

Hong Kong Review

Hong Kong Economic and Trade Office, London

JUNE 2006



Hong Kong's competitiveness is aided by the Government being in tune with the territory's economic performance, a new report says.

Efficiency factor helps close the gap with US

Hong Kong has maintained its position as the world's second most competitive economy and is closing the gap on the leader in the field, the US, according to a new report.

As well as coming second in the overall category, Hong Kong took first place in the 'small economy' (populations of less than 20m) and 'Asia-Pacific' sectors, as ranked by the International Institute for Management Development (IMD) in its World Competitiveness 2006 Yearbook.

Of the four main factors

contributing to the overall competitiveness factor, Hong Kong continued to rank first in 'business efficiency' and 'government efficiency'. Its ranking in the 'infrastructure' factor rose notably, although 'economic performance' dropped slightly.

On individual criteria, Hong Kong ranked first in no fewer than 45 of 312, and scored very high rankings in several others including its legal and regulatory framework, taxes, entrepreneurship and senior managers' international experience.

In his accompanying notes to the yearbook, IMD's Professor Stéphane Garelli noted that both Hong Kong and Singapore were closing the gap between them and the US.

The reason, he said, was the mismatch between the performance of the US economy (3.5 per cent growth last year) and the US\$318 billion budget deficit accumulated by the federal government. "Some governments fail to contribute to the overall competitiveness

○ Continued on Page 5



Legal system in good shape says Wong

2



Mission to Guangxi

4



Wetland Park – first in Asia

8



Law is in fine form says Wong

The first overseas trip for Hong Kong's Secretary for Justice saw him deliver two speeches in June to UK audiences on the present and future shape of the law and legal services in the Special Administrative Region.

Mr Wong Yan Lung made one presentation to a breakfast meeting with the English Law Society, the English Bar Council, and Hong Kong Economic and Trade Office, London. The second was at Chatham House, home of The Royal Institute of International Affairs.

Mr Wong said the UK Government had been watching Hong Kong closely since 1997's reunification. He cited a recent governmental report that had concluded that the 'One Country, Two Systems' principle had generally worked well and that the rights and freedoms promised to Hong Kong in the Joint Declaration and the Basic Law were being upheld.

This, said Mr Wong, had been "no small achievement" when one considered the traumas endured by Hong Kong since 1997, such as the Asian financial crisis, bird flu and SARS. Additionally, there had been controversy caused by the interpretation of some articles of the Basic Law by the Standing Committee of the National People's Congress.

The unprecedented 'One Country, Two Systems' constitutional arrangement itself had provided fertile grounds for legal interpretations and debates, he added. The guarantees in the Basic Law, particularly those relating to human rights, had been the source of much litigation.

"The courts have interpreted and enforced those guarantees most judiciously without fear or favour," he said. "The decisions in these cases, some in favour of the Government and some



A lunch meeting for Mr Wong was arranged with London's Hong Kong Association, with its chairman, Baroness Dunn (centre) and the Director-General of the Hong Kong Economic and Trade Office, Ms Sarah Wu.



The Secretary for Justice's round of visits included one to the Attorney-General for England and Wales, Lord Goldsmith QC (above right) and Lord Falconer, the Secretary for Constitutional Affairs.

against, demonstrate that the Basic Law is not a piece of window-dressing. It is a powerful and enforceable constitutional document."

Turning to the future, he said the rapidly-expanding market on the Mainland was becoming an important aspect of the Hong Kong legal scene: "The need for professional legal services is phenomenal."

Hong Kong had much to offer in this sector. It was home to about 5,500 practising solicitors, some 950 practising barristers, and more than 800 foreign lawyers, around 200 of them from England and Wales.

The Mainland had about 120,000 lawyers. "Some are extremely sophisticated in their practice, have a good command of English and IT, and have up-to-date information on legal



developments elsewhere in the world," he commented.

"However, only about 5,000 to 6,000 have the language proficiency and experience to handle international legal practice. So there is considerable scope for Hong Kong-based law firms – local and international – to fill this gap.

Commenting at Chatham House on 'One Country, Two Systems', Mr Wong added: "Hong Kong probably has the highest degree of autonomy of any territory that is not sovereign. The Hong Kong SAR is a separate customs territory, it has its own currency, its own taxation system and, with the authorisation of the Central People's Government, it can even enter into bilateral treaties with other countries in areas such as extradition and mutual legal assistance.

