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Statement by The Honourable **TUNG CHEE HWA**,
The Chief Executive of the Hong Kong Special Administrative Region
of the **PEOPLE'S REPUBLIC OF CHINA**,
at the Annual Meetings of the Board of Governors
of the World Bank Group and the International Monetary Fund

CE's speech at WBG/IMF Annual Meetings Opening Ceremonies

Following is the speech by the Chief Executive, Mr Tung Chee Hwa, at the Opening Ceremonies of the 1997 World Bank Group/International Monetary Fund Annual Meetings today (Tuesday):

Premier Li, Chairman Khirbash, Mr Wolfensohn, Mr Camdessus, Ministers, Governors, Guests, Ladies and Gentlemen :

I have much pleasure in welcoming you, distinguished officials and guests from around the world. We are honoured that China is the host of the 1997 Annual Meetings of the World Bank Group and the International Monetary Fund and delighted that Hong Kong is to act as the host city to you.

Hosting the Annual Meetings this year has a special meaning for Hong Kong. We have, of course, just witnessed on July 1 this year our reunification with the People's Republic of China. The presence of Premier Li and the distinguished guests of the international financial community signifies your strong support for Hong Kong and underlines Hong Kong's status as a leading international financial centre. These prestigious meetings also provide a unique opportunity for our visitors and friends from all over the world to witness at first hand the pride and confidence and the continuing prosperity and stability of Hong Kong under the framework of "One Country, Two Systems".

July 1st has come and gone. We, who live and work in Hong Kong, continue to work hard for an even more successful and prosperous future. All three branches of our political structure, the Executive, the Legislative, and the Judiciary have all been functioning normally. There has been no change in our life style. And our economy continues to grow. Indeed, recent surveys have shown that 78% of the Hong Kong people expressed confidence over Hong Kong's future.

Hong Kong has achieved remarkable success in the last few decades. Because of our strategic position, Hong Kong has benefited greatly by an increasingly open and global trade and financial system. Part of Hong Kong's success is also as a result of our promotion of free competitive environment, the strict adherence to the rule of law, minimum bureaucracy and a level playing field and a strong commitment against corruption - all provided and supported by an efficient civil service. Our conservative fiscal management, low and predictable tax structure have also contributed greatly to our stability and prosperity.

All the above critical success factors for Hong Kong have been enshrined in the Basic Law. The fundamental reason for our confidence is, of course, the solid promises of our Basic Law. It is a comprehensive document that was drafted together by people from both Hong Kong and Mainland China after some four years of consultation and discussion. The Basic Law provides a constitutional framework for the Hong Kong Special Administrative Region. It institutionalizes the concept of "One Country, Two Systems". It clearly prescribes the social, economic and political systems in Hong Kong which are different from those in Mainland China. It protects the rights, freedom and lifestyle of Hong Kong people. The Basic Law guarantees the independence of our judiciary and, apart from foreign affairs and defense, it gives us full responsibilities to manage our own affairs. It allows us complete financial autonomy, and independence of our monetary system. It establishes Hong Kong as a separate customs territory, and enables us to work directly with the international community to curb trade in strategic commodities, drugs, illegal trans-shipments, and protect intellectual property rights. The Basic Law has also established the framework for the democratic evolution of our political structure over the first ten years, with my election as Chief Executive in December 1996 and the election for the first Legislature scheduled for May 1998. Development beyond the ten years period will be up to

the views of the people of Hong Kong at that time. The political evolution will continue with universal suffrage as the ultimate objective.

Over the past two decades, Hong Kong has transformed itself successfully from a manufacturing economy to a service economy. Today, over 70 per cent of our work force is employed in the service sector, contributing to over 80 per cent of GDP. With a GDP per capita of US\$25,000, we are a leading international financial centre.

Hong Kong has achieved this status through the maintenance of sound economic policies. We are proud of our linked exchange rate regime, which remains unshakable despite turbulences in the region. We have today over US\$85 billion in foreign exchange reserves, of which about US\$50 billion constitutes fiscal reserves, with no external debt. Our fiscal surplus this year will exceed 2% of GDP, our savings rate continues to exceed 30%, and in the last ten years, we exported on average more than 5% of GDP in domestic savings.

These sound fundamentals underline our approach to our role regionally and globally. Hong Kong's linked exchange rate regime is the anchor of our monetary and financial stability. We do not intend to compete internationally on the basis of exchange rate adjustment. We compete equally and fairly in terms of private sector productivity and public sector efficiency. Our open markets, free trade and sound finance are the hallmarks of Hong Kong.

Hong Kong has benefited greatly from its strategic position at the heart of the fastest growing region in the world, an Asia that is increasingly more open to global trade and investments. Asia may be going through a period of consolidation, but I am confident that many of the countries who have suffered from the recent turmoil in the financial market will soon be on a rebound. The continuing rapid growth and development in many parts of Asia will bring new

opportunities to Hong Kong.

We are gathered here today for a common objective - international economic and monetary cooperation to achieve stable global development, prosperity and stability. As an international financial centre, Hong Kong is a living symbol of that cooperation.. Hong Kong will play its role as a good neighbour in promoting monetary and economic cooperation in the region and internationally. This is clearly shown in our recent \$1 billion participation in the Thai adjustment package, led by the IMF, the New Arrangements to Borrow, and our recent membership of the Bank for International Settlements and the World Trade Organisation.

Hong Kong has enjoyed great prosperity over the last two decades. The extraordinary economic success of Mainland China over this period has been a particularly important driving force behind our success. The 15th Party Congress, which was recently concluded in Beijing, has reaffirmed and ensured the path of development for China for years to come. Indeed, as we move into the 21st century, under the visionary leadership China will become more prosperous and more open and China's economy will become one of the largest in the world. Hong Kong, with our access, knowledge and expertise of the global financial market, and our position as the primary gateway to China, looks forward to both taking advantage of and contributing towards the development of our country. China's emergence is one of the most important events in the 21st century. We in Hong Kong are proud to play an important role in this historic time.

Thank you very much.