



DAILY INFORMATION BULLETIN

ISSUED BY GOVERNMENT INFORMATION SERVICES

BEACONSFIELD HOUSE, HONG KONG. TEL.: 2842 8777

Monday, October 23, 1995

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Governor's Q&A session at HK Business Conference in London

Following is the transcript of the Governor, the Rt Hon Christopher Patten's question-and-answer session after his speech at the Hong Kong Business Conference at Hilton Hotel in London today (Monday):

David Allan (Allwines Ltd): I am Managing Director of a company selling wine investment and we have a lot of customers in Hong Kong. Nobody so far has mentioned the word "communism", and the Chinese are still probably the only communist state in the world that still advocates the system. On that basis, how do you trust the guarantees that they make if they still wish to present the face of communism as a workable system to the world?

Governor: To be fair, the Chinese do not often mention communism; they mention a socialism and perhaps some would believe practised what I heard happily described as "market Leninism"! The real guarantee, and I do not deny that it is uniquely difficult almost to carry through, is one country/two systems. We have had some examples in world history of one country/two systems as a concept working. If there are any Scots present today, and usually when you talk about Hong Kong there are Scots present, I think you could argue that the Act of Union between England and Scotland had been a successful example of one country/two systems. Any Germans present might not regard what had happened in Germany at the end of the War as a successful example of one country/two systems. So you can think of examples of it working and examples of it not working. What it requires is considerable sophistication and deftness of touch on the part of the Government in Peking, and it requires a degree of moderation and restraint on the part of the community in Hong Kong, which I believe they have shown again and again.

What has always to me been one of the most extraordinary features of political development in Hong Kong is how moderate our political dialogue is. If you compare the events through which Hong Kong has lived and consider the implications of 1997 with what happens elsewhere in the region, for me it is an astonishing fact and a very encouraging one that there is so little extremism in Hong Kong and in the political debate. Somebody perhaps not intending to be helpful said that they thought the political argument in Hong Kong about social and economic policy ran from about me to Tony Blair, which gives you some idea of how extensive the argument is!

I come back to what I said earlier. I cannot give you any guarantee beyond the words that are on the paper in the Joint Declaration. I can guarantee that I will go on doing my best to make a reality of what the Joint Declaration says, even when it occasionally makes me a shade unpopular. Beyond that, it seems to me that there is not only Chinese honour but Chinese national interest in ensuring that those guarantees hold, and I am encouraged to think that they will by my very strong belief that what is happening in Hong Kong is very like what is happening elsewhere in Asia from Korea, Thailand and so on to other communities where there is not perhaps the same degree yet of economic or political development.

Andrew Cummins (Inchcape plc): I have written down two issues. There is obviously the whole issue of political uncertainty. The other issue I think most of our companies are trying to get to grips with is the issue of rising costs, which are forcing us to take some of our ... out of Hong Kong. Could you perhaps comment on that, Governor?

Governor: On rising costs? We have managed to retain our price competitiveness in exports in part because we have taken advantage of lower labour unit costs in Canton and elsewhere in the region, though some of that competitive advantage is starting to be hit by increasing labour costs in those areas.

It is important to keep this debate within commonsense parameters. The world economic forum has just rated Hong Kong, for all the problems we have had about inflation and costs, the third most competitive economy in the world. Last year we were fourth; this year they have pushed us up to third.

The downside is first of all the cost of property, commercial property and domestic rental; secondly, the cost, at least until recently, of employment.

There are limits to what we can do on either, though I think we did manage last year to take the top off the inflation in domestic property prices with a quite successful and well-targeted series of measures, which took the steam out of the property sector without leaving it flat on its back. However, so long as one is in a position in which there is such a limit to supply and a continuing increase in demand, it is very difficult to do all that much about market-driven increases in property prices.

On the labour front, I think that the labour market is now a lot tighter, which is having some effect on labour costs. We cannot use, as you know because of the wholly necessary link to the US dollar, monetary policy in a conventional way to cope with inflation. However, inflation has come down from 13.9 per cent at its peak just before I go to Hong Kong to about 8.3 per cent in the latest figures, and we will go on bearing down on it, trying to reduce those costs.

We have in government to do what we can through, for example, making the costs of government as lean and competitive as possible. We also have to ensure that we give business support in other areas where we can. I am sorry that I cannot give you a promise that rentals or labour market prices will fall immediately or tomorrow but we are battling away as hard as we can in areas where we can make a bit of a difference.

End/Monday, October 23, 1995

Governor's Q&A session at the University of Buckingham

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Following is the transcript of the Governor, the Rt Hon Christopher Patten's question-and-answer session after his speech at the University of Buckingham in London today (Monday):

Question: Can I prefix my question with a small illustration? You mentioned the Chinese attacks upon you. I am reminded of another governor who equally suffered from Chinese attacks. In January 1857 in the dead of night, the Chinese agents stole into the cell bakery and put a large quantity of arsenic into the dough. The following day, the Governor, then Sir John Bowring, and his family sat down to breakfast and devoured the bread. Fortunately, the assassin made one fundamental error. In his anti-British enthusiasm, he put too much arsenic into the dough and as a consequence, the moment the bread hit the gubernatorial stomach wall, it was unceremoniously rejected!

To what extent have the attacks made on you by the current Chinese government on you been overdosed, and what has been the effect on you and your family of these attacks?

Governor: If you have taken part in the cut and thrust of debate at Westminster, if you have been (and I won't weary you with my entire obituary) not only Chairman of the Conservative Party, but also the Minister responsible (poor fellow!) for the introduction of the poll tax, all these things are relative! I have been called some extraordinary things in the past. I have been called a whore and a prostitute; it has been said that I am condemned for a 1000 years; for reasons which now escape me, I have been called a tango dancer and once I was called a sly lawyer, which, as I pointed out at the time, was short for an oxymoron!

I think there is something else that one learns from the cut and thrust of political debate in an open society, and that is that when you have the better of the argument, others abuse you rather than connect with the arguments that you are putting forward. All that is now, thank heavens, in the past.

There is a more serious element that I might just mention. It was sometimes said that the purpose of the attacks was to put the wind up the people of Hong Kong. In 1991, they voted very substantially for pro-Democracy candidates in the elections. Flush in the pan? Four years later, all those verbals, and they still vote in the same sort of proportions for pro-Democracy candidates. If that was the intention, it has certainly not worked, but I look forward to the day when only compliments rain down, which perhaps suggests that I should not do anything political after this!

Question: How viable in your opinion, following the events in Hong Kong, is the proposition to establish one country with two systems which would encompass effectively, a socialist with a capitalist system?

Governor: One country/two systems is exceptionally hard to make work anywhere. It has been tried elsewhere. I suppose the best local example of it working was the Act of Union in the United Kingdom which brought Scotland and England together within the same nation state, but retaining their independent legal systems and churches, etc. But elsewhere it has not always been so successful. One country/two systems was not a spectacular success in Germany for example. It is difficult.

It is difficult for China, it is difficult for Britain, it is difficult for Hong Kong. Nobody should underestimate those difficulties. For China to make it work will involve great sophistication, great self-restraint and perhaps rather more understanding of what it is that makes Hong Kong work than has been shown by some Chinese officials in recent years. Hong Kong itself will also have to show a degree of restraint if it is to work.

I go back to something I said in my earlier remarks. I happen to think that in Asia as elsewhere, the future will not just lie with those who can produce for a time the fastest rate of GDP growth. I think the future will lie with those who can best combine economic freedom and human dignity. Hong Kong does that remarkably successfully today, which gives me some confidence that it will be able to do that for the foreseeable future.

Question: In your view, what is there to stop the Chinese nationalising the industries? I know that is against the agreement, but in practice presumably they could do that.

Governor: They would be breaching the Joint Declaration were they to try to overturn the way that the Hong Kong economy was run and managed. Since they are attempting to run their own economy in an increasingly capitalist way introducing market principles wherever possible, I do not think they would seek to change things dramatically or fundamentally in Hong Kong. Hong Kong has been described variously over the last year as the freest economy in the world by the American Heritage Foundation, as the most business friendly economy in the world by the leading American business magazine. It came third recently in the league table of world competitiveness. It is a success story which I do not think China would want to dismantle.

It is important that Chinese officials should understand that part of the success of a market economy like ours is that business takes place on a level playing-field within the parameters of the Rule of Law, and that is not something which Chinese officials are accustomed to.

Question: I would just like to say that when I have been in Asia, one thing that has struck me about Hong Kong is that the press comes as a breath of fresh air. Do you feel that perhaps that the South China Morning Post should start with self-censorship and perhaps in 1997 will just report on what the Chief Executive said today?

Governor: One has to regularly remind oneself as a politician, as a governmental figure that even though it would wonderful if all the newspapers did was to celebrate your successes and report your words as you said them or as you meant to say them! Were that to happen it would perhaps be a reflection of a rather disagreeable society. Hong Kong enjoys a free press, it enjoys free speech, and in my judgment the greatest threat to those things is not the heavy-handed censor, but the self-censorship which you mentioned.

To be candid, we see examples of it already and that is the view too of many of the members of the journalist profession in Hong Kong. It underlines a point which I feel very strongly, that Hong Kong will remain an open and free society provided people want it to enough. It will continue to have a free press, provided journalists, editors and proprietors want that sufficiently. While there are examples of self-censorship, there are also examples of the press behaving as the press should in a free society.

Question: I think it was in September you caused quite a stir on Any Questions about suggesting passports for three million Chinese. You were probably misquoted! What was the reaction in Hong Kong to that broadcast or the reports of that broadcast? Also, what were the responses in China, if there was any response at all?

Governor: First of all, I was not misquoted! I delivered the remarks in our own ballroom in Government House. I am sure every house has a ballroom! It is our "Great Hall of the People"! We were doing an Any Questions programme to a packed audience, about 300 people, in the ballroom. It went very well. A question came up about Britain's responsibilities to the people of Hong Kong, whether they should have full British passports and the Governor of Hong Kong gave the answer which governors of Hong Kong had given ever since 1989. I repeated what had been the Hong Kong Government's position for six years, and therefore in the hall and in Hong Kong, a leaf did not drop! It was not remotely controversial since people would have regarded it as being amazing if I had said anything else.

It hit the United Kingdom on a slow news weekend with one or two 'rent a quote' MPs ('Would you agree Mr X that -?'. 'Yes, I would'. 'It's a monstrous outrage', says Mr X!). It became very apparent that people in Hong Kong knew more about the British Government's policy on the issue and the Labour Party's policy on the issue than perhaps the political parties in this country knew about our policy on the issue.

The situation is simply this. Ever since 1989, we have argued that a British passport in the hands of a British citizen in Hong Kong should be more than a travel document. It should entitle the person possessing it to the right of abode in the United Kingdom as well as the right to travel, not thinking that three million are about to descend on the United Kingdom, any more than the three million or so who have the right to come and live here from the European Union are likely to do so!

I hate to sound as though people are picky, but in the last four years, the figures for Hong Kong emigration go like this: 140,000 have gone to live in Canada, a lot of them in what is now called Hongcouver! 70,000 have gone to live in the United States; about 55,000 in Australia; 17,000 in New Zealand; 5,000 have come to live in the United Kingdom. For one reason or another, the United Kingdom has not been the favoured destination!

The Canadian Commissioner for Hong Kong said to me the other day, looking at the spectacular increase in Canadian exports to Hong Kong, 'you see what you are missing'!

I only make those points because they illustrate an underlying argument, that the point about passports which my predecessor, Lord Wilson, made and which I made as well, is basically one about the moral responsibility which we should feel as a community for Hong Kong, rather than being a practical question of immigration policy. But, I think we are well enough informed in Hong Kong to realise that this is unlikely to feature on the agenda of any of the political parties, unlikely to feature in their manifestos for the next election.

But there are a number of related issues which we will continue to argue very vigorously. For example, the position of that of the ethnic minority in Hong Kong, about 7,000 of South Asian extraction, who will be left in 1997, some of them with no place where they have right of abode, and we will also be putting the case for visa-free access for people of Hong Kong not only to Britain but elsewhere too. There are a number of related passport and nationality issues.

