



The Bulletin

The Hong Kong General Chamber of Commerce

SPECIAL ISSUE
International Monetary Crisis

OCTOBER 1971

中文簡摘

國際金蝠盪動中我們應有的認識

美國尼克遜總統於一九七一年八月十五日宣佈入口徵收付加稅無疑對香港有所影響。美總統此舉亦真正暴露了自由世界金融制度歷年來所形成的千瘡百孔。去月在財政上有警察作用的「國際貨幣基金會」開年會欲達成協議，謀求解決辦法。國際金融的營運和控制是一個十分複雜的課題。但目下問題的決議，將重要地左右香港的繁榮。本文將金融危機的幾個主要問題闡明其歷史及重要性，並指出其對香港的影響。

問：八月十五日尼克遜總統的宣佈，其目的是甚麼？

答：最主要的，他暫時停止在理論上美元對黃金的兌現。美元可以換黃金的措施，是第二次大戰後自由世界金融制度的基礎，現在却給他終止了。

問：這制度是怎樣的？

答：基本上有三個單元——黃金，可以換黃金的幣值和特別提款權。特別提款權在國際貨幣基金會的歷史祇有兩年，我們稍後才研究它的作用。二十五年來，黃金和可以換黃金的幣值為主要的兩個單元。要明瞭他們的作用，我們要看一看一個國家的賬目，尤其是影響到貿易的部份。為求簡單起見，我們可以說任何一個國家的賬目都有兩個部份，來往賬和儲備金。在這一方面，一個國家的賬目基本上和公司甚至個人的賬目沒有分別。任何一個有貿易的國家——包括大多數國家——都用現金賬去付國際性的買賣。例如，如果香港一個出口商售貨予一個在美國的入口商，他可能要求買家用港幣，美元或其他貨幣付賬。在買家立場來說，賣家要甚麼幣值都沒有關係，但在某一階段，買家要用美元購買外國幣值，換句話說要經過兌換來支付香港賣家的發票。在美國政府來說，這些美元便要記在國家的現金賬。

問：這是易如反掌的，複雜的地方在那裏呢？

答：如果貿易的增長能夠追隨貨幣供應的增加，而國家間的貿易又是雙邊的，其數量又相等，那末事情便很易辦，但實際情況

並不如此。舉例來說，六十年代的下半期，國際貿易增加了三份一。在理論上可以兌換的幣值便需要同樣地增加來維持。不用說，實情並不如此直接妥當。第二個複雜的因素是有些國家在一個時間內出口多於入口。香港便是一個入超的好例子，幸而我們有其他補救的方法。英國也是入超國，雖然近年來對貿易的偏差已有所改進。美國是一個重要的例子，雖然美國是一個主要的入口國，但在貿易方面還是出超的，雖然盈餘日見萎縮。一九六四年美國的貿易盈餘是七十五億美元，一九六九年已減為二十億。一九七〇年雖然有短暫的好轉，但一九七一年上半年出現赤字。美國的情形與英國不同，因為要負擔防衛和外援，所以總收支平衡是赤字的。正如衆所周知，美國實行長期透支已有一段時間。

問：既然他們已經可以應付，為甚麼不可以無限期繼續下去？

答：一個國家可以在往來賬目出現赤字，如果有儲備金作為後盾。國際間的儲備金有三種——黃金，可換兌的貨幣，和「國際基金會」的特別提款權。

問：可換兌的貨幣不是來往賬一部份嗎？可換兌的貨幣的用途是甚麼？它們不是用諸於貿易和旅行嗎？

答：可換兌的貨幣並不是任何一種貨幣，而只是大家同意的幾種貨幣。譬如將港幣，埃及的鎊和印度的盧比作為準備金是無謂的，因為它們不是認可為準備金的貨幣。如果賣家接受的話，你可以將它來購物。換言

之，它們可以作外匯用但不能用作儲備金的貨幣。這種分別一定要牢記。

如象所週知，主要用作儲備金的貨幣的美元和英鎊。其他如法郎和瑞士法郎亦可用。一個國家如果其貨幣是用作儲備金時，本身的來往賬出現赤字是特別易於受害的。因為不但要顧及本身的儲備金盈餘，還要對國際間資金流動有所承擔。很明顯地如果美元是主要的儲備金貨幣，美國的收支不能不斷出現赤字而不招至其他擁用美元國家對它發生懷疑的。世界的儲備金有百分之三十七是黃金，以美元為儲備金的百份率比黃金還多。因此持有美元的國家對儲備金負有承擔的美國那種不斷入不敷支的情況不表滿意。

問：你的意思是美國不能在收支不平衡，負擔軍費和外援，而國內又正在和通貨膨脹與失業問題搏鬥的情況下，同時將美元用來作儲備金。

答：這樣想法是正確的，但並非全部真相。美國財政部是不會建議放棄美元作為儲備金的。雖然有些美國銀行家會提出質問，說為甚麼美國政府不提出這項建議。值得注意的是在最近的國際貨幣基金會會議，其貨幣有資格作儲備金的會員國，如德國等，却沒有一個肯自告奮勇，擔當這任務。我們要注意的第一項是美元和黃金的關係，第二項是美總統對一些國家的貿易政策，最顯著者是日本、和歐洲共同市場國家，他認為不公平而日漸表示不滿。

