



Review

Disney's opening is nine months away

Hong Kong's Financial Secretary, Mr Henry Tang, and the Managing Director of the Hong Kong Disneyland Group, Mr Don Robinson, unveil a banner bringing forward the opening day of Hong Kong Disneyland.



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Foreign firms flock to HK

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West Kowloon culture plan gets closer

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Tsang announces economic boost



The Chief Secretary (right) is greeted by Czech President Vaclav Klaus in Prague during his European tour.

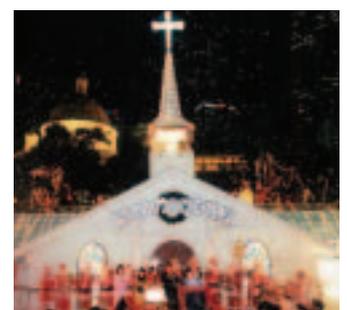
Hong Kong has experienced "dramatic" improvements in its economic relationship with the Pearl River Delta (PRD), making the Special Administrative Region an even more attractive location from which to do business with the Mainland.

The comment came from Hong Kong's Chief Secretary, Mr Donald Tsang, addressing the first Hong Kong-Guangdong Business Seminar in London during his latest visit to Europe. He pointed to the Closer

Economic Partnership Arrangement (CEPA) – effectively a free trade pact between Hong Kong and China – plus improvements in cross-border transport infrastructure and the ability of Hong Kong banks to handle personal renminbi transactions as reasons for the improvement.

"We wanted greater access to the Mainland market for our businesses and professionals. And we were determined to leverage our

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WinterFest boost for tourism

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Ten events to mark the Year of the Rooster

Staff from the Hong Kong Economic and Trade Office in London are approaching one of the most hectic periods of their calendar with the annual round of celebrations marking the Chinese New Year.

In 2005 – the Year of the Rooster – staff will attend ten events throughout Europe and the UK to greet members of the resident Chinese communities as well as local business, trade and tourism contacts. This year's timetable is as follows:

- Tue 15 Feb
London (reception)
- Wed 16 Feb
Birmingham (reception)
- Thur 17 Feb
Edinburgh (reception)
- Tue 22 Feb
Warsaw (reception)
- Tue 1 Mar
Prague (reception)
- Thur 3 Mar
Moscow (seminar and reception)
- Fri 4 Mar
St Petersburg (seminar and reception)
- Tue 8 Mar
Zurich (reception)
- Wed 9 Mar
Oslo (seminar and reception)
- Thur 10 Mar
Budapest (reception)

Welcome to our inaugural issue

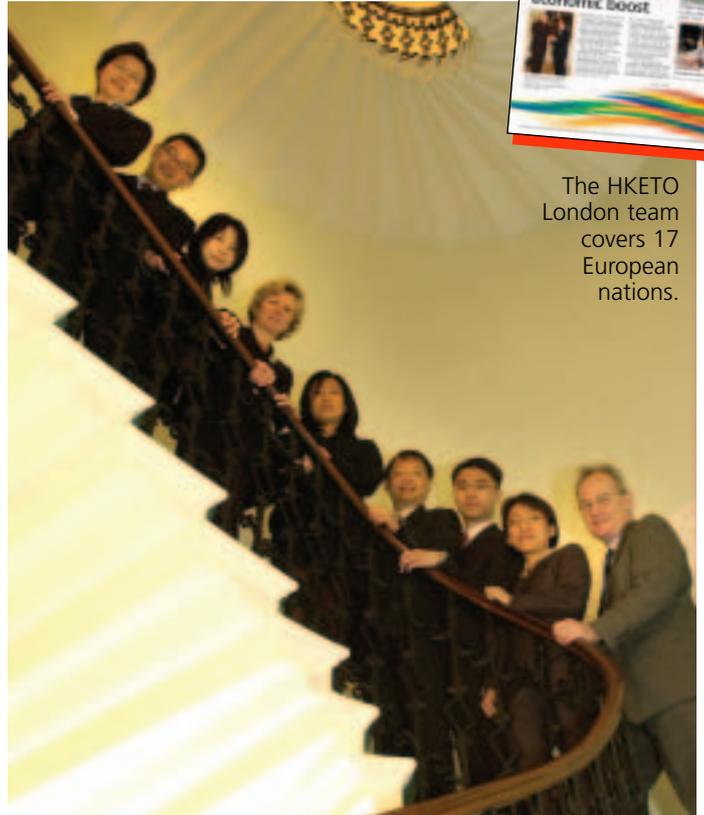
Welcome to the *Hong Kong Review*. Published by the Hong Kong Economic and Trade Office (HKETO) in London, this newsletter aims to provide regular updates on developments in Hong Kong to our friends and contacts. On matters of particular interest, we will supplement this newsletter with electronic communications.

