



# *The Bulletin*

The Hong Kong General Chamber of Commerce

## *Government House*

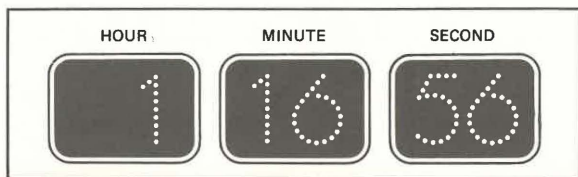
HONG KONG

Dear Santa,

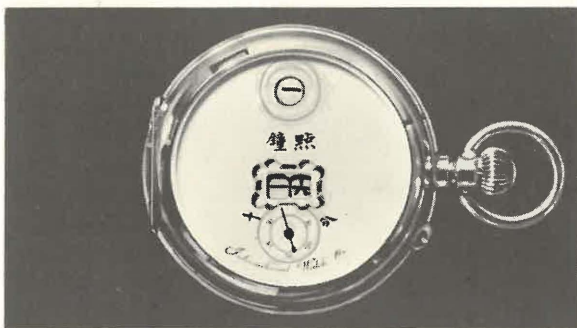
Please bring me for Christmas

- a few barrels of oil
- a ton of polystyrene
- associate membership of the EEC
- a guarantee on the Reserves
- a Hang Seng Index of 1000
- realistic rents
- an oil refinery
- Peter Godber

Christmas 1973



## 瑞士萬國錶 在八十多年前已製造 跳數錶



## 並具有中國數字.....

數年前一位瑞士外交家的太太，無意發現一隻寫有中國數目字的舊跳數錶，翻查紀錄之後，發現該錶於一八八七年由瑞士萬國錶廠製造，距今已有八十多年歷史。我們首先將該錶潔淨，加以潤滑，並換上新發條，然後連續在十四日內進行準確測試，結果顯示該錶平均二十四小時之內，祇有約三秒偏差；其精確程度，不少現代手錶亦自愧不如。瑞士萬國錶的優越性能，又再度獲得證實。瑞士萬國錶廠在八十多年以前已經製作跳數錶，時至今日，萬國錶仍然是最值得驕人的手錶。每一瑞士萬國錶，均為手工嵌製，經過精雕細琢，千捶百鍊而成，結構精密，分秒不差。當你購買一隻瑞士萬國錶時，你即擁有一件具有永恆價值的珍品。

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# 續談英國對香港之價值

第二次大戰結束後之三十年內，世界貿易發展之速率，從人類歷史上觀之，可算史無前例。貿易增長之原動力有賴各國間之合作，明達處理相互之困難，樂意地促膝商討及運用親善政策。

貿易增長之一法乃是自一九四五年以來所成立之無數國際組織，其中以「聯合國貿易及發展會議」為最明顯之一例證，其他可舉之例子為國際貨幣基金，世界銀行及「貿易與關稅之一般協定」等等，而其他如紡織品之「長期協定」等均足以證明各國皆樂意相聚一起致力解決困難，而並非單純袖手旁觀。

香港為世界第十七位首要出口者，因此在國際貿易上佔一顯要的地位，香港更有賴入口貿易，故其存在有賴各國間之貿易。基於此，香港在國際之議席上應佔一位置，但香港本身，由於其殖民地之處境，故不可出席國際之議席上，或只准從旁觀看。最壞的就是受到較大團體之壓制，若彼等決定為其本身利益起見而進行磋商，談討「自動協議」時，其情形更不可想像。

## 國際會議代表

但反過來說，香港所發表之意見並非全受漠視。在很多方面，可幸地香港與許多世界性的會議均得到傳達。

最明顯的一例就是最近在東京舉行之貿易及關稅一般協定之會議，本港工商署之處長——佐敦先生代表香港列席，佐敦先生在會中曾發言，明確地指出香港之處境。

而這也就是香港與英國間在和談方面之默契，當某一項談判事項涉及香港時，由英政府所傳達之陳詞乃基於香港政府所告，或

一如上述在東京所舉行之會議般，由香港人仕代表列席。而香港政府與英國政府之各階級人仕均保持密切之聯繫。

而另外一例子就是在美國華盛頓英領使館之香港代表——上任代表為巴羅先生，現任則為赫民先生。

兩位人仕於最近會與本會國際貿易部之北美洲分區委員會磋商。而巴羅先生更在北美洲貿易分區之午餐宴上發表談話。換言之，香港有機會表達其意見。

於處理日本所定之一般特惠計劃而對香港有所制限之事件中，英國對香港頗為關注，使其他各國大為欣羨。

再者，香港又可透過英國貿易及工業部之香港貿易諮詢會而表達其意見，此一組織專門負責英國及香港各項貿易事宜，及向英首相及國會提供意見。

## 「香港國會團」

國會之任務尤為重要，其中一組為香港國會組織由多位國會議員組成，彼等對香港之事務尤感興趣，又對官式及非官式之香港團體所表達之說詞甚為注意。

此一組織之價值在於其能夠使英政府能採用合適之行動。國會議員目下正用此方法表示對「葛柏事件」大為關注。於最近，彼等又令英國國會注視日本對香港之歧視及香港在歐洲經濟共同市場之普及特專計劃中香港之地位等等。

## 香港爲受惠國？

我們不可否認英國及香港間之利益上之衝突。本總商會常時評論英國之政策，而最近所討論之紡織品問題爲一明顯的例子。

尤其在歐洲經濟共同市場之普及特惠計劃一事，倫敦總商會於十月訪港之貿易團團長——萊利爵士，於一次扶輪會之會議上宣稱：

「在與歐洲共同市場談判中，最困難的一點並非關乎英國之利益，而是聯邦內其他會員國家之利益。」

有些人仕指出，香港並不會被考慮列入「受惠國」之列，但「普及特惠計劃」之修訂，巧遇英國商討加入歐洲共同市場行列一事。這使英政府有機會注視香港是否被列入「受惠國」——雖然其中包括了一些條件。

值得注意的就是台灣在歐洲共同市場之計劃下，亦並非被列入「受惠國」一欄，這對台灣在談判上是否缺乏說服力？又這對其在過去數年內之政治上之發展有何影響？這些問題尚需加以測度才可作答。但台灣之手足——美國若在幕後努力工作，其結果可有所不同。