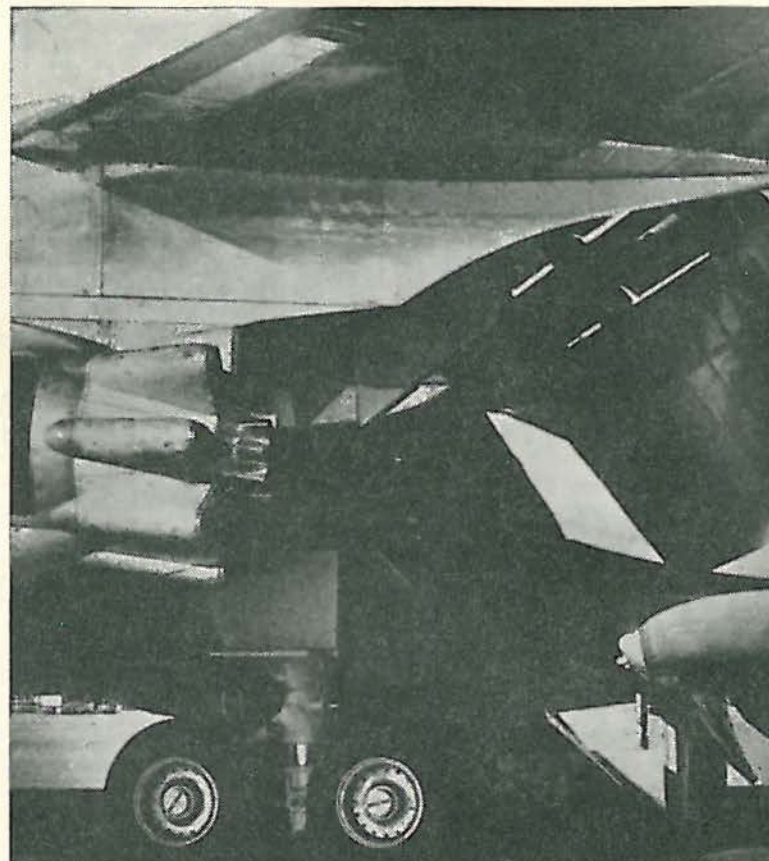
問：讓我們分開來說，黃金的職責是甚麼？

答：在理論上，黃金和世界各貨幣的關係是很簡單的。但實情是複雜，不合邏輯，和使人苦惱的。首先必需認識黃金與貨幣的關係是人為的。在今日的世界來說，黃金不可能算做一種可以製成有用貨品的原料。黃金的價值是基於邦國間對它一種信心。黃金在近年來在理論上是增了值，雖然它在用途方面的價值却減少了。美國黃金的存置在過去二十五年來減少了價值一百五十億美元，但各國政府從美國買入黃金後却仍然將它留

在美國聯邦銀行的儲藏室。這制度是由一九四四年邊頓林協議後開始的。同時也見到國際貨幣基金會的誕生。目的在消弭一九二〇年代及三〇年代各國採取那種乞借於隣居的政策。有些評論家以為，這種政策是導致第二次世界大戰的。邊頓林會議試圖將國際間金融的往來正常化。因此各國貨幣的匯率是規定的，在外匯市場買賣貨幣其市價的上落不得超過幣值本身百份之一。國際貨幣基金會的成立部份原因，就是監管這匯率不致執行。為了使各國貨幣價值有所依歸，黃金便成為比較的標準，黃金的價值定為每安士三十五美元。由於美國擁有大量黃金便毅然同意這項釐訂。第二次大戰後美國黃金的存置值二百四十億美元。而美元是可以換兌黃金的——每安士三十五美元。一種用作儲備金的貨幣真正意思是，它可以自由換兌黃金或者換兌一種可以換兌黃金的貨幣。

問：但實行起來却行不通？

答：是的，但這制度比以前的已經好得多，這制度已為我們服務了二十年，如果沒有這個制度帶來的安定，香港過往的工業發展和貿易增加會遭受極大困難。但漏洞與壓力皆隨時間而發展。邊頓林會議時沒法預知六十年代國際間的貿易擴展得這樣快。又料不到有些國家入口會超出他們的本份，而一些國家的出口，如日本及德國亦超越他們的本份。雖然過去二十五年來在不同時間有過好幾次的貶值和增值。但這些貶值和增值，甚至最近的英鎊貶值都是事先向國際貨幣基金會諮詢並得到它的同意然後進行的。話說那些條規是有所調整但並不是放棄。現有制度受到重大的壓力，其起源是很近的。第一次嚴重地顯示其弱點是一九六九年，黃金的兩重價格是由那時候開始。雖然美國堅持黃金的官價應該維持每安士三十五美元，而國際貨幣基金會亦支持這個做法，但却成立了「第二個自由市場」，黃金的賣買由供求關係而定。在這個「第二市場」，歐洲黃金價格在近日來達到每安士四十三美元。從黃金第二市場設立的十六個月後，加拿大



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The Bulletin

The Hong Kong General Chamber of Commerce

As the Bulletin went to press, our textile negotiators returned gloomily from Washington, having played their handsome — if involuntary — role in the 'Let's keep Dick at the White House' campaign. In their wake, other storm clouds slowly gather on the Hong Kong horizon.

Before the Washington mud had dried the boots of Mr. Cater and his colleagues, the Danish Government announced that they too were entering the game of let's all-put-a-surcharge-on-imports. Although our total sales to Denmark are less than one tenth of our US sales of clothing alone, the Danish market is useful and profitable, and had until this year been expanding well. Furthermore, Denmark was already on the way to improving its balance of trade with Hong Kong. And it was doing so by selling more to Hong Kong, which is — in our eyes — the right way to go about things, rather than imposing artificial restrictions.

In this situation, it is well worth holding stock of our advantages. Outstanding among these is the fact that to-date it has not been a bad year.

Provisional figures for the first two-thirds of the year were released at the end of September. The total of domestic exports for August itself was 17 per cent higher than that for August 1970, which represents a healthy jump by any standards. More importantly, figures for the eight month period from January to August show a growth of rate of almost 15 per cent over 1970, which in turn showed an increase over

1969, which in turn showed an increase over 1968 . . . and so on.

Just to keep the record straight, re-exports during 1971 have also shown a pleasing increase of 19 per cent. And this alone is an extra HK\$344.61 M. worth of trade.

Until August, we were still gaining ground in our three main markets—the USA, UK and Germany. Despite the restrictions facing us in the USA, sales of direct exports to this market this year were up by over \$500 million. Obviously it is now difficult to hope that this will continue, but the USA still is and will remain our major market—which is why talk of retaliation is so foolish.

Also encouraging is the surge ahead in HK's one time main market, the UK, where there has been a growth rate during 1971 in excess of 25 per cent. (And we in turn have been buying a lot more from Britain!)

And growth in the EEC cannot be called disappointing while our principal customer, Western Germany, continues to take our products at a growing rate, buying this year well over 15 per cent more than during 1970.

The Chamber does not advocate living in a fool's paradise, or wish to minimise the problems ahead. For two decades now we have succeeded in the face of tremendous odds. Those odds may be growing—but we too are stronger and better able to face them. The infrastructure of a sound economy is there. We must fight to build upon it and improve it.



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Plain man's guide to the international monetary crisis

President Nixon's announcement of August 15th 1971 made an impact on Hong Kong mainly because of its clause on imports surcharges. But what the President really did was to expose in dramatic fashion the stresses and cracks that had been building up over a period of years in the free world's monetary system. Last month, the International Monetary Fund, the 'police force' of the financial world, tried at its annual meeting to obtain agreement on what was needed to eliminate these stresses.

