# DAILY INFORMATION BULLETIN

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FS signs investment agreement with Belgium and Luxembourg

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The Financial Secretary, Mr Donald Tsang, today (Monday, Brussels time) signed on behalf of Hong Kong an internationally-binding agreement for the promotion and protection of investments with Belgium and Luxembourg in two separate ceremonies.

The first ceremony was held in Brussels where the agreement between Hong Kong and Belgium was signed. The Belgian government was represented by Mr Philippe Maystadt, Deputy Prime Minister and Minister of Finance; Mr Luc Van den Brande, Minister-President and Minister for Foreign Policy, European Affairs, Science and Technology of the Government of Flanders, and Mr Jos Chabert, Minister of Finance, the Budget, Civil Services and Foreign Relations in the Government of the Brussels-Capital Region.

Speaking at the ceremony, Mr Tsang said the agreement "represents a major step for Hong Kong in strengthening economic ties with Belgium and Luxembourg".

He also took the opportunity to assure investors from Belgium that the elements that led to Hong Kong's success would remain unchanged after 1997.

In a separate occasion, Mr Mare Fischback, Minister of Budget, signed the agreement on behalf of Luxembourg during a dinner meeting with Mr Tsang in Luxembourg.

Under the terms of the agreement, the three governments will provide for equal treatment of investors, compensation if investments are expropriated, and free transfer of investments and returns.

The agreement also provides for the settlement of investment disputes in accordance with internationally accepted rules.

The agreement, upon ratification by the respective Belgian and Luxembourg legislatures, is effective for 15 years in the first instance, and renewable every 10 years.

At present, Belgium and Luxembourg together is Hong Kong's 20th largest trading partner, with bilateral trade approaching $20 billion in 1995.

This is the tenth agreement Hong Kong has signed in the area of investment promotion and protection. Other countries with which Hong Kong has signed a similar agreement are the Netherlands, Australia, Denmark, Sweden, Switzerland, New Zealand, Italy, France and Germany.

Mr Tsang arrived in continental Europe on Sunday (October 6) and will visit Italy and Austria later this week.

He will sign an air services agreement with Italy and another investment promotion and protection agreement with Austria on behalf of Hong Kong on October 9 and 11 respectively.

End

## Government supports effort to expand stock market

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The Government supported any effort to involve all concerned to work together to expand the stock market and maintain Hong Kong's competitiveness as an international financial centre, the acting Financial Secretary, Mr Rafael Hui, said today (Tuesday).

Speaking at the 10th anniversary reception of the Stock Exchange of Hong Kong Limited, Mr Hui said the Exchange had made substantial and remarkable progress since it was reconstituted 10 years ago.

"Growing competition world-wide will compel us to exert continuing efforts to keep our leading position as an international financial centre," Mr Hui said.

"The maintenance and development of Hong Kong as an international financial centre can never be over-emphasised. It is stipulated under Article 109 of the Basic Law that we must do so."

Turning to the future, Mr Hui said he welcomed the Exchange's proposal to set up a working group to study the stock market brokerage industry.

"This is certainly in keeping with the vision of the Financial Secretary to consolidate and further develop Hong Kong as a first-class international financial centre, and to strengthen its position as a provider of high-quality services to the rest of the region and to the world.

"On my part, I stand ready, as ever, to consider proposals emanating from the working group, including the one for reducing the total transaction costs of securities," he said.

Mr Hui believed that this working group would complement the one on new market development which the Exchange had already set up.

"The terms of reference of the working group on new market development clearly reflect the forward-looking attitude of the Exchange and its determination to maintain Hong Kong's leading position in the region.

"I understand that this group is now consulting the Securities and Futures Commission on a number of new products.

"I hope that firm recommendations will be forthcoming in time for the first anniversary of the Financial Secretary's initiatives related to promotion of services," said Mr Hui.

End

## 203 VMs depart on orderly repatriation flights

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Two groups totalling 203 Vietnamese migrants (VMs) returned by air to Hanoi, Vietnam, today (Tuesday) on the 61st and 62nd flights under the Orderly Repatriation Programme (ORP).

All of the returnees, comprising 92 men, 53 women, 25 boys and 33 girls, are from North Vietnam.

The majority of them arrived in Hong Kong in 1989, with the remaining in 1988, 1990, 1991, 1995 and 1996.

The two groups brought to 5,926 the total number repatriated on ORP flights since November 1991.

