

Overview

2001 - 2002

- The second and final phase of interest rate deregulation covering Hong Kong Dollar savings and current accounts took effect from July 3, 2001, allowing banks to compete for deposits freely on the basis of price and product innovation. The first phase was instituted a year earlier.



- On July 11, the Chief Executive met President George W Bush at the White House and other key US governmental and political leaders during a two-day visit to the US capital.

- Hong Kong celebrated on July 13 when China won the right to host the 2008 Olympic Games.

- The Chief Secretary for Administration, during a duty visit to the United States, expressed shock and sadness at the deadly terrorist attacks on September 11. The attacks occurred shortly after Mr Tsang and his delegation had flown to the US capital from New York. The next day, at a meeting with US Secretary of State Colin Powell, Mr Tsang extended deepest condolences to the American people on behalf of Hong Kong.

- The Global Summit of Women 2001 was held in Hong Kong in mid-September, as was the World Services Congress 2001.



- The Government's Electronic Service Delivery Scheme received first prize under the Public Services and Democracy category of the internationally acclaimed 'Stockholm Challenge Award' in Stockholm, Sweden.

- The World Economic Forum held its prestigious East Asia Economic Summit in Hong Kong in late October, 2001.

- In his fifth Policy Address, the Chief Executive, Mr Tung Chee Hwa, highlighted a number of measures to help Hong Kong adjust to the changing global environment. Mr Tung focused on five key areas: expanding investment in education and upgrading human resources; upgrading hard and soft infrastructure; enhancing the quality of the living environment; relieving hardships and creating jobs; and, improving the quality of government administration.



- Among initiatives announced was a decision to introduce a new accountability system for principal officials and plans to spend HK\$600 billion (US\$77 billion) on major infrastructure programmes over the next 10 to 15 years.

Overview (Continued)

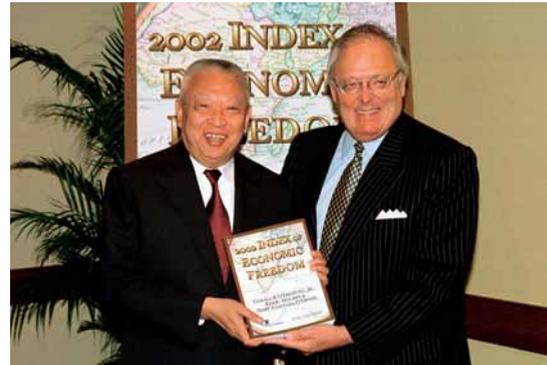
- Hong Kong's Commissioner for Narcotics, Mrs Clarie Lo, the 2001/2002 President of the Financial Action Task Force on Money Laundering (FATF), presided at a two-day extraordinary Plenary Meeting of the group in Washington D.C. to discuss ways to combat terrorist financing in response to the September 11 attacks in the United States. During the meetings on October 29-30, the FATF's remit was widened to include international measures to deny terrorists access to funds.



- In November, the Chief Executive opened the INTEGER Hong Kong Pavilion, a joint project with the United Kingdom government and private companies to demonstrate how 'intelligent and greener' flats could be built in Hong Kong today to meet tomorrow's needs.

- Survey results released by the Hong Kong Census and Statistics Department on November 6 found that in 2001 there were a record 3 237 regional operations in Hong Kong – 2 293 regional offices and 944 regional headquarters. The number continues to grow.

- The world's multi-lateral trading system ushered in a new era when China's accession to the World Trade Organisation was formally approved at the Fourth WTO Ministerial Conference in Doha, Qatar, on November 10, 2001. The decision was welcomed in Hong Kong, where GDP is expected to grow by an extra 0.5% per annum as a result of greater trade with, and investment in, the Mainland.



China was formally admitted to the WTO in December 2001.

- Hong Kong was rated the world's freest economy for the eighth consecutive year in the 2002 Index of Economic Freedom report released on November 12 by the influential Heritage Foundation of the US.

- Hong Kong played host to two major international events in November – the 12th World Productivity Congress and the 14th General Meeting of Pacific Economic Co-operation Council.

- On December 10, 2001, work was completed on Stage One of a major sewage tunnel system – the Harbour Area Treatment Scheme (HATS) – that will greatly improve water quality in the harbour by intercepting and treating up to 70% of the sewage currently entering the harbour.