The operation and control of international monies is a complex and forbidding subject. But the resolution of today's problems will influence vitally the future prosperity of Hong Kong — one way or the other. In this latest 'plain man's guide' we try to explain the history and significance of the major themes in the currency crisis and show how they affect Hong Kong. Since it is a subject of major importance, we devote the majority of pages in this issue of the Bulletin to our exposition.

What exactly did President Nixon do in making his announcement of August 15th?

The most important thing he did was to suspend temporarily the theoretical convertibility of the US dollar into gold. He 'closed the gold window', as it has been described. He thus terminated a practice that

has been the cornerstone of the free world's monetary system since the end of world war two.

How does this system work?

Basically, via three underlying units — gold, convertible currencies and what are known as Special Drawing Rights. However, the last of these is a relatively new innovation, introduced by the International Monetary Fund (IMF) only two years ago, and we will consider it later. For most of the past 25 years, gold and convertible currencies have been the two important operational units.

To understand the working of these, we should look at the book-keeping of a nation, particularly as it affects its trading. If we simplify, we can say that there are two tiers in national accounts — current account and reserves. In this, national accounts are not fundamentally different from the accounts of companies or indeed of individuals.

Any country that is a trading nation — and this includes most countries to a greater or lesser extent — uses its current account to settle transactions between international buyers and sellers. For example, if a Hong Kong exporter sells to an importer in the USA he may ask to be paid in HK dollars, US dollars or a variety of other currencies. From the buyer's point of view it doesn't matter a great deal what he asks for. But at some stage or other the buyer will have sold US dollars in order to

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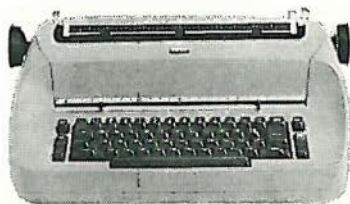
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buy the foreign currency — the 'exchange' — with which to meet the HK seller's invoice. These dollars, in the books of the US Government, would be entered under its current account.

This is straightforward enough. What are the complications?

It is only straightforward as long as the growth of trade keeps pace with the growth of money supply, and as long as trading between nations is roughly equal in volume and bilateral. It doesn't take much imagination to realise that in practice this rarely happens. For example, during the late nineteen-sixties alone world trade increased by about one-third. These, you will recall, were Hong Kong's all-time boom years. On the simplistic theory, an equivalent increase in convertible currencies would have been needed to finance this. Needless to say, things did not happen in this neat fashion.

The second complicating factor is that some countries over a period of years will buy more than they sell — or vice versa. Hong Kong is a good example, but we have the good fortune to be able to balance our deficit on trade by other means. The UK is another example of a country that has bought more than it has sold, although in recent years this imbalance has improved somewhat.

But the most important instance is the USA. Although a large importer, the US normally runs a favourable

balance on its trade account, but recently this balance has steadily declined. In 1964 the USA had a trade surplus of some US\$7,500m. By 1969 this surplus had dropped to just under \$2,000m., and despite a temporary jump in 1970, the balance dropped into deficit during the first half of 1971.

The USA, moreover, like the UK, operates on a far larger scale than HK, and has commitments in other fields — defence and foreign aid for instance. These commitments have turned the favourable trade balance into an overall deficit. As is well known, the States has operated with a permanent overdraft — so to speak — for some time.

If they've managed to do it so far, why can't they carry on in the same fashion indefinitely?

You try that one on your bank manager!

Partly, of course, because the trade deficit is a new element, but more importantly because a country can only run with a deficit on current account if the currency of that country is supported by the second tier in its accounting system — its reserves. The situation becomes clearer if we look at the nature of these reserves. We said earlier that they consisted of three units — gold, convertible currencies, and drawing rights with the International Monetary Fund.

Yes but surely you've implied that convertible currencies are part of cur-

rent account? After all, what are convertible currencies used for? For trading or travel, are they not?

Ah, this is where the story really starts! You see, convertible currencies are not just any currencies, but only certain agreed currencies. There would be little point in including say Hong Kong dollars, Egyptian pounds or Indian rupees in your reserve account since they are not usually recognised for reserve purposes. You can trade with them, certainly, as long as you can find a seller who will take them in exchange for his goods. In other words, they can act as *foreign exchange*, but they cannot act as *reserve currencies*. This is the essential difference that must be kept in mind.

It is widely known that the major reserve currency is the US dollar, followed by the pound sterling. Other currencies, the French or Swiss franc for example, may also be acceptable. A nation which has a currency that acts as a reserve currency is therefore especially vulnerable if it is running a deficit on current account. It must not only think about the balance of its own reserves, but also its position as an underwriter of world liquidity.

Obviously, if the US dollar is the reserve currency, the USA cannot run a payments deficit continually without other countries holding dollars in their reserves becoming suspicious.

The nature of world reserves is revealing. In fact, only 37 per cent of

the world's reserves are held in the form of gold. Somewhat more than this is held in the form of dollars. You cannot expect nations holding dollars to be pleased about a situation in which the country that is underwriting the major part of their reserves is continually living above its means, as it were.

What you are saying, therefore, is that the USA can no longer run a deficit on its current balance, cope with defence commitments and foreign aid, fight inflation and unemployment at home, and also allow the dollar to continue to be used as a reserve currency?

You're on the right lines, but you haven't quite got the whole picture. It's unlikely that the US Treasury is suggesting that the dollar should abandon its role as a reserve currency. (Although some US bankers have asked why it should *not* do exactly this. And it's revealing that at the recent IMF meeting, none of the nations with currencies that are possible candidates for a reserve role, Germany for example, came forward with a specific offer to help).

We must take into account, firstly, the relationship between the dollar and gold, and secondly the President's growing dissatisfaction with what he regards as the unfair trading policies of some nations, notably Japan and EEC countries.

Let's take these separately. What is the role of gold?

The role of gold in relation to world

currencies is in theory simple — but in practice complex, illogical and maddening. One is tempted to describe the link between the dollar and gold as a marriage between a stern, level-headed businessman and a capricious and demanding bar girl. When she gets bored with her husband, she can always have a night out with the dealers in the 'free' market. We shall describe this free market later.

But for the moment, you must realise that the relationship between currencies and a metal such as gold is artificial, and has meaning only for as long as men choose to put meaning on it. Gold today cannot be called a truly basic raw material for the creation of useful goods. The value of gold is based on an act of faith between nations.