## 與英國商會之聯繫

目下之辯論着重英國與歐洲共同市場之特惠計劃之聯盟。而在一九七四年，香港在此方面之希望甚微。

鑒於戴維斯爵士於最近在國會之言論觀之，英政府樂意在一九七五年以後處理香港此一難題。香港——尤其本總商會——對此甚感遺憾，因爲戴維斯爵士對一九七四年置之不理。目下我們需要看看戴維斯爵士是否遵守其諾言。

彼曾說：「毫無疑問，英政府將繼續維護香港在歐洲共同市場內之利益，而此舉又

受到倫敦總商會及與香港在貿易上有聯繫之英國人仕之關注。」

在與英國談判上，除却官式方法外，尚有其他方法可行，本總商會及倫敦總商會，甚而伯明罕總商會，曼徹斯特總商會，格拉斯哥總商會，及里茲總商會均保持密切的聯繫。

再者，倫敦總商會之重要人員，如夏里斯先生及咸爾先生等與香港之關係，甚爲密切。

## 國際夥伴

正如本「會訊」於前數期中指出，英國與香港之聯繫除却貿易一環外，還可見諸於我們總商會與英國總商會之密切聯繫。

我們可再舉列其他一些例證——於最近香港獲贈九十萬英鎊以創建理工學院。

萊利爵士於訪港期間又曾說道：「我們不要忘記香港戰後之發展——從廢墟而至繁榮——乃是共同合作之成果。由於我們是夥伴使大家有所得益，而此益處是很難加以計算看看誰的得益比較多，此舉可算毫無意義。」

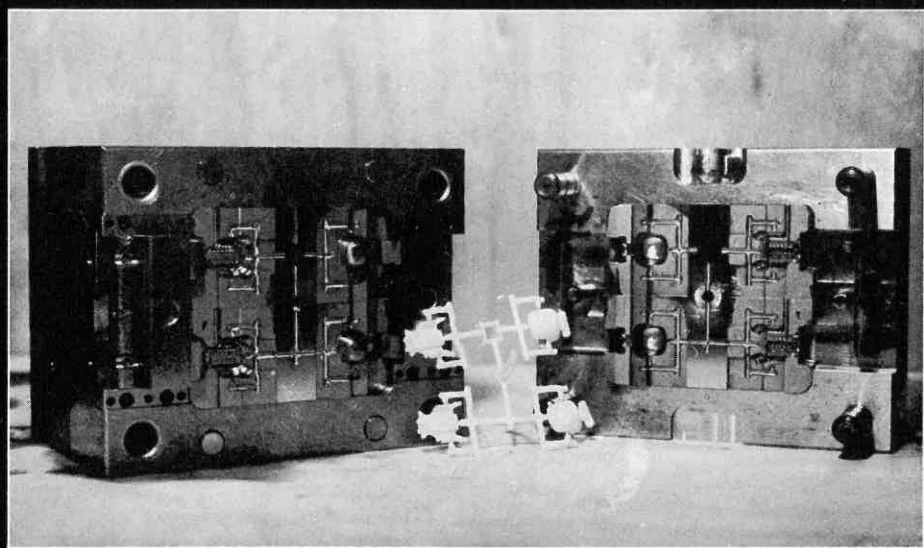
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此一專文爲「英國對香港之價值」一文之最後一節。

## 銀行業務面面觀

本會最近曾爲來港履新之外籍人仕舉辦一訓練課程，使彼等對香港有所認識。於是項課程中，香港上海滙豐銀行總經理鮑約翰先生對參加人仕暢談香港之銀行業務。其演辭資料充足，茲繙譯如下，以饗各位會員。

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# Hong Kong as a Financial Centre

by J. L. Boyer, Hongkong and Shanghai Banking Corporation

**M**R. J. L. Boyer, General Manager of the Hongkong and Shanghai Banking Corporation, was one of the speakers in the Chamber's 'HK for New Arrivals' course. His very enlightening and informative talk is reprinted below as the subject covered is felt to be of interest to many of our Members.

A financial centre is a somewhat difficult thing to define but, in its simplest terms, it describes a place where there is an adequate supply and demand for money which, in turn, creates a financial community who endeavours to regulate the flow of funds to the best advantage to the community as a whole.

Hong Kong can trace its economic origin to trading post activities mainly based on its port facilities which enabled it to serve as a gateway to the vast neighbouring market of Southern China. Banks and financial institutions were able to cope easily with the traders' financial requirements which were mainly in the form of bill finance to cover their imports and exports.

Hong Kong's era as a trading post was rudely shattered by the traumatic events which took place in China during the late 1940's and the resultant influx of people, including the Shanghai industrialists, transformed Hong Kong from a sleepy trading post into a manufacturing centre which, coupled with the port facilities, began to give it some importance in the trading and financial world we know today.

Industrialisation has needed a great deal of finance and Hong Kong has been fortunate in that its financial institutions saw the necessity to provide funds for development growth. These institutions would be the first to acknowledge that their efforts have been assisted by the thriftiness of the resi-

dents of Hong Kong and also by the confidence placed in them by the authorities, if only by their lack of controls that tend to inhibit natural growth of any type of business. This confidence in Hong Kong has resulted in the overseas Chinese looking upon Hong Kong as the only stable place in the region, thus enabling them to make substantial investments here which they were always free at any time to remit elsewhere.

As the economy of Hong Kong is based on the import of raw materials and export of manufactured goods and entrepot trade, banks and other financial institutions tend to specialise not only in the domestic field but also in the finance of international trade. They maintain extensive credit information and commercial introduction services for the benefit of their clients and others wishing to establish business relationships with Hong Kong.

There are 74 licensed banks in Hong Kong with about 500 offices altogether and this, with their network of branches and correspondents worldwide, leaves them in a position to offer a comprehensive banking service equal to anywhere in the world. In order to provide capital for the industrialists many banks in Hong Kong have assumed the role of medium term lenders by way of mortgage finance and medium term loans for industrial machinery.



## 7 out of 10 read the Morning Post.

In Hong Kong, 7 out of every 10 readers of English-language morning newspapers read the South China Morning Post. And 67% of those who read the Hongkong Standard, also read the Post. The Morning Post has the highest readership, the lowest duplication and the lowest cost per thousand... every advertising dollar goes twice as far.

# South China Morning Post

If you want to reach the most, put it in the Post.