End

## Monitors' report submitted to CS

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The monitors appointed to observe the Orderly Repatriation Programme operation this (Tuesday) morning have submitted their report to the Chief Secretary.

The two monitors comprised a non-official Justice of the Peace, Mr Charles Chan Sing-chuk; and representative from a non-government organisation, Ms Helene Curran from Christian Action.

End

## Youth Exchange Programme delegates report on visits

* * * * *

The observations of two groups of young people made during their three-week visits to Britain and Germany were reported to the Commission on youth at a meeting today (Tuesday).

The youths, aged between 18 and 24, were selected from more than 100 candidates for the trips in the summer under the International Youth Exchange Programme.

The two groups, comprising six and 10 youths respectively, paid separate visits to Britain from June 29 to July 20 and to Germany from July 13 to 31.

A spokesman for the Commission said the objectives of the Exchange Programme, organised jointly by the Commission and the Home Affairs Branch, were to broaden the outlook and international vision of young people, and to enable them to exchange ideas and experience with their overseas counterparts.

"The visits serve also to enrich their experience and enhance their critical faculties," the spokesman said.

The itinerary in Britain included visiting local youth organisations, schools and universities, and participation in recreational activities. In Germany, individual home-stays were arranged to give young people a better insight into German culture and way of life.

Apart from reporting details of their visits, the young delegates shared with Commission members their views and observations on a number of social issues, such as the political system, education and youth work of the countries they visited.

Full reports on the visits have been prepared by the delegates and presented to the Commission.

"The Commission notes that as the International Youth Exchange Programme is organised on a bilateral and reciprocal basis, young people from Britain and Germany will also visit Hong Kong next year.

"To provide more opportunities for local youngsters to broaden their outlook and to enrich their experience, the Commission has agreed that more reciprocal visits of this nature should be organised with other countries in the future," the spokesman said.

An informal reception was held today for the delegates and members of the Commission to exchange views on the visits.

End

Volume and price movements of external trade in July

* * * * *

In the first seven months of 1996, the volume of re-exports increased by 7.9% over the same period last year, while the volume of domestic exports decreased by 7.9%, according to the statistics released today (Tuesday) by the Census and Statistics Department.

Taking re-exports and domestic exports together, the volume of total exports increased by 5.1%. Meanwhile, imports increased by 4.2% in volume.

Comparing July 1996 with July 1995, the volume of re-exports increased by 13%, while that of domestic exports decreased by 6%. Taken together, the volume of total exports increased by 9.4%. The volume of imports increased by 6.7%.

The growth in the volume of trade is derived from the growth in trade value with the effect of price changes discounted.

As regards price changes in the first seven months of 1996 over the same period last year, the prices of re-exports and domestic exports increased by 0.1% and 0.9% respectively. Import prices decreased by 0.6%.

Comparing July 1996 with July 1995, the prices of re-exports decreased by 1.4%, while that of domestic exports decreased by 0.1%. Import prices also decreased, by 3.2%.

Price changes are reflected by changes in unit value indices, which are compiled based on average unit values or, for certain commodities, based on specific price data.

The terms of trade index, defined as the ratio of total export price index to import price index, recorded an increase of 0.9% in the first seven months of 1996 over the same period last year.

The changes in the value, unit value and volume of re-exports by end-use category are shown in Table 1.

Comparing July 1996 with July 1995, increases in volume were recorded for most of the end-use categories of re-exports: capital goods (+27%); foodstuffs (+26%); consumer goods (+10%); and raw materials and semi-manufactures (+9%).

On the other hand, the volume of re-exports of fuels decreased by 22%.

Over the same period of comparison, increases in the prices of re-exports were noted of fuels (+12%); consumer goods (+0.2%); and foodstuffs (+0.1%).

On the other hand, the re-export prices of raw materials and semi-manufactures; and capital goods decreased by 3.9% and 2.2% respectively.

The changes in the value, unit value and volume of domestic exports by principal commodity group are shown in Table 2.

Comparing July 1996 with July 1995, commodity groups which recorded significant increases in volume of domestic exports included domestic electrical appliances (+40%); and textile yarn and thread (+32%).

On the other hand, the volume of domestic exports of metal ores and scrap; and footwear decreased by 52% and 43% respectively.

Commodity groups which recorded increases in domestic export prices included metal ores and scrap (+12%); and radios of all kinds (+9.2%).

On the other hand, the domestic export prices of electronic components; and domestic electrical appliances decreased by 4% and 3.1% respectively.

The changes in the value, unit value and volume of imports by end-use category are shown in Table 3.

