



# DAILY INFORMATION BULLETIN

FRIDAY, APRIL 6, 1979

CONTENTS

PAGE NO.

BILLS TO ENABLE FINANCIAL SECRETARY TO VARY LIQUIDITY RATIOS FOR MONETARY POLICY PURPOSES .....	1
HK DOLLAR BALANCES BILL .....	2
CONTRACT FOR DENTAL TEACHING HOSPITAL SIGNED .....	3
DANGEROUS SUBSTANCES BANNED FROM POSTAL SERVICE .....	4
LADY MACLEHOSE TO SEE CLASSES IN SESSION .....	4
VIOLET PEEL METHADONE DETOXIFICATION CENTRE EXTENDS OPERATING HOURS .....	5
SWD OFFICER TO RECEIVE INTERNATIONAL AWARD .....	5
SNT PRAISES NT LIFE GUARDS .....	6
TWO HIGHWAY PROJECTS RE-GAZETTED .....	6

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FRIDAY, APRIL 6, 1979

- 1 -

BILLS TO ENABLE FINANCIAL SECRETARY  
TO VARY LIQUIDITY RATIOS FOR MONETARY POLICY PURPOSES  
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A BILL DESIGNED TO MAKE IT CLEAR THAT THE FINANCIAL SECRETARY MAY, FOR MONETARY POLICY PURPOSES, VARY THE MINIMUM LIQUIDITY RATIOS WHICH BANKS IN HONG KONG MUST OBSERVE IN RESPECT OF THE DEPOSITS THEY HOLD FROM THE NON-BANK PUBLIC IS PUBLISHED TODAY (FRIDAY) IN THE GOVERNMENT GAZETTE TOGETHER WITH A SECOND BILL GIVING HIM IDENTICAL POWERS IN RESPECT OF THE LIQUIDITY RATIOS APPLIED TO DEPOSIT-TAKING COMPANIES.

THE TWO BILLS ARE THE BANKING (AMENDMENT) BILL 1979 AND THE DEPOSIT-TAKING COMPANIES (AMENDMENT) BILL 1979.

THE FINANCIAL SECRETARY WILL MOVE THE SECOND READINGS OF BOTH BILLS IN THE LEGISLATIVE COUNCIL ON WEDNESDAY, APRIL 11.

A GOVERNMENT SPOKESMAN EXPLAINED THAT THE BASIC LIQUIDITY RATIO FOR HONG KONG BANKS WAS SET AT 25 PER CENT BY THE BANKING ORDINANCE OF 1964.

IN 1975 THE FINANCIAL SECRETARY WAS (UNDER THE BANKING (AMENDMENT) ORDINANCE 1975) GIVEN THE POWER TO RAISE THE RATIO, BUT AT THAT TIME THERE WAS NO INTENTION OF DOING SO IN PURSUIT OF MONETARY POLICY: THE 1975 AMENDMENT WAS PUT FORWARD IN THE CONTEXT OF PRUDENTIAL SUPERVISION OF INDIVIDUAL BANKS.

THE SPOKESMAN ADDED THAT THE DEPOSIT-TAKING COMPANIES (AMENDMENT) BILL IS DESIGNED TO GIVE TO THE FINANCIAL SECRETARY AN IDENTICAL POWER TO ALTER, FOR MONETARY POLICY PURPOSES, THE MINIMUM LIQUIDITY RATIOS APPLIED TO DEPOSIT-TAKING COMPANIES.

HOWEVER, THE MINIMUM RATIOS HAVE NOT YET BEEN SET FOR THESE COMPANIES, BECAUSE SECTION 24(A) OF THE DEPOSIT-TAKING COMPANIES ORDINANCE, DEALING WITH LIQUIDITY RATIOS, HAS NOT YET COME INTO FORCE. THAT WILL HAPPEN LATER THIS YEAR, WHEN THE MINIMUM RATIOS WILL BE SPECIFIED BY THE FINANCIAL SECRETARY.

AS SOON AS THOSE RATIOS ARE FIRST SPECIFIED, THE FINANCIAL SECRETARY WILL (UNDER THE BILL PUBLISHED TODAY) BE ABLE TO ALTER THEM FOR MONETARY POLICY PURPOSES.

