



HONG KONG GOVERNMENT

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TEXT OF SPEECH BY THE GOVERNOR, SIR MURRAY MACLEHOSE
AT THE OPENING OF THE NEW HONG KONG AND SHANGHAI BANK OFFICE
IN NEW YORK AT 8 P.M. ON DECEMBER 11 (NEW YORK TIME)

"Gentlemen, we are here to celebrate the opening of the new premises in the world trade centre of the Hong Kong and Shanghai Bank. It has been represented in New York since 1875. In the intervening century it has grown into a house of considerable significance on the world banking stage, and this new New York office represents all members of the present Hong Kong Banking group, including the British Bank of the Middle East and the Mercantile Bank.

"The very distinguished gathering here this evening is a tribute to the reputation now enjoyed by the Bank and also to the standing of its Chairman, our host, Mr. Sayer.

"It is a bank of the old school. Its unostentatious strength and good sense always puts me in mind of Shakespeare's classic dictum in King Lear - 'Have more than thou showest speak less than thou knowest lend less than thou owest'.

"But behind the panelling and the marble, and lovely collection of Chinnerys on its walls there is everything that thrust imagination and modern technology can give. And I am delighted that the Bank, and thus Hong Kong with whose fortunes it is so closely connected, are expanding their presence in this city, which contains the greatest concentration of financial power in the world. And if this presence encourages American interest in Hong Kong so much the better.

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"American interest in the China coast is just as old as the British, as the Salem Museum bears witness. Indeed, before the age of steam, American clippers held the record for passages from Hong Kong to both London and Boston.

"I am no admirer of that early colonial era in which Hong Kong was founded, but it is a striking fact that of that era Hong Kong is the only colony of any economic significance that has survived. This is largely due to special circumstances, including the attitude of the People's Republic of China. But I think too it has survived because the combination of the place, the people and the Government has been so extra-ordinarily successful: and because all are equally free and welcome to participate in this success and to profit from it, whether from China, America, Britain or elsewhere.

"In American terms it is tiny, smaller than any state in the Union, but in spite of that, and with no natural resources except a harbour and its own magnificent people, with their wit and realism and capacity for hard work, it is the 16th largest trading unit in the world.

"Many of you will know how modern Hong Kong started. In the early 50's there was a flood of immigrants from China that doubled and tripled the population in a decade. And with the UN embargo there were no means of employing them in Hong Kong's traditional trade with China. These daunting conditions forced on Hong Kong the economic characteristics it has retained ever since, that is of large-scale manufacture for export using imported raw materials. This started along the simplest lines but has progressed rapidly to sophisticated and capital-intensive production. The story of Hong Kong's industrial transformation is well told in that of a well-known firm that started

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by making tooth brushes, ploughed back its profits and retooled for canvas shoes, did the same thing again for box cameras, and is now one of the biggest producers of high grade photographic and optical goods in the world - all within 25 years on the same site and with even some of the same work-force. The ingredients are typical of Hong Kong with determination to survive, acceptance of the need to plough back profits, willingness to adapt and progress up the technological scale. Naturally, none of this would have been possible without the support of a first rate banking system.

"The principal industry is high-grade clothing and textiles, but toys, electronics, clocks, watches, radios, cameras and optical instruments are all important, and diversification into a wide range of other industries is continuous. So too is the growth of service industries to maintain and even build some of the machines for the producers. The rate of progress has been so rapid that the government has given high priority to technical education at all levels so as to meet requirements for craftsmen, technicians and technologists.

"Hong Kong has the reputation of being the last outpost of laissez faire and on this account has both its panegyrists and its critics. The fact is that the government is disinclined to intervene in the natural play of market forces except to stop abuse or distress to the public, or if market forces left to themselves cannot meet public needs. This is of course a large qualification, and there is comprehensive legislation covering financial, commercial and industrial activity, as well as labour relations, and Hong Kong would be an insecure field for investment if there were not. But it is true that Hong Kong does have comparatively low rates of tax and a comparatively simple fiscal system: there is no exchange control, and there is freedom

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to employ such staff as a firm sees fit, and freedom to remit profits and capital at will, and in comparison with other communities there is a refreshing absence of regulations and red tape. So in Hong Kong the entrepreneur probably does enjoy greater freedom to get on with his job than in any comparable place of business. We have every intention of adhering to this general approach.

"The prudently orthodox financial philosophy of the government is consistent with this general approach. Hong Kong must be unusual amongst the major cities of the world in having debt of only negligible proportions and in maintaining at the same time very large fiscal reserves. Of course Hong Kong has never received aid, and suspects that none would help her if she failed, and I can assure you that this background can be a stern enforcer of financial discipline.

