

BARCLAYS

Twenty 20

News

Information

Comment

International Banking | February 2004

Small is powerful

Hong Kong is a potent mixture of colourful history, financial power and a vibrant way of life

UPWARDLY MOBILE The global economy is growing slowly, so expect no fireworks in the near future
20 RESTAURANTS Eating out seen in a different light – from parmesan ice cream to dining in the dark



CATHERINE MCDOWELL
MANAGING DIRECTOR,
INTERNATIONAL BANKING

WELCOME TO the latest edition of *Twenty 20*, the magazine for International Banking clients. This is our first issue of 2004 – we hope it gives you plenty to think about in the months ahead.

In this issue, our Country Focus is on Hong Kong, an intense, colourful place that attracts people from all over the world. It might be small in size, but it has proved itself as an economic force to be reckoned with. Turn to page 12 for more on this dynamic region.

Everyone knows the world economy has been in turmoil for many months, but some economies now seem to be looking up. How

confident can we be in the global marketplace? On page eight we look at how the world's economy is performing and what we might expect to happen in the near future.

On page six, you'll find our overview of some of the world's most unusual restaurants, and

on page 11, former cricketer David Gower talks to us about his love of the game and what's next for him.

Enjoy your read.

We'd like to hear any thoughts you may have on Twenty 20 and its contents, or ideas for future articles. Please email the editor at internationalbanking@theforwardgroup.com

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UP FRONT

Twenty 20 brings you a roundup of news and views from around the world

The technology of tomorrow... today

IN RECENT months, there have been a number of major scientific developments, the effects of which may be felt well into the future.

□ **IN THE HEART** of Singapore, a novel science research centre called 'Biopolis' has been opened. The high-tech glass and metal village – which cost more than £300 million to build – is a mixture of public-sector research institutes and private companies. It is aimed at establishing Singapore as a world centre in new scientific disciplines, such as genomics, nanotechnology and stem cell research.

□ **PEOPLE WHO** have had a stroke will be heartened to hear of new technology being developed by scientists at the University of Southampton in the UK. They have created a tiny electrode that can be

implanted into muscle, where it mimics the instructions sent by the brain to the nerves. It is due to be tested on a human for the first time early in 2004. If successful, the implant could be widely available within five years. The implant is based upon technology devised by a group of American scientists. They have already had success in treating sleep apnoea, which causes people to stop breathing in their sleep.

□ **A GROUP OF** scientists in the USA have developed a slow-release microchip that could revolutionise the way some medicines are taken. Publishing in the journal *Nature Materials*, they say the microchip can be implanted in the body, where it will release drugs over a period of time. In trials with the drug heparin, this has been up to 140 days.

Patients will no longer need to take medication themselves, thus ruling out problems arising from people forgetting their pills. If the technique proves effective with other drugs, clinical trials of the microchip could start soon.

□ **SCIENTISTS AT** Cambridge University in the UK, working alongside the company Epson, have developed

a new liquid crystal technology that could enable mobile DNA fingerprinting or blood testing. Combining clever circuitry and sensors, a thin film transistor absorbs a given sample, and an intelligent chip in the display analyses it. Used in conjunction with a mobile device such as a handheld computer, or even a wristwatch, information can then be stored for later use. ■

Grand openings

□ London's National Gallery is hosting the first major exhibition in the UK of the work of El Greco. Fine examples of his landscapes, religious paintings and mythological scenes can be seen alongside his sculptures and drawings. Some of his best-known work will be on display, including 'Christ Driving the Traders from the Temple'. The exhibition runs until 23rd May.

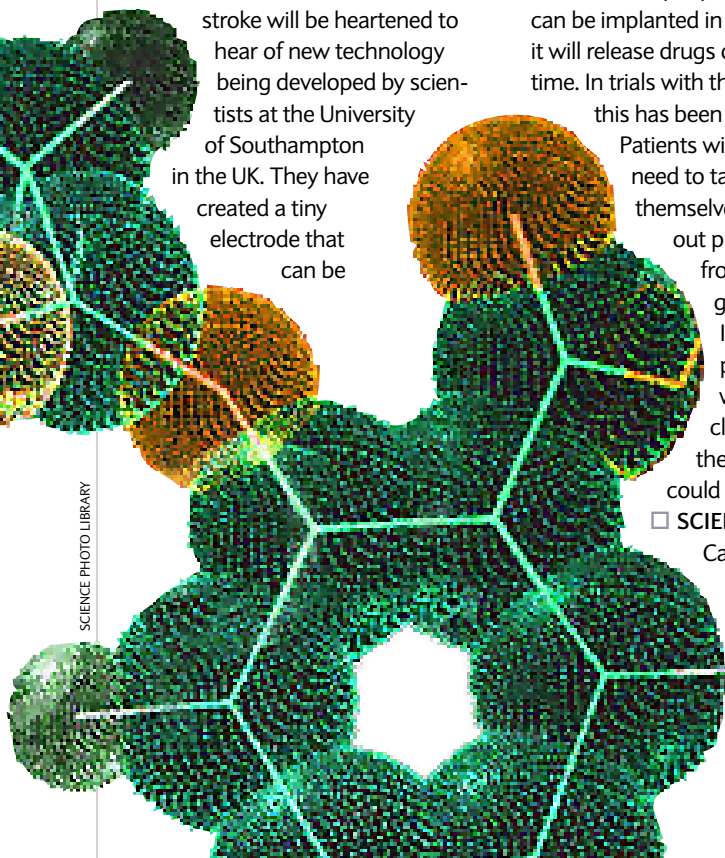
□ Japan's art world has had cause to celebrate recently, with the opening of the Mori Art Museum in Tokyo. Named after businessman and philanthropist Minoru Mori and his wife Yoshiko, the museum is arguably the highest in the world. Visitors will not only be able to enjoy works from across the centuries, they will also be able to look out over the Tokyo skyline from the Museum's location on the 52nd floor of the Mori Tower. ■

