

FACT SHEET

Public Views on the Proposed Bond Issuance by the Hong Kong Government 23 October 2003 to 6 May 2004

Views in favour of bond issuance by the Hong Kong Government		
<i>Central Government Officials</i>		
Mr JIN Rengqing (Minister of Finance, PRC)	Bond issuance by the Hong Kong Government is one of the measures to solve the deficit problem, and bonds are also issued in the Mainland. Keeping the expenditure within the limits of revenues is a financial principle to be adhered to.	Wen Wei Po (11/3/04)
Mr ZHOU Xiaochuan (Governor, People's Bank of China)	The issuance of bonds, which is a normal practice, can solve the problem relating to the fiscal imbalance in Hong Kong. Proper bond issuance should not pose any problem. According to international standards, it is acceptable for the fiscal deficit to account for 3% of GDP.	Wen Wei Po (11/3/04)
Mr WEN Jiabao (Premier, State Council)	The Central Government has adopted a positive attitude towards Hong Kong's issuance of bonds totalling HK\$20 billion.	Wen Wei Po (8/4/04)
A research specialist in the Central Government	The Central Government may, by utilizing its foreign exchange reserves or other means, purchase the government bonds to be issued by the Hong Kong Government, and this will be one of the important policies being formulated by the Central Government for the support of Hong Kong. This would undoubtedly help promote the development of Hong Kong's capital market, enhance Hong Kong's position as a financial centre, and in particular consolidate investors' confidence in the HKSAR Government.	Wen Wei Po (8/4/04)

Views in favour of bond issuance by the Hong Kong Government		
<i>Hong Kong Government Officials</i>		
Mr Henry TANG Ying-Yen (Financial Secretary)	The issuance of bonds by the Government is conducive to the development of the capital market in Hong Kong, and it provides the public with an additional investment channel.	Sing Tao Daily News (5/12/03)
	Bond issuance increases the flexibility in the use of funds by the Government, and finances capital projects that will bring long-term economic benefits to Hong Kong. Also, bond issuance facilitates the development and increases the depth of the bond market in Hong Kong, reinforcing Hong Kong's position as an international financial centre.	Hong Kong Economic Journal (5/2/04)
	The issuance of bonds by the Government has three major objectives. First, to finance the Government's infrastructure projects for the next five years, amounting to about HK\$29 billion; second, to increase the depth of the bond market in Hong Kong; and lastly, to provide small investors with an additional investment channel.	Wen Wei Po (11/3/04)
Mr Frederick MA Si-Hang (Secretary for Financial Services and the Treasury)	The bond market is vital to Hong Kong's long-term economic development and its position as an international financial centre. It can provide companies with an additional financing channel, and is especially beneficial to the financing of longer-term projects. For investors, the bond market can provide them with an additional investment alternative.	Hong Kong Daily News (27/1/04)
	The Government's objective is to issue government bonds to be distributed to the general public, so as to promote the development of the local bond market.	Hong Kong Economic Journal (5/5/04)
Mr Joseph YAM (Chief Executive, Hong Kong Monetary Authority)	He is not worried that the Government's ongoing bond issuance would cause the public to think that the proceeds obtained would be used to offset the fiscal deficit, which would in turn affect the credit ratings, because the Administration has already stressed that bond issuance is only to offset the capital account deficit.	Apple Daily (10/12/03)

Views in favour of bond issuance by the Hong Kong Government (cont'd)		
<i>Legislative Council Members and Political Parties</i>		
Hon SIN Chung-kai	Hong Kong has the right conditions for bond issuance. However, it should be disciplined and should not do so for the sake of the fiscal deficit.	Hong Kong Economic Times (8/12/03)
Democratic Party	It supports the issuance of government bonds and the disposal of assets to solve the deficit problem.	Metro Daily (12/2/04)
	The results of an opinion survey shows that 60% of the interviewees support the issuance of government bonds as proposed in the Budget, and 21% express opposition.	Apple Daily (28/2/04)
Hon James TIEN Pei-chun	Hong Kong should actively develop the bond market to enable Hong Kong to become a bond centre in the region. Bond issuance can provide an additional investment channel for the public. However, as bond issuance is “taking money from the left pocket and putting it in the right”, it may not actually help alleviate the fiscal deficit.	Hong Kong Economic Journal (9/3/04)
Breakfast Group	The SAR Government may consider issuing bonds to maintain its fiscal reserves at a certain level.	Wen Wei Po (9/3/04)
Mr MA Lik (Secretary General, Democratic Alliance for Betterment of Hong Kong)	Bond issuance for large scale infrastructure projects which support future economic development is worth supporting. However, if it is intended to reduce the fiscal deficit, the Government’s financial management approach will virtually be the same as that of those using credit cards to make ends meet, which is unacceptable to DAB.	Wen Wei Po (9/3/04)
Hon CHAN Kam-lam	As long as the purpose of the Government’s bond issuance is to support the development of infrastructure projects and not to “offset the shortfalls”, issuance of bonds in Hong Kong dollars or US dollars is worth supporting.	Wen Wei Po (9/3/04)
Hon David LI Kwok-po	He supports the Government’s initiative to increase revenue by way of bond issuance.	Ta Kung Pao (11/3/04)