Some 200 multilateral treaties apply to Hong Kong even though many of them do not apply in the rest of China.

"So much for the constitutional framework and design. The important question is, of course: 'Is it working?'"

"I attended the ceremonial Opening of Legal Year in January this year in my capacity as Secretary for Justice, together with the Chief Justice and judges of the HKSAR, in full wig and robes. It was a most remarkable and inspiring moment when we all stood up for the Chinese national anthem in those most English regalia.

"The promise of continuity in the laws and legal system has been honoured, not just in form, but in full substance. Hong Kong remains a common law jurisdiction. The English language continues to be one of the official languages. The two branches of the legal profession remain strong and independent."

During his five-day visit, Mr Wong also had talks with the chairmen of the Bar Council and the Law Society, Mr Stephen Hockman, QC, and Mr Kevin Martin, respectively, and met Hong Kong students staying in the UK.

Health under scrutiny

Health insurance systems and the threat of avian flu were the main subjects of a three-nation European trip by Hong Kong's Secretary for Health, Welfare and Food, Dr York Chow from April 19 to 24.

Dr Chow visited Switzerland, France and the UK, with insurance top of the agenda in the first two countries.

With Hong Kong exploring its options for future health care, the Swiss health insurance system was the subject of discussions between Dr Chow and Professor Thomas Zeltner, Director of the Swiss Federal Office of Public Health.

"The meetings have provided a good opportunity for us to learn more about the Swiss health care system, which is largely financed through a mandatory health insurance scheme," said Dr Chow.

On the fears of an avian flu pandemic, Dr Zeltner said that Switzerland had much to learn from Hong Kong's success in fighting its 1997 outbreak of the disease.

He commended the Special Administrative Region for implementing measures to prevent human contact with poultry, a major factor in minimising the risk of further outbreaks of the disease.

The theme of avian flu was taken up again in London when Dr Chow spoke to the Hong Kong Association.

He detailed the preventative measures that have been put in place since the 1997 outbreak.

These have included this year's steps to reduce the live chicken population on Hong Kong farms from 3.7 to 2 million and the banning of unauthorised backyard poultry keeping.

The raft of anti-flu precautions was working well, said Dr Chow. The



The Secretary for Health, Welfare and Food, Dr York Chow, addresses the lunch hosted by the UK's Hong Kong Association on Hong Kong's preparedness for avian influenza.

next step was to build a poultry slaughtering plant to ensure full segregation of live poultry and humans. This was not expected to come into operation until 2009 at the earliest, however.

"Such a decision might have been done with ease in European countries, but it is considered a major revolutionary change in Hong Kong, where many of our housewives still prefer and take pride in choosing their own live chickens for the dinner table in our wet markets."

HK seeks UK/US public broadcasting expertise

The Secretary for Commerce, Industry and Technology, Mr Joseph Wong, visited London in May and met Lord Terry Burns, Chairman of the Independent Panel on BBC Charter Review.

The Hong Kong SAR Government appointed an independent committee in January to review public service broadcasting in Hong Kong. Mr Wong has policy responsibility for broadcasting and visited London to study the UK's experiences in public service broadcasting and to obtain first-hand views on the Charter Review.

Mr Wong and Lord Burns discussed issues surrounding the review, including the BBC's governance and accountability.

Meanwhile, a trip to North America and the UK has given the Legislative Council's Panel on Information Technology and Broadcasting valuable information on several areas of public service broadcasting.

The trip was aimed at formulating views on the most appropriate policy option for Hong Kong. In the US, the delegation visited two radio and television membership organisations involved in the production and distribution of public broadcasting programmes, National Public Radio and Public Broadcasting Service.

Panel members were keen to learn how public broadcasters preserved their editorial independence while being funded through governments or advertising. During their UK visit, they met senior BBC and Channel 4 executives, MPs and civil servants.

Mr Wong presents Lord Burns with a memento during his talks on the BBC's public service broadcasting mission.





○ From page 1.

Economy gains on US

of their country," he commented. This could be because of deficits such as that in the US, high levels of taxes or bureaucracy.

"To support and stimulate the competitiveness of their country, governments need to remain on top of the economic imperatives. Hong Kong and Singapore are catching up with the US because their governments are more in synchronisation with economic performance."

A Hong Kong Government spokesman said the Government welcomed the study and would continue to do everything necessary to preserve and enhance the territory's standing in the annual rankings.