The HKETO in London is responsible for promoting Hong Kong's economic and trade interests in the UK and 16 other central and eastern European countries.

These include the 10 new European Union entrants – Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia – as well as EU candidate nations Bulgaria, Croatia and Romania and three non-EU countries: Norway, Russia and Switzerland.

"With this extensive geographical coverage, the job of London Director-General (DG) entails quite a lot of travelling," says new DG Mrs Carrie Lam.

"In the first three months since taking over the post I have made eight trips. Another dozen or so have been lined up in the coming three months.



The HKETO London team covers 17 European nations.

"I am deeply impressed by the amount of goodwill expressed towards Hong Kong by people I have met.

"Building on the solid work contacts and friendship established by our predecessors, we will promote enhanced understanding of business opportunities in Hong Kong and aim

at facilitating mutual exchanges between our business communities.

"Our work will be made much easier with your support and valuable feedback."

● Mrs Lam can be reached direct on carrie_lam@hketolondon.gov.hk



HKETO Director General Mrs Carrie Lam meets students at the London School of Economics.

AO posts hotly contested

This month [January] saw more than 170 applicants for Administrative Officer (AO) posts in the Hong Kong Special Administrative Region Government sitting examinations in London. Applicants successful in the written tests will be invited to interviews in London later in the year.

AO positions are hotly fought-over. In last year's intake, three UK candidates were among the 26 successful applicants. To encourage further participation in the process, Director-General of London's

Hong Kong Economic and Trade Office, Mrs Carrie Lam, last autumn wrote to Hong Kong student associations throughout the UK and gave career talks at the London School of Economics and Oxford University. Candidates must be Hong Kong permanent residents with a good command of both Chinese and English languages. For this reason, most are students from Hong Kong who have completed, or are about to complete, academic studies in the UK.



Statistics confirm continued expansion

Hong Kong's economy has been confirmed as continuing to expand following the release of several sets of statistics and reports.

The upturn was most noticeable in the figures for Gross Domestic Product (GDP). This expanded by 7.2 per cent in real terms in the third quarter of 2004 compared with a year previously.

There was a rise of 15.3 per cent in exported goods, and 10.3 per cent in exported services. Local consumer spending was stable, while investment spending was up 4.9 per cent. Overall, Hong Kong remained in line to record 7.5 per cent growth in 2004.

Further signs of an improving economic picture came in the employment statistics for the August – October period. Compared to the July – September period, total employment rose by around 15,400 to 3,298,000 (provisional) – a historic high.



Hong Kong Tourism Board Chairman, Mrs Selina Chow, right, congratulates Hong Kong's 20 millionth visitor in 2004, Ms Barbara Wallerbosch, of Amsterdam. She arrived early on December 5 with her British partner, Mr Stefan Blackett.

The Financial Secretary, Mr Henry Tang, said there had been particularly strong rises in tourism-related employment.

The reason for this came in figures from the Hong Kong Tourism Board (HKTB). Visitors in October passed the two million mark for the second month out of three. October's figures represented an 18.9 per cent rise on the same month in 2003.

Arrivals from Mainland China were up 22.9 per cent at almost 1.08 million.

HKTB Executive Director Ms Clara Chong added: "We're particularly pleased with the performance of our major long-haul markets. The US is on target to reach its highest-ever total this year, as is Australia, while the UK should achieve its best performance since 1996."

"With a few exceptions...we are no longer talking about recovery, but about strong organic growth."

In the first 10 months of the year, Hong Kong wel-

comed 17.77 million guests - well past its previous highest total for a full year, 2002's 16.57 million.

External validation of Hong Kong's economic revival came from an International Monetary Fund delegation in November, which commended the authorities for restraining expenditure. The Financial Secretary commented that Hong Kong remained committed to restoring fiscal balance by 2008-9 and to bring public expenditure down to 20 per cent of GDP or below.



Eastern extension

The HKETO in London continues to extend its work in Eastern Europe, with its activities in late 2004 including several business seminars in Slovakia, Poland and Hungary. Guests from several Slovak commercial organisations are seen at the Bratislava meeting (above), while in Warsaw, local journalists are briefed on Hong Kong's attractions and opportunities (top).

