

# HONG KONG REVIEW

July - November 2008

New Zealand Consulate-General, Hong Kong

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## Bilateral - Hong Kong

### Visit by Wellington Mayor Ms Kerry Prendergast to Hong Kong

Wellington Mayor Ms Kerry Prendergast made an official visit to Hong Kong on 13 and 14 August, after attending the opening of the Olympic Games in Beijing.

During her stay in Hong Kong, Ms Prendergast called on Permanent Secretary for Home Affairs Mrs Carrie Yau, who accompanied the Mayor on an

official tour of the Hong Kong Museum of History. Both officials noted that collaboration had already taken place on several arts projects, including the performance of New Zealand percussion group Strike and the Pacific group Te Vaka in Hong Kong with the assistance of the Hong Kong Leisure and Cultural Services Department and New Zealand's Ministry of Culture and Heritage. They both expressed their wish to collaborate further on enhancing the roles of both cities as strong arts and cultural hubs in the region. In particular, Ms Prendergast noted that there is scope to develop closer artistic links between the two cities.

To further foster closer ties with local arts groups, the Mayor also met with Ms Tiso Ho, Executive Director of the Hong Kong Arts Festival Society Ltd, and Dr Herbert Huey, Associate Director of Hong Kong Academy for Performing Arts, which is currently hosting a New Zealand contemporary dance choreographer in residence.

At a breakfast meeting organized by the New Zealand Chamber of Commerce, Ms Prendergast made a speech on Wellington's transformation into a creative capital. She also attended a Welcome Home Reception hosted by former Consul-General Mr Julian Ludbrook for the New Zealand Student Ambassador Programme, which (cont'd on P. 2)



*Wellington Mayor Ms Kerry Prendergast and Permanent Secretary for Home Affairs Mrs Carrie Yau*

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### **New Zealand All Blacks in Hong Kong**

In November Hong Kong successfully hosted the first off-shore All Blacks v Wallabies Bledisloe Cup match. The All Blacks won the match 19 - 14. During their visit to Hong Kong, the All Blacks and the Wallabies undertook promotional activities and interacted with members of the community, including playing touch rugby with local school children.

### **Reunion of New Zealand Student Ambassadors**

On 14 August, former Consul-General Mr Julian Ludbrook hosted a Welcome-Home reception for 12 New Zealand Student Ambassadors who had just returned from their 3-week trips to New Zealand. The event re-united student ambassadors from the current and previous years, who were keen to share their New Zealand experience with one another.

In the third year of its operation, the New Zealand Student Ambassador Programme is organised by New Zealand Trade and Enterprise, Education Bureau, Wing On Travel and various co-organisers and sponsors. The programme aims to give local Hong Kong secondary school students the opportunity to study at local schools and live with local host families in New Zealand.

The event was attended by 50 guests including the guests of honour, visiting Wellington Mayor Ms Kerry Prendergast and Hong Kong Deputy Secretary of Education Mr Michael Wong, as well as representatives from Wing On Travel and other sponsors.



*Former Consul-General Julian Ludbrook with Student Ambassadors*

(cont'd from P. 1) was also attended by Deputy Secretary of Education Mr Michael Wong and local reporters.

### **New Consul-General to Hong Kong and Macau**

On 3 November we welcomed our New Consul-General to Hong Kong and Macau, Ms Adele Bryant, who succeeded Mr Julian Ludbrook.



*Our New Consul-General Ms Adele Bryant*

Ms Bryant moved to Hong Kong from her previous role as Deputy Head of Mission at the New Zealand Embassy and Alternate Permanent Representative to United Nations Food and Agricultural Organisation in Rome. She has been with the Ministry of Foreign Affairs and Trade since 1989 and has held previous postings in Vanuatu and Malaysia.

Mr Ludbrook is returning to Wellington after his Hong Kong posting.

### **Visit by Ministry of Economic Development Deputy Secretary Mr Andrew Jackson to Hong Kong**

Mr Andrew Jackson, Deputy Secretary of the Ministry of Economic Development, made an official visit to Hong Kong from 20 to 21 October.

Mr Jackson called on Under Secretary for Financial Services and the Treasury Ms Julia Ng to discuss a range of issues on global economic development, including the impact of the on-going global financial crisis. Mr Jackson also called on senior officials from the Hong Kong Exchanges and Clearing Limited and the Hong Kong Monetary Authority for an update on Hong Kong's plans to ease the credit crunch in the city's banking system.

During his stay, Mr Jackson also met with senior executives and economists to discuss the latest regional developments in the banking sector.