THE SPOKESMAN ALSO SAID THAT IN HIS BUDGET SPEECH ON FEBRUARY 28 THE FINANCIAL SECRETARY SAID (PARAGRAPH 260) THAT AN INCREASE IN THE MINIMUM LIQUIDITY RATIOS MIGHT IN CERTAIN CIRCUMSTANCES BE APPROPRIATE FOR THE PURPOSES OF MONETARY POLICY.

+THESE BILLS ARE THEREFORE DESIGNED TO MAKE IT CLEAR THAT, IF THE CIRCUMSTANCES ARISE, THE MINIMUM LIQUIDITY RATIOS COULD BE RAISED IN PURSUIT OF MONETARY POLICY,+ HE SAID.

+THOSE CIRCUMSTANCES HAVE NOT YET ARISEN, AND IT IS HOPED THEY WILL NOT ARISE. CERTAINLY THE FINANCIAL SECRETARY DOES NOT INTEND TO MAKE USE OF THESE POWERS AS SOON AS THEY ARE AVAILABLE. THEY ARE POWERS TO BE KEPT IN RESERVE,+ THE SPOKESMAN ADDED.

## HK DOLLAR BALANCES BILL

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A BILL TO LIMIT THE EXTENT TO WHICH THE GOVERNMENT'S HONG KONG DOLLAR BALANCES CAN FORM A BASE FOR THE CREATION OF CREDIT TO THE ECONOMY IS PUBLISHED IN TODAY'S (FRIDAY) GOVERNMENT GAZETTE.

THE EXCHANGE FUND (AMENDMENT) BILL 1979 IMPLEMENTS A PROPOSAL PUT FORWARD BY THE FINANCIAL SECRETARY IN HIS BUDGET SPEECH.

THE FINANCIAL SECRETARY WILL MOVE THE SECOND READING OF THE BILL IN THE LEGISLATIVE COUNCIL ON WEDNESDAY, APRIL 11.

A GOVERNMENT SPOKESMAN EXPLAINED THAT THE BILL PROVIDES THAT BALANCES HELD BY THE EXCHANGE FUND WITH A BANK IN HONG KONG PAYABLE ON DEMAND, AT CALL OR AT SHORT NOTICE (IN EFFECT, ALL BALANCES OTHER THAN TIME DEPOSITS) SHALL BE TREATED AS IF THEY WERE BALANCES FROM ANOTHER BANK.

HE ADDED THAT THE EFFECT, UNDER THE LIQUIDITY PROVISIONS OF THE BANKING ORDINANCE, IS TO REQUIRE THE BANKS WITH WHOM THE BALANCES ARE HELD TO MATCH THEM AS TO 100 PER CENT WITH SPECIFIED LIQUID ASSETS, WHICH DO NOT INCLUDE LOANS AND ADVANCES TO THE PUBLIC.

THE SPOKESMAN SAID THAT UNDER THE LAW AS IT NOW STANDS, EXCHANGE FUND BALANCES PAYABLE ON DEMAND, AT CALL AND AT SHORT NOTICE HAVE TO BE MATCHED BY THE BANKS ONLY AS TO A MINIMUM OF 25 PER CENT WITH SPECIFIED LIQUID ASSETS- UP TO 75 PER CENT MAY BE LENT OUT TO THE NON-BANK PUBLIC.

THE STATUS OF EXCHANGE FUND BALANCES PLACED ON TIME DEPOSIT WITH BANKS IN HONG KONG WILL NOT BE CHANGED BY THIS BILL: THOSE BALANCES WILL CONTINUE TO BE SUBJECT TO A MINIMUM 25 PER CENT LIQUID ASSETS REQUIREMENT.

BASED ON THE PRESENT MATURITY PATTERN OF THE EXCHANGE FUND'S HONG KONG DOLLAR DEPOSITS, THIS BILL IS NOT EXPECTED TO HAVE AN IMMEDIATE MARKED IMPACT ON THE BANKS HOLDING THOSE DEPOSITS.