The following statistics will give some idea of the growth of the money supply and banking facilities made available in Hong Kong over the past 12 years. Bank deposits rose from HK\$2,600 million in 1960 to HK\$24,600 million in 1972, whilst loans over the same period increased from HK\$1,720 million to HK\$17,700 million. Money in circulation increased over this period from HK\$984 million to HK\$3,300 million.

It need hardly be added that such financial and industrial growth has attracted a great number of other international financiers and industrialists and, while their expertise and experience is welcome, their presence here is as a result — and not the original cause — of the growth in Hong Kong. In short, the market here of its own momentum attracted the interest rather than the newcomers creating the market.

Before going on to discuss the present situation and future prospects of Hong Kong as a financial centre one should pause to look at the region as a whole. After World War II, Asia was plagued with internal wars and the region as a whole was considered to be one of political instability. Its large labour force was not taken seriously and the potential wealth of the region's natural resources was considered to be unexploitable. With increasing political stability and the dynamic growth of the Japanese economy, the Pacific region is now considered by many to be the greatest potential growth areas

over the next decade.

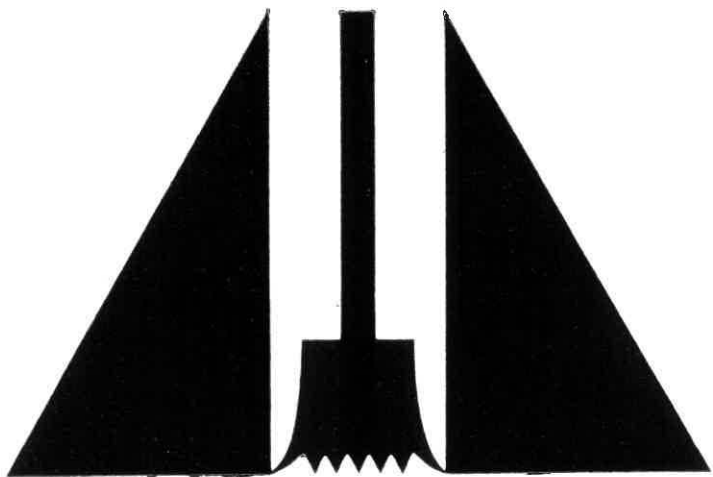
The emergence of Japan as a world economic force and the desire to create financial centres in Asia have attracted the attention of not only the multinational corporations but also the interest of other western world financial institutions. This growing interest in the Pacific region should be coupled with the problems faced by Europe and North America where conditions are such that the economic growth is to some extent being stifled by demands of labour and problems caused by the difficulties in balancing their budgets. All in all, this has led to a general lack of confidence in the value of world currencies and led many economists to feel that the Pacific Basin, as it is loosely known, will be the only growth area over the next ten years.

## **World's banker**

Prior to World War I, Britain was to a large extent looked upon as the world's banker and this role gradually passed to America between the two world wars. America, frankly, no longer wants to keep the role as world's banker, although it should be stated here and now that this region as well as the rest of the so-called 'free-world' owes a great deal to the benevolence of America in the post-war years. It is probably not out of place to say that many of the problems faced by America today are as a result of this benevolence.

The main trouble in the world today is that no one country really wants to take on the role of the world's

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banker and, whilst efforts continue to be made to bring some form of stability into international currency alignments, development is hindered by the uncertainties created by the present lack of confidence. The majority of countries would prefer to protect their own currencies and use offshore funds for development purposes.

### **Well-backed but limited**

If the Pacific Basin is to become a growth area a great deal of international finance will be required to bring this about. Although the Hong Kong dollar and some other currencies in the region, such as the Singapore dollar, are extremely well backed, they have a limited base and are far from sufficient to provide anything like the funds required for the development of the area as a whole.

Whilst the financial institutions in Hong Kong have been highly successful in providing the necessary funds for industry to develop here, this very success has attracted multinational corporations and such like to the area. These institutions, while providing much-needed expertise and in some cases new capital, have looked upon Hong Kong not only as a relatively tax-free haven but also as a source of funds for their own development in international operations, especially in the region.

As explained earlier, Hong Kong with its stability and lack of Government interference has had little difficulty in attracting funds in the past but certain changes have been brought about that need some clarification.

Prior to June 1972 Hong Kong was a member of the sterling area and although exchange control was only exercised over funds coming into the Colony the summary dismissal of Hong Kong from the sterling area by Britain meant that exchange controls vanished overnight. Freedom for people to remit money to and from Hong Kong is an essential ingredient for a financial centre but it does mean that banks in Hong Kong will no longer be able to protect industry by providing funds at relatively stable rates of interest as they were able to do in the past.

To date banks in Hong Kong have been able to maintain fairly high liquidity ratios — even after the removal of exchange control, funds continued to flow into Hong Kong as international investors were not so much concerned with the return on their funds as they were in the relative stability of the HK dollar.

Prior to June 1972 the Hong Kong dollar was traditionally pegged to sterling but following the flotation of sterling it was pegged in terms of gold to the US dollar at HK\$5.65 to one US dollar. Following the devaluation of the US dollar in February this year, the Hong Kong dollar gold parity remained unchanged and the middle exchange rate is now HK\$5.08 to one US dollar — a sequence of events which is testimonial to the strength of the Hong Kong dollar and the economy which supports it.

In the absence of a central bank the association of banks which controls

interest rates were in the past able to maintain a fairly consistent interest rate structure but a growing tendency for investors to have a little more confidence in certain world currencies, especially the US dollar, coupled with the high interest rates presently prevailing in world centres, have removed the insulation to world fluctuations that Hong Kong has enjoyed in the past.

The demand for capital funds for expansion in Hong Kong, elsewhere in the region by both Hong Kong and international companies, capital requirements by the fast-growing stock exchanges in Hong Kong and freedom to remit money to and from Hong Kong inevitably put pressure on the Hong Kong dollar base. To continue to compete in world markets therefore, Hong Kong needs to be in a position to actively compete for funds in these capital markets.

### **Grey not shady . . .**

Unfortunately there is one deficiency in Hong Kong's financial strength as we are unable to compete officially in the offshore international currency market. This is mainly as a result of a withholding tax of 15 per cent being imposed on all interest payments resulting from funds being on deposit with banks and other institutions. There has been a great deal of dialogue with Government regarding this withholding tax and I personally hope it will be abolished in due course.