IN BRIEF

□ Further to the article in the last issue of *Twenty 20*, referendums on entry to the European Union have taken place in Estonia, Latvia, Lithuania, the Czech Republic and Slovakia – all resulted in a 'Yes' vote. All candidate countries, except for Cyprus, held a referendum. The 10 countries are now due to enter in May 2004. At the time of writing, however, while the countries have made tremendous changes in order to meet entry criteria, there is still some work to be done – countries could face sanctions when they join if they are not totally in line with EU policies.

□ A report from leading consultancy Gartner says that technology spending will pick up in 2004, with developing countries set to be the main beneficiaries.

The company forecasts that global technology spending will increase by 5.4% to £1.44 trillion this year, and will continue to grow through 2005 and 2006. Further to this, the report says that by 2008, a quarter of all technology jobs will be centred in low-cost, developing-world countries such as India. Outsourcing is seen as a key growth area.



From the old to the new

□ THE 300TH ANNIVERSARY Restoration of St Paul's Cathedral in London is now almost halfway completed, and one of the largest-ever printed images has been erected on the West Front. Taken from a 1927 architectural drawing of the West Front by Arthur F E Poley, the façade measures 57 metres wide by 30 metres high, and is printed on PVC designed to withstand sun, wind and rain.

Part of the Cathedral's £40 million internal and external restoration scheme, the cleaning and repair of the entire West Front of St Paul's, as well as the rebuilding of the West Steps, is being funded by a donation of £5 million from the late Sir Paul Getty.

Martin Stancliffe, Surveyor to the Fabric of St Paul's, comments: "Keeping this great cathedral well repaired and clean is a fundamental part of its on-going care. We look forward to the West

Front being revealed again, thanks to this generous donation."

□ SOUTH AFRICA is expanding seven of its national parks by a total of 121,000 hectares, at a cost of R76 million (£6.6 million). This will increase the country's conservation areas from 5.4% to 8% of the land total by 2010. According to Mohammed Valli Moosa, the Minister for Environmental Affairs and Tourism, this is the single largest expansion of the country's national parks since 1931, when the Kalahari Gemsbok National Park was opened. The expansion will create jobs for 3,000 temporary workers and 100 permanent workers over three years.



□ LATE LAST year, the world's tallest skyscraper was completed. The Taipei 101 building (above) stands 508 metres high and beats the previous titleholder, the Petronas Tower in Kuala Lumpur, by 50 metres. The Taipei 101 is due to open formally later this year, but may not be the tallest building for long – the Shanghai World Financial Centre in China could be even higher when completed in 2007. ■

UK inflation change

IN DECEMBER 2003, the method of calculating inflation in the UK changed. The Chancellor of the Exchequer (below) instructed the Bank of England to use the Harmonised Index of Consumer Prices (HICP) instead of the Retail Price Index. HICP is used by all countries in the eurozone, and is the yardstick used by the European Central Bank (ECB). Hence, many experts see this as a natural first step towards convergence with the euro.