"But Hong Kong is not just an industrial, commercial or financial institution. It is a community of about 4½ million, intensely shrewd and active people. It is governed with more real freedom than any other community in Asia and yet - because of circumstances which are forced upon it - without elected government. It is a fascinating and constantly evolving story. How in these circumstances the government seeks to achieve consent for its policies, tries to be responsive to the wishes of its people and aims to achieve their participation - because in these respects Hong Kong really is unique in the world. Nowhere else can the constitution be so authoritarian but the practice be so deeply imbued with liberal traditions and safeguards.

"The major problem of Hong Kong is sheer weight of numbers and the rapidity with which they have built up through immigration since the 50's. This has created great problems of providing housing, education and social welfare and the whole infrastructure that makes life in a

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community what it should be. But these things are being, and will continue to be, provided, and on an ever increasing scale, until the deficiencies forced on Hong Kong by the influx of population have been eliminated.

"Hong Kong has stability and its relations with China have never been better, and its prospects are excellent. It is immediately vulnerable in one respect only - it is totally dependent on its exports and thus on both access to markets and on the level of demand in them. Its competitiveness, and the ability it has shown to tighten its belt in bad times as well as to improve its living standards in good, assure it a market wherever demand exists, provided no artificial barriers are raised against it. But against crude protectionism or preferences accorded to its competitors it is powerless. All that it asks and all that it needs to assure its future is freedom to trade with those who wish to buy.

"Like other places, Hong Kong has had its difficulties in this recession period, with a high level of unemployment and considerable distress. But the economy succeeded in adjusting downwards to the new situation and it has been a remarkable and most helpful fact that the indices of both cost-of-living and wage rates have been virtually static for the last year. In consequence Hong Kong has been and is in a highly competitive situation. Its exporters were thus able to take advantage of such demand as there has been in world markets, and to react quickly to the first impulses of economic revival. The Government was also able to assist the economy by maintaining its expenditure at a comparatively high level but without affect on either inflation - which has been nil over the last year - or on the parity of the Hong Kong dollar which has remained steady to strong. The economy bottomed up in the second quarter. Exports have been improving in the third and fourth

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quarters and though there is still far too much unemployment, there is general relief that the corner has been turned. There is also confidence that steady growth will be resumed next year.

"It is perhaps indicative that in the course of last year Hong Kong let contracts for the biggest highway it has ever constructed, completed the largest desalination plant in the world and has begun to build the latest underground railway in the world.

"Some of this confidence in the future is based on an assessment of the likely trend of economic activity in Hong Kong's markets, some on knowledge of the current competitiveness of Hong Kong's position. Though there are no illusions about an early return to the conditions of the 60's and early 70's, we do believe that Hong Kong is in the right place at the right time with the right things to offer. It is on the edge of the biggest country in the world which is itself in the course of rapid economic development; but also it is in the centre of an area of the world - the Western Pacific - where economic growth is likely to be rapid in the next decade; and it occupies a focal point in the communications and distribution system of the area. It has a superb harbour, an unrivalled work-force, and financial institutions of great strength. Land is available on special terms for new industry judged valuable to the economy. And finally, and perhaps most important of all, you have a government which provides a stable and predictable economic environment.

"It is therefore not surprising that so many leading banks and manufacturers from all over the world are now represented in Hong Kong. Hong Kong's economy will always be based primarily on manufacture for export to the great developed countries of North America and Europe,

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and on shipping, tourism, commerce and banking. But I see it also developing fast as a platform from which to participate in the growth of the Western Pacific area, whether by partial or complete manufacture within the area, by direct sales, by financial operations or by entrepot arrangements.

"Gentlemen, it is unwise for bankers to ask the Governor to speak after dinner because he will go on speaking about Hong Kong for ever, and in conclusion I would like to revert to banking. Hong Kong owes a very great deal to banks in general and to the Hong Kong and Shanghai Bank in particular. But if I might widen my remarks, I should like to say in all humility that the traumatic economic experiences endured in these last two years have revealed the immense adaptability and strength of the world's financial institutions. No doubt some governments have helped just as others have hindered, but it has been the established financial institutions, working individually or in combination, which have kept the economy of the world afloat in this hazardous, unforeseen and erratic situation, and I would like to pay my small tribute to what they have done.

"To end on a more personal and frivolous note, I personally consider bankers to be in a very special position - as Ogden Nash wrote they are like anyone else but richer. Like the majority of mankind I take the view that they are primarily there to help and that what lies behind their awe-inspiring portals is what we all want - money. The thought is well put in a slight misquotation of a verse by Emily Dickinson written over a century ago - 'I never lost as much but twice and that was in the sod. Twice have I stood a beggar before the door of god. Angels twice descending reimbursed my store - banker, banker - father I am poor once more'.

"Gentlemen, I give you the toast to 'Banking' with which I couple the name of our hosts the Hong Kong and Shanghai Banking Corporation."