- The government announced on December 11 the formation of the Hong Kong Logistics Development Council (LOGSCOUNCIL) to help Hong Kong develop further as an integrated logistics hub linking the Mainland and the world.

- Figures released on January 8, 2002, by Invest Hong Kong showed that the department had attracted and helped 99 foreign companies to set up or expand operations in Hong Kong in 2001, generating total investment of HK\$3.5 billion (US\$450 million) and creating over 1 500 jobs.

- The Court of Final Appeal ruled on January 10 that the majority of a group of about 5 000 Mainland people claiming the right of abode did not have the right to live permanently in Hong Kong. On the same day, Mainland authorities announced a grace period for those who had entered or remained illegally in Hong Kong but had lost their case to allow them to return without sanction to the Mainland before March 31, 2002 .

- A report released by the government's Economic Analysis Division on January 24 found Hong Kong was rated fourth of seven selected cities surveyed on the cost of living for expatriates. The most expensive city was Tokyo, followed by New York and London. Singapore was fifth followed by Shanghai and Taipei.

- More than 300 delegates and observer organisations from member jurisdictions of the Financial Action Task Force on Money Laundering (FATF) met in Hong Kong from January 30 to February 1 for an FATF Plenary Meeting that was followed by a Special Forum on Terrorist Financing on February 1 attended by representatives from more than 55 jurisdictions.



- The Financial Secretary, Mr Antony Leung, led the Hong Kong delegation to the annual World Economic Forum (WEF) meetings in New York from January 31 to February 4. It was the first time the influential meetings, held in New York as a mark of respect for the

September 11 terrorist attacks, had been held outside the WEF's 'home' in Davos, Switzerland.

- The Chief Executive, Mr Tung Chee Hwa, was on March 4, 2002, appointed by the Central People's Government to serve a second term from July 1, 2002 to June 30, 2007. Mr Tung was returned uncontested following the close of nominations for the Chief Executive election on February 28, 2002.

- The Financial Secretary, Mr Antony Leung, delivered his first Budget on March 6, 2002, revealing that Hong Kong's GDP had grown by 0.1% in 2001 and was forecast to grow by 1.0% in 2002.

- The world's largest free newspaper group, Metro International S A, announced on April 15 that it would establish its Asia Pacific headquarters in Hong Kong after launching its first Asian edition in Hong Kong that day. Metro International S A publishes 23 editions in 15 countries and is a publicly listed company on the NASDAQ and Stockholm stock exchange.

- The Chief Executive, Mr Tung Chee Hwa, on April 17 unveiled details of a new accountability system for principal officials to improve the accountability of the government and provide a more focused approach to policy formulation and implementation.

- Hong Kong International Airport was awarded the accolade of world's best airport, for the second year running, by the British air travel industry research company Skytrax Research on May 9, 2002.

Looking back ...

2000 - 2001

- In July 2000, 'Hong Kong, China' was elected vice-chair of the World Customs Organisation for the first time.

- Two people died and 48 were injured when Mainland migrants seeking the right of abode in Hong Kong set fire to an office in the Immigration Tower on August 2, 2000. One of those who died was a Senior Immigration Officer, while 25 of the injured were Immigration Department staff.
- Hong Kong University Vice-Chancellor Cheng Yiu-chung and a Pro-Vice-Chancellor Wong Siu-lun resigned on September 6, 2000, following allegations that they had tried to inhibit the academic freedom of a university academic carrying out public opinion polls on the government. During a public hearing into the matter, both men vigorously denied they had tried to restrict the polling work.
- More than 1.33 million people took part in the Legislative Council elections on September 10, 2000.
- Hong Kong took part in its first Olympic Games as 'Hong Kong, China' at the 2000 Olympics in Sydney in September.
- The Education Commission announced in September 2000 a blueprint for the development of education in the 21st Century, giving priority to students to enjoy learning, enhance effectiveness in communication and develop creativity and a sense of commitment.
- In October, Hong Kong was elected President of the Financial Action Task Force on Money Laundering for 2001/2002 in recognition of ongoing efforts by the SAR to combat money laundering.
- The Mandatory Provident Fund System – a compulsory retirement savings scheme – was launched on December 1, 2000. The system will provide retirement protection for Hong Kong's workforce and help to considerably broaden and deepen Hong Kong's fund industry.
- The International Monetary Fund established a sub-office in Hong Kong in

January 2001 to enhance surveillance and economic developments in the region.