Views in favour of bond issuance by the Hong Kong Government (cont'd)		
<i>Legislative Council Members and Political Parties (cont'd)</i>		
Hon Jasper TSANG Yok-sing	He recognizes that the Government's proposal to issue bonds is a right move. It can raise funds for investment in infrastructure projects, increase the flexibility of the Government's asset disposal and securitisation exercises, and avoid disposing assets at low prices when market conditions are unfavourable. Furthermore, the issuance of government bonds also facilitates the development of the bond market in Hong Kong.	Ming Pao (22/4/04)
Hon David CHU Yu-lin	He supports the issuance of bonds by the Government. On the one hand, bond issuance can decrease the huge cut back in various social and economic infrastructure investments in an attempt to reduce the fiscal deficit. On the other hand, the revenues from bond issuance can be used specifically to offer tax concessions to the middle class, and help the negative-equity property owners tide over their difficulties. However, the bond issuance proposal in the Budget is not ambitious enough since the amount of HK\$20 billion is indeed too small.	Oriental Daily (28/4/04)
<i>International Financial Organization</i>		
P. Gruenwald (Hong Kong Representative, International Monetary Fund (IMF))	He supports the issuance of bonds by the Government.	Apple Daily (12/3/04)
<i>Chambers of Commerce and Institutes</i>		
Mr Raymond OR (Chairman, Hong Kong Association of Banks)	He welcomes the Government's bond issuance initiative, and believes that it will promote the development of the bond market in Hong Kong. However, bond issuance is not a long-term solution for the deficit problem.	ATV On-line News (5/12/03)
Mr Edward CHOW (Vice Chairman, Business and Professionals)	He supports the issuance of bonds by the Government to meet the expenses on infrastructure.	The Sun (6/1/04)

Views in favour of bond issuance by the Hong Kong Government (cont'd)		
<i>Chambers of Commerce and Institutes (cont'd)</i>		
Mr Leo C M LI (President, ACCA Hong Kong)	The issuance of bonds by the Government will not create any impact on the existing market. On the contrary, there will be an additional bond product available in the market, which is a good thing for the development of the bond market in Hong Kong.	Ta Kung Pao (11/3/04)
Mr LI Man Fai (Chairman, Taxation Institute of Hong Kong)	He supports the Government's initiative to issue bonds, which facilitates the more effective use of funds by the Government, and provides the public with more investment opportunities.	Metro Daily (15/3/04)
Ms Helen WONG (The Hong Kong Capital Markets Association)	She believes that the Government's bond issuance will attract more retail investors to the market.	Ta Kung Pao (17/3/04)
Hong Kong Junior Chamber	It recognizes the Government's bond issuance initiative.	Ming Pao (3/4/04)
<i>Credit Ratings Agency</i>		
Mr Arthur LAU (Director, Fitch Ratings Hong Kong Limited)	The issuance of bonds by the Hong Kong Government will strengthen Hong Kong's position as a financial centre. If the objective of bond issuance is to raise funds for infrastructure projects, under the current circumstances of a serious deficit, it can indeed reduce the extent of the decrease in the fiscal reserves and help stabilize public confidence in the linked exchange rate.	Apple Daily (28/2/04)
<i>Banking Sector/Financial Sector</i>		
Mr David P M CHAN (Senior Economist, DBS Bank)	The issuance of bonds by the Government helps increase the depth of the local bond market, because these are longer-term bonds, and can thereby establish a benchmark for the market, to make up for the deficiency of the present market. This will have positive effects on strengthening Hong Kong's position as a financial centre.	The Sun (23/10/03)
Mr George LEUNG (Chief Economist (Greater China), HSBC)	It is a good opportunity for the Government to issue bonds to alleviate its financial burden. However, the Government should not increase its recurrent expenditure as a result.	Wen Wei Po (29/2/04)
Mr FUNG Hao- chung (Managing Director of Treasury and Markets, DBS Bank)	Bond issuance by the Government can increase the depth of development of the local bond market and change the problem of polarization of the public's investment patterns (i.e. investing only in stocks and fixed deposits).	Wen Wei Po (11/3/04)