● Swiss-based IMD inspects 61 nations to gauge their level of competitiveness. Its analysis uses 312 criteria (of which 73 are background information and not used for ranking purposes).

Two-thirds of the information is gathered from hard data (international, regional and

national sources) while the remaining one-third is gathered via an annual executive opinion survey. The ranking has been compiled annually since 1989.

Overall World Competitiveness Yearbook rankings

(last year's places in brackets)

Rank	Economy	Overall score
1 (1)	US	100.0
2 (2)	Hong Kong	96.9
3 (3)	Singapore	91.0
4 (4)	Iceland	90.2
5 (7)	Denmark	86.0
6 (9)	Australia	82.5
7 (5)	Canada	81.7
8 (8)	Switzerland	81.5
9 (10)	Luxembourg	81.5
10 (6)	Finland	80.9

● www.02.imd.ch/wcc/ranking

S&P gives HK 'thumbs up'

One of the world's leading credit rating agencies has upgraded its rating of Hong Kong's foreign and local currency outlooks from 'stable' to 'positive' and hinted at a further rise in future.

Standard & Poor's (S&P) also affirmed the territory's long-term foreign currency and long-term local currency ratings at AA-. It last upgraded this rating (from A+/positive to AA-/stable) in July 2005.

Welcoming S&P's decision, acting Financial Secretary Mr Stephen Ip said it reflected the international recognition of Hong Kong's strong economic fundamentals, improved public finances and growth prospects.

"We are committed to consolidating Hong Kong's public finances further with continued fiscal discipline," he said. "We will also shortly be undertaking a public consultation exercise on broadening our revenue base through the introduction of a Goods and Services Tax."

S&P has said it could further improve Hong Kong's ratings if the territory's fiscal consolidation continues, and on the back of any improvement of its ratings of Mainland China.

New D-G takes up role

The new head of the Hong Kong Economic and Trade Office (HKETO) in London is Ms Sarah Wu. She takes over from Mrs Carrie Lam, who has returned to Hong Kong to take up the post of Permanent Secretary of Home Affairs. Ms Wu has spent the last four years with the New York ETO.

Since arriving in London at Easter, Ms Wu has met officials, trade organisations, MPs, businessmen and media contacts in London, Edinburgh, Denmark, Estonia, Latvia and Switzerland. She has also met the Hong Kong Association in London and Denmark and the Hong Kong Society.

Ms Wu said the London ETO would continue to reach out across the UK and other European nations for which it had responsibility. "If I can be of assistance with any Hong Kong-related issues, please do not hesitate to contact my office," she said. "I also welcome your valuable suggestions on how we can further promote our ties with you."



New Director-General of the London ETO, Ms Sarah Wu, with Mr Duncan Pescod, Special Representative for Hong Kong Economic and Trade Affairs to the European Communities.

Major step for R&D capacity

Hong Kong has taken a major step towards increasing its capabilities in industrial research and development (R&D) with the official opening of five new facilities in the Special Administrative Region (SAR).

"In the 21st century, innovation is vital to the economic development of the knowledge-based economy. To maintain Hong Kong's competitive edge, we must continue to strive for improved productivity and competitiveness," said Acting Chief Executive Mr Rafael Hui at the opening ceremony on April 20.

The new centres will be hosted by universities and technology support organisations and aim to



Hong Kong's Commissioner for Innovation & Technology, Mr Anthony Wong, briefed UK design and science professionals on Hong Kong's R&D centres while in London on April 10. He spelled out how UK companies could take advantage of new opportunities in Hong Kong and Mainland China such as the R&D facilities.

provide a one-stop service for applied research, technology transfer and companies seeking to move

up the value chain.

They will concentrate on industry-oriented research in those technologies

increasingly in demand in the Pearl River Delta region, such as advanced materials, vehicle components and information technologies.

They will be financed by Hong Kong's Innovation and Technology Fund, which has set aside more than HK\$2 billion to run the five centres.

The opening ceremony was attended by more than 600 leaders of industrial and technological organisations from Hong Kong, Mainland China and overseas.

They heard Mr Hui say: "By establishing the R&D Centres, the HKSAR Government aims to facilitate collaboration between the Government, industry, academia and research organisations for developing applied R&D, and commercialising technology research outputs."

To help ensure that research focuses on industry's needs, each centre will have a board of directors and technology committee to offer relevant industry and market expertise.