Going back to your question, I have been on Any Questions about 20 times over the years. Once or twice I have made a splash by saying something which it turned out after I said it was not actually the Government's policy! This is the first time I have ever made a splash by saying something which has been the Government's policy for six years!

End/Monday, October 23, 1995

Governor's speech at the HK Business Conference in London

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Following is the keynote address, Hong Kong: Best for Business Seminar, by the Governor, the Rt Hon Christopher Patten at the Hong Kong Business Conference at Hilton Hotel in London today (Monday):

David, thank you very much indeed for that speech and that warm introduction. You have stolen in those excellent remarks a good deal of my thunder, which should enable me to finish in rather more abbreviated time and give all of you a little more time to ask some questions.

However, there is one point on which I wish to give you some assurance straight away. You mentioned, David, that during your years staying at Government House you had gradually lost any view of the harbour. The good news is that you can now see the harbour again from Government House; the bad news is that you can see the harbour from Government House because they have knocked down the Hilton Hotel! The further bad news is that they are shortly going to replace the Hilton Hotel with an even larger building, but that, as you know, is the Hong Kong way.

I would like to thank not only you, I would like to thank the Institute of Directors and all our sponsors for organising this conference, which I hope will introduce many more people to the spectacular success story that Hong Kong represents and I believe will continue to represent.

A sense of history is of course almost as rare as a sense of proportion. It may be even more rare among some who regularly comment on Hong Kong. However, I think it is sensible to keep hold of both - both a sense of history and a sense of proportion - and perhaps also retain a sense of humour if you want to stand any chance at all of getting it right when you are commenting on Hong Kong.

In Hong Kong, we are approaching in just over 600 days one of the most important events - and this is not an exaggeration - not just in our history but in everyone's history in this decade. The transfer of sovereignty, a unique event, from the United Kingdom to China with all the guarantees that Hong Kong, one of the richest, most successful cities in the world, will stay the same.

Will it stay the same? Will it become even more successful or will it slither downhill? That is a proposition which is put from time to time and sometimes induces a degree of schizophrenia. One of the leading American business magazines last year did a poll and announced on the front page that Hong Kong was the most business-friendly city in the world. Six months later on the front page it announced the imminent death of Hong Kong. Magazines of course do not have to be as consistent

as Governors but it was a reminder of the sort of changes in mood that we have had to deal with in Hong Kong and will need to continue to deal with.

What happens after 1997 is of course not strictly my business. I am responsible for Hong Kong until 30 June 1997. I can do everything possible to build the foundations for a prosperous future in Hong Kong but there is obviously some frustration that there are limits to my ability to give reassurance about what is going to happen after my departure. However, let me try to apply to that question that sense of history and proportion, which I mentioned earlier. Let me challenge those who are critical about Hong Kong's prospects to look back a little, say, to earlier than last Tuesday or the Tuesday before that, which is most people's notion of history, and let me look at what has happened since three events in our recent history, all of which have been regarded as extremely important. I want to recall what was said at the time and see what has happened since.

Let me begin with 1984. 1984 was the year when we successfully negotiated with China the Joint Declaration, and that successful outcome was not greeted with all the hoorays and hosannas that you might have expected. There were widespread predictions of disaster in the years up to and beyond 1997. Hong Kong, it was suggested, was finished. Hong Kong would run down as people and capital fled before 1997. One of the leading international business magazines I noticed said that there would be no new construction projects after 1984 - no new construction projects. For Hong Kong it was suggested the lights were going out.

Since then, and you do not have to check this with the China Light and Power, of course many more lights in Hong Kong have gone on. Hong Kong has been transformed by one construction project after another. In our airport, we have the largest civil engineering project in the world, completing what will be by far the busiest airport. We have built tunnels, roads, housing. When I went to Hong Kong, we promised that we would complete one hundred new flats a day; we have actually been completing 117 new flats a day; commercial buildings and two bridges, which will I believe put their architectural stamp on the community and on the region. So there are no lights going out.

Since 1984, we have enjoyed an 84 per cent increase in real terms in our GDP. We have seen an increase in investment of 106 per cent. Our export of manufactures have gone up by over 400 per cent. Our export of services has gone up by 142 per cent. Taxes have of course been cut, because it is Hong Kong, and at the same time as we have cut taxes our fiscal reserves have gone up by over 600 per cent. So as disasters go, what has happened in Hong Kong has been pretty comfortable.

Let me take the next cathartic, and understandably cathartic, effect in our recent history. The killings in and around Tiananmen Square in 1989, which had a dramatic effect on international opinion and in particular on sentiment about Hong Kong. There

were people who said that there would be a flight of capital, a "tidal wave" - those were the words used - a tidal wave of emigration was forecast. At the end of the year, one of our newspapers headlined its editorial with the words "The Bell is Tolling for Hong Kong Confidence".

Well, since then the bells have gone on ringing. We have had since 1989 a 34 per cent increase in GDP in real terms. We have had a 50 per cent increase in investment; exports of goods have increased by 116 per cent; exports of services by about 58 per cent; more tax cuts; fiscal reserves up 147 per cent. Ringing bells!

Fast forward the button and arrive at the winter of 1993, when Chinese officials were attacking us for the proposals that we had put forward to deliver on the promises that had been made by, among others, the cabinet to the people of Hong Kong in the middle 1980s for a measured process of democratisation. Every day there was a new fusillade and people forecast that the roof would fall in, that we would never be able to do business with China again.

What has happened in the last three years in Hong Kong? An 18 per cent increase in our GDP, a 31 per cent increase in investment, exports in goods up by 43 per cent, export in services up by 31 per cent, tax cuts in each of the last three years, our fiscal reserves increased by 57 per cent so they are at present standing at HK\$151 billion.

Hong Kong has become over the last few years, as David was saying earlier, the world's fifth largest stock market. The Hang Seng Index, which was tipped to fall below 900 after the Joint Declaration now trades at about 10,000. Hong Kong, as David mentioned, is the fifth largest centre for foreign exchange dealing in the world.

As for doing business with China, we had our elections last month for the first time for a wholly elected Legislative Council. We had the biggest ever turnout in elections, just as Hong Kong was promised in the Joint Declaration and the Basic Law, it all went off extremely smoothly. In the summer before those elections, we concluded two major agreements with China: one after a long and elaborate series of discussions on the financing of the airport; one on the judicial transition, on the transition for the administration of justice and in particular for the important establishment of a Court of Final Appeal in Hong Kong.

A couple of weeks after the elections, we had a very successful meeting in London between the foreign ministers of Britain and the PRC, at which a number of extremely important agreements on transitional issues were reached, particularly affecting the transition for the Civil Service. So the doomsters were proved wrong once again.

I guess as a sense in which I could rest the case I want to make on these statistics, showing what Hong Kong has actually done, despite all the wiseacre predictions, modesty and political caution stops me making any comparisons with what has been achieved in, say, any European economies over a comparable period to the one I have been talking about.

At the very least, at the very least, the figures which I have mentioned to you show that a city that keeps on being killed off in the headlines is still remarkably spritely. You may remember that line in one of the Marks brothers films, when Groucho with somebody slumped drunk over the table says about the imbibor: "Either he is dead or my watch has stopped!" Well, nobody could make that mistake about Hong Kong. As has often been said, anyone who betted against Hong Kong, who betted against Hong Kong in 1984, in 1989, in 1992, lost.

Why did they lose and why did Hong Kong win? First, because in my judgment the system in Hong Kong is so astonishingly resilient. Hong Kong has coped over 40-45 years with the turbulence of living on the threshold of sometimes volcanic events to the North. Hong Kong has not just coped; Hong Kong has prospered.

Hong Kong is a free society made up very largely of refugees: refugees from Canton, refugees from Shanghai, and their energy, their hard work combined with some British ingredients which I want to come to in a moment, have produced this astonishingly successful economy. Six million people running an economy which is equivalent to 26 per cent of China's GDP - just think of that.

As David said, the fifth largest trading community in the world, I normally say the eighth largest because to say the fifth largest involves counting the European Union as one, and I am never quite sure whether that is politically correct or not! However, I am pleased to take my lead from David. Hong Kong as an export market is for Britain three times the size of China in terms of what we manage to sell.

What are those British ingredients, which put together with Chinese entrepreneurialism and hard work, have created this astonishing success story? First of all, the Rule of Law and the impartial administration of justice, so that there is a level playing field for business. A good, clean, public administration. A meritocratic Civil Service, which is open and accountable to the community. I now run what is almost entirely at the senior levels a Chinese administration. We have a good police force with figures for crime which are comparable to those in, say, Singapore, and a great deal better than those in most European or North American communities.

We have all the freedoms of a plural society: a free press, free worship, free assembly - what Rab Butler once called all the "noises of freedom".

We have also pursued over the years sensible economic policies. We have now had 35 years of uninterrupted economic growth. It might actually be more than 35 but we only started collecting the figures 35 years ago, so we are pretty modest about it.

Public spending has been kept under control. We distinguish, which seems to me to be pretty sensible, between capital and current spending, and we ensure that current spending is not allowed to rise year on year by more than the trend rate of growth in the economy as a whole. That means that all government expenditure, public expenditure defined as its widest, represents about 18.5 per cent - yes, you heard that right, 18.5 per cent - of GDP. When I leave in 1997, public spending will be lower as a proportion of GDP than it was in the early 1980s, and that is despite a substantial programme of improvement in housing, in welfare, in healthcare, in education over the last few years. We have actually increased our expenditure on the elderly by 50 per cent in real terms over the last three years, our expenditure on social welfare by almost the same, our expenditure on education and research by comparable amounts, but because of our economic growth, we have managed to ensure that public spending does not take a larger and larger proportion of our overall income.

We have also managed to ensure that we can go on cutting taxes. As I think you will know, the top rate of tax in Hong Kong is 15 per cent on salaries and that is paid by 2 per cent of the working population. Sometimes I am told that we should introduce tax breaks in Hong Kong. People only introduce tax breaks in communities where, once you start paying tax, you pay at rather higher levels than we impose in Hong Kong.

We have one of the most open economies in the world, it is true, which people sometimes criticise for; that there is now rather more regulation in financial markets; that we are concerned about quality controls, so that we can know that "Made in Hong Kong" represents a quality product. We are also much tougher than we were on health and safety regulations in industry, particularly in the construction industry, where our figures are still appallingly bad. All that said, the Heritage Foundation has still awarded us the prize as the freest economy in the world, and I intend that things should stay that way.

So Hong Kong represents, both in terms of economic and in terms of social progress, an astonishing success story. Will it change in 1997? It should not change. There are guarantees that it will not change, and of course the story of Hong Kong's success has produced its own momentum it has the commitment of the people of Hong Kong behind the values which have helped to create this economic success story.

However, people sometimes ask are not Hong Kongers already voting with their feet? Well, hardly. The major social issue that we face at the moment is unemployment. Unemployment has climbed and you may regard it as surprising and

you may regard it as itself a statement about Hong Kong, that this is understandably such a live social issue in Hong Kong. Unemployment has climbed to 3.5 per cent.

The principal reason for the increase in unemployment in Hong Kong is that the size of our workforce over the last year has increased by 4.3 per cent and we have only created slightly under 3 per cent more jobs. Why has the size of our workforce increased? One reason is emigrants to Canada, to Australia and elsewhere, who have been returning to Hong Kong to resume their lives and to resume their careers in the community where they were born or in which they lived for many years.

We still attract many foreign nationals, who come to work in Hong Kong. At the end of last year, there were over 32,000 from the United States, that was up 9,000 since 1992; 27,000 from the United Kingdom, again up 9,000 over the previous three years; over 25,000 from Canada, up 8,000; nearly 20,000 from Australia, up 5,000; nearly 20,000 from Japan, up 7,000. They have not come to Hong Kong because they think Hong Kong is on the ropes. They have come to Hong Kong because they think that it offers more opportunities for them than are available to them at home. They are working for some of the 4,000 or so foreign companies which are present in Hong Kong.