- Following the retirement of Mrs Anson Chan, the then Financial Secretary Donald Tsang Yam-kuen was on February 15 named as the new Chief Secretary for Administration with effect from May 1, 2001. Executive Councillor and banker Antony Leung Kam-chung was named as the new Financial Secretary with effect from the same date.
- Hong Kong's film industry celebrated international success by claiming four Oscars for the martial arts classic *Crouching Tiger, Hidden Dragon* at the 73rd Annual Academy Awards on March 26, 2001.
- The European Union announced that from April 10, 2001, HKSAR Passport holders would be given visa-free access for visits up to three months.



- Hong Kong launched its new international brand – a powerful and energetic dragon – at the prestigious FORTUNE Global Forum held in Hong Kong in May. The new brand and brandline 'Asia's world city' would be used to promote Hong Kong internationally in a more consistent and focused manner.
- In June 2001, hundreds of newspaper and media executives from around the globe gathered in Hong Kong for the World Newspaper Congress.

1999 - 2000

- In the wake of the financial crisis, the Hong Kong Monetary Authority in July 1999 announced a three-year reform programme to further enhance competitiveness, efficiency and competition in the banking sector.
- Three people died and 215 were injured when a China Airlines MD-11 crash-landed at Hong Kong International Airport during gale force winds and torrential rain brought on by Typhoon Sam on August 22, 1999.
- In November 1999, the HKSARG and The Walt Disney Company announced plans to build a Disney theme park and destination resort on Lantau Island. The 126-hectare project, due to open in 2005, is a central element in Hong Kong's plans to upgrade its tourism facilities and attractions to remain the most popular destination in Asia.
- The Tracker Fund of Hong Kong – set up to dispose of shares acquired during the August 1998 stock market incursion – was launched on November 12, 1999, after being oversubscribed by almost five times.
- The Stock Exchange of Hong Kong Ltd (SEHK) entered into a strategic alliance with NASDAQ-AMEX that would allow companies listed on the US counter to be traded on the SEHK to facilitate around-the-clock trading of stocks.
- Also in November, the Growth Enterprise Market (GEM) – modeled on the NASDAQ – was launched by the SEHK to provide growth and emerging companies with access to funds from the investing public.
- The first District Council elections of the Hong Kong SAR were held on November 28, 1999.
- The Legislative Council voted on December 2, 1999, to abolish the two municipal councils to streamline the provision of food, hygiene, leisure and cultural services.

- The Court of Final Appeal upheld laws making it a criminal offence to desecrate or defile the national and regional flags. The unanimous ruling by the five CFA judges which was handed down on December 15 confirmed that the flag laws were consistent with the guarantee of free speech in both the Basic Law and the International Covenant on Civil and Political Rights.
- In February 2000, The Chief Executive's Commission on Strategic Development released its report on the long-term economic development of Hong Kong. The report found that Hong Kong needed to do more in four key areas: strengthen links with the Mainland; enhance competitiveness; improve the quality of life; and, reinforce Hong Kong's identity and image locally and abroad.
- Hong Kong's stock and futures exchanges and clearing houses were merged into a single entity on March 6, 2000 – Hong Kong Exchanges and Clearing Ltd – to rationalise the operation of the securities and futures markets and boost the efficiency of the local bourse.
- Taiwan announced plans to establish 'small scale' direct links with two Mainland ports – the first direct links since 1949. The decision was expect to have little impact on Hong Kong where cross-straits trade accounted for 6% of trade volumes.



- Four national treasures taken from China in the 19th Century were auctioned in Hong

Kong in early May 2000, sparking calls for laws in the SAR to protect cultural relics. Three Mainland enterprises paid a total of HK\$52.3 million (US\$6.7 million) for the relics – three bronze animal heads and a hexagonal Qing Dynasty vase – which were returned to Beijing for public display.