A 'grey' market, which is in no way illegal, exists in Hong Kong as far as offshore international currency is concerned, and this is one of the argu-

ments used by Government for not abolishing the 15 per cent withholding tax. Respectable financial institutions, whether borrowers or lenders, are inclined to think that there is something shady about this slightly tortuous method of dealing in the existing 'grey' market.

### **Need to be competitive**

However, as confidence in world currencies is restored, with its complete freedom from exchange control, Hong Kong will need to deal competitively on world markets if it is to maintain its present deposit base which, in any event, it wishes to extend. It will thus be necessary to quote 15 per cent above world interest rates. It needs to do this not only to attract new funds but also to retain the present deposit base it is now enjoying, as the temptation to both residents and overseas investors to obtain a higher income without the instance of withholding tax is irresistible.

Naturally financial institutions will need to maintain the spread between the cost of raising funds and lending them, so that if we are to pay more for funds it means that the Hong Kong industrialist will be forced to either borrow funds at a rate of 15 per cent above world rates or take an exchange risk in borrowing foreign currency. With his industriousness and expertise, given even conditions, the Hong Kong industrialist is capable of competing on world markets but, with rising commodity prices, excess interest rates will not offer him any great incentive.

Abolishing withholding tax may create other problems to which there

is no easy solution but it is, and will be, an inhibiting factor in Hong Kong's continued growth as a financial and industrial centre.

The need to tap offshore international currency markets is essential for any would-be financial centre as, apart from increasing developments locally, ideally Hong Kong would like to be in a position to provide finance for development in the region as a whole and the deposit base of any individual country in the area is insufficient for the vast sums of money required for the proposed projects.

Hong Kong's 74 licensed banks are required to comply with the banking ordinance which, among other things, requires banks to maintain liquidity ratios against their deposit base. To compete with the burden of providing ever-increasing demands for capital, financial representatives from banks, merchant banks, stock brokers, money brokers and finance companies, etc. have poured into Hong Kong from many different countries and they have assisted greatly in adding to the considerable local knowledge and skill.

### **Undoubted parentage**

All these financial institutions are free to raise money from the public and while some, considering their parentage, are undoubted, others have a narrow asset base too small for comfort. It would therefore seem that there is a need for some form of legislation to protect the public and, in any event, it seems wrong that the unfettered activities of the finance companies should not be subject to

some form of liquidity requirements as applicable to banks because this tends to make the banking licence more of a liability than a privilege.

Hong Kong, strategically placed in Asia, is fortunate not only in its location but it has excellent communications, insurance facilities and easy access to other financial centres. In common with the majority of other financial centres, its business language is English and by staggering hours its exchange market has easy access to both the European and American exchange and money markets.

Modern and other traditional markets such as bankers and commercial acceptances, negotiable certificates of deposit are beginning to slowly emerge in Hong Kong but these are to some extent hampered by the withholding tax and lack of a sophisticated secondary market.

Without exchange control the foreign exchange market is extremely active and has great potential in being a clearing house for other centres whose own markets are subject to control. Hong Kong's large import of foodstuffs and other commodities from China, together with the latter's use of Hong Kong as a shop window, results in large purchases of foreign currency by China in this market.

Hong Kong has a bright future as a financial centre — we accept that we have a lot to learn but with the will to work, freedom from too many controls by Government, no exchange control and the general growth prospects in the region, it argues well for the future.

# Briefing

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

□ The Secretary, R. T. Griffiths, attended the CAFEA (ICC)/ECAFE Consultation meeting in Bangkok on November 6 and gave an up-dated version of the **Asia Dollar Market paper** which he presented to the Chamber's Council in 1972. ECAFE noted his suggestion that the **Asian Reserve Bank might help to widen the market for Asia Currency Bond issues**, in which the Bank could join forces with the Commercial Banking sector operating in the Asia Dollar Market.

□ The Chamber's next series of **Chinese Language Examinations** will be held according to the following schedule at the Chamber offices, 9th floor, Union House.

The **Mandarin** examination will be held on the **afternoon of January 18, 1974** while the **Cantonese** one will take place on the **morning of January 19, 1974**. Candidates must register with the Chamber not later than 5 p.m. Friday, January 4, 1974. An examination fee of \$50 per candidate will be charged. Details of the syllabus and conditions for these examinations are available on application to the Chamber.

□ **PA Management Consultants Ltd.** has completed their survey into the Chamber's activities, services and related operating costs. Their report has been submitted to the General Committee and the **analysis and recommendations made are now under consideration by a sub-committee** consisting of Mr. H. P. Foxon, Mr. N. A. Rigg and Mr. L. W. Gordon.

□ The **'HK for New Arrivals'** course organised by the Chamber was generally considered useful and informative. The planning committee has decided to continue to hold such courses in the future at regular intervals. The date for the **next course will be April or May, 1974**. At the same time a separate course for wives was also suggested and is now being considered.

□ **Messrs. Alec Hermann and John Barrow**, respectively incoming and outgoing **Councillors for Hong Kong Affairs at the British Embassy in Washington**, called on the Chamber for an informal discussion on November 9. Many members of the North America Committee attended and the visitors provided useful background information on matters affecting US-Hong Kong trade.

□ The **Good Citizen Award Fund**, administered by the Chamber, had by the end of November made **cash presentations to 25 local citizens** who had taken the trouble to report or prevent both actual and potential crimes. The amount of awards range from \$300 to \$1,500 depending on individual action taken. **The value of the fund**, all of which was contributed by local business, **now stands at over \$720,000**. In view of the healthy state of the Fund, it has been decided to increase the value of awards in future and so encourage local people to carry on with the good results of the 'Fight Crime' campaign.

# So he said to me...

## highlights of the Chamber's diary





Ok, now let's make him the offer he can't refuse



what exactly do you mean by just very good friends?



I saw what you two were up to behind that curtain!



this is the bit I like—when he gives him the old karate chop



no comment





I just **knew** he'd offer himself for re-election...