To illustrate the frustrations, gold has in recent years theoretically, if unofficially, increased in value, while it has, if anything, depreciated in utilitarian value. US gold stocks have dropped by some US\$14,000m over 25 years, but the governments that have bought this gold have not in many cases even bothered to transport it from the USA, leaving much of it in the vaults of the Federal Reserve Bank!

The system started with the Bretton Woods agreement of 1944, which saw the birth of the IMF. This was an attempt to get away from the beggar-my-neighbour policies that characterised Governmental attempts to preserve the values of national

currencies during the 1920's and 30's and which, according to some commentators, contributed to the outbreak of world war two.

At Bretton Woods, an attempt was made to bring what may be called 'orderly trading' into international money dealings. The rates of exchange between national currencies were set at fixed parities (to use the official term) and currencies being bought or sold on the foreign exchange markets were not to be allowed to vary upwards or downwards by more than one per cent of par. The IMF was established partly in order to oversee this system of fixed parities, which is why it has been described as the 'police force' of international finance.

However, in order to have a scale of relative values between different currencies you must at some stage have an ultimate yardstick against which you are measuring all of them. Gold acted as this yardstick. To set the basic standard, the price of gold was fixed at US\$35 per ounce.

The dollar was able to accept this role because the USA owned a lot of gold. At the end of world war two, US gold stocks were worth a massive US\$24,000m. The condition of the US dollar becoming the 'numeraire' therefore was that the dollar would be freely convertible into gold at the fixed price of \$35 per ounce. This is really what is meant by a reserve currency — that it should be freely

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Briefing

News from the Chamber...
and the rest of the world

The New York Fashion Scene by PHILIP AU YEUNG

'In New York the fashion scene is completely different from what is happening in Hong Kong, because firstly everybody's going for antique garments. We would never be able to get anything from the 'thirties period or the 'twenties period. This makes the kids dress up casually.

'When I first went to New York, the 1920s look was in, but that only lasted for about one and a half years. Then the period started moving upwards from the twenties to the 1930s. Everybody started buying rhine-stone pins and plastic bracelets and tiaras. That was summer 1970 in New York.

'Now they are going into the 1950s. All the kids, even the boys, are wearing calf-length pants and saddle shoes. Girls are wearing bangs with pony tails. Plaid taffeta shirts like those of the Italian couturiers are popular now. Plaids generally are coming in.

'Secondly, all the kids are not rich. They count really down to the very last cent on buying clothes. They have to get the best the cheapest way—in other words, everybody wears jeans; or they make their own clothes. They seldom go to dressmakers because dressmaking is very expensive in New York. So they may buy from department stores and the boutique market has a large variety of clothes to choose from, from Europe and other places. As a result, everyone is an individual.

'As for make-up, the girls in New York go for the extreme — like stage and opera make-up.

'A most important thing is jewellery. The sun, the moon, the stars, these are three very important elements in jewellery today. People are starting to make black, thick plastic bangles, with moon and stars and rainbow motifs, studded with diamantes. Girls love to wear silk flowers on their hair and they wear ear-rings.

'One thing about New York, it seems like a public party every Sunday afternoon. People wear their best, try to look as flamboyant as possible, even the boys. They bleach their hair to stark white and then dye it in rainbow colours like purple and hot pink.

'If today you feel like wearing something made of plastic, then wear it. And maybe tomorrow you feel in a very dull mood, so just simply wear something black. Everybody walking on the street is the audience, and it is like a show to everybody. That is New York fashion.

'An exciting part about living in New York is most people have split personalities. They live two totally different types of life style — working life and their own private life. The older generation have more or less the same life style, not as severe as the younger generation, but they are doing the same thing. They love clothes, they dress up for parties and so even the older generation have got the chance to do what they want.

'But not in the Midwest. New York is the only city that can get away with it!

□ The Vice-Chairman, **Mr. P.G. Williams** has been nominated as the Chamber's representative on the Trade Development Council for the current year.

□ **Mr. M. Muspratt—Williams** has been nominated as the Chamber's representative on the Industrial Design Council for the current year.

□ The Chamber is investigating the question of increased premia or rents for **renewable Crown Leases** and its effect on industrial costs. In order to obtain as realistic a view as possible on this question, any specific figures which manufacturers may wish to put forward to assist the Chamber in its study will be most helpful. Members should address their correspondence to the Secretary. All information will be kept strictly confidential.

□ Exporting and Importing Members are reminded of their obligations under the Importation and Exportation (Registration of Imports and Exports) Regulations to lodge **trade declarations** and pay **ad valorem charges** on all imports and exports other than those of categories of goods exempted under Regulation 3 within 14 days of importation and exportation.

For further information, members should contact the Department of Commerce and Industry.

□ The Inland Revenue Department has published a general information pamphlet on **taxation in Hong Kong**. Members can see a copy of this

pamphlet in the Chamber's Library. Individual copies are available from the Inland Revenue Department, Central Government Offices, West Wing, 10th floor, Hong Kong.

□ **Mr. P. O. G. Forbes**, Acting Senior Australian Trade Commissioner, spoke to members of the Chamber's Australia Area Section on September 15th in the auditorium of the Hong Kong and Shanghai Bank Staff Training Centre. His talk centred around two-way trade between Australia and Hong Kong, the present state of Australia's economy, and its overall trade policy. A general question and answer period followed Mr. Forbes' talk. Some forty members were present at the meeting.

□ The **Hong Kong Trade Development Council** will be organising the following **promotions** late this year and early next year:—

BOAC/TDC British Businessmen's Visit from November 5th — 17th.

Participation in the **Comis—Tricot Knitwear Fair** in Milan, from January 18th — 21st.

Participation in the **Nuremberg International Toy Fair** from February 5th — 11th.

Participation in the **Cologne Household and Domestic Appliances Fair** from February 6th — 19th.

Members who are interested in any of these promotions should contact the TDC at the Ocean Terminal, tel. K-670151, for further details.

Picture Briefing



A. The Chamber's fashion scholarship winner, Philip Au Yeung (centre), gave his views on the New York fashion scene to pressmen on his return to HK. (see also p. 12).



B. The Chamber assisted the German Consulate General in organising the Hong Kong delegation to the 9th Overseas Import Fair 'Partners for Progress' in Berlin, which was held from September 20th to 26th. The ten member mission was accompanied by Assistant Secretary, Clement Tsang, who acted as co-ordinator for the participants. A view of the Hong Kong display and Mr. Klaus Schiitz, Governing Mayor of Berlin speaking at the opening ceremony.