CE will 'spare no effort for prosperity' Close co-operation with LegCo pledged

Close co-operation between the Special Administrative Region's Government and the newly-elected Legislative Council (LegCo) has been promised by Hong Kong's Chief Executive, Mr Tung Chee Hwa.

Congratulating successful candidates in the third LegCo elections, Mr Tung said he intended to begin regular discussions with them on economic, political and social issues.

"Economic revival, social harmony and the birth of the new legislature are what the people of Hong Kong would like to see. We will join hands with our legislators and members of the community and spare no effort to maintain the prosperity and stability of Hong Kong," he said.

● Following a constitutional development conference, the Secretary for Constitutional Affairs, Mr Stephen Lam, said that he planned to seek further public comments on

the subject in 2005. A report consolidating views received on the topic in the latter part of 2004 was due to be issued as Hong Kong Review went to press.

"Our hope," said Mr Lam, "is that around the middle of 2005, a consensus will emerge from the community and thereafter we will issue a fifth report to set out a mainstream proposal, in the hope that we can secure more enhanced support from the public and from among Legislative Councillors."

Questioned by journalists on the public's wishes for universal suffrage, he added: "I think the ultimate aim of universal suffrage is widely supported in Hong Kong. What we have to debate now is a question of pace and form for attaining that ultimate aim and for improving the electoral systems for 2007 and 2008."



Regional record



Hong Kong's attractions for international companies remain undimmed.

Hong Kong has recorded the highest-ever numbers of regional headquarters (RHQs) and regional offices (ROs) operational within the Special Administrative Region.

At 1 June 2004, 1,098 international companies operated RHQs and 2,511 had ROs in Hong Kong. This compares with figures of 966 RHQs and 2,241 ROs a year previously.

The top three nations with resident

RHQs were the US (256), Japan (198) and Mainland China (106). The leading nations stationing ROs there were the US (557), Japan (515) and the UK (211).

Welcoming the figures, contained in the fifth such annual survey compiled by the Census and Statistics Department, Mike Rowse, Director-General of Investment Promotion at Invest Hong Kong said: "Our city continues to attract investors from tradi-

tional markets, including the US and Japan. We notice a trend of Mainland enterprises setting up operations in Hong Kong as a springboard to expand overseas."

The most important factors influencing companies to set up RHQs/ROs were ranked as the free flow of information, a low and simple taxation system and corruption-free government.

Hong Kong takes Top 3 spot in WEF report

Further independent evidence of Hong Kong's competitive status has come in a report by the World Economic Forum.

It was ranked second in a survey of 53 cities worldwide by the Swiss-based WEF, which compiled a Growth Competitiveness Index based on three main factors – macroeconomic environment, public institutions and technology.

The Special Administrative Region's long-time Asian competitor Singapore ranked first overall, followed by Hong Kong and three northern European capitals – Oslo, Helsinki and Copenhagen.

The top 10 table was completed by Zurich, London, Sydney, Amsterdam and Stockholm. Among other major Asian cities, Taipei was ranked 11th and Shanghai, 25th.

First-hand information for prospective UK investors

UK companies seeking to expand into Hong Kong will get a chance to sound out prospects for their specific industry sectors during three visits by Invest Hong Kong executives in the first half of 2005.

Associate Director-General Mr Simon Galpin will be in the UK on 11 April, and again during June. His colleague, Associate Director-General Mr John Rutherford, will visit in May.

Mr Galpin will be meeting companies in the business and professional services sector – such as management and design consultancies, educational and research organisations and engineering and architectural firms – during his first visit. In June, he and his team will again be available to talk to companies in this sector, as well as in transportation, financial and trade-related services.

Mr Rutherford, meanwhile, will be handling enquiries from firms in the IT, telecommunications, media,



technology, tourism and entertainment fields.

Companies seeking a visit by the Invest Hong Kong executives to discuss opportunities in the territory should contact Ms Julia Herries or Ms Lynette Quah of Invest Hong Kong, which is based at the Hong Kong Economic and Trade Office, London – contact details are on the back page of this magazine.

Alternatively, they can e-mail lynette_quah@hketolondon.gov.hk

The organisation's London-based consultants can also visit companies unable to meet the visiting executives during their trips.

CEPA II liberalisation measures allow for new zero tariff preferences

Further trade liberalisation has been confirmed following agreement on implementing measures in the second phase of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA II).