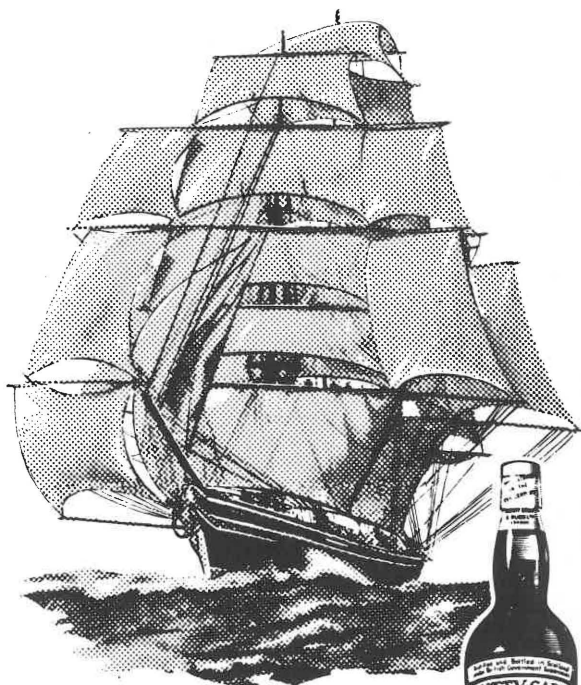


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# Pick of the Press

## New Thinking on US Trade

### Reprinted from The Wall Street Journal

**F**OR long the United States regarded external trade with little if any significance. With the growth of imports, the country then looked on it with a protectionist overtone. Dr. Paul W. McCracken, a Professor of Business Administration at the University of Michigan and a former chairman of the Council of Economic Advisers under President Nixon, describes in the following article, reprinted from the Wall Street Journal, America's new thinking on overseas trade.

Americans have long been accustomed to the assumption that external transactions are of negligible significance to employment and production at home. Exports for much of our history have been equal to four per cent or so of our GNP, and the figure for imports would have been even lower. One of the world's problems, in fact, has been that a volume of US trade which seemed to be of petty cash fund proportions for us still made us the world's largest trader.

The fact is that our external trade in recent years has been of growing importance to the US economy also. This has, of course, been evident in specific cases. Imported cars have competed quite successfully with our Michigan-made products to gain a good piece of the domestic market. We have seen the virtual demise of segments of our domestic electronics industry as they gave way before foreign products. The examples are not, of course, all on the grim side. A look around the airports at New York or London or Tokyo suggests that American-made planes have a high penetration in the world market.

What has been less evident to the naked eye is that our foreign trade has expanded to the point where it has become significant relevance to the US

economy generally. Two decades ago, in 1950, exports and imports together were equal in magnitude to 6.8 per cent of our GNP, and that proportion held about unchanged through the decade of the 1950s. With the 1960s the ratio of our trade to our GNP began to rise persistently. By 1970 it had reached nine per cent and during the first half of this year exports and imports combined were equal to somewhat over 10 per cent of our GNP. Since substantial chunks of our GNP are not likely candidates for exports or imports, such as haircuts or auto repairs, or freshly baked bread, the ratio of our foreign trade to domestic output that has any potential relevance to world trade has become large enough so that external trade development can exert a significant impact of the economy generally.

Changes in foreign trade have been a particularly significant influence on the pattern of the expansion since the low point in 1970. During 1971 (from early 1971 to early 1972) the domestic demand for output grew 5.3 per cent in real terms. That was a strong gain, substantially more than the four per cent per year on-going expansion in our basic productive capacity. Because the dollar was at that time substantially overvalued and exchange rates were fixed, a disproport-

tionate part of this rising domestic demand went to buy imports, and the rise in domestic output was only 4.5 per cent. While expansive monetary and fiscal policy could deliver a vigorously enlarging domestic demand, it was our foreign trade development that translated this into a more sluggish expansion in output and employment here at home.

During 1972, with exchange rate adjustments that put the US back into the world market, the swing in our foreign trade accelerated the expansion. While domestic demands for output from mid-1972 to mid-1973 rose a moderate 5.1 per cent in real terms, the demand for US output rose 6.2 per cent because foreign demand for our output was rising so rapidly. If total demand for goods and services produced in the US had increased only 5 per cent instead of more than 6 per cent our own price level would be behaving a good deal better today.

What are some of these changes in the world economy that are apt to have substantial significance for the US? Two deserve particular mention. One is that the character of trade limitations may be changing, with the vexatious problems from export impediments as well as restraints on imports. We may, in short, find ourselves living in a world much more concerned about limiting exports and less worried about curtailing imports. It would, of course, be easy to dismiss this year's flurry of export controls as aberrations reflecting a concatenation of peculiar circumstances not apt soon to be repeated. Mercantilism has a

centuries-old history, and each government still seems to feel that in its case a trade surplus is essential. Even while governments were lecturing Uncle Sam about the importance of his strengthening his external payments, many of them thought their own trade position should not be weakened.

Even so, preoccupation with export controls, for a wide variety of reasons, is apt to be a feature of the world economy for some time to come. Japan has resorted to 'orderly marketing' arrangements to limit a large net export surplus that was not good for Japan and was arousing resentment in America and Europe. The oil exporting nations, not surprisingly, are beginning to be conscious of the economic and political power that arises out of their dominant position in that market.

### **Agriculturally speaking**

The world agricultural situation is also vastly different from the era when large surpluses of grain were the major problem. Food shortages confront too many parts of the world for surpluses to be the major worry in the foreseeable future, or for depleted stocks in the food-surplus areas to be restored promptly to prudent levels. Moreover, as the world's levels of living rise, the associated demands for better diets will mean a persistently enlarging market for agricultural production.

Because changes in external economic developments are having a greater impact on the course of our economy at home, there must be taken into account more explicitly in

decisions about domestic economic policy. For now this means that we can pursue a somewhat tougher program of disinflation without a parallel adverse effect on domestic employment and production. The exchange rate adjustments since 1971 have markedly improved our own competitive position in the world economy. The inflation here, bad as it has been, has been less severe than in most of the industrial world, and it now takes fewer marks or yen or pounds or francs to buy a dollar. In terms of dollars prices the wholesale price index in Japan early this year was 48 per cent above the level in 1970. For Germany the rise was 45 per cent and for the UK 29 per cent. All of these figures are substantially larger than the 13 per cent for this country.

Many US firms are now in a position to offset any weakening of domestic business by more aggressive solicitation of orders abroad, and their prices would compare favourably with their foreign competitors in world markets. Indeed, this favourable price comparison would already be more effective except that backlogs are already choked with domestic orders reflecting the overheated US economy.