The chairman of each board will be a business leader in his or her respective field while the technology committees will be composed of representatives from industry and academia and will focus on assessing and monitoring the progress of individual research programmes.

Hong Kong's Innovation and Technology Committee has recently signed Memoranda of Understanding with several major universities in China, the US and the UK that will allow the universities to participate in the R&D Centres' programmes as technology partners.

Individual R&D Centres have also signed agreements with international companies to collaborate on research programmes. The new facilities are keen to attract overseas users.

Population and air quality under the spotlight

Two major issues of importance to Hong Kong, population policy and air quality, will be pushed to centre stage with the publication of new reports this year.

The Council for Sustainable Development will publish Invitation and Response documents on both topics. The document on population policy, due in June, will form the basis of engaging the community in discussing population issues that

have a bearing on Hong Kong's sustainability.

A series of forums, workshops, roving exhibitions and a strategy summit will follow. There will also be a new strategy website – www.susdev.org.hk – and bulletins to keep interested parties informed on the exercise.

Meanwhile, the Council will issue a report on Better Air Quality later this year. The public's views on air quality-relat-

ed issues, such as vehicle congestion charging, better energy efficiency and the banning of idling engines will be sought.

Mr Rafael Hui, the Chief Secretary for Administration, who is also Chairman of the Council for Sustainable Development, said that the launch of the documents would signify a major step for the Council in addressing the long-term sustainability of Hong Kong.



Arts world descends on Hong Kong congress

The curtain went up on the leaders of the arts world as they converged on Hong Kong in June for the 20th international congress of the International Society for the Performing Arts (ISPA) from June 6 to 11.

More than 300 arts luminaries from 23 countries attended the event, whose theme was The New Silk Road for the Performing Arts. The reference to the ancient route reflected its role during the Tang Dynasty (7th century), when the exchange of goods was developed to establish arts and cultural links between East and West.

"We now have an opportunity to serve as an information highway for the exchange of ideas and knowledge among performing arts professionals and managers from across the region," said Ms Agnes Tang, Assistant Director (Performing Arts) from Hong Kong's Leisure and Cultural Services Department.

"Hosting the ISPA congress provides us with an opportunity to showcase Hong Kong's strengths as Asia's World City, especially our cultural sector and the way in which East and West blend together in our community."

Several major arts events coincided with the congress, including the Hong Kong Dance Festival 2006 and the China (Hong Kong) International Performing Arts Fair.

ISPA is a non-profit organisation founded in 1949 whose mission is to develop, nurture and educate an international network of arts leaders and professionals dedicated to advancing the performing arts.

Deal reached on UK link to boost global education

Collaboration on education between Hong Kong and the UK has advanced following the signing of a Memorandum of Understanding (MoU) between the two parties.

Partnerships and strategic collaboration to support the internationalisation of education and lifelong learning will be covered by the MoU, as will cooperation to enhance excellence and creativity in teaching and professional development in the education sector.

Both Hong Kong and the UK will also promote exchanges of students, scholars and academic staff.

Hong Kong's Secretary for Education and Manpower, Professor Arthur Li and the

UK's Minister of State for Higher Education and Lifelong Learning, Mr Bill Rammell signed the MoU in Hong Kong on May 10. It is the first such MoU on educational cooperation signed at governmental level between the two parties.

"All these efforts will inevitably add new impetus and momentum to the long-standing rapport between Hong Kong and the UK," said Professor Li at the signing ceremony. Mr Rammell added that the agreement "will increase education links at all levels".

● Switzerland presents considerable opportunities for Hong Kong's educational sector, said Secretary for



Lessons for the future: Professor Li and Mr Rammell exchange copies of the agreement.

Education and Manpower, Professor Arthur Li, following a visit to the European nation in April.

There were many similarities between the two countries: "Switzerland's education and manpower development strategies are therefore very relevant to us."

Tributes for Sir Jack Cater

Tributes have been paid following the death of Sir Jack Cater, the founding Commissioner of Hong Kong's Independent Commission Against Corruption (ICAC).

The Chief Executive, Mr Donald Tsang, said he had been deeply saddened to hear the news. Sir Jack, who followed his spell at the head of ICAC with a three-year spell as Chief Secretary from 1978, had "served Hong Kong with dedication and distinction", said Mr Tsang.