China's Vice-Minister of Commerce Mr An Min and Hong Kong's Financial Secretary Mr Henry Tang agreed the new measures. These allow the implementation of zero tariffs for 'Goods Proposed To Be Produced' under CEPA II.

"After manufacturers have started producing these goods, the Trade and Industry Department (TID) and Customs and Excise Department will conduct joint verifications and inform the Mainland authorities," explained a TID spokesman. "After confirmation by both sides, the goods can enjoy

zero tariff preference under CEPA upon presentation of the certificates of origin issued by the Hong Kong authorities when imported into the Mainland."

Under CEPA's further liberalisation measures, the Mainland has agreed to apply zero tariff ratings to goods covered by 713 Mainland

2004 tariff codes. These codes include textiles, clothing, pharmaceuticals, food and drinks, as well as some plastic and metal products. These additional codes are on top of those 374 product categories covered under CEPA I that have already enjoyed zero-tariff status since 1 January 2004.

Report promotes better understanding

A better understanding of socio-economic and political trends in the Pan-Pearl River Delta area (Pan-PRD) is now available following the release of a new report. Commissioned by the Hong Kong Government's Central Policy Unit, it looks at the provinces and autonomous region of the Pan-PRD. Previously, with the exception of Guangdong and Macao, there had been a lack of systematic socio-economic and other development-related information of areas within the Pan-PRD.

Tsang urges UK investors to use Hong Kong as a springboard into China

○ From P1

international financial and trade expertise to feed into – and benefit from – the Mainland's remarkable economic performance. The results have

been dramatic," said Mr Tsang.

A record 3,600 overseas companies now had regional HQs or offices in Hong Kong, clear recognition of its value as a base. He urged British investors to use Hong Kong as their

springboard into the Chinese market.

"The next chapter of Hong Kong's story is perhaps the most exciting," he added. The Pan-Pearl River Delta Regional Co-operation and Development Forum would bring together China's nine southern provinces, plus Hong Kong and Macao, a market with a GDP that in 2003 accounted for 40 per cent of China's total output.

Mr Tsang's schedule included meetings with the UK's Deputy Prime Minister Mr John Prescott and Foreign Secretary Mr Jack Straw, plus parliamentarians and tourism executives. He briefed the former on Hong Kong's efforts to make its election methods more representative and unveiled a new Hong Kong Tourism Board video to the latter.

Continuing to Prague, Mr Tsang met Czech President Mr Vaclav Klaus and the nation's Deputy Foreign Minister Mr Pavel Svoboda, with whom he agreed to increase bilateral co-operation in areas including trade, culture and education.

Further exploration will now take place on mutually beneficial investment and tax arrangements. He also visited Berlin and Dublin.



The Chief Secretary Mr Donald Tsang speaks at the Hong Kong-Guangdong Seminar in London.



MC6 comes to Hong Kong

Hong Kong is set to host the next Ministerial Conference of the World Trade Organisation (WTO) in December 2005.

The WTO's decision to hold its Sixth Ministerial Meeting (MC6) in Hong Kong has been welcomed by the SAR Government. Mr John Tsang, Secretary for Commerce, Industry and Technology said: "This is a strong vote of confidence and also reflects the

WTO membership's appreciation of Hong Kong's constructive and active participation in the organisation."

The preparations for MC6 are being overseen by a dedicated office set up under the Trade and Industry Department, and will involve contributions from other key government departments.

The event will focus on discussions of the Doha Development Agenda

(DDA), and Mr Tsang is optimistic that this will progress negotiations. He said: "We are determined to conduct MC6 smoothly and efficiently. But even more so, we are keen to secure a significant and substantive outcome for MC6 in order to pave the way for the timely and successful conclusion of the negotiations under the DDA, hopefully not long after MC6."

Disneyland will open early

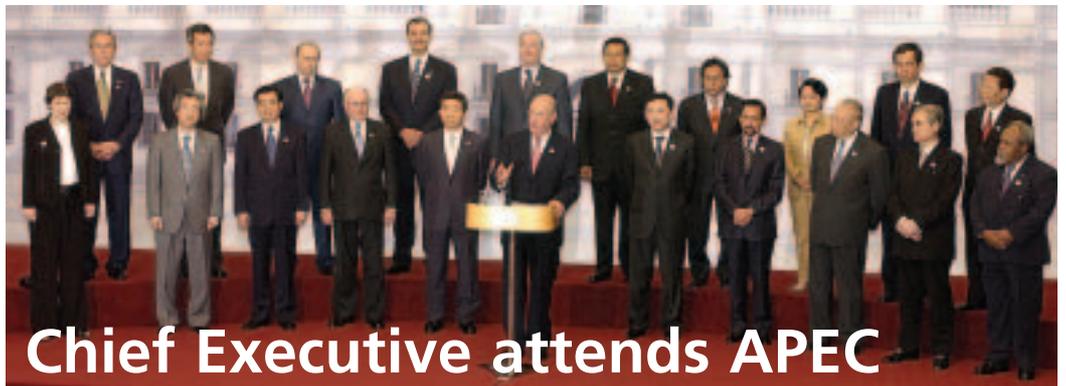
Disney and the Hong Kong government have announced that Hong Kong Disneyland will open for business on 12 September 2005, earlier than planned and just six years after construction began.