This all has several implications for policy. For one thing, the Tokyo negotiations on trade take on even more significance than earlier. While bargaining down barriers to imports remains important, the world must also find machinery for the orderly handling of growing resort to export limitations. Otherwise we shall find ourselves tackled from the rear by a

growing array of protectionist arrangements on export limitations while we are preoccupied with the problems of import restraints.

For businesses here it means re-discovering the fact that export markets do exist. Too many US firms remain in the export kindergarten. They do not begin to match their foreign competitors in the flexibility and skill with which they adapt to the specific needs of customers abroad. Until 1971 in many cases the overvalued dollar left our firms no way to tap foreign markets except through subsidiaries abroad, but that era ended two years ago. Now we can play the export game with an enlarged array of domestically produced products.

Finally, domestic economic policies in the key industrial countries must be managed with an acute awareness of what is happening elsewhere. In 1973, US policies could be tougher than domestic conditions warrant because of extremely strong expansions in Europe, Canada and Japan. In 1974, we are going to need to watch our step. Restrictive economic policies have already now been adopted in Germany, Japan and the US. These three economies account for more than 40 per cent of world GNP. These economies could get into a synchronised slump because of failure to take into account the spillover effect of domestic policies elsewhere. This is, in short, a time for closer and more effective collaboration on domestic economic policies as well as on a new monetary system or scaling down trade barriers.

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# Hong Kong and Britain - Part Three

## The Negotiators

**W**ORLD trade has expanded during the three post-war decades at a rate unprecedented in the previous history of the human race.

Much of the impetus for growth has occurred through the co-operation of nations, through a rational approach to mutual problems, through a willingness to talk and to exercise at least a modicum of goodwill.

The machinery of trade growth has been the countless international agencies and 'talking shops' that have been established since 1945. The UNCTAD is one obvious example. The International Monetary Fund and World Bank are further examples. The GATT is of course another. And even those institutions that Hong Kong usually tends to regard as negative, such as the Long Term Agreement on textiles, nonetheless exemplify nations coming together in an attempt to sort out problems, rather than just ignoring them or taking unilateral action.

### Do we have a voice?

As the world's 17th largest exporter, Hong Kong clearly has a major stake in world trade. And more importantly as an economy that is completely import-dependent, Hong Kong's very survival depends on a continuous smooth flow of trade between nations.

Given all this, Hong Kong may well be justified in believing that its own voice ought to be heard at the international conference table. Yet Hong Kong, because of its colonial status, is barred outright from the conference tables, or is permitted only to 'observe' or otherwise participate on the fringes,

and, worst of all, is still subject to the pressure of larger groups in a very direct fashion should those larger groups decide it is in their own interests to negotiate a 'voluntary' agreement.

Is that the real picture? It does of course contain an element of truth. But it is not true to say that Hong Kong's voice goes unheard; indeed, in many ways Hong Kong is in the fortunate position of having access to many of the world's conference tables, without even the trouble of keeping a permanent seat warm, as it were at these tables.

### Out-yet-in

A good example of Hong Kong's 'out-yet-in' position was the recent GATT conference in Tokyo. Hong Kong was present at this very directly via the person of the Director of Commerce and Industry, Mr. David Jordan. Mr. Jordan addressed the conference and had every opportunity to make Hong Kong's position clear.

And this is typical of the way in which the negotiating link between Hong Kong and the UK often operates. When a set of negotiations occurs in which Hong Kong is involved, the case put forward by the UK Government is either based on a brief from the Hong Kong Government, or else, as in Tokyo, is made by a Hong Kong man, for whom the UK delegate steps down. And in making its case, the Hong Kong government has access to UK Government intelligence on all levels.



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A further example is the Hong Kong representative in the British Embassy in Washington. As part of the British Foreign and Commonwealth Office, Hong Kong does have its own man in Washington. Until recently this was Mr. John Barrow, and is now Mr. Alex Herman, who also has previous experience of the post.

Mr. Herman is well known to members of the Chamber's General Committee and staff, and both he and Mr. Barrow recently held discussions with members of the Chamber's North America Area Committee. Last year, Mr. Barrow also addressed members of the North America Area Section at a luncheon meeting. In short, Hong Kong has considerable opportunity to make its point of view known to the Washington representative.

Of course, Hong Kong's case must often rest in the hands of UK—rather than local—spokesmen. And this is by no means a wholly unfortunate system. Probably the most significant recent example of the value of this system occurred during the representations made to the Japanese Government concerning the discrimination against HK in the Japanese Generalised Preference Scheme.

Although Japan listened to local protest, nothing much appeared to happen. Hong Kong's case was in the meantime taken up by Sir Geoffrey Howe, the British Minister for Trade and Consumer Affairs and, perhaps even more to the point, by Mr. Heath himself. Since then Japan has eased

the discriminatory list. To lay the credit for this entirely with Sir Geoffrey and Mr. Heath is perhaps too simple — not to say fulsome — when much behind-the-scenes work was also being carried out by both the HK and British Governments, but there can be no doubt the British politicians' expressed concern added weight to Hong Kong's case. It is a useful example of the value of having a 'big brother', a privilege that many of the world's smaller nations would appreciate.

Another means by which HK makes its views known is the Hong Kong Trade Advisory Group within the British Department of Trade & Industry. This is there solely and specifically to consider Anglo-HK trade and to advise Ministers and thus Parliament.

## **The back-benchers**

The role of Parliament itself is also worth keeping in mind, particularly the role of the ordinary back-bench Member. The Anglo Hong Kong Parliamentary Group is an all-party group of MPs who take a special interest in Hong Kong affairs. These MPs are always available to Hong Kong groups, both official and unofficial.

The value of the Group lies largely in its ability to prod the UK Government into action, and MPs are at present using exactly this procedure to express their concern about Mr. Peter Godber and related matters. Although not hitting the headlines in so dramatic a manner, back-benchers in the recent past have also raised in Parlia-

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ment both the question of Japan's discrimination against Hong Kong, as well as HK's status in the EEC's GPS.

Mention of the latter does of course highlight the big 'but' that many local people would wish to raise in challenge of the picture so far presented. It may be all very well having Mr. Jordan in Tokyo — the argument goes — and it may be very nice having Mr. Herman in Washington and busy backbenchers scurrying around on our behalf; but what happens when there is a conflict between Britain's and Hong Kong's interests?

