

**Mr. Carse reports on the initiatives taken concerning financial industries in Fujian, Hong Kong and Taiwan** Speech by the Deputy Chief Executive of the Hong Kong Monetary Authority, Mr. David Carse, at the Symposium on the Financial Exchange and Cooperation of Fujian, Hong Kong and Taiwan, held on 8/8/98.

I am pleased to be here this morning to welcome you to this Symposium. The Chinese Banks' Association is to be congratulated for organizing this important initiative with the co-sponsorship of the Fujian Provincial Government and Chinatrust Commercial Bank. The idea of the Symposium, as I understand it, is to facilitate the exchange of ideas concerning the financial industries in the three regions and the exploration of cooperative opportunities between them.

2. Such an initiative could not have come at a better time. The current financial crisis is creating havoc among the Asia economies. Initially, the damage was felt in the financial sector. But the full impact is now being seen in the real economy as output and trade are crippled by higher interest rates, the burden of foreign currency borrowing and the credit crunch. The Mainland of China, Hong Kong and Taiwan have survived the crisis in better shape than most other economies in the region. But they have not been unaffected as events of this week have demonstrated in Hong Kong where we have witnessed further speculative pressure on the Hong Kong dollar.

3. In this kind of uncertain economic environment, it is all the more important that we should be trying to maximize the opportunities to develop trade and investment links between neighbouring economies. That is why this Symposium is timely and important. The existing economic links between Fujian, Hong Kong and Taiwan provide a solid platform on which to build for the future. Taiwan and Hong Kong are already major trading partners with Taiwan's exports to Hong Kong accounting for 23.5% of its total exports in 1997. Visitors from Taiwan also account for a significant proportion of the total number of visitors to the territory and thus make a major contribution to the tourist industry in Hong Kong which, as you will know, currently needs all the help it can get.

4. Trade between Hong Kong and Fujian is also growing rapidly in both directions and both Hong Kong and Taiwan are a major source of overseas investment into the Province. There are over 10,000 Hong Kong enterprises in Fujian.

5. The Hong Kong presence in Fujian includes a number of banks from Hong Kong, including Bank of East Asia. The same bank also maintains a branch in Taiwan which puts it in a good position to take advantage of the triangular trading links between Fujian, Hong Kong and Taiwan. In its role as an international financial centre, Hong Kong is also the host to a number of banks from Taiwan. The Taiwanese presence here consists of 4 licensed banks, 2 restricted licensed banks and 3 representative offices. There are also a significant number of other Taiwanese banks which have expressed the intention to establish representative offices here. We are processing these applications in an orderly fashion on a "first-come first-served" basis. It has long been our policy not to allow in too many banks from the same region or country too quickly. As in the case of the Japanese regional banks and the Korean banks we therefore operate a queuing system. I know that this can sometimes be frustrating to those who are at the back of the queue. But I would like to make it clear that there is no reluctance on our part to admit banks from Taiwan, as the existing presence here clearly demonstrates. I am sure that Dr. Jeffrey Koo will also testify to this.

6. Hong Kong is currently going through tougher times as a financial centre. Some foreign banks have cut back their lending here and a few banks have actually left. This has reflected problems back home rather than discontent with Hong Kong. However, it is true that Hong Kong must reduce the cost of doing business in order to remain competitive, and that is why the current fall in property prices and rents, while painful, is also necessary. I am confident that Hong Kong will emerge from the current crisis with a better-balanced economy and with even stronger fundamentals. Above all, it can continue to rely on its main strategic advantage as a financial centre - namely, its proximity to the Mainland of China. This places it in an ideal position to intermediate the trade and investment flows between places like Fujian and Taiwan.

7. In conclusion, I would like to repeat my welcome to you and to express my hope that your discussions today will lay the foundation for even greater cooperation between Fujian, Hong Kong and Taiwan in the future.