



## DAILY INFORMATION BULLETIN

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Transcript of the Governor's media session

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Following is the transcript of the Governor, the Rt Hon Christopher Patten's media session after receiving a 1996 Index of Economic Freedom report from the Heritage Foundation at Government House this (Monday) morning:

Governor: The Heritage Foundation is one of the most prestigious American or indeed global think-tanks. And for some time they've been looking at economies round the world, to see which best exemplify the principles of freedom with which the Foundation has always been associated. I'm delighted that once again they found that Hong Kong comes out top in their index of economic freedom and that this year, we've come unambiguously first in the league table, ahead of Singapore in second place since I read in Singapore newspapers that our crime levels are now lower than Singapore's as well, and that's double reasons for being pleased. I think all of us have got to remember what it is that goes into this index and what it is that explains our prosperity and our stability and our decency as a society. Low taxes, the minimum of government regulation, public spending which is controlled only to allow to rise in line with the growth of the economy and a prudent attitude to economic management as a whole. All those economic policies operating within the rule of law in a free and open market with healthy institutions, professions, churches, non-governmental organisations, all the things you will associate with an open and plural society. It remains our ambition to do everything we can to safe guard all those attributes and I very much hope that we'll be able to keep our place in the index both before and I hope though is not directly for me after 1997 as well, but I would like once again to thank the Heritage Foundation for their interest in Hong Kong and for their objective analysis of our situation here.

End/Monday, November 27, 1995

Hong Kong people's resolve "really vital factor": CS

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The Chief Secretary, Mrs Anson Chan, said today (Monday) that the "really vital factor" in the future of Hong Kong was the resolve of the people of the territory themselves.

Addressing a gathering of almost 200 prominent Italian business people in Milan at the start of her five-day visit to Italy and France, Mrs Chan emphasised that the overwhelming majority of people were determined to make the "one country, two systems" concept work.

"We realise that our future lies with China. We are proud of the contribution that we are making to China's modernisation. We want to be able to continue to contribute. But above all, we are proud of Hong Kong.

"We want to continue to live and work in Hong Kong in exactly the same way as we do now," Mrs Chan said.

The Chief Secretary pointed out that the key to Hong Kong's success was the legal infrastructure on which business depended.

"The rule of law has protected our liberties and allowed free rein to the natural talents and entrepreneurial skills of our overwhelmingly Chinese population, free from the threat of arbitrary intervention in our daily lives.

"The Joint Declaration and the Basic Law recognise that Hong Kong's success as a community and as a business centre depends upon the continuation of its system of government and its way of life beyond 1997.

"And running through the entire document (Joint Declaration) and the Basic Law, is the overriding principle of the rule of law. Hong Kong people are guaranteed their human rights, their freedoms. Freedom of speech, of the press, or assembly, or worship. Freedom to join trade unions. All the freedoms we now enjoy," she said.

Mrs Chan said that good government and the rule of law were the essence of any successful society. Businessmen who could invest anywhere in the world, tended to shy away from places where government was inconsistent, arbitrary and opaque.

"Investors are very wary of places where the laws can be overridden by people in power, places where a business dispute can get you detained incommunicado or where leases and contracts get reinterpreted to suit the other side."

She said these things were understood by the famous Italian artist Lorenzetti in his frescoes on the themes of good and bad government hundreds of years, and they were well understood in Hong Kong today.

Mrs Chan also mocked those who had written off Hong Kong over the years, by pointing out that since the signing of the Joint Declaration in 1984, Hong Kong's GDP had grown in real terms by 84 per cent and its fiscal reserves by over 600 per cent. And since 1989 there had been a 34 per cent increase in GDP and a 147 per cent rise in fiscal reserves.

She said it was only natural that businessmen interested in East Asia wanted to know if the future of Hong Kong would be the same as that mapped out in the Joint Declaration and Basic Law. But, anyone visiting Hong Kong now would see plenty of signs of confident planning for the future, such as the new airport and new building projects which were taking shape throughout the territory.

However, the Chief Secretary acknowledged that there were concerns about the transition.

"We have difficulties getting the provisions of the Joint Declaration into place, especially since 1989. But piece by piece the flesh has been put on the bones of that agreement over the past 10 years and the work continues," she said.

While it was hardly surprising there had been public disagreements between Britain and China, Mrs Chan stressed that they were both committed to the full implementation of the Joint Declaration and Basic Law.

"For Europe, Hong Kong after 1997, will continue to be a place where East and West meet successfully. A place where Europeans can live and work and thrive at the centre of the world's most dynamic region," Mrs Chan concluded.

During her visit to Milan today, the Chief Secretary was guest at a breakfast meeting hosted by the chairman of the Italy Hong Kong Association, Mr Mario Boselli; met the Chairman of the Italian Stock Exchange, Dr Attilio Ventura; and held discussions with the President of the Lombardy Government, Dr Roberto Formigoni, and other regional ministers. She has also given a number of media interviews.

Mrs Chan will be in Rome tomorrow (Tuesday) for further meetings with government and business leaders.