BUT IT WILL ALWAYS BE OPEN TO THE GOVERNMENT TO INCREASE THE IMPACT OF THIS AMENDMENT BY CONVERTING PART OF THE FUND'S TIME DEPOSITS (WITH A 25 PER CENT MINIMUM LIQUID ASSETS REQUIREMENT) TO CALL OR SHORT NOTICE DEPOSITS (AND SO SUBJECT TO THE 100 PER CENT LIQUID ASSETS REQUIREMENT).

THE GOVERNMENT SPOKESMAN POINTED OUT THAT THE BILL IS IN NO WAY AN ATTACK ON THE LENDING BEHAVIOUR OF THE BANKS HOLDING THE EXCHANGE FUND DEPOSITS.

RATHER, IT STEMS FROM A REALISATION THAT, UNDER A FLOATING EXCHANGE RATE REGIME, THERE ARE LIKELY TO BE PERIODS WHEN THE GOVERNMENT'S HONG KONG DOLLAR BALANCES (AND, MORE ESPECIALLY, ADDITIONS TO THOSE BALANCES) CANNOT EASILY BE REMOVED FROM THE HONG KONG BANKING SYSTEM BY CONVERTING THEM INTO FOREIGN CURRENCIES.

THE GOVERNMENT HAS, THEREFORE, AN OBLIGATION TO LIMIT THE CONTRIBUTION THAT THESE BALANCES CAN MAKE TO THE GROWTH OF LOANS AND ADVANCES BY THE BANKING SYSTEM AS A WHOLE.

FRIDAY, APRIL 6, 1979

- 3 -

CONTRACT FOR DENTAL TEACHING HOSPITAL SIGNED  
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THE NEW HONG KONG DENTAL TEACHING HOSPITAL TOOK A MAJOR STEP FORWARD TODAY (FRIDAY) WITH THE SIGNING OF A \$97 MILLION CONTRACT FOR THE CONSTRUCTION OF THE MAIN BUILDING.

THE CONTRACT WAS SIGNED BETWEEN MR. TAM CHE-CHEUNG, ACTING CHIEF ARCHITECT OF PWD'S ARCHITECTURAL OFFICE, AND MR. GEORGE TSO, CHAIRMAN AND MANAGING DIRECTOR OF PAUL Y CONSTRUCTION CO. LTD.

MR. TAM SAID THE \$140 MILLION PROJECT IS BEING CARRIED OUT IN TWO STAGES.

+THE \$22 MILLION CONTRACT FOR FOUNDATION WORK, FORMING THE FIRST STAGE, IS NOW NEARING COMPLETION,+ HE SAID.

+WORK ON THE SECOND STAGE, MADE UP OF THE PRESENT CONTRACT AND A FEW SUB-CONTRACTS, WILL BEGIN IMMEDIATELY AFTER THE COMPLETION OF STAGE ONE.+

THE DENTAL TEACHING HOSPITAL IS TO BE BUILT ON A VERY TIGHT AND STEEPLY SLOPING SITE AT THE CORNER OF EASTERN STREET AND HOSPITAL ROAD NEXT TO TSAN YUK HOSPITAL IN SAI YING PUN.

IT WILL BE 11 STOREYS HIGH WITH A FLOOR AREA OF MORE THAN 33,380 SQUARE METRES.

MR. TAM SAID THAT IN VIEW OF THE TOPOGRAPHY, THREE OF THE 11 STOREYS WOULD BE BELOW THE MAIN GROUND FLOOR LEVEL IN HOSPITAL ROAD.

THE BUILDING WILL BE FULLY AIR-CONDITIONED AND THERE WILL BE 241 DENTAL CHAIRS WITH ASSOCIATED WORK PLACES FOR DENTAL CLINICIANS OR STUDENTS WITH DENTAL SURGERY ASSISTANTS IN THE PUBLIC NON-TEACHING CLINIC AND FIVE CLINICAL DENTAL DEPARTMENTS.

THERE ARE ALSO VARIOUS SUPPORTING DEPARTMENTS SUCH AS DENTAL MATERIALS, RADIOGRAPHY AND PHOTOGRAPHY.