C. Members of the US Apparel and Textile Trade Mission called on the Chamber on September 30th during a three-day visit to promote sales of American garments. Seen from left to right is the Vice Chairman; Mr. Stanley Nehmer of the US Department of Commerce; the Chairman; the Secretary; Lt. Col. I. G. Daniel, Vice-Chairman of the Chamber's North American Area Committee; and Mr. Ellis Meredith of the American Apparel Manufacturers Association.



D. The Chamber hosted a Farewell Dinner in honour of H.E. the Governor on September 22nd at the Hong Kong Club. Some 110 Chamber hosts including past and present members of the Chamber's Council, General and other Committees together with senior members of the Chamber staff, were present to honour the Governor.

E. Mr. H. C. Fung, OBE, Member of the Chamber's General Committee (see Pen Profile p.17).



Briefing - continued

□ During September, the **International Trade Department** arranged a total of 136 business contacts for members and issued or endorsed 49 letters of introduction to members making business trips abroad. The Department also received, processed and passed on to members a total of 1,195 trade enquiries.

□ The Marine Department has just published a revised edition of its booklet **The Port of Hong Kong**. The booklet covers such information as port services and regulations, anchorages, pilotage and buoyage, Entry and Clearance Procedures, etc. The publication is geared to those who are directly involved or interested in shipping and the port and is therefore not available to the general public. Copies may be obtained from the Marine Department. The Chamber also has a limited number of these booklets which will be available on a first come first served basis to members who have a specific interest in this subject.

□ Scanservice and Nedlloyd shipping lines have announced that with effect from April 1st, 1972, they will integrate their services between Europe and the Far East. Along with their conventional vessels, the **new joint shipping service** is scheduled to introduce container services along this route in the middle of next year, with six container vessels operating three sailings per month each way. Further details will be announced by the new line at a later date.

□ The Hong Kong Productivity Centre will be offering the following courses in November:—

Training Course for Construction Foremen — given in Cantonese from November 3rd — December 4th, fee \$250.

Towards Better Personnel Administration — given in Cantonese from November 4th — December 30th, fee \$350.

Salesmanship and Sales Promotion— given in Cantonese from November 9th — November 30th, fee \$200.

Network Analysis and Its Applications in Construction Industry — given in Cantonese from November 16th — December 14th, fee \$200.

Business Practices—given in English from November 1st — November 6th (full-time), fee \$500.

Basic Systems Analysis (NCC Package) — given in English from November 8th — December 18th (full-time), fee \$3,000.

Computer Programming (RPG) — given in Cantonese from November 11th — December 23rd, fee \$300.

Weft Knitting Technology — given in Cantonese from November 9th — February 1st, fee \$350.

For further information please contact the Productivity Centre.

□ **Jardine Matheson & Co. Ltd.** has just put out a publication describing the range of Jardine's activities. Members can see a copy of this very well presented publication in the Chamber's Library or apply for their own copy directly from Jardines.

Pen Profile H.C. Fung

'Why would you want to write about me?' asked Fung Hon Chu, OBE, JP.

As he undoubtedly takes up a great deal of space in 'Who's Who in Hong Kong', this question came as a surprise and shows that Mr. Fung possesses a very admirable quality — the ability not to take his own prominence and importance too seriously.

Strong Personality

A stocky, powerful-looking man with a strong personality, he speaks candidly and well, as befits a man who is a past-Chairman of the Tung Wah Group of Hospitals, and who has at one time served as an unofficial member of the Urban Council for five years, and an unofficial member of the Legislative Council for six years, and who was awarded an OBE in recognition of his services in 1965.

H. C. Fung was born in Canton, and came to Hong Kong in the early 'thirties. He received his early education here and became a naturalized British Subject. In 1937, he opened a Hong Kong branch office of Li and Fung Ltd., a company which his father and a partner established in Canton in 1906. After the Pacific War, the Hong Kong office became the head office. Today, the company has nine export departments specializing in specific lines ranging from ready-to-wear clothing and textiles to toys, wigs, plastic flowers and so forth.

As one of the Colony's leading exporters, Mr. Fung naturally anticipated some questions on problems currently facing Hong Kong trade —

such as the recent economic developments in the United States — and whipped off his comments with rapid fire precision.

'I'm naturally concerned over the present situation in the United States — which is our largest market. The implications for Hong Kong of President Nixon's new economic measures are that Hong Kong will stand to lose a portion of its export trade with the US. At best the growth rate, if any at all, will be marginal.'

Turning to another problem for exporters, the ocean freight increases, Mr. Fung was equally frank, 'Freight increases have been put into effect all too often. There was an increase in January this year and another one is scheduled for November. The average increase in terms of percentage has been around 17, which is more than what the tariff can reasonably bear. The Hong Kong Shippers Council has been doing a fine job, but without the support of the shippers little can be achieved.'

China Watching

Mr. Fung doesn't think that competition from Mainland China is a very vital issue at present, 'It's too early to do much with China,' he said, 'It seems China cannot divorce politics from trade. And at the moment, those trading with China are faced with problems such as uncertain deliveries, and the fact that it is far safer, at least in the meantime, to buy from stock than from orders. Moreover we are still far more sophisticated in our designs, packaging, etc., so I don't think we

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will meet much competition from China for quite a while yet.'

Mr. Fung travels several months out of every year, mainly to their office in Taiwan, to Singapore and to buyers in the US and Europe.

Greatest Achievement

When he has time to himself, H. C. Fung enjoys reading novels — 'especially novels with a lot of excitement and adventure. I also like taking pictures. I don't go as far as developing and enlarging my own photographs; I just enjoy taking them.'

If asked what his greatest achievement to date is, Mr. Fung would probably say 'being a grand-pa!' His eldest son has just had a baby daughter and he is obviously as pleased as can be about it. Like all Chinese, H. C. Fung is family oriented. He has two sons and three daughters, all of whom have either graduated or are still attending a university in America. When he rattles off their academic qualifications with the natural pride of a father, it includes a Ph.D., a MA and a MBA from the best, most prestigious schools the United States has to offer — Harvard, MIT, Princeton, Berkeley and UCLA.