The new measure, which excludes all housing costs, will be known as the Consumer Price Index (CPI). In December, the rate of inflation using CPI was calculated at 1.4%. The government has set an inflation target of 2%, which is also the same target as the ECB, fuelling further speculation about euro membership. ■

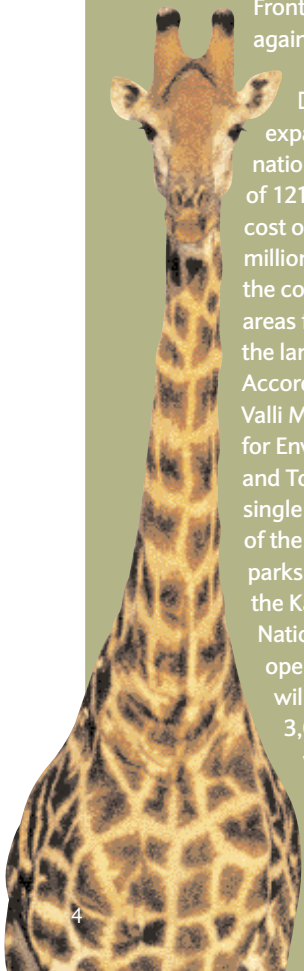


Barclays in disability survey top 10

IN OCTOBER 2003, it was announced that Barclays was again among the top 10 companies in the disability survey, the Global Inclusion Benchmark.

The Benchmark is produced by the Employers' Forum on Disability – recognised as the authoritative voice on disability as it affects employers and service providers. It examines how companies communicate their commitment to disabled people in their social reports, and provides a unique and valuable insight into the extent to which some of the world's leading corporations now address disability.

Josie Greaves, Head of Disability Issues at Barclays, says: "Barclays is committed to meeting the needs of customers with disabilities and to providing full access to our products and services. We are extremely pleased to maintain our position in the top ten of UK companies setting standards on disability." ■



NEW AND IMPROVED

The latest information on services and offers for International Banking clients



International Banking reminder

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It doesn't matter if you wish to make payments, borrow or save for a specific purpose, or if you're looking to achieve potentially higher returns from investments. We can help by offering all these products and services in sterling, US dollars and euros.

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20 RESTAURANTS

A Michelin star or a celebrity chef are not the only things that make for a memorable dinner. Other factors can have an influence as well, whether it be unusual food, a bizarre location or simply a bit of history. Here are some of the more distinctive dining experiences available around the world – there's bound to be one for every taste.



La Perle de Prague
Prague, Czech Republic
This French restaurant is on the seventh floor of renowned architect Frank Gehry's 'Dancing Building'. Along with your food comes a spectacular view of fairytale Prague.

Caelum
Barcelona, Spain
Six hundred years ago this was the site of the city's Jewish baths. Now you can eat food from medieval recipes and olive pâté made by a cloistered Benedictine nun, and finish with a *digestivo* distilled at a monastery.

Royal Dragon
Bangkok, Thailand
It's official: this is the world's largest restaurant. With floor space of 8.35 acres, a staff of 1,200 and seating for 5,000, it's hardly surprising. It's just as well the kitchen staff can make 3,000 dishes per hour.



Russkaya Rybalka
St Petersburg, Russia
At this favourite of Vladimir Putin and Jacques Chirac, you choose which type of fish you'd like, get a rod and bait from the staff and go fish in one of the stocked ponds. The chef then prepares what you catch.

Schilthorn
Mount Schilthorn, Switzerland
Most famous as Piz Gloria, Blofeld's lair in the James Bond film *On Her Majesty's Secret Service*, this mountaintop restaurant also boasts breathtaking panoramic views.



Al-Mahara

Dubai, United Arab Emirates
Guests ride in a 'submarine' to get to this elegant restaurant, which features a vast circular aquarium – the fish inside are looked after by a team of 20.

El Bulli

Rosas, Spain
Fancy parmesan ice cream or apple caviar? Food has no limits at this isolated and world-renowned eatery. A meal here involves around 25 courses of Ferran Adria's famed 'molecular gastronomy'.

Doune Dining Room

Doune, Scotland
Located in the wilds of the Outer Hebrides, this renowned restaurant can only be reached by boat – or a two-day hike from the nearest town.

Unsiht-Bar

Berlin, Germany
At this restaurant, meals are served in complete darkness, leaving you with nothing to concentrate on but the taste and smell of your food.

Indochine

Hanoi, Vietnam
Popular with ex-pats and locals alike, Indochine is supposedly where fusion food began – in this case, a melding of French and Vietnamese cuisine.

Restaurant Hiltl

Zurich, Switzerland
In the 1890s, Ambrosius Hiltl, a Bavarian tailor, was told that giving up meat would help his rheumatoid arthritis. It worked so well that in 1907 he opened Hiltl, the oldest vegetarian restaurant in Europe.



Red Sea Star

Eilat, Israel
Twenty feet below sea level and 300 feet offshore, the Red Sea Star offers panoramic underwater views and, naturally, an abundance of seafood. It's also a 'green' project, built to preserve the coral reef that surrounds it.



Rice to Riches

New York City, USA
This new establishment only serves rice pudding – 21 flavours of it. They include mango, mascarpone and chocolate cherry.

Le Breguet

Fontenay Trésigny, France
At an airfield near Paris, you can enjoy a different take on airline food while keeping your feet firmly on the ground – dinner is served on board a converted Breguet Deux aeroplane.