IN ADDITION TO THE CLINICAL AND TEACHING LABORATORIES, THERE WILL ALSO BE TWO LECTURE THEATRES, A LIBRARY, FACILITIES FOR RESEARCH, POSTGRADUATE EDUCATION, AND A CANTEEN AND COMMON ROOMS FOR USE BY STAFF AND STUDENTS.

THE PROJECT IS EXPECTED TO BE COMPLETED BY SEPTEMBER NEXT YEAR.

ON COMPLETION, MR. TAM SAID, THE HOSPITAL, TO BE ADMINISTERED BY THE MEDICAL AND HEALTH DEPARTMENT, WOULD PROVIDE DENTAL TEACHING FACILITIES FOR AN ANNUAL INTAKE OF 80 STUDENTS BY THE UNIVERSITY OF HONG KONG.

IT WOULD ALSO PROVIDE AN EMERGENCY DENTAL SERVICE TO THE PUBLIC.

FRIDAY, APRIL 6, 1979

- 4 -

DANGEROUS SUBSTANCES BANNED FROM POSTAL SERVICE

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THE POST OFFICE ANNOUNCED TODAY (FRIDAY) THAT ALL DANGEROUS SUBSTANCES WILL BE PROHIBITED IN THE POSTAL SERVICE WITH IMMEDIATE EFFECT FOLLOWING ITS ADOPTION OF THE INTERNATIONAL AIR TRANSPORT ASSOCIATION'S LIST OF HAZARD DEFINITIONS.

UNDER THE NEW ARRANGEMENT, CERTAIN SUBSTANCES AT PRESENT ACCEPTED UNDER THE SPECIAL PACKING CONDITIONS WILL NO LONGER BE ACCEPTED IN THE POST, A SPOKESMAN FOR THE DEPARTMENT SAID.

THE PROHIBITED ITEMS INCLUDE AEROSOLS= BUTANE GAS LIGHTERS AND REFILLS= RAW CELLULOID AND ARTICLES MADE OF CELLULOID= FLAMMABLE, OXIDISING AND TOXIC SUBSTANCES= PAINTS= VARNISH, ENAMEL AND KINDRED SUBSTANCES WITH A FLASHPOINT BELOW 37.8 DEGREES CELSIUS= INFECTIOUS SUBSTANCES AND FLAMMABLE FILMS.

HOWEVER, ORDINARY FILMS ON SALE IN SHOPS FOR USE IN CAMERAS BY THE GENERAL PUBLIC ARE STILL ACCEPTABLE.

+THE RESPONSIBILITY OF DECIDING WHETHER A PARTICULAR SUBSTANCE IS DANGEROUS RESTS WITH THE SENDER WHO MUST SATISFY HIMSELF ON THIS IMPORTANT POINT BEFORE DECIDING TO USE THE POST,+ THE SPOKESMAN ADDED.

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LADY MACLEHOSE TO SEE CLASSES IN SESSION

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LADY MACLEHOSE WILL SPEND TWO HOURS ON MONDAY (APRIL 9) MORNING TOURING THE HAKING WONG TECHNICAL INSTITUTE IN KOWLOON.

ON ARRIVAL SHE WILL BE MET BY MR. DAN WATERS, ASSISTANT DIRECTOR OF EDUCATION (TECHNICAL) WHO WILL INTRODUCE HER TO MR. HAKING WONG, MR. R. BRAY, PRINCIPAL OF HAKING WONG TECHNICAL INSTITUTE, AND MR. C.L. KO, THE VICE-PRINCIPAL.

LADY MACLEHOSE WILL THEN TOUR THE INSTITUTE TO SEE SOME OF THE CLASSES IN SESSION.

THE DEPARTMENTS SHE WILL BE VISITING ARE MARINE AND FABRICATION, CONSTRUCTION, MECHANICAL ENGINEERING, HOTEL-KEEPING AND TOURISM STUDIES AND ELECTRICAL ENGINEERING.

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NOTE TO EDITORS:

YOU ARE INVITED TO SEND REPRESENTATIVES TO COVER LADY MACLEHOSE'S VISIT TO THE HAKING WONG TECHNICAL INSTITUTE AT 702 LAI CHI KOK ROAD, CHEUNG SHA WAN, KOWLOON. LADY MACLEHOSE IS EXPECTED TO ARRIVE AT THE INSTITUTE AT 11.30 A.M. ON MONDAY (APRIL 9).