Of course it is true that some of those foreign companies have been leaving. In the first half of the year, 115 companies stopped their Hong Kong operations. On the other hand, 338 companies started business in Hong Kong, which is I believe a pretty healthy surplus.

I am also confident about the future of Hong Kong, because of its location. As David said, it is at the heart of Asia and 1997 is not going to change that. It is at the centre of the economic revolution, which is probably transforming more lives for the better than anything else that has happened in human history. We used to talk about the Asian countries as dominoes; now we think of them quite properly as dynamos.

I am not so starry-eyed as to suppose that there are not problems ahead in many of the Asian countries - problems for example of political transition, problems of environmental degradation. How could you possibly have one of the greatest economic and social revolutions of not this but of any century without some occasionally choppy patches.

However, I believe everybody now increasingly recognises that the most important motor for the world economy in the next generation is going to be the increase in disposable income of Chinese and Indian workers and their families. 1.2 billion people in China discovering market forces has to be a very good thing, not just for them but for the rest of us too.

It is interesting looking at what has happened in Asia over the last decade and a half: from the Vietnamese invasion of Cambodia, to the foreign investors' invasion of Vietnam; from the Indians linking their rupee to the rouble to the economic liberalisation programme carried through by the present Indian government; from the hanging of Mr Bhutto to the election of his daughter as Prime Minister in Pakistan; from Imelda Marcos's shoes to President Ramos's democracy; from what looked rather like North Korean economics in China to the astonishing and remarkably sure-footed transformation in economic management in China over the last 15-20 years.

Hong Kong has been, and will continue to be, at the heart of this, Hong Kong with its close and continuing ties with the United Kingdom. Hong Kong, as David said, is China's largest source of direct external investment; with the second largest source of investment in Indonesia, the Philippines and Vietnam; with the third largest investor in Thailand. There are almost 400 Asian-Pacific-based companies, which have their regional offices in Hong Kong. I confirm, not only because Cable and Wireless are one of our sponsors, that Hong Kong is the telecommunications hub of Asia. Outside China we are the main tourist centre in Asia by a mile.

So if you are interested in Asia, you have got to be interested in Hong Kong. If you want a jumping off point for doing business in Asia, where better as a base than Hong Kong? Just think how much economic momentum all this represents. Is it really conceivable that it is all going to come to a juddering halt in 1997, that it is going to hit the buffers 600 days from now? Of course not. Not just because of the promises that China has made - promises about Hong Kong's freedoms and way of life and economic management, promises about Hong Kong people continuing to run Hong Kong - not just because of the promises, but because of the interest that China has in Hong Kong continuing to succeed.

For China there is in Hong Kong over US\$20 billion at least of direct investment. For China there is the importance of Hong Kong as by far its richest city, and if you extrapolate forward 15 or 20 years, the richest city in the world. For China there is the role that Hong Kong can play in helping it through the next difficult stage of its economic revolution. For China as well there is understandably the question of face, making sure that the world sees that under Chinese sovereignty can do even better than it is managed under British, and I believe there is a widespread recognition as well that the rest of the world is going to regard the way that China handles Hong Kong as a litmus test for the way that China will take its place on the world stage as one of the greatest powers in the world.

As I said earlier, part of the frustration of my job is that there is a limit to the reassurance that I can give about what is going to happen after 1997. No-one asks anxiously about Hong Kong because they are worried about what is likely to happen in the next 600 days. The worries go beyond that: worries about corruption, though we have an extremely effective organisation fighting corruption with the enthusiastic

support of the community; worries about the Rule of Law, though we have independent courts and the finest police force in Asia; worries in general about Hong Kong's way of life.

I hope that Chinese officials will in words and deeds continue to give the reassurances that I cannot give but what I can do is to say this. It would be exceptionally unlikely if in 1997 Hong Kong stayed exactly the same. However, I believe that it will remain fundamentally true to itself. I believe passionately that Hong Kong represents the wave of the future in Asia, that it is not destined for one of history's backwaters.

Hong Kong, as I mentioned earlier, in 1997 will be the richest city in China. Given a chance within half a working lifetime, as all those futurologists have suggested, it could become by far the richest city in the world, combining economic freedom with human dignity. That is the goal, that is the prize for both Hong Kong and for China. Thank you very much.

End/Monday, October 23, 1995

Governor's speech at the University of Buckingham in London

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Following is the speech entitled "The Future of Hong Kong" delivered by the Governor, the Rt Hon Christopher Patten, at the University of Buckingham in London today (Monday):

Vice Chancellor, first of all thank you very much indeed for those kind introductory words. I am delighted to be here this evening and one reason why I am delighted to be here is because the invitation came from you, Vice Chancellor.

There can have been nothing more exotic, nothing more unique in the history of the British Empire than Britain's relationship with, and responsibility for, Hong Kong.

Hong Kong is Britain's last great colony, one of the greatest trading cities in the world like London, New York, Amsterdam. It has no canals but it is not vulgarly hyperbolic to think of it as, in a sense, the Venice of Asia. It could be in the near future, as William Rees Mogg argued recently, literally the richest city in the world. It has a GDP per head higher than that of the sovereign power.

On a few rocky islands, a range of hills, a damp plain at the furthest tip of China, six million people, mainly refugees, run an economy equivalent in economic value to about a quarter of that of the whole of China. So Britain has a strange and romantic responsibility and as I said a unique one too.

Elsewhere, the story of the end of Empire has been the story of the preparations for independence from India to Zimbabwe. Britain has, as Nelson Mandela argued, given the people of its colonial territories the means to end their dependency on Westminster. The Rule of Law, clean public administration, a democratic Legislature, all those things have been put together on the launching pad, we have ignited the rockets and blasted the satellite into outer space. Sometimes it has gone into orbit and sometimes, alas, it has come crashing to the ground. However, always, or at least usually, it has been an honourable effort to give those colonies a decent, independent future infused with the values of liberal democracy.

Hong Kong has always been in a different category. There were suggestions in the 1940s and 1950s that we should begin in Hong Kong the process of democratisation that had started elsewhere in the Empire. Those proposals were attacked by Chinese spokesmen, who argued that that would give the people of Hong Kong the wrong idea that they were going to determine at some stage their own destiny; that they were going to become independent too. And there were opponents in Hong Kong who argued that it would be a provocative distraction, in a community

flooded by refugees, where tensions flared up from time to time between the old supporters of the Kuomintang and those of the Communist Party, and where there were serious civil disturbances from time to time most significantly during the 1967 Cultural Revolution riots.

So Hong Kong's future, Hong Kong's destiny, was always bound to that date half-way through 1997 when the 99-year lease on the New Territories runs out, and when China resumes sovereignty over them. That is a fundamental difference from the rest of our Empire story, and that is what makes it unique. When the Union Jack is lowered at midnight on 30 June 1997, we will not be handing Hong Kong over to its own people to run it as an independent community, but we will be handing Hong Kong over to another sovereign power, which promises those people "a high degree of autonomy".

When we started to think about the actual handover ceremony, we went back to the Foreign & Commonwealth Office filing cabinets to see how to manage these affairs, but the files do not help. They do not help because we have never done anything like this before.

So what are our responsibilities to the people of our last great colony, and what will become of that colony when China is sovereign?

When one looks at Hong Kong today, it is difficult to argue that Britain has discharged its responsibilities badly. Hong Kong is the eighth largest trading economy in the world; if one is allowed to count the European Union as one - I am not sure whether that is politically correct - it is the fifth largest trading community in the world, with social statistics to match.

What has Britain contributed and on what has the success, 35 years of uninterrupted economic growth, been based? Hong Kong is, I believe, copybook de Tocqueville. What those who govern it have done is to create the conditions in which its largely Chinese population were able to flourish. It has no natural resources except an excellent harbour. At the end of the War, it might have been thought to have every conceivable natural disadvantage. A refuge to hundreds of thousands of men and women escaping from the turbulent history of modern China, from the war with Japan, from the Civil War, from the Communist revolution, from the arrival of Communist economics in Shanghai, from the starvation of millions during the Great Leap Forward, from the Cultural Revolution.

I once had a lunch for a retiring civil servant, and asked his friends, my guests, how they had arrived, each of them, in Hong Kong. One had come with his parents to escape the war between the Kuomintang and the Communist Party; one fled, a young man alone, from famine in Canton in the 1950s; one had swum to Hong Kong with his uncle, who was persecuted during the Cultural Revolution. All had made their mark

and to varying degrees their fortunes in Hong Kong, but the early years were extremely hard. Hong Kong had been devastated by the War. Early efforts to re-establish Hong Kong as an entrepot trading centre were completely scuppered by the Korean war and the trade embargo on China.

So Hong Kong had to shift from being a trading centre to a cheap manufacturing centre, and then steadily over the years it moved up the ladder. It moved up the ladder from manufacturing trunkets, from manufacturing plastic flowers in the case of Mr Li Ka Shing, to manufacturing computers as investment and hard work added value.

The opening up of China meant that it became cheaper to manufacture there in Southern China or elsewhere in Asia, so without government interference or government management, Hong Kong then shifted again from being a manufacturing-based economy to being a service-based economy, employing about four million men and women in its own factories in Southern China.

The economic odds must have seemed to be regularly stacked against Hong Kong but camped on the foothills of volcanic events to the North, Hong Kong showed all the resilience and adaptability of a refugee community. Governed by the values of a free society, its mainly Cantonese and Shanghainese people thrived, prospered, lived better, lived longer, travelled further, were educated to increasingly high standards from Wanchai to Winnipeg, to Winchester to Buckingham.

On my first outing with my family to a local restaurant, we arrived on the quayside in Sai Kung, which some of you will know. We went to choose our own fish to take back and have them cooked in the restaurant, and were surrounded by an enthusiastic crowd of well-wishers. The first little girl was pushed through the crowd to be touched by the Governor. I asked her proud father behind her, 'where does your daughter go to school?' - 'Wycombe Abbey', he replied!

What are the values which have governed Hong Kong? Why has Hong Kong done so well? Hong Kong is a free society, open to argument and ideas as well as trade. It is a plural society with a growing civic consciousness and all the institutions of civil society: newspapers, professions, churches, non-governmental organisations, political parties. It operates under the Rule of Law which applies to all alike, governors and governed. It has impartial courts and a disciplined, clean police force. It has a Civil Service, mostly Chinese not least in its senior positions. There is only one other senior official in the Government apart from me, the Attorney General, who is British. I run a Chinese Government which operates on the same principles of meritocratic advancement as our own Civil Service.

The Government of Hong Kong for almost half of century has run one of the most open economies in the world, probably the most open. Adam Smith has been in

permanent residence in the Mandarin Hotel! We work on the basis of the minimum interference with business but give them the maximum support. We have open markets, we have low taxes; our top rate of tax is 15 per cent, which is paid by 2 per cent of the working population. Public spending growth is constrained to the trend rate of growth in the economy, so that today, even with increasing levels of social provision, public spending takes less than 20 per cent of GDP.

However, it is not true to argue that Hong Kong has been just a capitalist laboratory. It has invested sensibly like some of the other Asian tigers in social equity programmes. Squatter housing began to be replaced by a huge public housing programme in the 1950s and 1960s, and over 40 per cent of the population today live in public housing.

We have seen a huge investment in education. Ten years ago, 3 per cent of the 18 year-old age group went into tertiary education; today the figure is 24 per cent. Between 60-70 per cent of our students in tertiary education come from public housing estates. It has been the most astonishing social revolution.

We have a big investment in health and welfare as well. We now live longer than people in most of the OECD countries - I hope that goes for governors as well as governed! Our child mortality rates are also lower - lower than the United States, lower than Australia, lower than in the United Kingdom, and that in a community which 35-40 years ago was suffering from epidemic disease.

Put together all these things, sensible public policies and decent community values, put them together with the hard work and enterprise of our Cantonese and Shanghainese population, and for reasons which as I have said would not have surprised Alexis de Tocqueville, Hong Kong has been swept up on an exponential surge of economic growth. It is a mature, moderate, sophisticated society able to take most things in its stride, including, as I shall argue, 1997.