### **Creative New Zealand Fosters Links with Hong Kong and Macau**

Creative New Zealand Manager (International) Ms Carla van Zon and Advisor (International) Ms Tanea Heke visited Hong Kong and Macau from 18 to 22 October on a mission to foster art and cultural links with the two special administrative regions.

During their stay in Hong Kong, they called on Ms Elaine Yeung, Senior Manager (Festivals Office) of the Leisure and Cultural Services Department, to explore opportunities for further bilateral art and cultural exchanges. They also met with representatives from the Hong Kong Arts Festival Society Ltd, the Hong Kong International Literary Festival and the Hong Kong Academy for Performing Arts to discuss ways to bring more New Zealand artists, writers and performers to Hong Kong to participate in their annual events.

During their visit to Macau, Ms van Zon and Ms Heke called on the Cultural Institute's President Ms Heidi Ho, (cont'd on P. 3)

## Bilateral - Hong Kong

(cont'd from P. 2) and Chief of Special Projects Mr Charles Lam, as well as Director of the Macau Museum of Art, Mr Chan Hou Seng and Artistic Director of Macau's International Music Festival, Mr Warren Mok, for an update on the flourishing cultural scene in Macau and to discuss ways to further improve bilateral cultural exchange between New Zealand and Macau.

### Olympics 2008

The then Minister for Sport and Recreation Mr Clayton Cosgrove was in Hong Kong on 18 and 19 August to lend his support to the New Zealand team competing at the Olympics Equestrian Events held in Hong Kong.

During his stay, the Minister attended the Victory Ceremony for the Team Jumping Final Event. He also called on Minister of Justice Mr Wong Yan-lung to discuss mutual areas of interest including international arbitration, mediation and youth offenders.

### Mrs Pansy Wong Appointed New Zealand's first Asian-born Cabinet Minister

Mrs Pansy Wong, 53, became New Zealand's first Asian-born cabinet minister, as the former Hong Kong resident was appointed Minister for Ethnic Affairs and Women's Affairs following the New Zealand general election victory by Prime Minister Mr John Key's National Party on 8 November. Born in Shanghai and raised in Hong Kong, Mrs Wong was elected to Parliament as New Zealand's first Asian legislator in 1996. Some 260 Zealanders cast their votes at the New Zealand Consulate-General in Hong Kong.

### Currency Exchange Rates

HK\$7.75=US\$1.00 (approx)

HK\$4.26=NZ\$1.00 (approx)

## Domestic - Hong Kong

### 2008/09 Policy Address: "Embracing New Challenges"

Chief Executive Mr Donald Tsang presented his 2008/09 policy address titled "Embracing New Challenges" on 15 October on Hong Kong's responses to the current global financial crisis, food safety and environmental pollution.



Chief Executive Mr Donald Tsang

Calling the current economic turmoil "a **financial tsunami**", Mr Tsang warned that the current global crisis is more serious than the 1997 Asian financial crisis, although it had not caused systemic damage to the city's economy.

He also warned that the Government is facing a "huge deficit" and that he could not rule out the **possibility of two successive quarters of negative growth** - the technical definition of a recession. As predicted, since the release of the policy address Hong Kong has slipped into a technical recession.

Among the highlights of the Chief Executive's proposals are the establishment of a taskforce to assess the impact of the financial crisis on Hong Kong's economy, and propose specific options to address the challenges; the introduction of the Competition Bill to promote competition and enhance economic efficiency; new food safety laws to empower authorities to promptly ban the import and sale of tainted food products and recall them when necessary; and plans to legislate for a minimum wage.

Full details of the policy address are available at [www.policyaddress.gov.hk/08-09/eng/highlights.html](http://www.policyaddress.gov.hk/08-09/eng/highlights.html).

### 2008 Legislative Council Election

A total of 1,524,249 electors cast their votes for the 2008 Legislative Council (LegCo) election for **geographical constituencies** on 7 September, representing a **turnout rate of 45.2%**, about 10 percentage points lower than the 2004 election.

The turnout rate of the election for functional constituencies is 60.3%, also about 10 percentage points lower than the previous poll. The lack of clear and outstanding election issues amid improved socio-economic conditions at that time were said to be factors for the lower turnout.

The **pro-democracy camp** fared better than expected, securing **23 seats** (cont'd on P. 4)

Period	NZ Total Exports to HK (FOB NZ\$mil)
Nov 07-Oct 08	683
% of NZ export to all markets	1.62
yoy change	+20.1%
Sep 2008	67
yoy change	+24.2%
Oct 2008	66
yoy change	+56.4%

New Zealand Exports to Hong Kong, November 2007 - October 2008  
(Source: Statistics New Zealand)

Hong Kong retained the title of the **world's freest economy** in an annual ranking of the world's top 10 freest economies by Canada's Fraser Institute, followed by Singapore and New Zealand.