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FRIDAY, APRIL 6, 1979

- 5 -

VIOLET PEEL METHADONE DETOXIFICATION CENTRE EXTENDS OPERATING HOURS  
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THE MEDICAL AND HEALTH DEPARTMENT TODAY (FRIDAY) ANNOUNCED THAT THE VIOLET PEEL METHADONE DETOXIFICATION CENTRE IN WAN CHAI WILL EXTEND ITS OPERATING HOURS TO MEET THE INCREASING NEED OF DRUG ADDICTS SEEKING TREATMENT IN THE AREA.

FROM MONDAY, APRIL 9, THE CENTRE WILL BE OPEN DAILY, INCLUDING SATURDAYS, SUNDAYS AND PUBLIC HOLIDAYS, FROM 7.30 A.M. TO 10 P.M. WITHOUT ANY BREAKS.

AT PRESENT, THE VIOLET PEEL CENTRE OPENS FROM 9 A.M. TO 1 P.M., FROM 2 P.M. TO 5 P.M. AND FROM 6 P.M. TO 10 P.M. FROM MONDAY TO FRIDAY AND FROM 9 A.M. TO 1 P.M. AND FROM 6 P.M. TO 10 P.M. ON SATURDAYS, SUNDAYS AND PUBLIC HOLIDAYS.

THE OPENING HOURS FOR THE OTHER 16 METHADONE DETOXIFICATION CENTRES AND FOUR MAINTENANCE CENTRES WILL REMAIN UNCHANGED.

ABOUT 25,000 ADDICTS HAVE NOW REGISTERED WITH THE DEPARTMENT'S METHADONE DETOXIFICATION AND MAINTENANCE TREATMENT PROGRAMMES. AN AVERAGE OF 5,500 PEOPLE ARE ATTENDING DAILY AT THE CENTRES.

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SWD OFFICER TO RECEIVE INTERNATIONAL AWARD  
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MISS LUCY CHING, THE FIRST BLIND WOMAN IN ASIA TO BE SELECTED WINNER OF THE 1979 TAKEO IWAHASHI AWARD FOR OUTSTANDING WORK IN THE FIELD OF WELFARE FOR THE BLIND, WILL BE PRESENTED THE AWARD ON MONDAY.

MISS CHING, A SOCIAL WELFARE OFFICER OF THE SOCIAL WELFARE DEPARTMENT, WILL RECEIVE THE AWARD FROM THE CONSUL-GENERAL OF JAPAN, MR. EIJIRO NODA.

THE DIRECTOR OF SOCIAL WELFARE, MR. THOMAS LEE, WILL ADDRESS THE CEREMONY, FOLLOWING A SPEECH OF WELCOME BY THE CHAIRMAN OF THE HONG KONG SOCIETY FOR THE BLIND, MR. FRED YOUNG.

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NOTE TO EDITORS:

YOU ARE INVITED TO SEND REPRESENTATIVES TO COVER THE PRESENTATION CEREMONY OF THE 1979 TAKEO IWAHASHI AWARD TO MISS LUCY CHING, THE FIRST BLIND WOMAN IN ASIA TO BE SELECTED, ON MONDAY AT 11.30 A.M. AT THE SHERATON HOTEL, FOURTH FLOOR, MING ROOM, TSIM SHA TSUI. THE CONSUL-GENERAL OF JAPAN, MR. EIJIRO NODA, WILL PRESENT THE AWARD.

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SNT PRAISES NT LIFE GUARDS

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MEMBERS OF THE HONG KONG LIFE GUARD CLUB'S NEW TERRITORIES BRANCH WERE PRAISED THIS (FRIDAY) EVENING FOR THEIR VOLUNTARY SERVICES TO THE COMMUNITY BY PROTECTING SWIMMERS AT NEW TERRITORIES BEACHES.

THE TRIBUTE CAME FROM THE SECRETARY FOR THE NEW TERRITORIES, MR. DAVID AKERS-JONES WHEN HE OFFICIATED AT THE INAUGURATION AND PRIZE PRESENTATION CEREMONY OF THE NEW TERRITORIES BRANCH OF THE CLUB.