## **Conflict**

To deny that there is never conflict between British and Hong Kong interests is of course ridiculous. The Chamber itself has sometimes been vocal in criticising British policies. The textiles issue is an obvious example.

Specifically on the EEC Generalised Preference Scheme, it is however worth quoting the remarks recently made by Sir Patrick Reilly, leader of the London Chamber of Commerce group that was in Hong Kong last October. Addressing a Rotary meeting, Sir Patrick said:—

'In negotiations with the EEC, nearly all the most difficult points related not to British interests at all, but to those of other members of the Commonwealth, tropical sugar, New Zealand butter, the special interests of Hong Kong and other similar issues.'

It has been suggested that HK would never have been considered for inclusion as a beneficiary, had the

'eurocrats' and their Governments been left to themselves. However, the implementation of the GPS coincided with negotiations for Britain's joining the EEC. This gave the British Government opportunity to see that HK was included as a beneficiary, albeit on restricted terms.

In passing, it is worth noting that Taiwan is not a beneficiary under the EEC scheme. How far this reflects Taiwan's lack of negotiating weight, consequent on political developments during the past few years must remain a matter for speculation. It is however tempting to wonder what might have happened had Taiwan's erstwhile big brother, the USA, chosen to make behind-the-scenes noises. In the circumstances, it seems not altogether unfair to give Sir Geoffrey Rippon and his men some of the credit for HK's inclusion.

The present debate concerns however a new turn in events — the alignment of the UK's Preference Scheme with that of the EEC. It seems clear at this stage that HK can hope for little during 1974. But in view of Sir John Davies's recent remarks in Parliament, it also appears that the UK government is prepared to take up cudgels on HK's behalf for 1975 and thereafter. It is disappointing to HK — and to the Chamber in particular — that Sir John did not take action in respect of 1974. The need now is to make sure that HK takes advantage of the channels open to it in order to ensure that Sir John's promise is kept. It may once again be worth quoting Sir Patrick Reilly on this theme. In

the speech mentioned earlier, he went on to say:—

‘I have no doubt that it is the intention of the British Government to continue to do all in its power to protect the interests of Hong Kong within the EEC. And in doing so it will have the warm support of the London Chamber and of all in Britain who do business with Hong Kong.’

The words we wish to emphasise are those of the latter sentence. As we have stressed, Hong Kong’s negotiations with and through the UK government are not limited to official channels. The link between our Chamber and the London Chamber, not to mention the Birmingham, Manchester, Glasgow, Leeds etc. Chambers is one of the less obvious values to HK of the UK connection.

Sir Patrick stressed the size and strength of the Hong Kong group within the London Chamber. And it is no coincidence that leading officers in the London Chamber are men with a strong HK connection, such as Mr. Michael Herries and Mr. Jeffrey Hamm.

### **The part left unsaid**

*The Bulletin* started this series by pointing out that the greater part of what should go into the articles must be left unsaid. We suggested that it was not perhaps the easily quantifiable factors — such as the balance of trade — that really summed up the link between HK and the UK, but the many intangibles, such as the tie between our Chamber and British Chambers.

We could go on to list more of

these less noticed factors — such as the recent grant of £900,000 to help in the establishment of the Polytechnic — but there seems little point in ringing the last drop of juice from the orange.

In this, we agree once again with Sir Patrick Reilly. We make no apology for quoting him so often, since it seems to us, and, we believe to those of our Members who met him, that he spoke much common sense during his short visit here, without being either over-apologetic on the one hand or pious and bombastic on the other. He impressed us as having done the UK’s image more good than many of the official visitors who have called in recent years.

‘Don’t let us forget that Hong Kong’s postwar progress from devastation to prosperity stemmed from a partnership.’ Sir Patrick said. ‘Between partners who owe much to each other, calculations of who gets most out of the partnership seem to me unprofitable and indeed rather distasteful. I suppose that it is inevitable that these calculations should be made: but so far as Britain and Hong Kong are concerned, if these are made fairly, I don’t think Britain need worry too much about the result.’

This series of articles, including our earlier one on the value of HK to Britain, has really been based on arguable premises. The picture is truly too vast to sum-up in neat balance sheet fashion. And the partner who tries to quantify in balance sheet form who gets what out of a marriage is already on the way to the divorce courts!

「若把金融中心這一名詞加以解釋頗為不易，但簡單地說來，此乃指該地方對貨幣之供與求均為足夠，繼而創立一金融社團，彼又試圖控制基金之流動，使社會得以收益。

## 貿易兩港

於香港而言，其經濟之起源源自其貿易之活動。由於其海港之優勢，使香港為南中國這一大市場之通路。銀行及金融界對商家在金融上之需求又能應付裕餘，彼等所提供之服務包括出入口所需之單據等。

但香港之貿易形勢於一九四零年年末末被粉碎，於其時，很多人民，包括來自上海之工業家湧進本港，使香港從一貿易兩港轉變為一製造中心，進而發展成今日之香港。

## 工業興盛

工業之發展極需大量之金錢，可幸的是香港之金融組織察覺我們需要基金以發展用途，該等組織慶幸得到本港政府對彼等之信賴，又得到本港居民由節儉積聚下來之支持。海外中國華僑繼而視香港為此地區一安穩地方，故樂意匯款於此間作投資之用。

香港之經濟乃基於製造原料之入口，產品之出口及貨物集散地，因此銀行及其他金融機構不但對本港情況稔熟，對國際貿易之金融問題亦瞭如指掌，為其本身及顧客與其他欲與香港貿易之人仕之利益起見，彼等擁有詳盡之信用資料，又可提供各項商業上之服務。

## 銀行業務蓬勃

目下本港約共有七十四間獲有執照的銀行，又約共五百多間辦事處遍佈本港。彼等與世界各地保持密切的聯繫，故能提供更詳盡之服務。為使工業界人仕有所方便，本港

多間銀行亦提供按押借貸等服務予工業界人仕，有助彼等添增機器等生財器具。

本港在金融及工業上的發展使不少國際金融家及工業家接踵湧至，彼等之經驗及專門技術有助香港的發展。換言之，此間市場予以各界人仕吸引力甚大，而彼等又協助市場的發展。

## 區域形勢

在我們談及香港為一金融中心之日下情況及將來之展望時，先讓我們看看整個區域之形勢。

於二次大戰後，亞洲充滿戰火氣息，因而被認為政治局面動盪非常。我們的龐大勞工人力被忽視，而這區域之天然資源又被認為不大樂觀。但當政治局面平定後而又適當日本之經濟大有作為，人們認為太平洋區在今後十年內將大有作為。