- A new package of measures was announced in May 2000 to improve air quality by providing incentives to hasten the introduction of cleaner vehicles and fuel and to significantly reduce harmful emissions by diesel vehicles.
- The Secretary for Justice, Elsie Leung Oi-see, 61, was reappointed on May 16, 2000, for a further two-year contract.
- The US Congress voted on May 24 to grant Permanent Normal Trade Relations status to China as part of the Sino-US deal on the Mainland's accession to the World Trade Organisation.

1998 - 1999

- The new Hong Kong International Airport at Chek Lap Kok opened to air traffic on July 6, 1998. The airport was the centerpiece of an eight-year, US\$20 billion infrastructure programme to maintain Hong Kong's role as a leading regional transport and communications hub.
- The opening of the airport was initially plagued with technical problems that

disrupted passenger and baggage handling and air cargo processing services. However, the airport quickly established its credentials as one of the world's most modern and efficient, winning accolades from engineers and the travel industry.

- Hong Kong was hit hard by the fallout from the Asian financial crisis in 1998, when GDP contracted by 5.1% – the first full-year contraction since records started in 1961.
- A liquidity crunch caused by the financial crisis created conditions for a massive and sustained speculative attack against the Hong Kong Dollar and stock markets in August 1998. This prompted a defensive operation by the HKSARG, which spent HK\$118 billion (US\$15.1 billion) buying the constituent stocks of the Hang Seng Index.
- The defensive actions prevented a meltdown of the economy and saved Hong Kong's linked exchange rate to the US Dollar under the currency board system from collapse.
- Following a landmark Court of Final Appeal (CFA) ruling on the right of abode on January 29, 1999, a government survey subsequently found that up to 1.67 million people would be newly eligible under the ruling on permanent residency in Hong Kong over the next decade.



- Such a serious social and financial impact, and the fact the matter could not be resolved by Hong Kong alone, prompted the government in May 1999 to ask the State Council seek an interpretation of the Basic Law's right of abode provisions from the Standing Committee of the National People's Congress.

- The Standing Committee's June 1999 interpretation on who was entitled to the right of abode in the Hong Kong SAR was subsequently upheld as lawful and constitutional by the CFA. Court cases relating to this issue continued to be heard by the CFA well into 2002.

- The HKSARG opened a liaison office in Beijing in March 1999 to facilitate contacts between the HKSARG and the Central Government.

- Also in March 1999 the Chief Executive, Mr Tung, announced that the Chief Secretary for Administration, Mrs Anson Chan, would stay in her position for another 2½ years after she reached the retirement age of 60 in January 2000. Mrs Chan left government service in April 2001.

1997 - 1998

- Dignitaries from around the world gathered in Hong Kong to witness the reunification of Hong Kong and the establishment of the Hong Kong Special Administrative Region of the People's Republic of China on July 1, 1997.

- The Basic Law, Hong Kong's constitutional document, came into effect guaranteeing Hong Kong's way of life for 50 years after 1997. Hong Kong people were responsible for the running of their own affairs, with the exception of defence and foreign affairs.

- The Court of Final Appeal (CFA), the SAR's highest appellate court, was set up on July 1. It heard its first application for leave to appeal in September 1997 and its first substantive appeal in December 1997. Judges from other



common law jurisdictions have sat on the CFA's full bench of five judges.

- The World Bank/IMF held its annual meetings in Hong Kong in September 1997.

- The Asian financial crisis hit in October 1997, causing a steep plunge in stock market capitalisation and property prices. The Hong Kong Dollar also came under speculative attack.

- A new strain of avian 'flu, detected for the first time in humans in August 1997, led to the death of six people. The government ordered the slaughter of 1.5 million chickens over three days in December 1997, prompting the World Health Organisation to say that the actions had prevented a global pandemic.

- Records tumbled in the first Legislative Council (LegCo) elections of the HKSAR held on May 24, 1998 – record number of candidates (166), record number of voters (1.49 million), record turnout rate (53%) and record voter registration (2.8 million). All 60 LegCo seats returned by elections.

- High-powered Hong Kong Guangdong Joint Co-operation Conference set up to comprehensively strengthen co-operation with Guangdong Province and improve co-ordination in the booming Pearl River Delta area on a range of issues such as trade and economics, infrastructure development, transport links and people flows.