A real believer in education, Mr. Fung points out that the limited openings available at the local universities present a real problem for those who cannot go abroad to study. 'But even more serious is the problem of primary education. When I was on the Legislative Council, I

urged Government to introduce compulsory primary education. Government now provides free primary education, but with the pressing conditions existing in Hong Kong now, compulsory education is a necessity. This, of course, would entail a stepping-up of our social welfare programme. In many families, children work and it would be an economic hardship if the children could no longer bring in their share. Government should compensate these families somehow so that the children can go to school.

Bridging the Gap

'I also think that it would be worthwhile for the Government to establish a Youth Advisory Board — with the ultimate creation of a Youth Department within the Government to deal with youth problems.

'There is a generation gap which has been widening over recent years, and unless we go into this problem in depth, we cannot solve it. I feel that this gap has something to do with education. The young people are not being educated properly.'

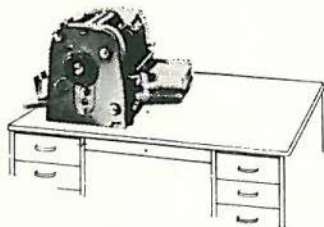
Although he certainly can, H. C. Fung clearly does not live in an ivory tower. He possesses a strong sense of social consciousness. Having served the community for many years in a variety of different capacities he remarked, 'I enjoy participating in civic activities. And I'm still very interested in anything that I can be of help in.'

That is good news for Hong Kong.



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Monetary crisis - continued

convertible into gold, or into a currency that is in turn freely convertible into gold.

But this didn't work out in practice?

Yes, but it was much better than anything that had gone before, and give the system credit for having served the world well over two decades. You may be sure that Hong Kong would have had greater difficulty in expanding as a manufacturing and trading centre without the stability brought about by this system.

But cracks and stresses did develop with time. At Bretton Woods the vast and rapid expansion of world trade that occurred in the 'fifties and 'sixties could not have been foreseen. Nor could the fact that some nations would develop into vast consumers of manufactured imports, while others, such as Japan and Germany, would contribute more than their expected share of these exports.

There have been, of course, devaluations and revaluation at different times during the last twenty five years. But these—even the most recent British devaluation—were undertaken after consultation with, and with the approval of, the IMF. In these instances, the rules were adjusted, not abandoned. The underlying stresses in the system are of recent origin. The first serious evidence of weaknesses became apparent in 1969, when the two-tier market in gold was established. Although the USA adamantly insisted,

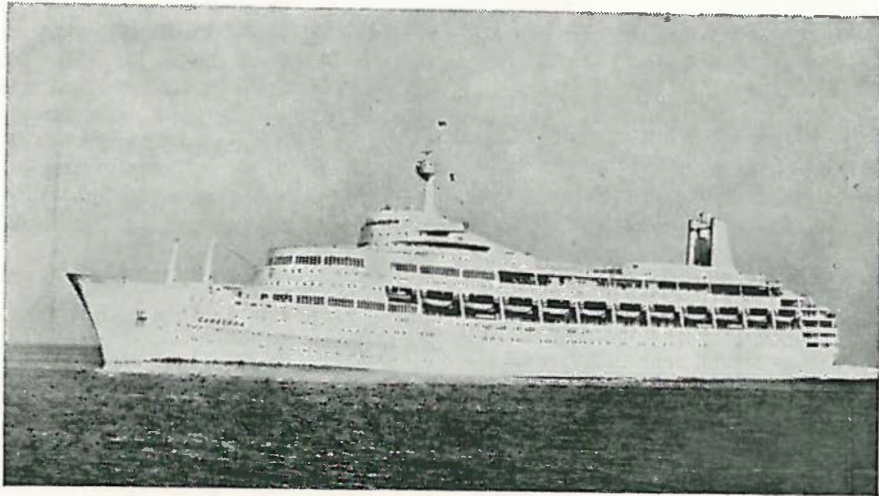
with IMF backing, on maintaining the official price of gold at \$35 per ounce, a secondary free market was created in which gold was bought and sold according to supply and demand. In this secondary market, gold in European markets has in recent months reached a price of around \$43 per ounce.

Then, some 16 months ago, Canada decided to let its dollar 'float'. In May this year, Germany and the Netherlands followed suit. At the same time the Swiss franc and the Austrian schilling were revalued. Since then, consequent upon the declaration of August 15th, many strong currencies—including sterling—are in effect floating.

Whereas a clearly defined revaluation or devaluation is in accordance with the principles of Bretton Woods, a 'float' is not. A currency that is floating is allowed to find its own level in the foreign exchange markets, according to the forces of supply and demand. If all currencies floated permanently, it would be difficult to establish a true reserve currency, and the advantages that have been made possible by the Bretton Woods system would no longer obtain.

In practice, currencies are usually allowed to float only within certain limits; and, it has been suggested, Governments occasionally step in to see that the direction of float is to

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their own currency's advantage, thus giving rise to what has been called a 'dirty float'.

Faced therefore with increasingly difficult circumstances, President Nixon announced that he was closing the window of the gold shop.

I see the USA's problems. But what was the final crunch?

In 1969, the United States owned US\$11,860m. of gold against liquid liabilities to other Central Banks and Governments of \$11,990m. By mid-1971 the ratio had changed to \$10,570m. of gold against \$32,120m. of liabilities. Hence, the Nixon announcement.

How closed is the gold shop?

Only temporarily, one assumes. The President took this step partly because he wishes to make an effort to improve America's balance of payments, and partly because he believes certain currencies—notably the Japanese Yen — are overvalued. He also believes that the USA has taken a lead in encouraging world trade that has not been followed fairly by other nations — again principally the Japanese, but also the EEC. He hopes that by taking a firm stand he will force other countries to take action.

One must also take into account a variety of background forces. Restraint of textile imports, while not directly related to the currency issue, arises from the same environment. Britain's

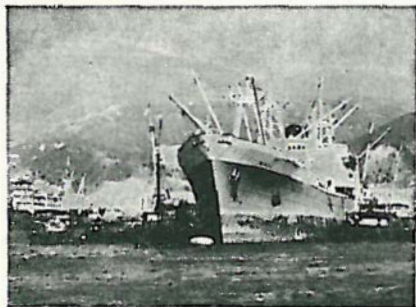
attempt to enter — and therefore presumably to strengthen — the EEC is another possible cloud on the Nixon horizon. Finally, one must remember also that Mr. Nixon will probably seek re-election next year. A president who has 'saved the dollar' makes a good candidate.

What does he hope to achieve by the August 15th measures?