由於日本儼如一世界經濟大動力及人們希望在亞洲創建一融中心，不但吸引了多國藉機構，其他西方金融機構亦發生了很大的興趣。

人們對太平洋區之興趣應與歐洲及北美洲所面對之困難相提並論，於該兩處地方，經濟之發展一部份是由於對勞工的需求及在平衡財政預算案上所遇之困難。簡言之，這一切引致大家對世界貨幣之價值失去了信心，而經濟學家認為於今後十年內，太平洋區為唯一有所發展的地方。

## 國際「銀行家」

在第一次世界大戰前，人們認為英國為世界之銀行家，但在兩次大戰期間，此一任務落在美國身上。但明顯地，美國再不希望担任此一任務，世界各地應向美國示謝意，但美國目下面對之困難乃由於其善舉。

現刻並無任何國家願意承當「銀行家」

此一任務，雖然大家正努力平穩貨幣，但由於缺乏信心，至令此一發展大受影響。大部份國家希望保護其貨幣而用其他基金作發展計劃之用。

若要使太平洋區有所發展需要很多國際金融支助。雖然港元及此地區其他貨幣，如星加坡貨幣等均受到支持，但均不足以維持地區之發展大計。

本港之金融機構供給基金發展工業，此舉吸引了不少多國籍公司到來本港，該等機構雖然提供了不少技術及金錢在港發展，但他們不但以香港為一免稅天堂，但亦視之為基金來源地，作彼等在國際上，尤其此地區內之發展之用。

## 利息稅百份之十五

由於香港局勢平穩，而政府又不加以插手干涉，引致不少基金調至本港。

於一九七二年六月前，香港為英鎊區一成員，雖然匯至本港之基金受到外匯管制，但自從香港脫離這英鎊區後，此管制便再不存在。人們能自由把款項匯入或調離香港，在一方面有助香港成一金融中心，地另一方面，本港之銀行再不能如過往般以低微息率把款項借予工業界人士。

由於這兒並沒有中央銀行，銀行聯合會於過往控制息率以保持一平穩息率制度。但投資人士對某些世界貨幣，如美元等，信心甚強，又由於世界其他各中心之利息率高，至令香港失却過往對世界動盪之保障。

在香港，人們需求發展基金；在地區內，香港及國際公司又需求發展基金；本港之證券市場又極需款項；及自由調匯金錢等事使港元備受壓力。為要與世界市場較一高低，香港要在金融市場上同樣具有競爭性。

香港之弱點在乎其百份之十五之利息稅，加諸於從銀行或其他機構之存款所得之利

息。目下政府正審慎研究此一問題。

香港不但需要吸入更多資金，但亦要保有其目下之存款基地。

明顯地，金融機構要保持增進資金及資金借出之速率，假若我們支付較多之資金時，香港工業家便要在借款時繳付百份之十五之稅率，或冒險借外國銀幣。

把利息稅取消可能引致其他困難，因而防礙了香港成為金融及工業中心的發展。

成為一金融中心，我們需吸入更多國際貨幣資金。理想地，香港當希望資助地區性的發展，但任何一個國家之力量均不足以應付此一龐大計劃。

本港之七十四間銀行均要遵守銀行法例。為要爭取更多資金，金融界、銀行界、證券界及財務界等人士湧至香港，增長了此間之知識及專門技術等。

此等金融機構可自由從大眾募集款項，因此我們需要立例以保障大眾利益。

## 條件優厚

香港在亞洲，位置適中，交通方便，又可提供保險方面之服務。

一如世界其他金融中心，香港工商界以英語為主要言語上之交通工具。

外匯市場由於不受到外匯上之管制，因此甚為活躍。

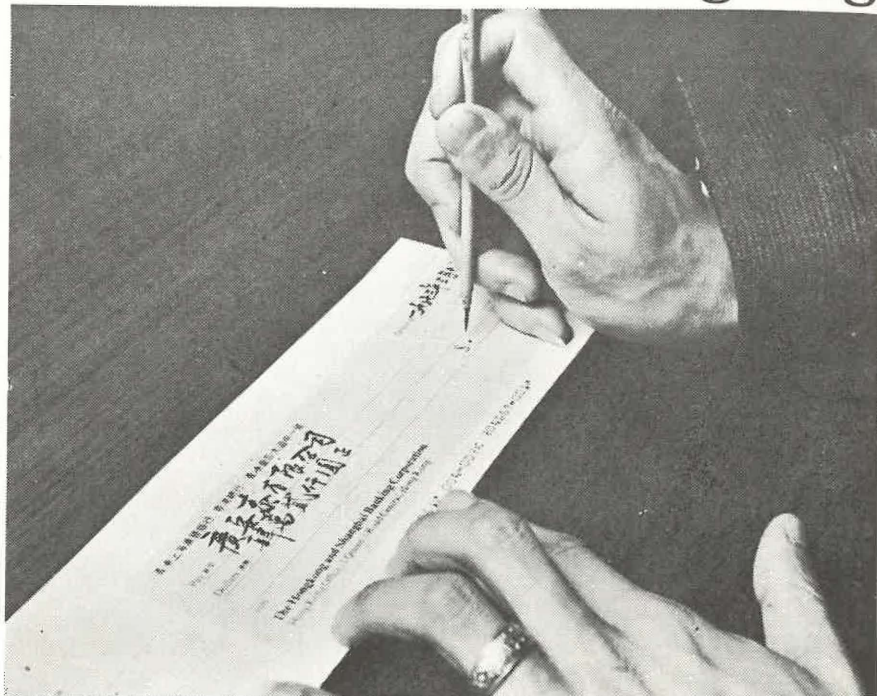
香港從中國購進大量食物及日用品，而中國又以香港為一窗櫺，因此中國在香港購進了不少外國貨幣。

## 結 論

香港在金融中心之發展上前途甚為樂觀——我們需要承認我們還有許多是需要學習的，但只要我們願意去做，而政府又不再加以諸多方面的管制，外匯又不受管制，而地區又繼續增長的話，前途是頗為燦爛的。」



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