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## Hong Kong remains freest economy in the world

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Hong Kong maintains its position as the freest economy in the world, according to the 1996 Index of Economic Freedom released by the Heritage Foundation today (Monday).

The Government welcomes the results of the study and agrees with the observation that economic freedom was a crucial factor contributory to economic prosperity.

The report, which was presented to the Governor, the Rt Hon Christopher Patten, this morning, recognises that in Hong Kong, the Government does not interfere in the marketplace and that taxes are low and predictable.

A government spokesman said it was encouraging to see that Hong Kong attained top score in most of the key areas under assessment.

"The Government will continue to make every effort, as in the past, to maintain freedom and enhance further the competitive edge of the Hong Kong economy," he said.

He agreed with the study that the more a government interfered in the free market, the more it hampered economic growth and lowered the living standard of its citizens.

It is noted that the study recognises that foreign trade is free in Hong Kong where regulations are transparent and applied uniformly and consistently and that government spending increases are closely linked to economic growth.

Moreover, the study also acknowledges that in Hong Kong, there are virtually no barriers to foreign investment and very high protection of private property rights.

The Index of Economic Freedom aims to measure the degree of freedom an economy enjoys in such key areas as trade, tax, monetary, banking policies and capital flows, foreign investment and property rights.

It has been compiled by the Heritage Foundation, an influential think-tank in Washington DC, USA, for the second consecutive year.

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FS welcomes results of economic freedom study

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The Financial Secretary, Mr Donald Tsang, today (Monday) welcomed the 1996 Index of Economic Freedom released by the Heritage Foundation, which ranked Hong Kong the freest economy in the world.

The study, which covered a total of 142 economies in the world, was released by the US-based research institute today.

Mr Tsang said: "We firmly believe in private enterprise and small government, so that business will have the freedom and the opportunity to generate the wealth our economy needs.

"That is why we have held fast to the rule that over time public expenditure grows no faster than the economy as a whole.

"Hong Kong Government will keep up its efforts in maintaining a business friendly environment, a clean and efficient government, a simple and low taxation system, and the rule of law."

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Two lots of land sold for \$202 million

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Two lots of government land were sold for a total of \$202 million at a public auction held by the Lands Department this (Monday) afternoon.

The first lot located in 26 Mount Kellett Road, the Peak, was bought by Global Success Enterprises Limited at \$107 million, with bidding opening at \$80 million.

With an area of 1,936.1 square metres, the lot is designated for private residential use.

The developer has to complete a gross floor area of not less than 746 square metres on or before December 31, 1998.

The second lot located in Wo Tik Street, Tsuen Wan, was sold to Wide Fame Investment Limited at \$95 million, with bidding opening at \$72 million.

It has an area of 572 square metres for non-industrial use, excluding godown and hotel.

The developer has to complete a gross floor area of not less than 2,204 square metres on or before December 31, 1998.

Held in the Concert Hall of the Hong Kong Cultural Centre, Tsim Sha Tsui, the auction was conducted by Government Land Agent, Mr Herbert Leung Yuk-she.

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#### New US rules of origin scheduled for next year

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Deputy Director-General of Trade, Mr Thomas Yiu, said today (Monday) that some of the new US origin rules were drastically different from its well-established rules.

"They force Hong Kong industry to make adjustments and will likely have direct adverse effects on the relevant Hong Kong traders," he said.

Speaking at the Tai Po Rotary Club, Mr Yiu said US has scheduled to unilaterally impose new origin rules, as required by the US Uruguay Round Agreements Act (URAA), for certain textiles and clothing imports on July 1 next year.

He said the Trade Department had completed a preliminary impact assessment and explained the department's objections to the new rules.

"Essentially, the new rules require the origin of most cut and sewn garments and their component parts to be determined by where the goods are assembled, as opposed to the existing rules which use cutting of fabric as the main determinant of origin," he said.

"The new rules are therefore a drastic departure from US current principle and practice, which have been in place for almost 10 years.

"Such drastic change will fundamentally disrupt trade patterns, affect the balance of rights and obligations established in bilateral agreements, impede legitimate market access, and nullify or impair benefits under the GATT.

"Furthermore, current origin rules are also part of the balance of rights and obligations which were the basis for the negotiation and conclusion of the Uruguay Round Agreement on Textiles and Clothing, which since January 1, 1995, has become the multilateral instrument under the World Trade Organisation governing international trade in textiles and clothing.

"Finally, under the Uruguay Round Agreement on Rules of Origin, the participants agreed to work collectively to harmonise their origin rules. "The US move to change its rules unilaterally now pre-empts that exercise, and could impede the harmonisation effort."

Mr Yiu said Hong Kong's objection had been conveyed repeatedly to the US Government.

"We will continue to make known our position to the US," he said.

As regards impact of the new rules on Hong Kong exports to the US, Mr Yiu said exports of finished fabrics and textiles made-up articles could be seriously affected.

"The new US rules require fabric forming as the origin-conferring process for both types of products," he said.