**Morgan Stanley cut its 2009 growth forecast for Hong Kong to 0.5%** from 3.3% and lowered **this year's projection to 2.8%** from 4%. The unemployment rate was expected to reach 4% by early next year and top 5%, and inflation was forecast to stay at 4.5%, dipping to 4% next year.

The Hong Kong Government reiterated that it has **no plans at present to proceed with the national security legislation** which was shelved in 2003 after a protest march of 500,000 people, after Macau launched a public consultation on introducing such measures (*see second item under "Domestic Macau SAR"*).

The Legislative Council passed the landmark **Race Discrimination Ordinance** in July. The statutory provisions aim to provide anti-discrimination protection for ethnic minorities in Hong Kong. The Ordinance will come into full effect in 2009 (exact date to be announced). The full text of the Ordinance (Cap 602) is available at [www.legislation.gov.hk/eng/home.htm](http://www.legislation.gov.hk/eng/home.htm).

Hong Kong stands to lose about HK\$192 million a year when about 1.11 million people travelling between the mainland and Taiwan bypass the city as a **result of full direct cross-strait flights**, warned the Hong Kong Tourism Board, though the loss would not be immediate. The figures involve about a million Taiwanese, who spend around HK\$152 million a year in Hong Kong, and about 110,000 mainlanders heading in the opposite direction who spend about HK\$40 million a year in Hong Kong.

(*cont'd from P. 3*) and retaining their veto power on constitutional matters in the LegCo, although it now has two fewer seats than in the last election. The **pro-government camp** is still the **dominant power**, with **37 seats**.

The Democratic Alliance for the Betterment and Progress of HK (DAB) remains the **biggest party**, with **13 seats**. **Liberal Party** had a major blow, with its Chairman Mr James Tien and Vice-Chairwoman Ms Selina Chow losing their directly elected seats and resigning from their party posts. Ms Chow also resigned from her post as an Executive Councillor.

Full election results are available at [www.info.gov.hk/gia/general/200809/08/P200809080119.htm](http://www.info.gov.hk/gia/general/200809/08/P200809080119.htm).

After the election, **DAB Vice-Chairman Mr Lau Kong-wah** was appointed to succeed former DAB Chairman Mr Jasper Tsang in the **Executive Council**, while Mr Tsang succeeded Mrs Rita Fan as LegCo President.

After the election, the **Democratic Party** agreed to **merge with the Frontier**. Once the merger is completed, the Democratic Party will gain one more LegCo seat, which is held by Frontier Convenor Ms Emily Lau. Currently, the Party holds eight seats.



*Newly appointed Executive Councillor Mr Lau Kong-wah*

### No Structural Problems in Hong Kong's Financial System

Financial Secretary Mr John Tsang said that the Government will do all it can to maintain market stability after (*cont'd on P. 5*)

#### Latest Hong Kong Economic Indicators

Indicator	Figure	Period	Change
1. Gross Domestic Product	US\$201 bn	FY2007	+6.3%
2. Economic growth	+1.7%	3rd Q 2008	preliminary
	+3 to 3.5%	FY2008	forecast
3. Population	6,985 mil	mid-2008	+0.9% yoy
4. Fiscal deficit	HK\$48 bn	Jan-Jun 08	-
5. Foreign currency reserves	US\$154.9 bn	Oct 2008	+8.9% yoy
6. Monetary base	HK\$362.8 bn	Oct 2008	+19.5% yoy
7. Hang Seng Index	13,969	31 Oct 2008	-55.4% yoy
8. Inflation rate	+1.8%	Oct 2008	-
9. Prime interest rate	1.5%	Oct 2008	-
10. Property transactions			
a. sales value	HK\$9 bn	Nov 2008	-87.2% yoy
b. no of transactions	3,264	Nov 2008	-79.3% yoy
11. Retail sales value	HK\$20.8 bn	Oct 2008	+0.3% yoy
12. Unemployment rate	3.5%	Aug-Oct 08	provisional
13. a. Total exports	HK\$247.2 bn	Sep 2008	+3.6% yoy
b. Total imports	HK\$263.2 bn	Sep 2008	+3.9% yoy
c. Re-exports	HK\$239.4 bn	Sep 2008	+4.6% yoy
14. Visitor arrivals	2,533 mil	Oct 2008	-1.4 % yoy

(Sources: 1, 2, 3, 4, 8, 11, 12, 13. Hong Kong Census & Statistics Department 5,6,7. Hong Kong Monetary Authority 9. HSBC 10. Hong Kong Land Registry 14. Hong Kong Tourism Board)