Views in favour of bond issuance by the Hong Kong Government (cont'd)		
<i>Banking Sector/Financial Sector (cont'd)</i>		
Mrs Sandra TSE (Investment Management Director & Head of Retail & Marketing & Product Development, HSBC)	For retail investors, government bonds, as compared with other low-risk investment tools such as guaranteed funds in terms of returns, will be a good option.	Wen Wei Po (11/3/04)
Mr Alasdair G MORRISON (Chairman and CEO, Morgan Stanley Asia)	The Hong Kong Government's issuance of bonds demonstrates its commitment to strengthening Hong Kong's position as an international financial centre. Although the issue size is only HK\$20 billion, it is sufficient to show that the Hong Kong Government's intention to play a leading role in promoting the local bond market.	Oriental Daily (11/3/04)
Mr DAI Daohua (Economist, Bank of China)	The Government's ongoing issuance of bonds for infrastructure investment will be of significant help to the development of the local bond market. However, when the total amount of bonds issued has reached a certain level two to three years later, factors such as whether the ratings of the Government will be undermined should be considered.	Hong Kong Economic Journal (16/3/04)
Mr David ELDON (Chairman, HSBC Asia Pacific)	It is a good idea for the Government to issue bonds, which will facilitate the development of the bond market in Hong Kong.	Ming Pao (16/3/04)
<i>The Accounting Sector</i>		
Mrs Yvonne LAW (Senior Tax Partner, Deloitte Touche Tohmatsu)	She is in favour of implementing specific infrastructure projects or investment projects by way of bond issuance.	Apple Daily (5/12/03)
Ms Jennifer WONG (Tax Partner, KPMG)	She is in favour of the Government's issuance of government bonds.	Ta Kung Pao (4/3/04)
Ms Brenda CHEUNG (Tax Controller, Grant Thornton LLP)	The issuance of bonds by the Government can, on the one hand, reduce its fiscal deficit, and on the other hand, promote the development of the local bond market and infrastructure projects.	Ta Kung Pao (11/3/04)

Views in favour of bond issuance by the Hong Kong Government (cont'd)		
Academics		
Professor Simon HO (Director, MBA Programme in Finance Master of Science Programme, Chinese University of Hong Kong)	The issuance of bonds by the Hong Kong Government can provide local banks with a stable and healthy investment alternative for their excess funds. It will also improve the bond market and the relevant regime in Hong Kong, which is conducive to the development of Hong Kong into Asia's bond centre.	Hong Kong Economic Journal (20/2/04)
Professor Leo SIN (Professor, Department of Marketing, Chinese University of Hong Kong)	The issuance of bonds by the Government will improve Hong Kong's financial system and thus lift its international ratings.	Apple Daily (28/2/04)
Dr Samuel CHAN (Associate Professor, School of Accounting and Finance, Hong Kong Polytechnic University)	Government bond is a relatively stable and healthy low-risk investment tool, which can stimulate the investment sentiment of institutional and retail investors.	Metro Daily (11/3/04)
Mr Robert CHUNG (Director, Public Opinion Programme, University of Hong Kong)	A survey of the HKU Pop Site indicates that there is general support for the Government's proposed bond issuance initiative.	Wen Wei Po (12/3/04)
Professor TANG Shu Hung (Head & Professor, Department of Economics, Hong Kong Baptist University)	Mr Henry TANG Ying-Yen has made the right decision in proposing the issuance of government bonds to stop the continual shrinkage in the size of the fiscal reserves. Government bonds, which is a means of financing employed by a lot of countries, can also finance non-recurrent infrastructural expenditures.	Hong Kong Daily News (13/3/04)
Professor Stephen Y L CHEUNG (Department of Economics and Finance, City University of Hong Kong)	With the prevailing low interest rates, it is a good opportunity for the Government to issue bonds. However, the Government should introduce legislation on the upper threshold of the issue size, and establish stringent controls so that the funds raised would only be used in infrastructure projects.	Apple Daily (29/3/04)

Views not fully subscribing to bond issuance by the Hong Kong Government		
<i>Legislative Council Members and Political Parties</i>		
Hon Eric LI Ka-cheung	Issuing bonds for toll-free infrastructure creates the impression of “advance spending”.	Ming Pao (5/12/03)
<i>Banking Sector/Financial Sector</i>		
<i>Financial Commentary,</i> No.21, Bank of China (Hong Kong)	<p>No matter how the Hong Kong bond market develops, as the linked exchange rate has to be maintained, the Government should not take the lead to launch large-scale bond issues, otherwise, new risks would emerge.</p> <p>Besides, with the huge excess funds in the banking sector of Hong Kong, it is foreseeable that the HK\$20 billion worth of Hong Kong dollar bonds will not be able to meet the demand. There has to be ongoing supplementary bond issues from now on, otherwise, there will be undue expectations that the secondary market will be heated up or private institutions will follow suit. Therefore, although the Government’s bond issuance is a breakthrough, excessively high expectations would be unrealistic.</p> <p>It would be prudent to recognize that the HK\$20 billion loan has to be repaid eventually. As details of the bond issuance have yet to be released, the accounts in the Budget have not reflected the fact that the loan has to be repaid. Hence, it is essential for the Government to clarify as soon as possible whether its bond issuance is a one-off or recurrent exercise, as it relates to whether new bonds will be issued for the repayment of the old ones.</p>	Hong Kong Economic Times (1/4/04)

Views not fully subscribing to bond issuance by the Hong Kong Government (cont'd)		
<i>Academics</i>		
Professor Francis LUI (Centre for Economic Development, Department of Economics, Hong Kong University of Science and Technology)	He does not subscribe to the Government's objective of bond issuance because the revenue generated will only be used on infrastructure projects without projected investment returns, which is "advance spending" in disguise.	Apple Daily (28/2/04)

Prepared by Jackie WU
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(translated version: translated on 13 May 2004)
Tel : 2869 9644

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Reference

1. 《立法會電子剪報服務》，慧科訊業有限公司，2003年10月23日至2004年5月6日。