"Therefore, under the new rules, fabrics finished and decorated in Hong Kong using imported grey fabrics will no longer be accepted by the US as product of Hong Kong origin. "Similarly, textiles made-up articles assembled in Hong Kong using imported fabrics will not be regarded as product of Hong Kong origin.

"Taking these two types of products together, using 1994 figures the value of trade affected could be as high as HK\$235 million."

For cut and sewn garments, Mr Yiu said it was difficult at this stage to accurately assess the impact of the new rules.

"While the new rules require assembling as origin conferring, at the same time they allow that minor attachments, minor embellishments, and minor subassemblies will not affect the status of a good as wholly assembled in a single place," he said.

"However, the new rules do not provide sufficient explanations as to what exactly are such minor processes. This gives rise to uncertainty which is not helpful to trade."

On way forward, Mr Yiu said Hong Kong has formally requested bilateral consultation with the US.

"If consultations fail to produce satisfactory results, Hong Kong will have to consider taking appropriate steps to safeguard our trading interests and our rights under the Uruguay Round Agreement on Textiles and Clothing," he stressed.

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Waiver letters regarding Yau Yat Chuen estate will be issued

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The Government announced today (Monday) its decision to issue a waiver letter confirming that no lease enforcement action will be taken against a breach of the detached or semi-detached private residence covenant contained in individual leases in Yau Yat Chuen Estate for the life of the existing building.

The letter will be issued by the Legal Advisory and Conveyancing Office of the Lands Department upon request of the owners.

A government spokesman said: "This letter has been drafted with the express intention of removing the title problem presented by a recent court decision which involved an earlier version of such a letter.

"The new letter, which has received the agreement of the Law Society, should allay any concern owners of flats in Yau Yat Chuen may have concerning Government's intention with regard to lease enforcement action due to breaches of the aforesaid covenant.

"However, it should be stressed that the letter is expressly limited to the existing building, and does not apply to redevelopments."

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Inaugural issue of 7-Year exchange fund notes well received

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There was a good market response to the tender today (Monday) for the first issue of 7-year exchange fund notes, which matures in 2002, according to the Hong Kong Monetary Authority (HKMA).

The 7-year notes, which carried a coupon rate of 6.82% were 6.64 times oversubscribed.

The average accepted tender price was 99.86, providing an annualised yield of 6.96%, or about 106 basis points above that for 7-year US Treasury notes.

"The result of this landmark tender is very encouraging," said the Chief Executive of HKMA, Mr Joseph Yam.

"The successful launch of the 7-year notes has established an important and reliable benchmark for Hong Kong dollar debt in the seven year area.

"The high oversubscription ratio reflects a strong demand from the market on longer-dated Exchange Fund paper, and the strong investor confidence in the link exchange rate system and the future of Hong Kong."

The introduction of the 7-year notes marks another milestone in the development of the Exchange Fund Note Programme which was introduced in May 1993, with the launch of 2-year Notes to replace the 2-year government bonds. This was followed by the launch of 3-year notes in October 1993 and 5-year notes in September last year.

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Activities mark the World AIDS Day

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A wide range of activities have been organised by the AIDS Unit of the Department of Health and other non-government organisations from late November to mid December in support of the World AIDS Day on December 1.

The planned activities include a series of exhibitions to promote public's awareness on AIDS including a photograph exhibition at the Plaza of the Headquarters of HongkongBank from December 1 to 9 and a STD/AIDS exhibition at the Department of Health's social hygiene clinics from November 27 to December 8.

Other promotional activities including charity sale, candle light vigil, carnival, seminars, public meeting, and a safe sex kit distribution.

Members of the public are welcome to take part in these activities.

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Water storage figure

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Storage in Hong Kong's reservoirs at 9 am today (Monday) stood at 98.1 per cent of capacity or 574.992 million cubic metres.

This time last year the reservoirs contained 499.506 million cubic metres of water, representing 85.2 per cent of capacity.

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Hong Kong Monetary Authority tender results

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Tender Date	27 Nov 1995
Paper on offer	EF notes
Issue number	7211
Amount Applied	HKD3,820 MN
Amount allotted	HKD500 MN
Average price (yield) accepted	99.86 (6.96 PCT)
Lowest price (yield) accepted	99.86 (6.96 PCT)
Pro rata ratio	About 25 PCT
Average Tender price (yield)	99.75 (6.98 PCT)

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Hong Kong Monetary Authority money market operations

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	\$ million	Time (hours)	Cumulative change (\$million)
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Opening balance in the account	1,014	0930	+257
Closing balance in the account	2,064	1000	+257
Change attributable to :		1100	+257
Money market activity	+257	1200	+257
LAF today	+793	1500	+257
		1600	+257

LAF rate 4.25% bid/6.25% offer TWI 122.2 \*+0.0\* 27.11.95

Hong Kong Monetary Authority

EF bills		EF notes				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	5.60	2 years	2711	5.60	99.93	5.72
1 month	5.57	3 years	3810	6.15	100.66	5.98
3 months	5.56	5 years	5009	6.95	101.95	6.57
6 months	5.56	5 years	M502	7.30	101.11	7.15
12 months	5.57					

Total turnover of EF bills and notes - \$12,923 million

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