## Measure to Ban Unacceptable Levels of Melamine in Food

After a number of food products were found to contain melamine and 12 children were found to have developed kidney stones after consuming melamine-tainted milk imported from the mainland, the Hong Kong Government introduced an amendment to the Harmful Substances in Food Regulations banning 'inappropriate levels' of melamine in food, which became effective on 23 September. Under the amended legislation, melamine in food products is considered safe at 2.5 parts per million or less, and the safe level for children under three and pregnant or lactating women was set lower, at 1ppm. The Director of Food and Environmental Hygiene is now empowered to ban the import and supply of any food, and order its immediate recall if deemed necessary.

Hong Kong is also expanding its testing of food imported from mainland China after melamine was also found in eggs from the mainland. The Centre for Food Safety now regularly tests imported eggs, pork, farmed fish and offal products imported from the mainland.

### Business & Other Updates - Hong Kong

The Hong Kong Monetary Authority has injected HK\$3.9 billion into the Hong Kong banking system to ease the pressure facing local banks. Hong Kong dollar interbank interest rates have subsequently eased alongside US dollar rates, allowing local banks to lower their commercial interest rates. Chief Executive Mr Joseph Yam has continually urged depositors and investors to maintain their confidence in the local banking system which, he says, remains healthy.

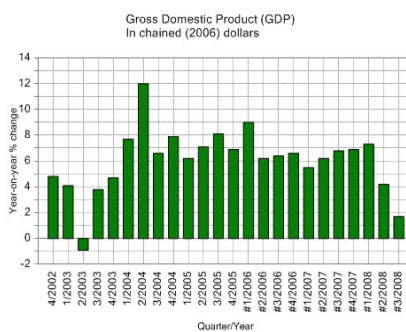
(cont'd from P. 4) the collapse of the US investment bank Lehman Brothers. Mr Tsang stressed that so far there are no signs of any large-scale capital flight from Hong Kong despite the recent volatility in the stock market, and noted that the HKD exchange rate and interbank interest rates have remained stable. He revealed that the Government has initiated a coordinating mechanism to monitor economic conditions, and that the Hong Kong Monetary Authority (HKMA) would step in if necessary to maintain market order.

HKMA Chief Executive Mr Joseph Yam also stressed that Hong Kong has a healthy regulatory system for stocks, banking and insurance, adding that there are no structural problems in the territory's financial system. Following the lead of other economies, the HKMA introduced blanket **guarantee for all bank deposits in Hong Kong until the end of 2010**.

According to the HKMA, the direct risk exposure of the local banking sector to Lehman Brothers is estimated to be HK\$30 billion (about 0.05% of its total assets).

## YOY GDP Growth Slowed to 1.7% at end of Third Quarter

Hong Kong's economic growth slowed notably in the third quarter, with GDP rising 1.7% yoy after a 4.2% yoy rise in the second quarter.



Figures are subject to revision later on as more data become available. Figures are the latest data released on 14 November 2008.

### Hong Kong GDP's Trend from 2002 to 3rd Quarter of 2008

only 0.2% yoy. The unemployment rate rose to a still relatively low level of 3.4%. Consumer price inflation fell to 4.6%, mainly reflecting the favourable effects of the Government's one-off relief measures.

Mrs Chan warned that Hong Kong's export performance is likely to remain rather lacklustre in the near term amid an uncertain and difficult external environment. Domestic demand will likewise slow in the period ahead.

Taking into account 4.3% GDP growth in the first three quarters, economic growth for the whole year is officially forecast to reach 3% to 3.5%, revised down from the earlier 4% to 5%. The forecast consumer price inflation for 2008 remains unchanged at 4.2%.

More economic indicators for the third quarter are available at [www.info.gov.hk/gia/general/200811/14/P200811140200.htm](http://www.info.gov.hk/gia/general/200811/14/P200811140200.htm)



Chief Executive Mr Edmund Ho

## Business & Other Updates - Hong Kong

Mrs **Rita Lau**, 55, was appointed **Secretary for Commerce and Economic Development**, succeeding Mr Frederick Ma. Prior to her current post, Mrs Lau was Permanent Secretary of the same Bureau.

Secretary for Financial Services and the Treasury Mr Chan Ka-keung said that the **deficit this fiscal year** is going to be much higher than expected, and the shortfall **could top HK\$7.5 billion**. The budget surplus last year totalled over HK\$123 billion.

It was confirmed that the **Hong Kong-Macau-Zhuhai Bridge** will begin construction no later than 2010, and should be **completed by 2015** at the earliest.