What are our responsibilities to Hong Kong? What are the responsibilities of the departing sovereign? Uniquely, as I argued, not preparing people for independence but seeking to smooth the path to a different sovereignty. The nature of the whole task, its inherent challenge to liberal, pluralist sensitivities, should make us especially punctilious in meeting our obligations.

Those obligations were the main dynamic in the negotiations in the early mid-1980s with China, to which the Vice Chancellor referred, over the transition. The change of sovereignty, its terms and its promises were set out in an international treaty tabled at the United Nations called the Joint Declaration.

The Joint Declaration describes the sort of society Hong Kong is today, and guarantees its survival for 50 years after 1997. Even though Hong Kong's system is

different from China's, its continuity is promised. That promise, enshrined in Deng Xiaoping's concept one country/two systems, represents the real challenge to us.

China promises to keep Hong Kong as it is, not just its economy, as though you could in any event separate economic success from Hong Kong's way of life, but the promise covers everything, including the pluralism of Hong Kong and the Rule of Law, which underpins Hong Kong's economic success.

What the promise also covers is the subject that I touched upon earlier - the democratisation of Hong Kong. It was not something which unilaterally and late in the day was imposed by Britain. It was agreed and offered by Britain and China, the slow steady process of democratising Hong Kong's governing institutions - nothing too fast, a bit at a time, the establishment of a government accountable to an elected Legislature with the precise quantities of direct election stipulated for each round of elections as they came up over the years.

That promise freely entered into by Britain and China, presumably honourably and honestly made, helped to sell the Joint Declaration to the people of Hong Kong in 1984. Some were extremely worried, some were very anxious, some were reassured. The promise as well was carried back to Westminster, where Members of Parliament and Peers welcomed the assurance that Hong Kong would have, before Britain's departure, a firmly-based democratic administration. That was the promise and in so far as there was a breath of criticism, it came from those like Sir Edward Heath, who argued that we were not introducing democracy quickly enough. Since those days, Sir Edward has changed his mind.

No-one at Westminster said, 'Steady on, we don't want any flirtations with democracy in Hong Kong, they are not ready for it, they do not care about it'. No-one said, 'I think you had better dilute that promise when you get closer to 1997, better say it is subject to negotiation'. No-one argued, 'You should not really press ahead with this so late in the day'. No officials, weighed down with the expertise of a lifetime's study of China, said, 'Of course, Prime Minister, when we got you to sign a treaty promising Hong Kong elections, we did not mean fair elections!' Perish the thought - that would be far too risky. After all we have fair elections here and look at what happens! None of that was said.

What was said was, 'Look at what we have negotiated, look at the future we have guaranteed for Hong Kong, look at what China has signed up to - thrice blessed Hong Kong to have such a promise for the next 50 years, thrice blessed Hong Kong to have had people as clever and sensible as us to have negotiated these arrangements!'

When I was preparing to go out to Hong Kong as Governor, the document I studied most closely was the Joint Declaration. I took it as axiomatic that my main job was to do everything possible to give Hong Kong the best chance of hanging onto the

values described in it. I took it, which I now understand is regarded as by some as a touch disingenuous, as my principal duty to try to do whatever I could before 1997 to see that the promises made to Hong Kong were delivered after 1997.

I do sometimes ask myself what other honourable course was on offer? The Joint Declaration was not a paper fig-leaf to allow Britain to withdraw from Hong Kong with a few shreds of dignity. It was not an elegantly drafted way of getting round or avoiding issues of real substance, a sort of diplomatic escape hatch, a clever answer to a difficult, intellectual puzzle. The Joint Declaration was for real - real promises made to real people about real things. It is only on that basis that we can decently conduct a policy on Hong Kong, uncomfortable, inconvenient as that proposition may occasionally be.

Arriving in Hong Kong in 1992, I was faced straight away with the fact that there was no agreement on the electoral arrangement for 1994 and 1995. The only thing that was clear was that there was an agreement on the proportions of the Legislative Council which should be returned from geographical constituencies, from functional constituencies which represent people at their place at work, and from an election committee, providing a balance within the legislature. But there was no agreement on how each of those elections should be carried out.

After discussions with the political parties, we put forward proposals which represented, in our judgment, the broadest common ground we could find. We took as our parameters that the electoral arrangements should fit within the Joint Declaration and the Basic Law which was the constitution prepared by China for Hong Kong for after 1997. We went much less far than the pro-democracy politicians wanted. We went much less far than the pro-democracy and Conservative politicians had wanted three years previously after the killing in and around Tiananmen Square, but the proposals seemed to us to get the balance about right.

That, too, seemed to be Hong Kong's view. Alas it was not China's. Chinese officials rained adjectives of abuse and threats down on the Governor of Hong Kong in particular, and Hong Kong itself in general. They held discussions with me in Beijing, then they refused to talk any further unless we dropped our proposals, then they agreed at the last moment to talks which lasted over six months, 17 rounds, 160 hours, during which they barely offered a single compromise as we proffered one after another.

When we ran out of time, we stood our ground on one simple proposition. It was on our judgment for the people of Hong Kong to decide how far we should go down this road, the people of Hong Kong represented by their Legislative Council. We did not think we could go less far than they were prepared to go, but nor should we go further in providing the fair, open and widely acceptable arrangements which the people of Hong Kong had been promised.

The Legislative Council made its decision on those arrangements, arrangements for two rounds of local elections and arrangements for the Legislative Council elections. The Legislative Council made its decision in the spring and summer of 1994, giving us just enough time to organise the elections. At each of the three rounds, the story was the same. We had a record number of candidates, a record number of people involved, including the whole political spectrum from united front, pro-Beijing candidates, to pro-Democracy candidates. We had a record registration of voters and a record turnout of voters.

In the most recent elections, the pro-Democracy candidates won decisively in the direct elections in the geographical constituencies and overall in the total Legislative Council, there is a small majority for the pro-Democracy candidates.

The campaign itself was extraordinarily moderate. It is surprising how moderate politics in Hong Kong are, for example, in comparison with some in the rest of the region, given the extraordinary events that Hong Kong has lived through. Hong Kong politics do not represent a threat to anyone.

A number of arguments have been advanced against our policy on Hong Kong in recent years. Above all, they have been targeted like Exocets on the discharge of our promises to allow people to elect their own representatives. I would like to deal with some of these arguments and then to draw a general conclusion.

First, it is suggested that the proposals we put forward on electoral arrangements broke previous agreements and understandings with China, and in particular, broke the Joint Declaration and Basic Law. There is not a shred of truth in these charges and repeating the fabrication ad nauseum has not made it true. Three groups of independent international lawyers who gave evidence to the Foreign Affairs Select Committee of the House of Commons confirmed that there had been no breach in our understandings or agreements. One group suggested that if anyone was in danger of breaking the Joint Declaration, it was China.

Secondly, it was suggested in 1992/1993 when the insults and threats were cascading down that standing up for Hong Kong, for the promises to Hong Kong, that having a bottom line, that having a principled position, risked wrecking the Hong Kong economy. Well, what has happened over those three years? Our GDP has grown by 18 per cent in real terms. Investment in Hong Kong has increased by 31 per cent in real terms. Our exports have increased by 43 per cent. We have cut taxes, we have increased spending on welfare programmes and our fiscal reserves have increased by 57 per cent to HK\$151 billion. Our Hang Seng Index has gone up to about 10,000. As disasters go, it is the sort of disaster that most people would queue up for!

Thirdly, it has been argued that there would be no more deals with China, that if we insisted on having clean elections we would never be able to do business with China again. It is implicit in that charge that before 1992, all had been sweetness and light in our negotiations and alas, that is not the case. Our negotiations with China have become almost completely bogged down after Tiananmen and it is certainly true that we have done more important business with China in the last couple of years than in any comparable period. Mind you, we need to because time is running short.

This summer saw important agreements on financing the construction of our new airport and the transition through 1997 of our judiciary and the administration of justice. We had our successful elections in September, followed a few weeks later by the equally successful visit of the Chinese Foreign Minister, Mr Qian Qichen, to London, with more agreements, principally on the transition of our civil service and the relationship between the present government of Hong Kong and its successor.

The real message is that, contrary to expert predictions, we have been able to hold democratic elections, we have been able to stand up for Hong Kong and for the promises that Hong Kong people should be allowed to run Hong Kong while doing a significant amount of business with China too. The closer we get to 1997, I am sure that the more Chinese officials will recognise that Hong Kong and China will suffer if too many issues remain unresolved at the moment of transfer of sovereignty.

The fourth charge made is that no-one in Hong Kong is really interested in democracy. I think it is a patronising, even racist charge that Hong Kong people are only interested in making money. People in Hong Kong are no more interested in politics and democracy than people anywhere else, but if you ask them whether they want more or less say in determining their own affairs, not surprisingly they say more. They are increasingly well educated and well travelled as I argued earlier. They run all the institutions of civil society. It is hardly surprising that they want to share in representative government like similar men and women elsewhere.

Are these critics anyway saying that we, Britain and China, were wrong to offer step by step democracy ten years ago? Sometimes the argument seems to be not that we were wrong to offer this, but we were wrong to insist that any elections that were held must be fair elections.

I remember one of my critics saying that the problem was not that the Chinese officials wanted to fix elections, but they just wanted to know the results in advance!

The last charge is that if Chinese officials are determined to wind up the Legislative Council after 1997, if they are determined to amend our Bill of Rights and the other measures we have taken to protect human rights, why bother to do any of these things? Will there not be less democracy and less protection of human rights

after 1997 as a result? It is invariably said with a large crocodile tear as though the critics cared much at what happened on these fronts.

This argument seems to assume two things. First, that the alternative to an argument with China was a quiet life, that if we had not kept our promises under the Joint Declaration to protect Hong Kong's freedoms, that if we had not kept our promises, for examples, on elections, we would have found ourselves locked in five years of battle with the pro-Democracy forces on Hong Kong. We would have taken all the opprobrium of doing the dirty work for others.

Secondly, if someone threatens to break your windows in the future, why would you consider it sensible to agree yourself to save them the trouble and break them all today? I hope it does not happen, but if Hong Kong has less freedom after 1997, why would it have been better if we had given it less freedom before 1997? Besides, it is not just a question of institutions. I believe there is a momentum behind the changes that have taken place in Hong Kong. Hong Kong has changed and there is no turning the clock back. Anyone who is concerned about hearts and minds in Hong Kong should recognise that.

Embedded in all these arguments is a substantial and important difference of approach in conducting foreign policy and in discharging the responsibilities that go with our sovereign position in Hong Kong, responsibilities like those that we carried in the earlier days of empire elsewhere. Hong Kong is about flesh and blood. It is about families and families' futures. It is not just an intellectual puzzle. It is not just an irritating aggravation to the otherwise smooth relationship between Britain and China.

We do not have a bilateral relationship with anyone that has a single element in it as large as Hong Kong. Don't forget what I said earlier, that Hong Kong represents in terms of economic strengths about a quarter of China's GDP. Of course, Britain has a national interest in having a sensible, open, cordial relationship with China. But the way we discharge our responsibilities in Hong Kong will have a huge effect in the future on how that relationship develops and how we regard it in China.

I hope we will leave behind us in Hong Kong a feeling that we did our best, that we behaved decently and honourably. I hope we will leave behind a little respect and even perhaps some affection.

Conceivably there is another angle to all this which portrays my amateur status. I cannot believe that diplomacy is basically about getting on nicely with foreigners. It must above all be about ends not means, and sometimes that requires you to dig in, to hold your ground, to stand on your principles - a point which I think your Chancellor would argue with some vigour! Nor it is acceptable, at least for this amateur, when diplomacy turns into an elaborate effort to obfuscate points of substance with elegant

communiqués, made up of perfectly laminated sentences. Sometimes the words have to mean what they say, what they say about power, what they say about principle.