ADDRESSING THE CEREMONY IN CANTONESE, MR. AKERS-JONES SAID MORE AND MORE PEOPLE ARE GOING TO THE BEACHES IN THE NEW TERRITORIES AND OUTLYING ISLANDS EVERY SUMMER AND, TO PROTECT THEM, THE BRANCH WAS HELPING TO TRAIN MORE YOUNG PEOPLE TO BE VOLUNTARY LIFE GUARDS.

+AND THIS DESERVES PRAISE,+ HE SAID.

AT THE SAME TIME, MR. AKERS-JONES SAID, THE CLUB ALSO ORGANISED A SPECIAL LIFE-SAVING COURSE TO GIVE LIFE-SAVING TECHNIQUE IN OCEAN WAVES -- SO ESSENTIAL FOR LIFE GUARDS ON THE ISLANDS.

+I AM PLEASED TO KNOW THAT 27 PEOPLE HAVE FINISHED THE COURSE AND OBTAINED CERTIFICATES.+

MR. AKERS-JONES NOTED THAT 11 PEOPLE WERE SAVED FROM DROWNING BY LIFE GUARDS OF THE CLUB AND THE URBAN SERVICES DEPARTMENT.

+YOUR BRANCH GAVE AN EXCELLENT PERFORMANCE LAST YEAR. I AM SURE THAT THIS YEAR, UNDER THE GUIDANCE YOUR CHAIRMAN MR. CHAN KANG-FOUT, YOUR BRANCH WILL ACHIEVE EVEN MORE SUCCESSFUL RESULTS,+ HE SAID.

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TWO HIGHWAY PROJECTS RE-GAZETTED

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TWO HIGHWAY PROJECTS -- THE ELEVATED ROAD ALONG CONNAUGHT ROAD AND THE GLOUCESTER ROAD FLYOVER -- HAVE BEEN RE-GAZETTED TODAY (FRIDAY).

THE RE-GAZETTING OF THE TWO PROJECTS RESULTED FROM LEGAL ADVICE ON THE DEFINITION OF +UNDERTAKING+ IN SECTION 2 OF THE STREETS (ALTERATION) ORDINANCE.

+AN ELEVATED ROAD IS A NEW STREET AND NOT AN ALTERATION OF AN EXISTING STREET, EXCEPT WHEN IT AFFECTS THE EXISTING STREET AT GROUND LEVEL,+ A GOVERNMENT SPOKESMAN EXPLAINED.

+IN SUCH CASES IT IS THEREFORE NOT NECESSARY TO GAZETTE THE ENTIRE LENGTH OF THE ELEVATED ROAD UNDER THE STREETS (ALTERATION) ORDINANCE,+ HE SAID.

ACCORDINGLY THE ORIGINAL GAZETTE NOTIFICATIONS FOR THE PROPOSED ELEVATED ROAD ALONG CONNAUGHT ROAD AND FOR THE GLOUCESTER ROAD FLYOVER ARE CANCELLED AND RE-GAZETTED IN TODAY'S (FRIDAY) GOVERNMENT GAZETTE.

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# DAILY INFORMATION BULLETIN

## SUPPLEMENT

Friday, April 6, 1979

Opening statement by H.E. The Governor, Sir Murray MacLehose,  
at a press conference on his visit to China

Firstly it was a goodwill visit; there used to be, as it were, a screen between the Hong Kong official establishment and Chinese officials in Hong Kong, Guangzhou and Peking. As relations improved the screen has gradually dissolved. It has now gone and this our visit demonstrated. We already have close liaison with Chinese officials in Hong Kong, but our second objective was, in addition, to establish direct contact with leaders in Guangdong and Peking. Thirdly and importantly we wished through these contacts to gain an impression of the part the Chinese leaders saw Hong Kong playing in the modernisation programmes, and the way these programmes could affect Hong Kong.

It was not a negotiating visit or a visit to draft agreements. So there could be no question of our coming back with a portfolio of agreements in our pockets.

/The principal .....

The principal significance of the visit was simply that the invitation was issued and that the visit took place. It marked a more normal and franker relationship, and recognition that this would be to our mutual benefit.