Located on Lantau Island, the resort is expected to create 18,000 jobs before it opens, in addition to the 11,400 already created during construction.

The first phase of the project will include the theme park, which is expected to have 10 million visitors annually, 2,100 hotel rooms and an area for retail, dining and entertainment.

"The announcement of opening day for Hong Kong Disneyland marks a key milestone for the development of Hong Kong tourism and the economy as a whole. In the first 40 years after opening, it is forecast to bring about a huge economic benefit of HK \$148 billion to Hong Kong as a whole," said Mr Henry Tang, Financial Secretary.

Attractions will include a Broadway-style show based on the film *The Lion King*, three themed areas and Disney's trademark giant Sleeping Beauty Castle.



Chief Executive attends APEC

The Chief Executive (fifth from right) and other APEC leaders listen to Chile's President Mr Ricardo Lagos making the conference's Final Declaration.

Mr Tung Chee Hwa, Chief Executive of the Hong Kong SAR Government, attended the 12th APEC Economic Leaders' Meeting in November. Held in Santiago, Chile, this meeting provided an opportunity for APEC leaders to discuss a broad range of issues, including regional economics, the Doha Round of WTO negotiations, oil prices, counter-terrorism, trade security, and the control of infectious diseases.

"These issues affect every part of the world," said Mr Tung. "As a member of the global village, Hong Kong must work closely and actively with other trading partners to overcome the challenges brought about by these issues."

During his stay in Santiago, Mr Tung met China's President Mr Hu Jintao and his Chilean counterpart Mr Ricardo Lagos, and also held meetings with American Chief Executive Officers.

London Stock Exchange opens regional office

The London Stock Exchange has opened its Asia-Pacific regional office in Hong Kong.

The office was formally opened by Mr Henry Tang, Financial Secretary of the Hong Kong SAR and Mr Chris Gibson-Smith, the Exchange's Chairman.

Speaking at the inauguration, Mr Tang said: "We are determined to further enhance our role as a leading international financial centre in the region. We have not lost sight of the competitive forces unleashed by the increasing globalisation of the world economy, and will continue our efforts in promoting a fair, effi-

cient and quality financial market."

He added: "I believe the London Stock Exchange's presence in Hong Kong will reaffirm our leading position as the international financial centre in Asia."

Mr Gibson-Smith said: "The opening of our office

underlines our ongoing commitment to both China and the wider Asia-Pacific region. As the world's most international financial centre, we believe London is the natural home for dynamic, growing Chinese and Asian companies looking to attract international capital."



Mr Tang: New office will "reaffirm our leading position".



The new district will produce a distinctive 'clustering' of facilities.

West Kowloon complex a step closer to fruition

Hong Kong has taken a step closer towards the construction of a cluster of world-class cultural facilities, as proposals for the West Kowloon Cultural District project have progressed to the next phase of discussions.

Focusing on a 40-hectare waterfront site at the southern tip of West Kowloon, the West Kowloon Cultural District (WKCD) will provide Hong Kong with a dedicated arts, cultural and entertainment district, including museums, theatres and an art exhibition centre.

Three out of the five private sector proposals for the development, submitted by World City Culture Park, Sunny Development and Dynamic Star, will go forward to the next stage of consultation.

All three remaining proposals will involve partnerships with local and overseas arts and cultural organisations and were being exhibited for six weeks at the Hong Kong Science Museum from mid-December, with the public invited to scrutinise and comment on them. There will also be regional discus-

sion forums and summaries of the projects posted at public venues.

The facilities will be designed to be sustainable over a 30 year period and will be committed to producing high-quality arts programmes during that period.

Significant employment opportunities will result from the project, including 500 professional posts in the short term and at least 5,000 construction vacancies over six years. In the longer term, more than 1,000 posts will be created to operate and manage the new arts facilities.