So finally, what is the state of Hong Kong today, just over 600 days before the transition? It continues to prosper. Our growth rate this year will be - I heard it described the other day which tells you a thing or two about Hong Kong - only five per cent! It continues to enjoy effective government, accountable to a very lively legislature, a lively and noisy legislature, reminding me of that marvellous remark of Rab Butler, who described a noisy House of Commons one day as being the 'sound of freedom'! It continues to enjoy the Rule of Law. It has a good civil service led by local Chinese civil servants, and the people of Hong Kong themselves have stayed in Hong Kong. There has been no tidal wave of emigration as was forecast a decade ago. Hong Kong is preparing for the transition. The people of Hong Kong are prepared to give things a go, to hope for the best and to believe that the best may still happen, though they want more reassurances from China. They want reassurance that their way of life will continue. I am afraid that recently they have not received much of that reassurance, since some of those who advised China in Hong Kong have made the deplorable suggestion in the last few days that Hong Kong's Bill of Rights should be gutted after 1997. I hope that Chinese officials will think again about that proposition.

The people of Hong Kong will ask ever more insistently over the next 600 days, the world will ask ever more insistently, whether Hong Kong really will carry on as it is now, whether it will stay a stable, decent prosperous, open, free society. As I said, Hong Kong has shown great resilience in the past and my instinct is that it should be able to manage 1997 with the same gumption.

I also believe that what Hong Kong stands for, the values that have made it successful, represent the future in Asia. Add Hong Kong's position at the heart of this region, where market economics is transforming the lives of hundred of millions of people, and that is another reason for thinking that Hong Kong will get through.

Of course, China itself has a huge stake in Hong Kong's continuing success. Its financial stake represents, it is estimated, US\$20 billion. It also has a different sort of stake, what is called 'face'. China is, I think, determined to show that Hong Kong can do even better after 1997 than it has done before under a colonial regime. It knows that the rest of the world will be watching, and that some will be watching what happens rather sceptically. It knows that the world will take the way China treats Hong Kong as a litmus test of how China is likely to behave on the world stage.

When we leave Hong Kong in 1997, I am determined that we should be able to do so with our heads held high, giving Hong Kong the best chance of a bright future. When we depart, we will be saying to China that we understand how important this moment in history is for them, we understand the patriotic feelings that it unlocks, but we have our patriotism too. We have our sense of honour. We believe that we have

done our best in Hong Kong, we don't have a secret agenda, and all that we wish is that Hong Kong should continue to prosper, continue to enjoy its freedoms under Chinese sovereignty. If that happens, we will be exceptionally pleased and it will happen if China learns to trust Hong Kong, to trust its openness and its pluralism. Thank you.

End/Monday, October 23, 1995

Transcript of Deputy to the Governor's media session

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The following is the transcript of the Deputy to the Governor, Mrs Anson Chan's question and answer with the media after opening the new Government Dockyard on Stonecutters Island today (Monday):

Question: When will you begin your first informal meeting...

Deputy to the Governor: We are hoping to get these informal get-togethers off the ground as soon as possible. I personally hope that it can take place early in November. We are still discussing details with the Chinese side, but I don't personally envisage any problems. Mr Chen Ziyang and I did talk about this informally at the dinner I had with him last week just before he left. And as far as I can see, things are coming along very well.

End/Monday, October 23, 1995

New Government Dockyard opens

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The Government Dockyard, relocated from its previous site at Canton Road in Kowloon to Stonecutters Island, is formally opened by the Deputy to the Governor, Mrs Anson Chan, this (Monday) morning.

The dockyard is the base and service centre for the Government Fleet comprising over 500 vessels of various sizes and types. It currently occupies an area of over seven hectares, three times larger than its old site.

Speaking at the opening ceremony, Mrs Chan said the port and the shipping industry were vital to the economy of Hong Kong.

"As the eighth largest trading entity in the world, we rely on the efficiency of our port and a high standard of safety and order within Hong Kong waters.

"Many Government departments contribute to these efforts including the Marine Department, the Marine Police, the Fire Services Department, the Immigration Department and the Customs and Excise Department.

"They in turn rely on Government vessels to discharge their duties," Mrs Chan said, adding that it is the Government Dockyard that provides the essential maintenance services to the Government Fleet," she said.

The dockyard was relocated in July this year to make way for the West Harbour Crossing and the West Kowloon Expressway which are crucial elements of the Airport Core Programme.

Advanced facilities have been installed to provide efficient maintenance services to the Government Fleet into the next century.

"The dockyard is expected to develop further after 1997 as it will take over the whole basin inclusive of land and facilities after the departure of the Royal Navy," Mrs Chan said.

"With this future expansion and continuous improvement in its facilities, the dockyard should be well placed to service the Government Fleet," she added.

"I am sure that all user departments and the public will, in turn benefit," Mrs Chan said.

Also speaking at the opening ceremony, the Director of Marine, Mr Ian Dale, said the new Government Dockyard, the latest of three yards since the 1960's, had been designed to fully serve the needs of a growing fleet of more sophisticated Government vessels. Its activities cover the entire life of each craft, from design to commissioning, crewing, maintenance, decommissioning and final disposal.

He recalled how in the 1960's Government vessels were maintained at a small open yard and slipway in Yau Ma Tei.

"It was rebuilt in 1971 to provide covered slipways and maintained some 200 vessels," he said.

"By 1994 this facility was 23 years old, was responsible for 531 vessels of increased size and sophistication, and was part of a Government Fleet Division employing some 700 staff." He noted that the current yard on Stonecutters will be completed in three phases ending in 1997 with the addition of the adjacent "HMS Tamar" site.

Phase I provides a more flexible approach to the use of land for slipping activities, which will be greatly enhanced, when part of the yard will be covered during Phase II construction in mid-1996.

"An information technology system has been introduced to enable better control of maintenance activities, spares procurement and storage, and eventually financially management," Mr Dale said.

"The new larger site permits the introduction of modern maintenance methods, and infrastructure improvements will cut costs and improve efficiency.

"The new dockyard will provide the essential facilities to maintain Government's considerable and growing investment in marine equipment and transport for many years to come," Mr Dale said.

He noted that it is an excellent facility, appropriate to the needs of the Government Fleet, which provides so many of the marine services that our discerning community now demands.

Monday, October 23, 1995

Consumer Price Indices for September 1995

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The Consumer Price Index (A) in September 1995 was 8.9% higher than in September 1994, according to figures released today (Monday) by the Census and Statistics Department. This was higher than the corresponding increase of 8.3% in August this year.

The rate of increase in the Consumer Price Index (B) was 9.1% in September 1995, marginally higher than the 9.0% increase in August. The Hang Seng CPI increased by 9.8% in September, same as in August.

The Composite CPI, which is compiled based on the combined expenditure pattern of all households, showed a slightly faster year-on-year increase of 9.2% in September, against 9.0% in August.

Commenting on the CPI figures, a Government spokesman said that the accelerated increase in the CPI(A) in September was mainly due to a surge in the prices of vegetables amidst the adverse weather conditions during the month. On the other hand, there were less rapid increases in housing rentals and in the prices of various consumer services as compared with the preceding month.

Analysing the price increases by components against the overall increase, those components recording faster increases than average for September 1995 over a year earlier were housing (11.8% in the CPI(A), 13.1% in the CPI(B) and 13.0% in the Composite CPI); miscellaneous services (10.6%, 9.7% and 9.3%); food (excluding meals bought away from home) (9.1%, 8.9% and 9.0%); and miscellaneous goods (9.0%, 7.8% and 8.1%).

On the other hand, those components recording slower price increases than average were clothing and footwear (4.8% in the CPI(A), 5.4% in the CPI(B) and 8.0% in the Composite CPI); durable goods (4.9%, 4.9% and 5.0%); fuel and light (6.6%, 6.7% and 6.4%); transport (7.1%, 7.3% and 7.0%); alcoholic drinks and tobacco (7.2%, 7.0% and 7.1%); and meals bought away from home (7.2%, 7.0% and 6.9%).

Comparing September 1995 with August 1995, the CPI(A) and CPI(B) increased by 1.0% and 0.9% respectively. The corresponding increase for the Composite CPI was 1.0%.

Taking the first nine months together, the increase in the CPI(A) and CPI(B) averaged at 9.1% and 9.6% respectively over a year earlier. The corresponding increase for the Composite CPI was 9.5%.

For the three months ended September 1995, the CPI(A) and CPI(B) were, on average, higher by 8.6% and 9.1% respectively over a year earlier. The corresponding increase for the Composite CPI was 9.1%.

For the 12 months ended September 1995, the CPI(A) and CPI(B) were, on average, higher by 8.9% and 9.5% respectively than in the preceding 12-month period. The corresponding increase for the Composite CPI was 9.4%.

Seasonally adjusted series are also available for the CPIs. The deseasonalised CPI(A) and CPI(B) increased at an average rate of 0.7% and 0.6% per month during the three months ended September 1995. The corresponding increase for the Composite CPI was 0.7%.

Further details are shown in Tables 1-2 and Charts 1-4.

More details are given in the "Consumer Price Index Report" for September 1995, which is available at \$23 per copy from the Government Publications Centre, Queensway Government Offices, Low Block, ground floor, 66 Queensway, Hong Kong; or from the Publications Unit of the Census and Statistics Department, 19th floor, Wanchai Tower, 12 Harbour Road, Wan Chai, Hong Kong. For local and overseas mailings, contact should be made with the Information Services Department, 28th floor, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong.

For enquiries about the indices, please telephone the Consumer Price Index Section of the Census and Statistics Department on 2805 6403. Details regarding the Hang Seng CPI are contained in the Hang Seng CPI Report issued by the Economic Research Department of Hang Seng Bank Ltd.

Table 1 Consumer Price Indices and Rates of Increase for September 1995
(Oct. 89 - Sep. 90 = 100)

Component	CPI(A)		CPI(B)		Hang Seng CPI		Composite CPI	
	Index for Sep 95	% change over Sep 94	Index for Sep 95	% change over Sep 94	Index for Sep 95	% change over Sep 94	Index for Sep 95	% change over Sep 94
Food	156.3	+8.1	157.1	+7.8	158.0	+7.0	156.9	+7.8
Meals bought away from home	164.3	+7.2	163.8	+7.0	163.6	+6.1	164.0	+6.9
Food, excluding meals bought away from home	148.3	+9.1	147.7	+8.9	148.5	+8.8	148.1	+9.0
Housing	190.0	+11.8	194.0	+13.1	202.3	+13.9	195.4	+13.0
Fuel and light	134.1	+6.6	133.5	+6.7	132.0	+5.4	133.5	+6.4
Alcoholic drinks and tobacco	200.5	+7.2	190.2	+7.0	185.4	+7.0	194.7	+7.1
Clothing and footwear	146.8	+4.8	149.9	+5.4	162.4	+13.4	153.4	+8.0
Durable goods	118.3	+4.9	118.1	+4.9	124.5	+5.4	120.1	+5.0
Miscellaneous goods	143.5	+9.0	138.9	+7.8	136.8	+7.3	140.0	+8.1
Transport	160.8	+7.1	159.8	+7.3	157.7	+6.4	159.6	+7.0
Miscellaneous services	184.2	+10.6	175.8	+9.7	161.2	+7.3	174.0	+9.3
All items	163.7	+8.9	164.5	+9.1	168.5	+9.8	165.2	+9.2

Monthly consumer price indices are compiled on the basis of (a) expenditure patterns of relevant households and (b) prices collected currently in the month. The expenditure patterns underlying the 1989/90-based consumer price indices are based on those patterns derived from the 1989/90 Household Expenditure Survey. The CPI(A) is based on the expenditure pattern of about 50% of households in Hong Kong, which had an average monthly expenditure of \$2,500-\$9,999 in 1989/90 (broadly equivalent to \$3,900-\$16,000 at 1995 prices). The CPI(B) is based on the expenditure pattern of the next 30% of households, which had an average monthly expenditure of \$10,000-\$17,499 in 1989/90 (broadly equivalent to \$16,000-\$28,500 at 1995 prices). The Hang Seng CPI is based on the expenditure pattern of the next 10% of households, which had an average monthly expenditure of \$17,500-\$37,499 in 1989/90 (broadly equivalent to \$28,500-\$61,000 at 1995 prices).