China will further open up its market for Hong Kong companies in more professional sectors under the **fifth supplementary agreement with the Closer Economic Partnership Agreement** framework with effect from 1 January 2009, which added 29 liberalisation measures, taking the total number to 221. Chief Executive Mr Donald Tsang said that the framework had attracted over HK\$5 billion of investment for Hong Kong. Details of the supplementary agreement are available at [www.tid.gov.hk/english/cepa/index.html](http://www.tid.gov.hk/english/cepa/index.html).

## Domestic - Macau

### Negative Growth Forecast for Gaming Sector Next Year Despite 15% GDP Growth Forecast

Chief Executive Mr Edmund Ho warned that gaming revenue could suffer negative growth next year due to the slowdown of world economic development, although livelihood projects will not slow down as long as the Government has reasonable revenue and savings of surplus from previous years.

In the first half of 2008, gaming revenues reached 58.7 billion patacas (US\$7.34 billion), a yoy of 54.6%. This accounted for 70.6% of the total revenues posted last year. However, such revenues dropped by 3.1% in the second quarter of the year, the first quarter-to-quarter drop since the opening up of the market in 2005. By the end of June, there were 30 casinos in Macau, with 4,311 gaming tables and 12,956 gaming machines.

The decline was largely blamed on the global economic downturn, while **China's tightening of its visas arrangement**, which allow mainlanders to travel to Macau individually, was also cited as one of the factors. Mr Ho predicts that Macau's gaming and tourism industries will take **two to three years to recover**.

Mr Ho pledged that the administration will implement inflation relief measures, take a practical approach to review the development of gambling and will not encourage over-development of a single sector.

Secretary for the Economy and Finance Mr Francis Tam has said earlier that the **economic growth forecast for 2008** will have to be marked down from the initial 15% to **about 10%**. He pointed out that the global financial crisis will impact Macau's economy in terms of declining visitor consumption and slowing down of private investment projects such as hotel projects.

### Public Consultation on Proposed National Security Legislation

Chief Executive Mr Edmund Ho announced the start of a 40-day public consultation process on the draft of the proposed national security legislation prescribed by Article 23 of the Basic Law of Macau, which contains 15 articles aiming to prohibit "any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region, and to prohibit political organisations or bodies of the Region from establishing ties with foreign political organisations or bodies". He hoped that the legislation would be approved by the Legislative Assembly before the end of his term on 19 December 2009.

The new law will have jurisdiction over crimes committed in Macau or, in the case of holders of resident identity cards, also acts that occur outside the territory's borders.

The consultation last until mid-November.

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## Further Liberalisation for Trade between Macau and Mainland China Under CEPA

The authorities of Macau and China signed the fifth supplement to the agreement for boosting economic and commercial relations under the Closer Economic Partnership Arrangement (Cepa). The new supplement covers areas of retail services and aims to make trade and investment easier, which will, as of 2009, make it possible to introduce sectors such as services related to mining and scientific technology consulting services.

The agreement also includes **customs tariff exemptions** for products exported to the mainland which are **at least 30% produced in Macau**, as well as the possibility of local businesspeople being allowed to set up business in the mainland in specific service sectors.

## Business and Other Updates- Macau

Las Vegas Sands announced that it will halt work on a US\$ 3.7 billion Cotai casino complex and lay off up to 11,000 construction workers. The gaming operator has built three casino resorts in Macau, and earns two-thirds of its revenue from Macau.

President of the Legislative Assembly Ms **Susana Chou** announced her wish to step down from the political circle after the end of her term in August 2009. She also clarified that she had no intention to contest for the post of Chief Executive.

Revenue from Macau's 31 casinos fell 10% in the third quarter from the previous three months, the second straight quarter-to-quarter decline. Chief Executive Mr Edmund Ho forecast that average monthly revenues could drop in 2009 to 7 billion patacas (US\$893 million), compared with the average monthly revenue of more than 9 billion patacas (US\$1.5 billion) for the first nine months of 2008. Casino revenue totalled 8.87 billion patacas (US\$1.1 billion) in October 2009, a 3.8% yoy decline.

The **number of Macau residents** totals **551,900**, according to the latest census data. The population is forecast to reach 705,000 in 2016 and 829,000 in 2031.

Macau recorded a **sharp increase in drug-related crime**, while other cases also recorded an overall increase. Some 8,078 criminal cases were referred to Public Prosecutors in the first half of 2008, a yoy increase of 14%. Theft, robbery, abuse of trust and illegal occupation of properties were all up by more than 35%, and drug cases increased by 79% to 125, of which drug dealing surged by 170% to 73.