The import volume of foodstuffs increased by 2.6% in July 1996 compared with July 1995.

Significant increases in the import volume were noted of wheat and flour; and milk, butter, cheese and eggs. However, decreases were recorded in the import volume of animals of the bovine species, live; and live poultry.

Over the same period of comparison, the import volume of consumer goods increased by 4.1%.

Increases in import volume were recorded in household-type electrical appliances; and tobacco manufactures. However, decreases in the import volume were noted of radios, television sets, gramophones, records, tape recorders and amplifiers; and alcoholic beverages.

The import volume of raw materials and semi-manufactures increased by 7.1% in July 1996 compared with July 1995.

Increases in import volume were recorded in most of the raw materials and semi-manufactures.

Significant increases in the import volume were noted of lime, cement, and fabricated building materials except glass, clay construction materials and refractory construction materials; and inedible animal and vegetable materials. However, decreases were noted of silk fabrics; and man-made fibres.

Imports of fuels increased by 18% in volume in July 1996 compared with July 1995.

As regards capital goods, the import volume increased by 10% in July 1996 over July 1995.

Notable increases were recorded in the import volume of office machinery; and industrial machinery, other than textile machinery and electrical machinery. The import volume of transport equipment; and construction machinery however decreased.

Comparing July 1996 with July 1995, the import prices of fuels and consumer goods increased by 7.4% and 0.3% respectively.

On the other hand, the import prices of raw materials and semi-manufactures; capital goods; and foodstuffs decreased by 6.2%, 5.4% and 0.7% respectively.

Details of the above statistics are published in the July 1996 issue of the Hong Kong Trade Index Numbers.

The report will be on sale around October 10 at $14 per copy at either the Government Publications Centre on the ground floor, Low Block, Queensway Government Offices, 66 Queensway; or the Publications Unit of the Census and Statistics Department on the 19th Floor, Wanchai Tower, 12 Harbour Road, Wan Chai.

Enquiries regarding regular subscription to this report may be directed to the Publications (Sales) Office of the Information Services Department at 28th floor, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong, Tel 2598 8194; and enquiries on trade indices to the Census and Statistics Department, Tel 2582 4918.

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Table 1 : Changes in re-exports by end-use category

| End-use category | Comparing JUL 1996 with JUL 1995 | | | Comparing JAN-JUL 1996 with JAN-JUL 1995 | | |
|---|---|---|---|---|---|---|
| | % changes | | | % changes | | |
| | Value | Unit Value | Volume | Value | Unit Value | Volume |
| Foodstuffs | 27.9 | 0.1 | 26.4 | 11.8 | -0.1 | 11.5 |
| Consumer goods | 11.1 | 0.2 | 10.3 | 5.8 | 1.1 | 4.1 |
| Raw materials and semi-manufactures | 4.7 | -3.9 | 9.0 | 5.2 | -1.4 | 6.7 |
| Fuels | -15.1 | 12.1 | -21.9 | 23.7 | 12.9 | 11.9 |
| Capital goods | 22.4 | -2.2 | 27.0 | 15.2 | -1.0 | 19.1 |
| ALL COMMODITIES | 11.0 | -1.4 | 12.6 | 7.6 | 0.1 | 7.9 |

Table 2 : Changes in domestic exports by principal commodity group

| Commodity group | Comparing JUL 1996 with JUL 1995 — % changes | | | Comparing JAN-JUL 1996 with JAN-JUL 1995 — % changes | | |
|---|---|---|---|---|---|---|
| | Value | Unit Value | Volume | Value | Unit Value | Volume |
| Clothing | -4.7 | 0.2 | -4.2 | -7.1 | 1.3 | -7.7 |
| Textile fabrics | 2.7 | -0.6 | 5.1 | -5.6 | * | -6.6 |
| Textile yarn and thread | 30.2 | 0.3 | 32.4 | 22.2 | 5.1 | 17.3 |
| Textile made-ups and related articles | -29.1 | 3.0 | -29.7 | -23.9 | 0.7 | -24.6 |
| Radios of all kinds | 25.1 | 9.2 | 12.9 | 11.0 | 7.0 | -2.2 |
| Electronic components | -15.8 | -4.0 | -13.9 | -8.3 | -0.7 | -9.0 |
| Footwear | -44.6 | -0.9 | -43.4 | -57.3 | -3.6 | -57.0 |
| Metal manufactures | -4.8 | 4.3 | -9.2 | -9.8 | 6.1 | -15.3 |
| Metal ores and scrap | -45.6 | 12.3 | -52.4 | -11.8 | 8.9 | -17.3 |
| Watches and clocks | -6.3 | -0.3 | -6.6 | -9.3 | -0.3 | -9.2 |
| Travel goods, handbags and similar articles | -21.9 | 0.2 | -22.4 | -10.6 | 1.2 | -12.2 |
| Domestic electrical appliances | 35.4 | -3.1 | 39.9 | 43.2 | -3.1 | 48.7 |
| ALL COMMODITIES | -6.1 | -0.1 | -6.0 | -7.8 | 0.9 | -7.9 |