Whereas the CPI(A), CPI(B) and Hang Seng CPI are based on the expenditure patterns of groups of households with different magnitudes of household expenditure, the Composite CPI is compiled based on the expenditure pattern of all these households taken together. Thus, while the CPI(A), CPI(B) and Hang Seng CPI show the impact of consumer price changes on different groups of households, the Composite CPI shows the impact of consumer price changes on the household sector generally.

Table 2 Consumer Price Indices for September 1992 - September 1995
(Oct. 89 - Sep. 90 = 100)

<u>Year/month</u>	<u>CPI(A)</u>	<u>CPI(B)</u>	<u>Hang Seng CPI</u>	<u>Composite CPI</u>
1992 September	128.3	127.9	127.5	128.0
October	128.4	128.4	128.6	128.5
November	128.5	129.0	129.9	129.0
December	129.3	129.8	130.0	129.7
1993 January	131.8	131.6	131.5	131.7
February	132.4	132.2	132.0	132.2
March	132.0	132.2	133.1	132.4
April	133.5	133.9	134.5	133.9
May	134.5	134.8	136.3	135.1
June	136.0	135.9	137.1	136.3
July	135.8	136.1	136.9	136.2
August	136.3	136.6	137.4	136.7
September	138.4	138.3	139.2	138.6
October	140.0	139.6	140.7	140.0
November	139.4	139.9	142.2	140.3
December	140.4	140.9	143.3	141.3
1994 January	140.0	140.7	143.4	141.1
February	142.7	142.9	144.9	143.3
March	142.5	143.0	145.3	143.4
April	143.8	144.8	147.9	145.2
May	145.0	146.1	150.0	146.7
June	146.2	146.9	151.0	147.7
July	147.3	147.9	150.5	148.3
August	149.6	149.6	151.7	150.1
September	150.3	150.8	153.4	151.3
October	151.1	152.2	155.3	152.6
November	151.4	153.1	157.3	153.5
December	153.0	154.3	158.1	154.8
1995 January	154.1	155.3	158.2	155.6
February	155.4	156.6	159.0	156.7
March	156.1	157.4	159.7	157.5
April	157.6	159.2	162.3	159.4
May	158.1	159.9	164.2	160.4
June	159.2	161.1	165.6	161.6
July	159.8	161.5	165.7	161.9
August	162.0	163.1	166.6	163.6
September	163.7	164.5	168.5	165.2

Chart 1 Year-on-year Rates of Increase
in CPI(A)

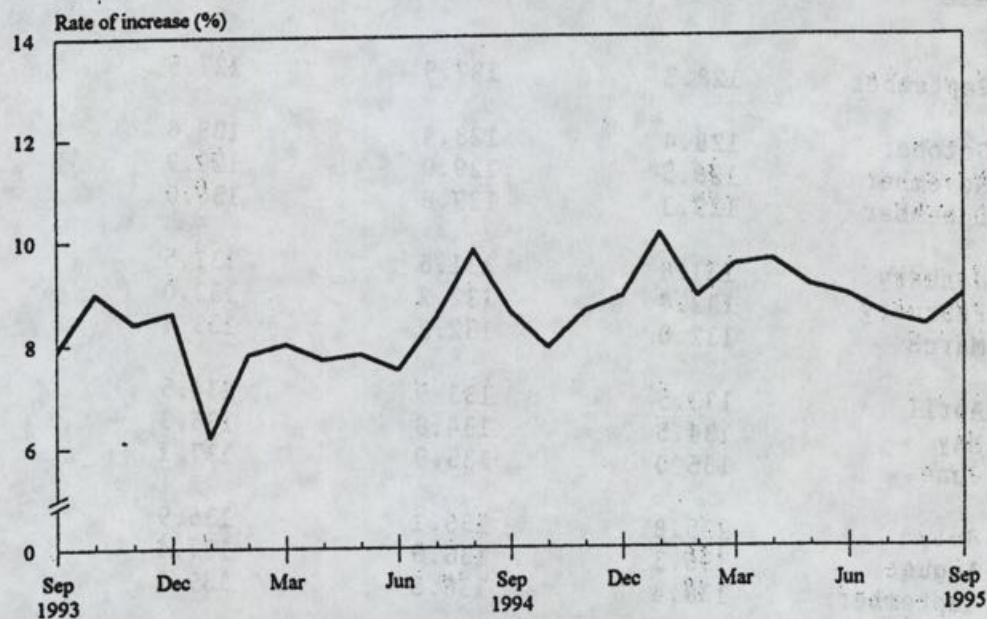


Chart 2 Year-on-year Rates of Increase
in CPI(B)

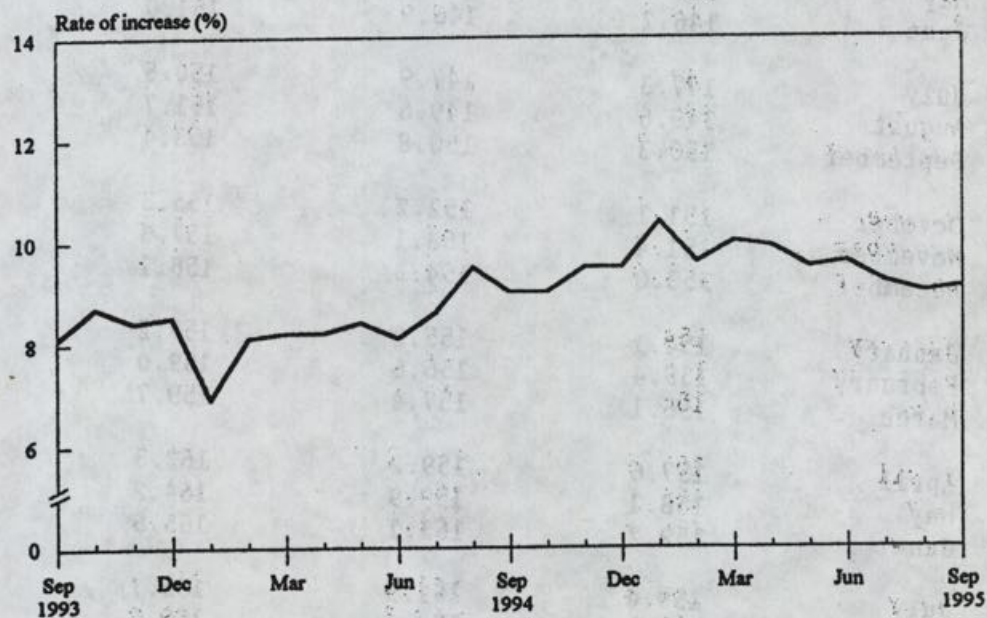


Chart 3 Year-on-year Rates of Increase
in Hang Seng CPI

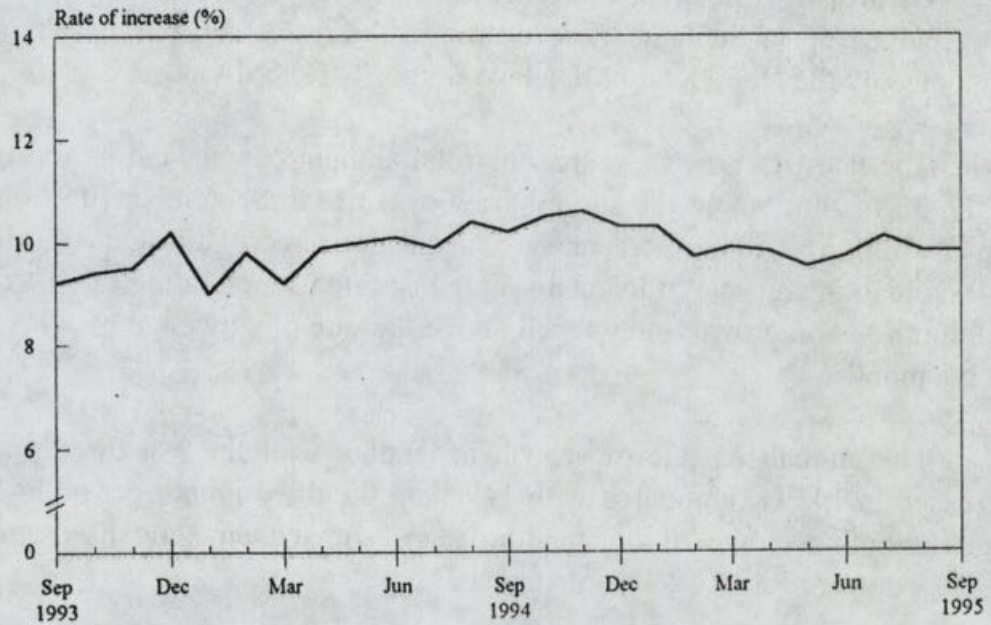
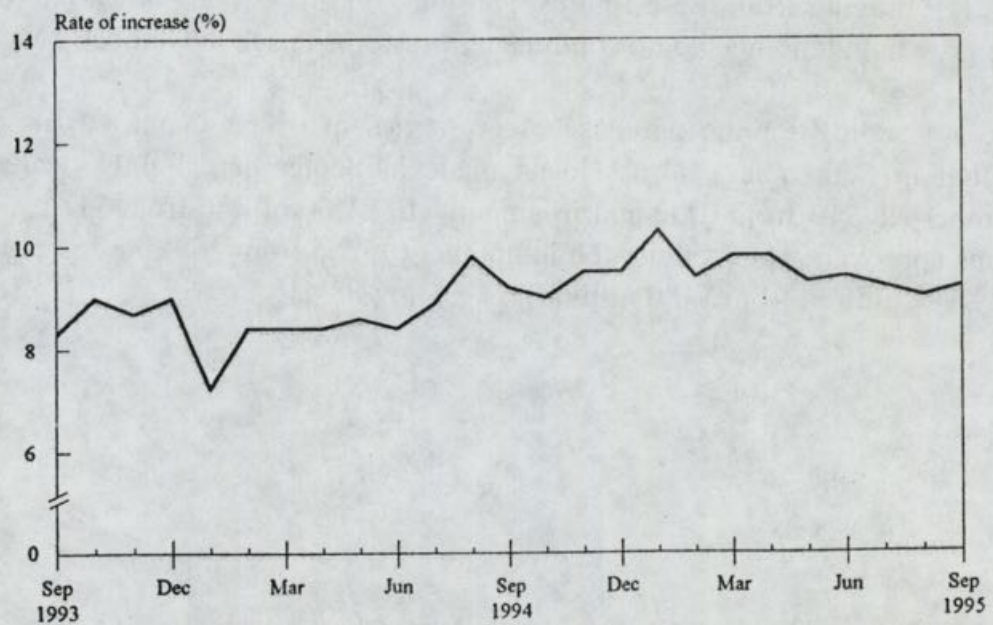


Chart 4 Year-on-year Rates of Increase
in Composite CPI



Residential mortgage survey results for September 1995

* * * * *

Growth in residential mortgage loans for the purchase of properties in Hong Kong picked up in September, according to the results of the latest monthly survey conducted by the Hong Kong Monetary Authority (HKMA).

The latest figures show that the total amount of outstanding mortgage lending by the 33 institutions in the survey grew by 1.6% in September (0.9% in August) to \$264.5 billion. (The percentage change has been adjusted to allow for the reclassification and sale of loans by some institutions amounting to \$0.4 billion during the month.) The growth rate is well above the monthly average of 1.1% over the last twelve months.

The annualised rate of growth in lending over the last three months slightly increased to 14.7%, compared with 14.6% in the three-month period to August. The twelve-month average of outstanding loans showed an annualised growth rate of 13.4%, compared with 12.4% in August.

"The faster growth in lending reflected increased sales in the primary market in late August," said Mr David Carse, the Deputy Chief Executive (Banking) of HKMA.