The project aims to produce a world-class cultural district.

"In building the WKCD, the government seeks to enhance the quality of life of the public by providing world-class visual and performing arts programmes in facilities that are state-of-the-art," said Donald Tsang, Chief Secretary for Administration. "The WKCD will boost Hong Kong's status as a world city. Financial centres like New York and London enjoy their standing as glamour destinations thanks to the great importance they attach to the development of art and culture, including architecture."

Future shape for higher education

The proposed future shape of senior secondary and higher education, designed to prepare students for the demands of the 21st century, has been unveiled by Hong Kong's Education and Manpower Bureau.

Under the proposals, the current '3+2+2+3' system (Secondary 1-3, Secondary 4-5, Secondary 6-7 plus a three-year undergraduate degree) would change to '3+3+4' - three-year junior and senior secondary education stages, followed by a four-year degree.

In secondary school, the current Certificate of Education Examination and Advanced Level Examination would be replaced by a new exam, the Diploma of Secondary Education. Eliminating one exam would reduce pressure on students and teachers while increasing time for learning, and thus its effectiveness.

Advantages of the new system would include:

- all students having the chance of three years' study at the senior end of secondary school;
- more balanced and rounded undergraduate degrees;
- aligning Hong Kong with several important international educational systems, including that of Mainland China.

Students would no longer be streamed into arts, science, commercial or technical studies but would follow a curriculum made up of core subjects (45-55 per cent), elective subjects (20-30 per cent) and other learning experiences such as community service or job attachment (15-35 per cent).

Public feedback on the proposals was being sought as *Hong Kong Review* went to press.



Financial problems demand co-operation

Co-operation between Asian monetary systems is necessary to find long-term solutions to the region's financial problems, according to Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority.

Addressing Geneva's International Centre for Banking and Monetary Studies – the first Asian central banker to do so – he said that Asian finance was fragmented and in “an unhappy, and possibly unsustainable, state”.

“There is an urgent need for Asia to harness its substantial financial resources for promoting growth and development, but also for minimising Asia's vulnerability to financial instability,” he said.

If solutions were not found, the only way for individual financial systems to defend themselves against such vulnerabilities would be through retreats from the financial openness that had been spreading across the region.

Some such retreats had already occurred and were understandable in the face of sometimes predatory nature of international finance.

Mr Yam said he had urged greater regional monetary co-operation for some time, but progress on initiatives had been limited. However, despite continued scepticism towards any form of Asian monetary union, it should at least be considered for the long term, he suggested.



WinterFest continues to boost visitor levels

WinterFest again came to Hong Kong's central business district, helping boost seasonal tourism levels. The Hong Kong Tourism Board expected that the WinterFest programme, running for the third year, would boost visitor arrivals by 13.4 per cent to 2.49 million between 26 November 2004 and 2 January 2005.

Statue Square, Hong Kong's central business district, was transformed into a European-style 'Santa's Town', complete with Christmas trees, snowflakes and the chance for children to meet Santa Claus.

Visitors were also able to visit Hong Kong's tallest outdoor Christmas tree, standing 35 metres (12 storeys) high,

and a covered route decorated with mistletoe from the Star Ferry Pier to Statue Square. “The WinterFest programme has enjoyed phenomenal success in the past two years,” said Hong Kong Tourism Board (HKTB) Executive Director Clara Chong.

“As well as helping us set new monthly records for December, it has successfully turned our winter festive season, which normally has fewer business and long-haul visitors, into another peak travel season.”

WinterFest was expected to help reinforce Hong Kong's credentials as a family destination, in advance of the planned opening of Hong Kong Disneyland in September 2005.

Conservation sites earmarked for new strategy

Ecologically important sites in Hong Kong under private ownership will be better preserved under a new nature conservation strategy, according to Dr. Sarah Liao, Secretary for the Environment, Transport and Works.

Under the new strategy, 12 of Hong Kong's most ecologically important sites will be identified and earmarked for enhanced conservation using methods such as management agreements and public-private partnership (PPP), she said.

Under the management agreement option, non-governmental organisations, including environmental groups, educational institutions and community groups, may apply for government funding to enter into management agreements with landowners to help improve conservation of the identified sites.

Developers will be able to sign PPP deals to develop less ecologically sensitive parts of the sites, provided they agree to conserve and manage the rest of the site in the long term.

Pilot schemes for both new measures were launched late last year, with HK\$5m available to fund the initial management agreements.