

# Pearl of Orient to shine brightly in 2004



## HONG KONG FORUM

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The year 2003 was indeed a very eventful year, with ups and downs, bringing much stimulation to the media and keen observers from outside Hong Kong.

The Iraqi war, which greatly affected many countries, along with the US (our key trading partner and exporting destination), created a strong, negative psychological impact for Hong Kong, which early in the year was just beginning to establish a mild and slow recovery, amidst our numerous long-term problems like economic restructuring, budget deficit, high unemployment rate and deflation.

For the Hong Kong SAR government, the Year of the Goat was a difficult one. Despite its great determination to proceed with the Basic Law Article 23 legislation on national security, a task and responsibility that Hong Kong ought to fulfil, the government met with strong opposition and adverse reactions from certain sectors of the community. We all know the outcome of the further developments. Then there were episodes like the car purchase by former Financial Secretary Antony Leung, the Harbour Fest, the July 1 procession plus other headaches and problems that the government had to face and resolve.

The most severe crisis to hit Hong Kong was the SARS epidemic which took 299 lives. It is a frightening disease because, even now, we do not know enough about this new virus, on its confirmed detection, its effective treatment and how to efficiently prevent it from spreading in the community and to our neighbours abroad.

SARS was devastating for the Hong Kong economy, which had to live almost in isolation for months on end while tourism, retailing and hotel businesses came almost to a standstill -- not to mention the adverse effects on the overall economy including the stock and real-estate markets.

Though much better prepared by now, we are definitely keeping our fingers crossed that SARS does not hit Hong Kong and the



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region again in the coming few months. As to when we are able to develop an effective vaccine against SARS is anybody's guess, but for sure it won't happen tomorrow.

The announcements of the economic initiatives by the central and Hong Kong SAR governments changed the tide and mood of the territory's economic and general scene quickly, whilst the impetus brought about by "individual tourists" from the mainland since July 28 has brought life back to the struggling tourism, hotel, restaurant and retail sectors.

The positive psychological effect brought about by the Closer Economic Partnership Arrangement (CEPA) is also much welcomed by Hong Kong and foreign traders operating in Hong Kong, which has by now seen its stock market recovering with the Hang Seng Index hitting 12,575 -- the highest for more than two years -- when it closed on the last trading day in 2003.

The property sector has also recovered by some 20 per cent from its bottom, with a steady increase in the number of transactions recorded even in the secondary property market. Even members of the opposition parties openly admitted that the central government did a very good job in helping Hong Kong to get out of the

difficulties.

With CEPA going into operation on January 1, we can expect further positive impact on Hong Kong in the months to come. The business sector must really try hard to ride on this huge wave in finding Hong Kong's niches and real strengths that can bring a longer breathing space for the territory, because Hong Kong still needs to resolve many of its long-term problems like economic restructuring, deflation and a high unemployment rate, although it has already dropped from its all-time high of 8.7 per cent to the present 7.5 per cent level, but this is still far too high for Hong Kong.

The high turnout rate of the District Council election in November taught the government a good lesson -- that the people of Hong Kong were not happy at all in 2003. Therefore, the SAR government has a lot of work to do to put things right in 2004, to strengthen its governance and effective leadership.

On the economic front, I think priority should be given to help stimulate economic growth, if necessary by way of infrastructural development.

At difficult times in the old days, we built the Mass Transit Railway in the 1970s and the Chep Lap Kok International Airport

in the 1990s. Probably by now we need to build some new valuable and useful assets or rose gardens to help Hong Kong regain confidence towards the future, and in strengthening our economic growth and creating more new jobs for the community.

Working more closely with the business sectors, the government should help Hong Kong to develop its new directions for the 21st century. To give some examples, we see no follow-up actions taken on former proposals, like developing Hong Kong into a centre for Chinese medicine, or transforming Hong Kong into the likes of a Manhattan of the Far East. These ideas became nothing more than mere PR slogans for convenience of the past.

The community would be happier to see resources engaged in conducting serious studies on worthwhile and promising new ideas that help Hong Kong to develop as a world city of Asia than to spend money on events like the Harbour Fest.

The authoritative and reputable Conference Board in the US forecast that the country will achieve real growth of 5.7 per cent in 2004, the highest in 20 years. As I see it, this will generate a very strong demand for massive increase of imported

goods, likely to benefit China as one of the world's largest manufacturers and Hong Kong's much external-oriented economy.

Furthermore, Hong Kong today is relatively more competitive because of the peg to the US dollar, whose value has fallen by some 25 per cent in the past two years. Rentals and wages have also fallen significantly in absolute terms. Therefore, we are today better equipped to fight our battles on international trade in 2004.

Let's hope such good luck will continue to carry us through the entire 2004 and beyond.

What is most important is that the Hong Kong community as a whole should regain our confidence and fighting spirit to build a brighter tomorrow.

With the strong support of the motherland and working in great harmony and co-operation with neighbouring cities of the Pearl River Delta in achieving a win-win situation for all, this Pearl of the Orient is set to shine brilliantly in fully demonstrating the success of "One Country, Two Systems".

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