The amount of new loans approved but not yet drawn rose by \$0.3 billion (6.5%) to \$4.9 billion in September.

"Judging from these figures, and the sale of new properties late in the month, the growth in lending should continue at a sustained pace in October," Mr Carse said.

Lending for the purchase of properties in China increased by 2.1% to \$5.2 billion in September. Gross loans made in September slightly decreased both in number (to 210 from 211) and in amount (to \$183 million from \$185 million). New loans approved in September fell in number (to 266 from 269) but increased in amount (to \$187 million from \$180 million).

**Residential Mortgage Loans in Hong Kong
Results of Survey for September 1995**

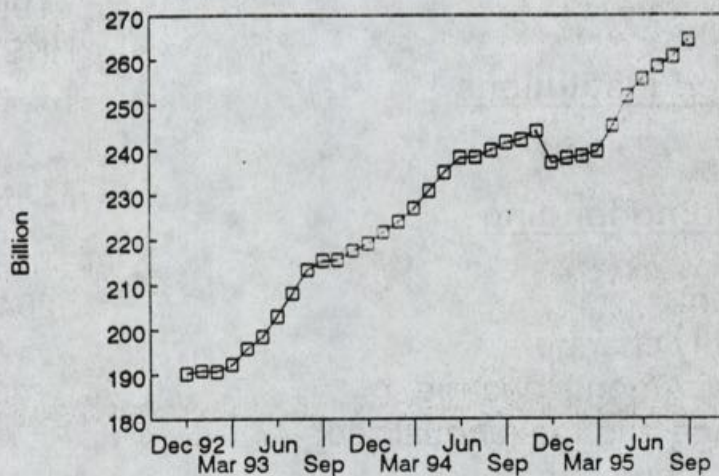
	<u>Sep</u> <u>1995</u> HK\$ Mn	<u>Aug</u> <u>1995</u> HK\$ Mn
<u>33 authorised institutions</u>		
1. <u>Outstanding lending</u>		
a. Amount	264,457	260,706
b. Monthly change	1.6% **	0.9%
c. Twelve-month change	13.1% **	12.2%
d. Average change (annualized)		
Latest three months	14.7% **	14.6%
Latest twelve months	13.4% **	12.4%
2. <u>Gross loans made during month</u>		
a. Amount	8,720	6,588
b. Number	6228	5351
3. <u>New loans approved during month</u>		
a. Amount	8,578	6,928
b. Number	6061	5340
4. <u>New loans approved during month but not yet drawn</u>		
a. Amount	4,943	4,640
b. Number	3679	3491

Note : ** Adjusted for the effect of sale and reclassification of residential mortgage loans by some institutions amounting to HK\$0.4 billion.

Chart A

RESIDENTIAL MORTGAGE LOANS IN HONG KONG
(33 institutions)

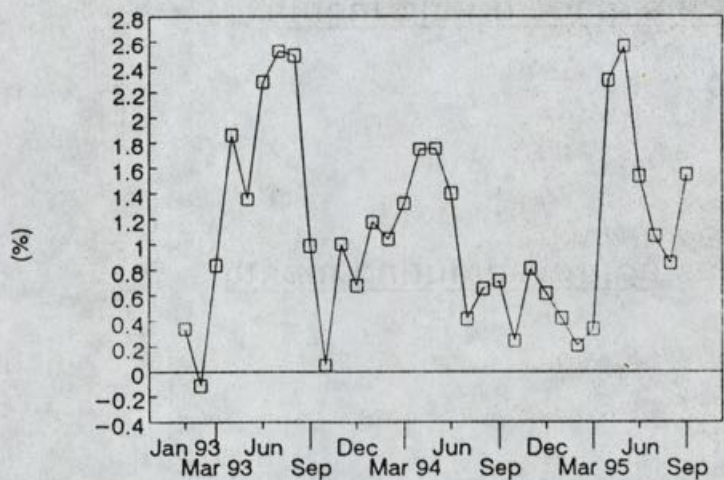
Outstanding balance at end of month



A1

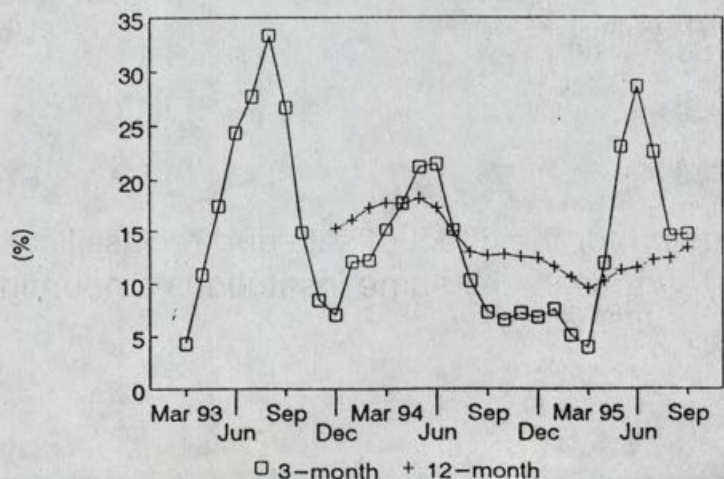
Remarks : The significant fall of outstanding balance in December 1994 was due to the effect of reclassification, securitization and sale of loans by some institutions.

Monthly growth rate



A2

3-month and 12-month moving average growth rate on annualised basis



A3

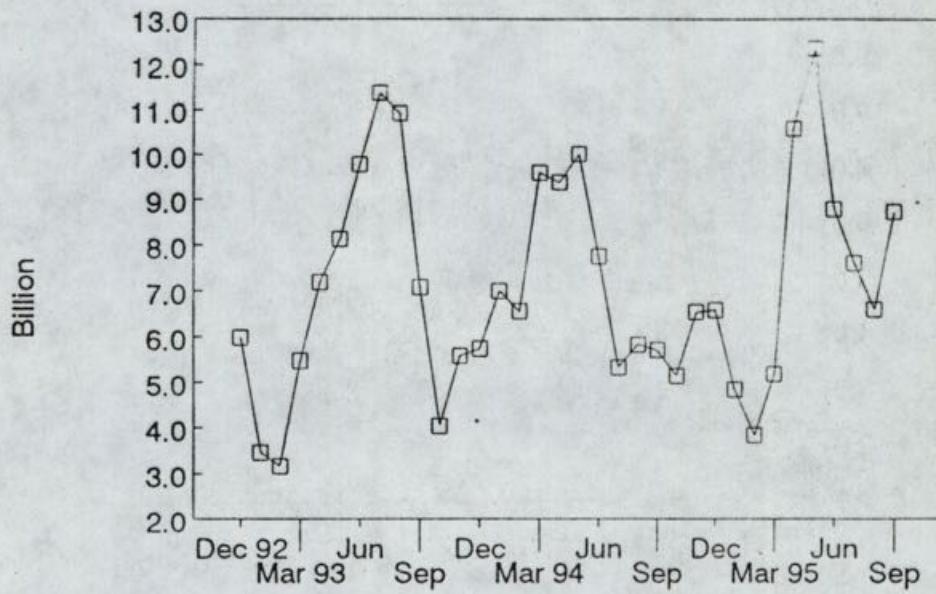
□ 3-month + 12-month

Chart B

**RESIDENTIAL MORTGAGE LOANS IN HONG KONG
(33 institutions)**

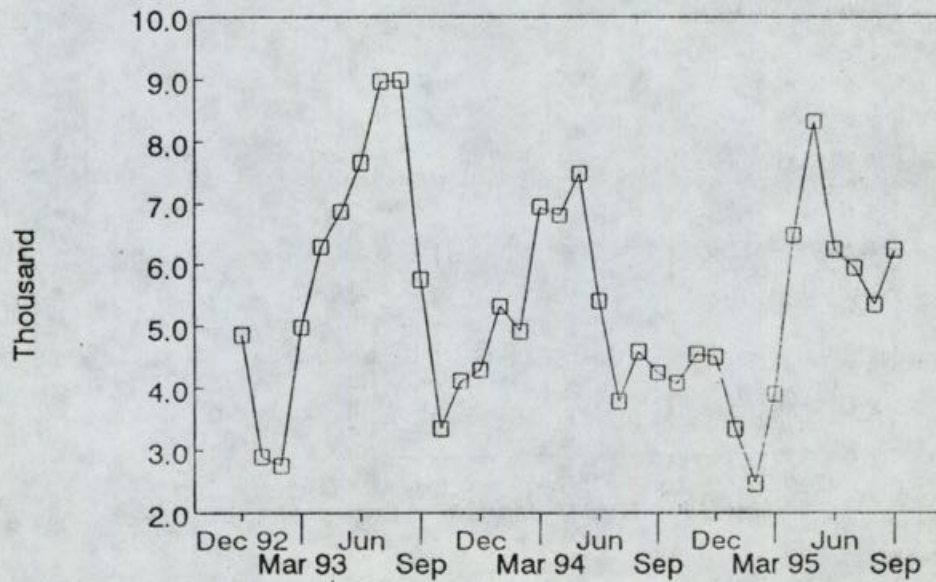
GROSS LOANS MADE DURING THE MONTH

Amount



B1

Number of accounts



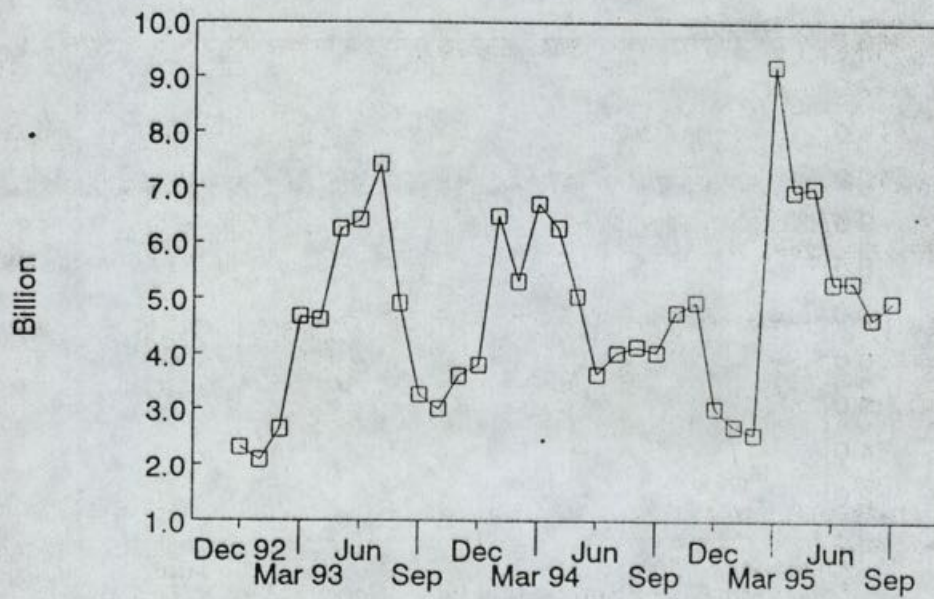
B2

Chart C

RESIDENTIAL MORTGAGE LOANS IN HONG KONG
(33 institutions)

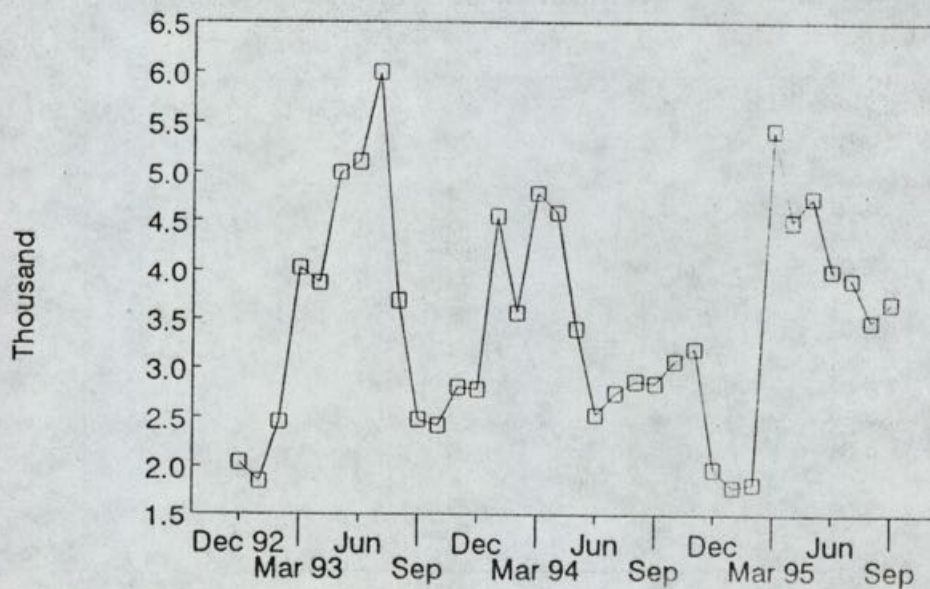
NEW LOANS APPROVED BUT NOT YET DRAWN

Amount



C1

Number of accounts



C2

MOU signed between HKMA and SFC

* * * * *

The Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) announced today (Monday) the signing of a Memorandum of Understanding (MOU) which aims at strengthening co-operation between the two authorities.

