, said the project was "well on track". Its first phase, containing 66,000 square metres of exhibition space, should be completed in late 2005, with full operation due early in 2006. Mr Tsang noted that AsiaWorld-Expo's management has already won 15 confirmed bookings for international exhibitions in 2006 including ITU Telecom World, described as the world's largest and most influential telecommunications event. This is estimated to attract some 100,000 overseas visitors. This will be the first time it has moved from its Geneva base since 1971.

Information on ITU Telecom World can be found at <http://world2006.hk>



## HK plans to REEEP energy benefits

Hong Kong has joined the Renewable Energy and Energy Efficiency Partnership (REEEP) to show Hong Kong's commitment to working with partners from governments, business, finance and civil society around the world to expand the global market for renewable energy and energy efficiency.

The Secretary for the Environment, Transport and Works, Dr Sarah Liao, signed up to the partnership on January 25. REEEP is a coalition of governments, business and organisations with the aim of accelerating the development of renewable energy and energy efficiency systems.

"Joining REEEP will enable Hong Kong to have better access to the latest policy and technology development relating to renewable energy and energy efficiency in other parts of the world, which may be useful in Hong Kong," a spokesman for the Environment, Transport and Works Bureau said.

"Joining REEEP also shows our commitment to taking up our share of responsibility in combating climate change. Although our greenhouse gas emission per capita is very low as compared with other major developed economies, we will continue to do our best to control greenhouse gas emissions, despite the natural limitations that we have.

"Development of RE in a metropolis with a huge population density is quite unique to Hong Kong. In subsequent years, Hong Kong may be able to cumulate more experience which may become useful reference to big cities of the REEEP members."

## Philips goes for growth

European electronics giant Philips has strengthened its presence in Hong Kong with the opening of new facilities at the territory's Science Park.

The new Philips Electronics Building joins the company's existing regional headquarters in Central district plus several other units within the Science Park.

Thanking Philips Electronics' Asia Pacific's Chief Executive Officer, Mr Andreas Wentze, for what he described as his "vote of confidence in the Asia Pacific Market and in Hong Kong", the Special Administrative Region (SAR) Chief Executive, Mr Tung Chee Hwa, described Philips as an excellent example of international co-operation. Matching Philips' design and research capabilities with Hong Kong's infrastructure and business

environment, as well as the Mainland's manufacturing facilities and huge market potential was a model for success, Mr Tung said.

The SAR Government, he added, aimed to nurture next-generation technologies in areas where Hong Kong could compete with the rest of the world.

The Hong Kong Science Park is a 22-hectare state-of-the-art site for applied research and development activities. Details of its activities can be found at: [www.hkstp.org](http://www.hkstp.org)

Mr Andreas Wentze, President and CEO of Philips Electronics Asia Pacific (third left) and Hong Kong's Chief Executive, Mr Tung Chee Hwa (second left), join other guests in officially opening the new Philips Electronic Building.



## Video virtuosity takes top prize at US festival



The efforts to burnish Hong Kong's international image have been rewarded with a prestigious trophy from the US's Columbus Film & Video Festival.

The video *Hong Kong – Asia's world city* was commissioned in 2004 by the Information Services Department and shot by video production house Directors Network Asia.

Brand communications agency Motiv-8 developed the creative concept and script, while the music score was composed, arranged and conducted by Hong Kong musician Joseph Koo.

Using the theme of kite building,

it illustrates Hong Kong's greatest asset – its people. The film won the festival's Chris Award, which requires a video to have the highest rating available for superior-quality production.

Accepting the award, Director of Information Services Yvonne Choi commented: "Hong Kong has a great pool of talent comprising local professionals and others who have chosen to work here and the video was a great team effort that showcases the creativity, technical excellence and international nature of Hong Kong. We are delighted that the Brand Hong Kong video has been a hit with the judges."

Directors Network Asia chief executive director, Mr CF Ho, presents the 2004 Columbus Film & Video Festival Chris Award to Director of Information Services Yvonne Choi.