* less than 0.05%

Table 3 : Changes in imports by end-use category

| End-use category | Comparing JUL 1996 with JUL 1995 | | | Comparing JAN-JUL 1996 with JAN-JUL 1995 | | |
|---|---|---|---|---|---|---|
| | % changes | | | % changes | | |
| | Value | Unit Value | Volume | Value | Unit Value | Volume |
| Foodstuffs | 2.0 | -0.7 | 2.6 | 4.3 | 0.1 | 4.2 |
| Consumer goods | 5.1 | 0.3 | 4.1 | 1.9 | 1.7 | 0.1 |
| Raw materials and semi-manufactures | 0.8 | -6.2 | 7.1 | * | -2.3 | 2.7 |
| Fuels | 27.1 | 7.4 | 17.6 | 36.0 | 7.4 | 26.9 |
| Capital goods | 3.6 | -5.4 | 10.1 | 8.8 | -3.2 | 12.3 |
| ALL COMMODITIES | 3.5 | -3.2 | 6.7 | 3.2 | -0.6 | 4.2 |

* less than 0.05%

End

Hong Kong Monetary Authority tender results

* * * * *

| | | |
|---|---|---|
| Tender date | 8 Oct 96 | 8 Oct 96 |
| Paper on offer | EF bills | EF bills |
| Issue number | Q641 | H675 |
| Issue date | 9 Oct 96 | 9 Oct 96 |
| Maturity date | 8 Jan 97 | 9 Apr 97 |
| Coupon | - | - |
| Amount applied | HK$8,150 MN | HK$5,610 MN |
| Amount allotted | HK$1,500 MN | HK$800 MN |
| Average yield accepted | 5.12 PCT | 5.22 PCT |
| Highest yield accepted | 5.13 PCT | 5.23 PCT |
| Pro rata ratio | About 5 PCT | About 20 PCT |
| Average tender yield | 5.14 PCT | 5.25 PCT |

Hong Kong Monetary Authority

Tenders to be held in the week beginning October 14, 1996 -

| | | |
|---|---|---|
| Tender date | 14 Oct 96 | 15 Oct 96 |
| Paper on offer | EF Notes | EF Bills |
| Issue number | 3910 | Q642 |
| Issue date | 15 Oct 96 | 16 Oct 96 |
| Maturity date | 15 Oct 99 | 15 Jan 97 |
| Tenor | 3 years | 91 days |
| Amount on offer | HK$500+100 MN | HK$1,500+300 MN |
| Coupon | 6.28 PCT | |

End

Hong Kong Monetary Authority money market operations

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| | $ million | Time (hours) | Cumulative change ($million) |
|---|---|---|---|
| Opening balance in the account | 2,303 | 0930 | -143 |
| Closing balance in the account | 1,980 | 1000 | -143 |
| Change attributable to: | | 1100 | -143 |
| Money market activity | - 143 | 1200 | -143 |
| LAF today | - 180 | 1500 | -143 |
| | | 1600 | -143 |

LAF rate 4.00% bid/6.00% offer TWI 124.6 *-0.1* 8.10.96

Hong Kong Monetary Authority

| EF bills | | EF notes/MTRC | | | | |
|---|---|---|---|---|---|---|
| Terms | Yield | Term | Issue | Coupon | Price | Yield |
| 1 week | 4.85 | 2 years | 2808 | 6.00 | 100.17 | 5.98 |
| 1 month | 4.93 | 3 years | 3907 | 6.80 | 101.31 | 6.37 |
| 3 months | 5.14 | 5 years | 5109 | 7.32 | 101.87 | 6.98 |
| 6 months | 5.22 | 7 years | 7308 | 7.24 | 100.19 | 7.33 |
| 12 months | 5.48 | 5 years | M503 | 7.35 | 100.90 | 7.25 |

Total turnover of EF bills and notes - $8,573 million

Closed October 8, 1996

End