The MOU sets out the framework for co-ordination of supervision of financial institutions or groups in which both authorities have an interest. The authorities have agreed to use their best endeavours to ensure that there will be no gaps in regulation and to minimise unnecessary duplication of effort in their supervision.

"The trend for financial institutions and groups to broaden the range of their business activities has increased the need for the various financial regulators to work closely together. The signing of this MOU will formalise and strengthen the already good co-operation which exists between the HKMA and the SFC. Such supervisory co-operation will promote the interests of Hong Kong as an international financial centre," said the Chief Executive of the HKMA, Mr Joseph Yam.

"I am confident that the signing of the MOU between us will enable the two regulatory authorities to work even closer together to enhance the protection of investors and to preserve market integrity," said the Chairman of the SFC, Mr Anthony Neoh.

The banking and deposit-taking business of authorised institutions is governed by the Banking Ordinance and regulated by the HKMA, while dealing in securities and the giving of investment advice are governed by the Securities Ordinance and related Ordinances and regulated by the SFC. Institutions that engage in both activities are subject to the dual supervision of the two authorities.

In late 1994, the HKMA and the SFC established a Working Party to look into ways to minimise gaps and overlaps in their supervision. The main recommendations of the Working Party are enshrined in the MOU. Subject to the condition that the respective statutory functions of the two parties are preserved, the MOU provides in broad terms for: the appointment of a co-ordinator for each institution or financial group in which both authorities have an interest for the purpose of establishing regular exchange of prudential information relevant to an institution's financial position, the fitness and properness of its management and other supervisory matters; and consultation in areas of staff training, issuance of guidelines, and formulation of policy in areas covering securities, futures, fund management and leveraged foreign exchange trading as they affect authorised institutions.

The HKMA and the SFC have agreed to meet every six months to exchange information on financial institutions under dual supervision. In addition, both parties will meet every two months to discuss current and general policy issues. Ad-hoc meetings will be arranged to deal with specific supervisory concerns. In particular, each party has agreed to inform the other prior to taking any disciplinary or regulatory action in relation to an institution where there is a common interest.

End/Monday, October 23, 1995

HK welcomes Norway's proposal on textile products

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Hong Kong welcomes the proposal made by the Norwegian Government to remove certain products from the coverage of the three categories of textile items currently subject to quantitative restraint on exports to Norway, a spokesman for the Trade Department said today (Monday).

Under the proposal recently put forward to the department by the Norwegian Government, exports of impregnated jackets, impregnated trousers both under Harmonised System Heading No. 6210, and knitted bed-linen from Hong Kong to Norway will no longer be subject to quantitative restraint as from January 1, 1996.

Currently, the spokesman said, exports of all types of woven jackets and woven trousers including impregnated ones under Harmonised System Heading No. 6210, and both woven and knitted bed-linen were subject to annual quantitative limits.

"The volume of trade involved is small as Hong Kong has little exports of the products involved," he said.

"Nonetheless, the proposal by Norway represents a concrete step taken by an importing country under the World Trade Organisation Agreement on Textiles and Clothing (ATC) towards liberalisation of global trade in textiles.

"Hong Kong fully appreciates the efforts made by Norway towards this goal and is delighted to accept Norway's proposal."

The proposal by Norway is made under Paragraph 15, Article 2 of the ATC. Provisions of the paragraph provides for the early elimination by a member of quantitative restrictions it maintained, independent of the integration programme under the ATC.

Under the ATC, members are committed to liberalising global trade in textiles in stages with the ultimate objective of fully integration of trade in textiles into the General Agreement on Tariffs and Trade by year 2005.

End/Monday, October 23, 1995

New Deputy Commissioner for Labour appointed

Mr Lee Kai-fat, whose previous posting was Deputy Director of Housing (Administration), joined the Labour Department today (Monday) as Deputy Commissioner for Labour (Special Duties).

He will be responsible for industrial safety matters, particularly the restructuring of the Factory Inspectorate Division (FID) having regard to its changing role as recommended in the consultation paper on industrial safety published in July this year as well as recommendations made by Ernst & Young Management Consultants on the reorganisation of the FID.

Mr Lee, aged 48, joined the Civil Service in 1977. He has worked in the Urban Services Department, Royal Hong Kong Police Force, Lands Department and a number of policy branches in the Government Secretariat. He became Deputy Director of Housing (Administration) in October 1994.

End/Monday, October 23, 1995

Updated information in Central Register available

The Census and Statistics Department maintains a comprehensive and up-to-date computerised Central Register of Establishments which contains around 400 000 active business establishments in Hong Kong.

The Register serves mainly as the sampling frame for various economic surveys conducted by the department. Besides, many other government departments and private organisations also make use of the records kept in the Register in their publicity, business promotion, survey and research work.

Information kept in the Central Register of Establishments is updated on a quarterly basis. Updated information in respect of the second quarter of 1995 is now available. A sample listing containing 20 per cent of the records randomly selected from the Register is accessible by prospective users.

Application for the supply of non-confidential particulars such as the name, address, major type of business activity and employment size class of all or part of the listed records can be made to the Central Register of Establishments Section of the department. The information can be supplied in the form of photocopies or specially-run magnetic tapes. A charge will be levied for this service at the following rates :-

* \$5.6 per page of photocopy; or

* a minimum charge of \$634 for a job requiring computer run time of up to 20 CRUs (Computer Resources Units) plus \$31.7 for each additional CRU in excess of 20 CRUs, if the information is required on magnetic tapes. The magnetic tape can be provided by the applicant, or by the department at a charge of \$105 per tape.

Further details about the provision of this service can be obtained from the Central Register of Establishments Section of the department on telephone 2582 4760.

End/Monday, October 23, 1995

Fire and chemical safety campaign launched

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The Labour Department today (Monday) launched a campaign to enhance fire and chemical safety in factories and catering establishments.

Deputy Chief Factory Inspector, Mr Tse Ming-sing, said the two-month campaign was aimed at alerting proprietors and workers of factories and catering establishments to keep their workplaces free from fire and chemical hazards, especially during the dry season.

"The campaign will target at factories and catering establishments with large quantities of flammable substances and dangerous chemicals as well as those with poor safety records," he said.

During the campaign, surprise inspections will be made and prosecution actions will be taken without warning against any proprietor or worker who violates the fire and chemical safety provisions of the Factories and Industrial Undertakings Ordinance and its subsidiary regulations.

Mr Tse urged proprietors to keep all means of escape in industrial undertakings free from obstruction to ensure a free passage for workers in case of fire. Moreover, all containers holding dangerous chemicals should be properly labelled.

"Workers should take good care of themselves and of other people by adopting safety precautions," he added.

Any proprietor who contravenes the fire and chemical safety provisions is liable to a maximum fine of \$200,000 and six months' imprisonment while an employee is liable to a maximum fine of \$10,000.

End/Monday, October 23, 1995

Direct airside transit visa for UK

The Immigration Department announced today (Monday) that as from tomorrow (Tuesday, October 24), nationals of Ghana, Nigeria and the People's Republic of China will, in all circumstances, require visas when arriving in the United Kingdom en route for another destination, including when in airside transit.

"The requirement to have direct airside transit visa was first introduced on July 22, 1993 for nationals of Afghanistan, Iran, Iraq, Lebanon, Libya, Somalia, Sri Lanka, Turkey and Zaire. Also with effect from tomorrow (October 24), the requirement for direct airside transit visa will be lifted for nationals of Lebanon," a spokesman for the department said.

"Application for direct airside transit visa may be submitted at the Overseas Visa Section of the Hong Kong Immigration Department at second floor, Immigration Tower, 7 Gloucester Road, Wan Chai, Hong Kong," the spokesman added.

Enquiries can be made on telephone 2829 3279.

End/Monday, October 23, 1995

Hotel operator fined for operating without licence

The operator of Parkview was fined \$25,000 in the Eastern Magistracy today (Monday) after being found guilty of operating a hotel without a licence.

The conviction was made following a two-day trial last week.

The court heard that during an undercover operation mounted by the Home Affairs Department at the premises at 88 Tai Tam Reservoir Road between November 25 and 27 last year, officers found the premises operating illegally, contravening Section 5 of the Hotel and Guesthouse Accommodation Ordinance.

A spokesman for the department said the prosecution of Parkview underlined the department's determination to ensure that all hotels and guesthouses operate with proper regard for building and fire safety.

He stressed that enforcement action would continue to be taken against unlicensed hotels and guesthouses.

He also appealed to the public to report unlicensed hotels and guesthouses to the department's Office of Licensing Authority on 2881 7034.

End/Monday, October 23, 1995

Fresh water cut in Tsuen Wan

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Fresh water supply to some premises in Tsuen Wan will be temporarily suspended from 11 pm on Wednesday (October 25) to 6 am the following day to facilitate water mains leakage detection.

The suspension will affect all premises in Sha Tsui Road, Chung On Street, Castle Peak Road, Yan Chai Street including Tak Wah Street, Ham Tin Street, Sze Pei Square and Tsuen Wan Market Street.

End/Monday, October 23, 1995

Water storage figure

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Storage in Hong Kong's reservoirs at 9 am today (Monday) stood at 99.1 per cent of capacity or 580.777 million cubic metres.

This time last year the reservoirs contained 571.298 million cubic metres of water, representing 97.5 per cent of capacity.

End/Monday, October 23, 1995

Hong Kong Monetary Authority tender results

* * * * *

Tender date	23 OCT 95
Paper on offer	EF NOTES
Issue number	3810
Amount applied	HK\$2,710 MN
Amount allotted	HK\$500 MN
Average price (yield) accepted	99.91 (6.28 PCT)
Lowest price (yield) accepted	99.90 (6.28 PCT)
Pro rata ratio	About 31 PCT
Average tender price (yield)	99.87 (6.29 PCT)

End/Monday, October 23, 1995

Hong Kong Monetary Authority money market operations

* * * * *

	\$ million	Time (hours)	Cumulative change (\$million)
	-----	-----	-----
Opening balance in the account	2,552	0930	+624
Closing balance in the account	2,476	1000	+624
Change attributable to :		1100	+624
Money market activity	+624	1200	+624
LAF today	-700	1500	+624
		1600	+624

LAF rate 4.25% bid/6.25% offer TWI 121.7 *-0.1* 23.10.95

Hong Kong Monetary Authority

EF bills		EF notes				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	5.49	2 years	2708	6.06	100.33	5.95
1 month	5.54	3 years	3807	6.16	100.08	6.22
3 months	5.61	5 years	5009	6.95	100.67	6.90
6 months	5.66	5 years	M501	7.90	102.59	7.35
12 months	5.71					

Total turnover of EF bills and notes - \$8,991 million

Closed October 23, 1995

End/Monday, October 23, 1995