You know the places we visited. In Guangzhou, Peking and Guangzhou again we had long discussions with the relevant leaders. The part of the tour to Xian and Lanzhou was purely touristic, though quite fascinating.

You naturally want to know what we discussed. In China visitors are expected to observe a good deal of discretion about what they divulge of confidential discussions with national leaders. I know some visitors make capital out of breaking this custom. But since I hope that this is not the last time a Governor will visit Guangzhou or Peking or be received by national leaders with the frankness we were, I wish to be particularly careful to observe customary discretion. I am sure you will understand this. Nevertheless there is a lot I can say.

First the general way in which they regard Hong Kong. You know the long-standing Chinese position on Hong Kong, that it is part of China and a problem that will be solved when the time is ripe. But the point that was repeatedly stressed to us at all levels was the importance which the Chinese leaders attach to the value of Hong Kong, to the contribution that it could make to the modernisation programmes, to the importance of maintaining investment and confidence in Hong Kong, and of increased

/Hong Kong .....

Hong Kong investment in China. Indeed Vice Premier Deng Xiaoping formally requested me to "ask investors in Hong Kong to put their hearts at ease"; he also asked for encouragement of investment in Guangzhou Province and the rest of China. You will have seen from press reports that in dinner speeches Li Qiang stressed the same points about the value of broader prospects in economic cooperation between Hong Kong and the rest of China, and of Hong Kong investment in China. At all levels they constantly reiterated the same theme; namely the importance to them of the role which Hong Kong is playing and will play as a result of the high level of its industrial, commercial and financial development. This was a frank statement of China's needs. But one can also read into it a most encouraging message.

Now for some of the detail. First of all tourism. They see considerable scope for cooperation in our respective tourist industries. They appear to respect our own industry and believe they can learn from it in the rapid expansion of theirs. They would welcome cooperation in the financing, construction, management and staff training of some of their new hotels; and also in the planning of China tours beginning and ending in Hong Kong. The construction of hotels apparently involves both the Central Travel and Tourist authority in Peking and local planning authorities. Reconciling the respective ideas takes time, and they asked me to ask our syndicates engaged in negotiating hotel contracts to be patient.

/A word about .....

A word about communications. Hong Kong is the best deep-water port available to Guangdong, and also the terminus of the South China railway system. It also is a centre of world-wide sea and air transport. Obviously these aspects are important to China. The through-train is important in itself and also as a beginning of an improved train service in general. They clearly wished to proceed fairly-soon to through-freight services and this is already being examined.

We saw developments of the old and new ports at Whampoa. They are impressive, but depth makes the ports impossible for larger ships of over 20,000 tons and particularly the new generation of container ships and tankers. They are considering how to overcome this, one possibility being more extensive trans-shipment into barges in Hong Kong or other facilities here. They are considering a deep water port at Nantou, but I gathered it was a long-term plan rather than an immediate possibility.

They envisage the further development of air services from Hong Kong to major cities in China in support of tourism and freight.

As you know Shenzhen has been made into a special municipality stretching from the Pearl River Estuary to Mirs Bay. It covers an area larger than Hong Kong. A good deal has been written about this in the local press, I will repeat what we were told. The general plan is to develop it for agriculture, light industry and tourism and to enlist Hong Kong participation.

/The first .....

The first priority of development is intensive forms of agriculture such as the production of dairy products, pigs, poultry, fish and fruit for the Hong Kong market. I gathered that one of the objects was to reduce the demands of long hauls on the Chinese communications system.

They also envisage later an area of light industry between Shekou and Shenzhen. This will include ship breaking, the manufacture of steel wire and paint, and vehicle assembly. They are also planning to develop Shenzhen itself and the Meisha beaches for tourism.

They said that the developments are at present on a small scale, but they hope they will grow with Hong Kong participation. Arrangements for the freer movement of trucks across the bridge at Man Kam To may be necessary as things develop.

Generally speaking Hong Kong participation in industry anywhere is very welcome indeed. But the Guangdong Planning Commission clearly think that the area most likely to attract Hong Kong investors in Guangdong will be Shenzhen.