HONG KONG



## Team effort brings aid to Asia

Hong Kong played its part in responding to the devastating tsunami that devastated coastlines and lives throughout Southern Asia.

Within days of the huge wave that obliterated cities and hamlets alike, funds were mobilised to aid the affected areas and personnel dispatched to assist Hong Kong citizens caught up in the tragedy.

By late January, 12 Hong Kong citizens were confirmed dead, with a further 29 still missing - 28 in Thailand, and one in Indonesia.

An advisory committee of Hong Kong's Disaster Relief Fund helped channel HK\$21 million in funds, both to international relief organisations and direct to Sri Lanka and the Maldives, while 50 tonnes of relief supplies including blankets and tents were air-freighted to Indonesia, the hardest-hit country. Supplies were also airlifted to Thailand.

To aid Hong Kong residents caught up in the tsunami's aftermath, a multi-disciplinary team including Hong Kong police, medical personnel and immigration officers was in Thailand by 30 December, staffing help desks at Phuket and Bangkok airports and the Thai Government's co-ordination centre, as well as establishing a presence in hospitals around Phuket, one of the worst-affected areas. Teams were also sent up-country to locate Hong Kong residents reported missing.

Initially around 170 strong, it was gradually scaled back as the need for its services diminished. The team coordinator, Ms Linda So, said it had been "very grateful" for the assistance of the Thai Government and the Chinese embassy in Thailand, both of which had been very supportive.

In Hong Kong, meanwhile, a rapidly arranged charity concert at Hong Kong Stadium on 1 January attracted an audience of 13,000 and raised HK\$33m

Hong Kong police officers contacted relatives

of those reported missing and took DNA samples to assist in any identification that might be required. Web pages giving information on the tsunami's aftermath and personal particulars of HK residents reported to have lost contact with their families were set up at [www.info.gov.hk](http://www.info.gov.hk) and [www.immd.gov.hk](http://www.immd.gov.hk)

The Government also approved grants totalling HK\$2 million to Hong Kong Red Cross and The Salvation Army for emergency relief to typhoon victims in the Philippines.



Top: Tsunami aid team members make last-minute adjustments to their kit at HK International Airport, watched by the Secretary for Security, Mr Ambrose Lee.

Above: Once in Thailand, the team set up help points in airports, coordination centres and hospitals.

## CE's plans outlined

○ From P1

continue to consolidate development of the four core industries of financial services, producer services, logistics and tourism.

He also identified new economic growth areas in cultural and creative industries, urban renewal and revitalisation, and attracting talented people from the Mainland and overseas to develop their careers in Hong Kong.

The Chief Executive said that, following consultations for this year's Policy Address, the Government had pinpointed 11 areas of greatest public concern.

These were: increasing employment; helping the poor and needy; environmental protection; developing education; municipal projects; business environment; fair competition; goods and services tax; health care financing; population policy; and West Kowloon Cultural District.

New initiatives to help the poor and needy included additional resources to provide long-term care for the elderly and district-based health, educational and counselling services for families in need.

Initiatives on environmental protection included capping the total emissions of the power companies, implementing a Total Water Management Policy and strengthened co-operation with Guangdong Province to implement various emission reduction schemes and pollution control measures.

On constitutional development, Mr Tung said he firmly believed that as long as Hong Kong could maintain prosperity, stability and social harmony, the ultimate aim of universal suffrage as set out in the Basic Law could be achieved at an early date.

The full text of the Policy Address can be read at <http://www.policyaddress.gov.hk/>

HONG KONG

Review

Hong Kong Economic and Trade Office, 6 Grafton Street, London W1S 4EQ

Tel 020 7499 9821 Fax 020 7493 1964 E-mail [general@hketolondon.gov.hk](mailto:general@hketolondon.gov.hk) Website [www.hketolondon.gov.hk](http://www.hketolondon.gov.hk)

Hong Kong Review produced by Trident Communications (B4106) Printed by Garden House Press