Basically, an improvement in the domestic economy of the USA. At first, it was categorically stated that the USA would not consider revaluing the price of gold against the dollar since this would be tantamount to a devaluation of the dollar. Since the IMF meeting in Washington last month, it appears — but has not been clearly confirmed — that the USA may now consider increasing the price of gold, if other countries, notably Japan and the EEC, will consider revaluing their currencies.

A Japanese revaluation of the order of 15 or more per cent has been suggested. Again, at first Japan said a categorical 'no', but it now looks as though Japan could be having second thoughts. But no doubt a Japanese revaluation will also be on conditions. A German revaluation of about eight per cent has been suggested, with perhaps other EEC countries falling into line proportionately. If these changes came about the effect would be to make US exports more competitive and Japanese and European exports less competitive, and this would go

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some way to achieve the President's aims.

President Nixon's objectives in the currency field are also linked with objectives in the trade field. Statements were made suggesting that the August 15th package would not be repealed until the US had achieved a substantial payments surplus and the EEC and Japan had amended some of their trading practices. It now appears that the US is not insisting on achieving an actual surplus but recognises two levels of priority, a realignment of currency rates, and an adjustment in trading practices. The latest statement from the US Treasury implies that the imports surcharge would go on once "other governments will make tangible progress towards dismantling barriers to trade . . . and will be prepared to allow market realities freely to determine exchange rates for a transitional period." What the President has got in mind on the trade front is increased freedom for the US to export to and invest in Japan; an alteration in the EEC's controversial agricultural policy, and no extension in "associate" membership of the EEC.

What then is the current position? Can we expect any moves in the immediate future?

Well, the IMF meeting came up with several suggestions and plenty of good will, but no definite move was announced by any nation attending. It's a bit like a cat-and-mouse game — who is going to make the first move? It has been suggested that President

Nixon had expected a quick capitulation when he got tough last August. This didn't happen. But he's unlikely to move unless Japan and Europe move with him. For the longer term, it's also been suggested that the key to the problem lies in extending the Special Drawing Rights Scheme.

How does this help?

The SDRs are the third component of a country's reserves. They have been called 'paper gold', although this is a bit misleading. They were introduced by the IMF about two years ago to help sustain the growth of world trade, without having to increase the supply of gold or of reserve currencies, both of which are of course limited. The way in which SDRs operate is somewhat complex. The Bulletin devoted a leading article to SDRs in its October 1969 issue, which explained their operation in some detail.

In brief, SDRs are available to a country running a payments deficit. They are book-keeping transactions, credited to any of the 118 member nations of the IMF in proportion to that nation's contribution to the Fund, which is in turn related to the size of its economy. When a country in payments deficit wishes to use its Rights, it alerts the IMF headquarters, which then requires a country in payments surplus to accept them. In return the surplus country provides regular currencies — either its own or those of a third nation — which can be used to reduce the deficit. It has been suggested, notably by the

British Chancellor of the Exchequer, Mr. Anthony Barber, that an extension of this scheme, so that SDRs eventually take over the role performed by gold and the dollar, would go far to solve the present crisis, and would allow for economic expansion without any of the stop-go cycles that have characterised the post-war years.

However, while this idea may be attractive and have long term merit, it is unlikely to be implemented until considerable detail has been worked out. In the meantime, a speedy return to gold/convertible currency dealings seems more feasible.

Will HK be asked to revalue?

Since the HK dollar is linked with sterling, and sterling is just within the firing line for revaluation, part of any package that is acceptable to Mr. Nixon might include a revaluation of sterling and associated currencies. Such a revaluation would probably be slight but would marginally increase our selling prices in the USA. This would be unhelpful if the currencies of our competitors remained at par.

On the other hand, the HK dollar has in recent years become increasingly independent of sterling, and it seems likely that Government will be left free to maintain the present exchange rate. On the whole, chances here are good.

What is more disturbing — and more likely — is the effect on prices of bought-in Japanese parts and materials should Japan revalue. Japan is our largest supplier, providing about one quarter of our total imports. It would be difficult to find an alterna-

tive supplier for much of this. An increase across the board of 15 per cent on this imports' bill could have unfortunate effects on our selling prices. A cost increase coming on top of tough textile quotas would of course put us at considerable disadvantage.

But there is a good possibility that a round 15 per cent would not automatically be passed on to HK's buying costs. Much will depend on Japan's own competitive position now that Japan also is faced with severe restraint of textile exports, and the surcharge.

More importantly, a return in the States to expansionist policies would of course be in HK's favour. If the US is able quickly to settle its differences with Japan and the EEC, and to achieve improvement in its payments position, then this is to HK's long term benefit. It would be of major help in ensuring a stable market for HK goods, notwithstanding restrictions and an increase in price

Hong Kong indirectly, if not directly, stands to lose along with other revaluating countries. The lesson seems to be that when it comes to international finance, no man is an island — we are all in it together, like it or not.

The message is clear for all, and is one that the Chamber has frequently preached. If HK is faced with adverse circumstances, we must fight that little bit harder — in quality, in design, in the management of men, of materials and of money. And we must sell, sell, sell.

決定將它的貨幣在市場浮動。本年五月德國及荷蘭亦效法加拿大讓貨幣在市場浮動。同時瑞士的法郎和奧大利的司令相繼增值。由這時開始和隨着美總統八月十五日的宣佈，很多價值穩定的貨幣，包括英鎊在內，都實際在市場上浮動。據邊頓林會議的原則，清楚地規定的升值或貶值是可行的，但將貨幣在市場上浮動却不許可。一種貨幣的浮動，通常是使它在外匯市場上根據供求的定律，來享它的外匯率。如果所有貨幣都在市場上長期浮動，那便變成沒有作儲備金的貨幣。邊頓林會議所議定可以借貸的制度便失去效用。實際情形是貨幣通常是准許它們在一定範圍下浮動的，曾經有人暗示，政府偶然會爲了本身貨幣利益起見讓其浮動。這種浮動被指爲「卑鄙的浮動」。當尼克遜總統宣佈將美國那間黃金舖子關門，這可能是對邊頓林會議所創下制度致命的打擊。

問：我可以都看美國所面臨的問題，但那個最後的破碎是什麼？

答：在一九六九年美國擁有黃金價值一百一十八億六千萬美元而對各國中央銀行及政府的負債是一百一十九億九千萬美元。在一九七一年中這個比率已變爲一百零五億七千萬美元的黃金對三百二十一億二千萬的負債，因此尼克遜就在八月十五日宣佈對策。