Incidentally they welcomed the new electricity supply from China Light and Power.

I said that all these ideas were welcome in principle and were being and no doubt would be followed up by the private sector on a basis

/of commercial .....

of commercial judgement. If anything involved official problems they could be discussed but I did not foresee any real difficulties. I mentioned the need to ensure that the requirements of Certificates of Origin were met if joint production for eventual export from Hong Kong was involved.

I do see scope for development of joint production. But all this of course is a matter for the commercial judgement of the private sector.

I should say that I continually stressed the point that there will be no advantage to China in displacing Hong Kong products in third markets. The value of the increase in Chinese exports to third markets would simply be offset by the decrease in prosperity and purchasing power in Hong Kong and therefore of Chinese exports to it. We could both profit only by considering our mutual benefit.

In response to Chinese exhortations for greater economic cooperation and the greater deployment of Hong Kong's industrial, commercial and financial capability for the mutual benefit both of China's modernisation programmes and Hong Kong, I stressed the unique capacity which Hong Kong and her businessmen possessed and the very great contribution they could make given commercially attractive contracts, security for investment and reasonably quick decisions.

We were briefed in detail by the Guangdong Water Engineers on their latest thinking on how to solve our need for increased water supplies after 1982. They have done a lot of work on this and their alternative new schemes which would serve both their need for irrigation

/and ours .....

and ours for water are imaginative and impressive. They hope to be ready to put proposals to our own engineers in September. I found this very encouraging.

I have spoken about some of the ideas put to me in China and my response, but there was in particular one Hong Kong matter in which I wanted to make sure Hong Kong's problems were understood. This was immigration. We are all very worried at the high figures of both legal and illegal immigration from China in spite of repeated representations. Naturally I stressed this issue at all levels in both Guangzhou and Peking. Their replies were entirely sympathetic to Hong Kong's predicament. They said the measures to reduce the number of legals had not been as effective as intended so more would be done. But it would take time. They strongly disapproved of the illegals, and would step up counter measures. They urged us to send back both illegals and over-staying legals. I pointed out the impossibility of sending back over-stayers in present circumstances. They frankly said that the disparity of the standard of living in Hong Kong and neighbouring provinces attracted people. I of course stressed that in coming in such numbers they endangered the standard of life of our own people and our economy. In the long term they thought that greater industrialisation in neighbouring through modernisation and, they hoped, increased Hong Kong investment, would help to stabilise things. They may well be right in this, but I emphasised that it was the short term problem that had to be tackled now. They frankly admitted the difficulty of reconciling their wish to meet Hong Kong's problem with the promulgated policy of freer movement in China. I have no doubt that they have a real problem, particularly having regard to the vast area and number of administrative units involved. The small number of permits issued to those stating that they are coming here for permanent residence is

/no problem.

no problem. Nor are visa holders or the many delegations that are very welcome here or those genuinely in transit to other places. The problem relates to people who come here nominally just to visit relatives but who then stay on. They did not dissent from my insistence that means must be found to make such visits genuine. These can best be achieved through mutual cooperation, and I believe it essential that our officials get down to discussing the mechanics as soon as possible.

With regard to illegals we have strengthened our protective screen in terms of wire, men and boats and will do so further to whatever extent is practical and productive. I believe that they will take their own steps.

A word in conclusion. Our party was treated well, many would say exceptionally well. We were given an excellent briefing in Guangzhou, received in Peking by Deng Xiaoping, Liao Chengzhi, Huang Hua, as well as of course by our host Li Qiang and other senior officials. Moreover the way we were entertained and the travel arrangements made were of a very high order and great pains were taken for our comfort and interest, and on our final and very friendly evening in Guangzhou the Chairman of the Provincial Revolutionary Committee, the newly appointed Chairman of the Guangzhou Committee, several Vice Chairmen and many senior officials were present. All this was not a tribute to us, but I think should be taken as a tribute to Hong Kong and to relations over Hong Kong and to the importance attached to the special role Hong Kong plays in Chinese and Anglo/Chinese economic affairs and to the wish of the Chinese leaders that in our mutual interest there should be the best possible cooperation over it. We heartily reciprocated these sentiments and can draw confidence from them.