His efforts had constituted "a pioneering role in laying the foundation of an all-pervasive anti-corruption culture in Hong Kong".

His comments were echoed by the current ICAC Commissioner, Mr Raymond Wong. He said he wanted to pay the highest tribute to Sir Jack, who had contributed to a "quiet revolution" in society, changing the public's attitude towards corruption from one of acceptance to total support for actions to



Sir Jack Cater laid the foundations for drive against corruption.

stamp it out.

Sir Jack had shown "the greatest courage and determination" in overcoming many challenges faced by ICAC in its early years and had succeeded in crushing corruption, "paving the way for the nurturing of a clean Civil Service and a culture of justice and fairness".

The Director-General of

the London HKETO, Ms Sarah Wu, attended a Thanksgiving Service for Sir Jack in Guernsey on April 21. A memorial service will be held at St John's Cathedral, Hong Kong, at 11am on October 21.

● "A stronger public-private partnership is the key to curb corporate corruption," Mr Wong told delegates to the Third ICAC Symposium – Corporate Corruption, Integrity and Governance.

In his closing remarks to 400-plus delegates from 41 nations, Mr Wong commented: "We law enforcers alone cannot do it all. We need the concerted effort of law enforcement agencies, regulators, professionals and corporate leaders to tackle the problem of corporate corruption head-on."

Hong Kong's corporate integrity, he said, played a pivotal role in upholding its edge in global competition as a premier financial and business centre.



Ngong Ping 360

Hong Kong is presenting a new face of tourism to the world with the opening of Ngong Ping 360, a multi-faceted attraction on Lantau Island that combines new technology with ancient history to entertain and educate. Ngong Ping Village, designed to reflect the

area's cultural heritage, will form the heart of the new attraction. Traditional Chinese architecture and a picturesque garden form a backdrop to several attractions.

- Walking with Buddha uses modern multimedia to portray the life of Siddhartha Gautama, the man who lived 2,500 years ago in Nepal and became Buddha.
- Monkey's Tale Theatre is a comic show with a moral twist inspired by the Buddhist Jataka stories.
- The Ngong Ping Tea House offers visitors a chance to relax with an interactive exhibition detailing the story of tea in Hong Kong, demonstrations by Tea Masters and tastings of traditional local varieties.



Visitors will have a spectacular 5.7km cable car ride (main picture) to reach attractions such as the Ngong Ping Tea House (small image).

Asia's first wetland park



Hong Kong's first major ecotourism attraction, the Hong Kong Wetland Park (HKWP), opened for business on May 19.

The 60-hectare park, built on ecological mitigation land originally intended to offset the loss of wetlands required for the development of Tin Shui Wai New Town, is expected to attract some 500,000 tourists in its first year. The park is the first of its kind in Asia.

HKWP (pictured left) aims to promote green tourism and education on environmental protection, as well as wetland conservation. It comprises a 10,000 square metre indoor 'Wetland Interactive World' as well as the wetland reserve itself.

Opening the park, the Chief Executive, Mr Donald Tsang, urged the public not only to visit it themselves but also to "introduce this

treasure of nature and world-class green tourism facility to friends and relatives overseas".

The park's layout has been designed by the Architectural Services Department to ensure harmony with the surrounding environment and no disturbance to wildlife. Its design has recently been awarded the 2005 Medal of the Year by the Hong Kong Institute of Architects.

● www.wetlandpark.com

Getting there is an adventure in itself. The Ngong Ping Skyrail takes visitors on a 5.7km cable car ride from close to Hong Kong International Airport to the Skyrail Terminal at Ngong Ping, close to the imposing Tian Tan Buddha statue.

The 25-minute ride will give visitors a bird's-eye view of aircraft taking off and landing at the airport, as well as North Lantau Country Park with its waterfalls and tree canopies and magnificent views of the South China Sea.

● www.np360.com.hk

More cities in tourist scheme

The Hong Kong Tourism Board (HKTb) welcomes the further extension of the Individual Visit Scheme to the remaining six provincial capitals of the Pan-Pearl River Delta (Pan-PRD) region. Forty-four cities are now covered by the scheme. Since the introduction of the Scheme in July 2003, around 12.3 million Mainland residents have travelled to Hong Kong.

HKTb Chairman The Hon Mrs Selina Chow, said the extension would not only boost awareness and interest in Hong Kong, but also offer a sustainable platform for developing the Mainland market in the long term.