問：美國的黃金舖子，是否真的門戶緊閉？

答：人們以爲是暫時性的。我們已經暗示美總統採取這種措施是一方面他希望以此改善美國收支平衡的差額，而另一方面他相信有些貨幣——以日元爲著，其價值是過高的。他亦相信美國對世界貿易之發展已經做了榜樣，而其他國家，主要是日本和歐洲共同市場國家却没有好好地跟隨着走。我們還要考慮其他不同的幕後因素。紡織品入口，雖然不是直接和貨幣問題有關，却是在同一環境下發生的。英國企圖加入共同市場，進而使該市場的經濟勢力更龐大，也可能使尼克遜的海平線上添上些雲。最後我們要記得明年尼克遜將會競選連任，一個總統能使

美元穩定當然是一個好的候選人。

問：他對八月十五日所採取的措施期望達到甚麼目的？

答：基本上是改善美國本身的經濟。先是美國曾表示它不會考慮將黃金官價升值，因爲這樣等於美元貶值無異。但自去月國際貨幣基金會在華盛頓會議後，現時好像美國可能考慮黃金升價，假如其他國家如日本及共同市場國家考慮貨幣升值的話。有人提議日元升值百分之十五，起初日本的答覆是一個絕對的「不」字。但現在看來，日本可能再加考慮。無疑地日本的升值是有條件的。又有人提議西德馬克升值百分之八左右，而其他共同市場國家照比例升值。如果此等變更實行的話，則可以使美國出口的競爭性加強，而日本及歐洲共同市場的出口轉弱，這便可使美國總統達成其目的。當初尼克遜好像貨幣方面的目標和貿易方面的目標連在一起，美國政府曾發表聲明暗示八月十五日所宣佈的措施不會撤銷的，直至美國在收支上有盈餘和歐洲共同市場國家及日本改變其貿易的習慣。現在美國似乎認爲優先考慮的問題有兩層。其一是貨幣間關係的重新聯繫，第二是貿易習慣的調整。最近美國財政部的聲明暗示如果其他政府對去除貿易障礙有確實的進形和任由外匯市場在過度性自由決定各貨幣的匯率，那末附加稅是可以取消的。

問：目下的形勢怎樣？在最近將來我們可預期的步驟是甚麼？

答：國際貨幣基金會在開會時有幾個建議和很多的好意，但與會國却没有公佈任何明確的行動。現在的情形好像貓鼠鬥法，誰先採取行動呢？有人以爲尼克遜預料他八月份的強硬手法會很快令各國俯首稱臣。但這種事情並沒有發生，除非日本和歐洲跟着他一同跑，他不會採取任何行動。又有人暗示問題的結核在擴大特別提款權的計劃。

問：如此做法有何幫助？

答：特別提款權是一個國家的第三種儲備金，曾經有人稱它爲紙黃金，雖然這個稱

謂容易引起誤解。特別提款權兩年前由國際貨幣基金會通過採用。由於黃金及可作儲備金用的貨幣供應有限，特別提款權是用來幫助國際貿易增長的。特別提款權的運用頗為複雜。本「會訊」曾在一九六九年十月刊出專文討論。概括來說，一個國家的收支平衡出現赤字時，便可獲得特別提款權。他們是一種簿記式的過賬，任何一百一十八個國際貨幣基金會會員國都可以根據其對基金的貢獻多少而記入貸方，對基金會貢獻的多少是依據其國家經濟的大小而定。當一個國家的收入有赤字而欲用特別提款權時，當即照會國際貨幣基金會總部，然後需要一個收支盈餘的國家同意接受。收支有盈餘的那國便給與本國或他國的貨幣，以減少其赤字。英國財首巴伯先生曾建議擴大這特別提款權的計劃，使特別提款權能夠代替黃金和美元所扮演的角色，這樣便可解決目前的危機，而且使經濟發展不受循環性停止前進所制。這種循環性的停止前進是戰後以來的一種特色。雖然這個意思很引人入勝而且長遠看來有其好處，但在細則上議妥後才可以實行。目前回復黃金和可換兌貨幣的交易可能性更大。

問：港幣是否會被要求升值？

答：港幣是和英鎊連繫的，而英鎊是首當其衝被要求升值，任何的整批交易而為尼克遜所接受的，可能是英鎊及其附屬貨幣升值，這樣的升值率可能很微，但增加了銷售美國貨物的價格。如果與我們競爭的國家其幣值不變時，那末對我們更無好處。在另一方面，港幣近年來越來越不依賴英鎊，因此政府可能不受限制地將匯率維持現狀。

由於港幣不是國際貿易上需要的一種貨幣，因此不會冒美國堅持升值的險，除非英鎊及附屬貨幣列為整批交易協議的一部份。

再者英政府財政大臣已明確表示，因英國本身的收支平衡關係，他不願英鎊升值。尼克遜也不以英鎊升值為其主要目標。

令人覺得不安，而可能性甚大的是假如日元升值，將影響日本原料入口和零件入口的價錢。日本是我們最大的供應者，佔我們的入口約四份之一。我們是沒有可能找到另外一個如此大規模的物資供應者。

假如每樣日本貨的價錢都增加百份之十五的話，對我們的售價是很有影響的。

我們面對着一連串接踵而來的問題。他們來得真是不合時宜。在嚴峻的紡織品限額，再加上成本增加的威脅，實在使香港大大不利的地位。

當然很可能百分之十五不會自動轉移到香港購貨的價錢上，這要看貨的競爭能力。

現在，日本紡織品的出口，亦受到嚴重限制。

更重要的是如果美國恢復其經濟發展對香港是有利的。如果美國可以迅速解決其與日本及歐洲市場共同國家的分歧，而又改善其收支平衡的情況，對香港的長期發展是有利的。雖然價錢增加，這樣可以幫助香港保證獲得一個好的市場。

香港間接上，與其他升值國家蒙受損失。這個教訓是在國際財政上，沒有一個人可以站在孤島上，大家同時同舟共濟的。

但情形並不是絕望的。幾年前香港依靠聯邦特惠稅和出口種類不多，原料加價影響可能壞。但今日由於市場分散了，品質和設計有所改良後，香港是比較上站得穩的。

這個教訓是很清楚的，而本商會也，在宜道，如果香港面臨逆境，我們一定要更加奮鬥，無論在品質上，設計上，和人民管理上也要如是。在出口上，我們更要加倍努力。

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× × ×

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