Niederstein's

New York City, USA
After cemeteries were banned from Manhattan in 1851, many sprung up in Middle Village, an area of Queens. One of them is home to Niederstein's, the oldest restaurant on Long Island.

Carnivore

Nairobi, Kenya
Everything from zebra to impala is spit-roasted over a huge charcoal pit at this African classic – and the food doesn't stop coming until you lower the white flag at your table.



Solo Per Due

Vacone, Italy
At the smallest restaurant in the world, a table for two is the only option. That means personalised service, no queuing and an unabashedly romantic atmosphere.

The Fat Duck

Bray, England
Close to the River Thames, another 'culinary alchemist', Heston Blumenthal, serves up snail porridge with Jabugo ham, or tarte tatin with bay leaf and almond foam.



Harry Ramsden's

Guiseley, England
Now a global chain, the original Ramsden's in Leeds is the world's largest fish and chip restaurant, with seating for 250 customers.

Hotel Hanga Roa

Easter Island, Chile
This hotel's restaurant is perfect for indecisive people. There are two menus: chicken, which offers only chicken, and lobster, which offers only lobster.





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Upwardly mobile

Despite some persistent imbalances, the global economic recovery appears to be heading in the right direction, as **Bruce Russell** explains

THE SIGNALS EMERGING both from markets and from economic data have been increasingly encouraging of late. The recovery is gathering momentum and we are now more confident that it has become self-reinforcing. The news is improving around the world, suggesting that all regions will play a part in the upturn.

Equity markets have continued their rise, helped by some encouraging third-quarter earnings from US companies. Global stock markets, as measured by the MSCI World index, are now up more than 36% since their low point in mid-March. Meanwhile, bond markets have stabilised. Yields declined in June, after the US Federal Reserve (Fed) suggested it might buy bonds in order to avert the danger of deflation. Later, they rose sharply, as improving global growth pointed to a steep rise in interest rates. But long-term yields have been driven lower recently by the stated determination of central banks (particularly the Fed) to keep rates low until the economic recovery has taken firm hold.

Earlier in 2003, we identified what we considered two essential drivers for the recovery in the US, which, in turn, tends to drive the global economy: an increase in investment by businesses and a rise in employment. A better jobs market would support consumer spending (fear of unemployment is one of the major factors affecting consumer confidence), and increased investment by businesses would provide a direct boost to GDP. At present, employment and business spending in the US are still lower than usual at this stage of the economic cycle. Encouragingly, however, recent data have shown that both are strengthening significantly in the US and picking up globally, boosting our confidence in the outlook for world stock markets.

Problem areas

The global economy has for three years been held back by the aftermath of the late-1990s bubble. The high levels of debt built up in that period by both consumers and companies are likely to continue to act as a restraint on spending. That is being offset, however, by concerted action from the world's governments and central banks. Interest rates remain low around the world, and the Bank of Japan, whose rates are already at 0%, has further eased its stance through the use of other monetary instruments.

Meanwhile, the effects of the latest round of tax cuts in the US have only just faded, and further cuts take effect in the first quarter of 2004.

In the eurozone, fiscal policy has been positive for growth. Despite the Stability and Growth Pact's suspension, however, we see little scope for further loosening. We expect fiscal and monetary policy to tighten worldwide towards the latter half of next year, as is normal for that stage of the economic cycle.

As monetary and fiscal policy has gained traction, the economy has gathered steam. It could cause some difficulties for the economy over the longer term, though. Monetary policy works by lowering the cost of borrowing, which encourages consumers and companies to spend. With interest rates in many economies at their lowest for a generation, consumer borrowing has stayed at surprisingly high levels, even during the downturn. As a result, the debts built up during the bubble years have not yet been paid off by many consumers. As long as interest rates remain low, servicing those debts should not present a problem.

If rates were to rise sharply, however, consumers would be likely to reduce their spending to pay off debt. Hence, the Fed has been at pains to stress that, with inflation at a worryingly low level, it intends to keep rates low for some time. By contrast, businesses have managed to reduce their debt burden – particularly in the US – which is why they are currently able to increase their spending.

The US

Global growth was surprisingly strong in the third quarter of the year, led by the US, which grew at an annualised rate of more than 8%. US growth in 2004, though moderating a little, is likely to stay strong. We expect US stock markets to make further gains in absolute terms, but to perform less well than their overseas competitors.

The UK and Europe

The outlook remains fairly bright for the UK economy. GDP for the third quarter of 2003 has been revised up, and we believe that the fourth quarter will probably be stronger still. In addition, the imbalances between the manufacturing and the service sides of the economy appear to have been less severe than had been assumed. That gave the Bank of England room to raise rates in early November, and we believe there may be more to come in the near term.

The broader concern is that rate rises could hit both household cashflows, via higher mortgage payments, and the property market. That could lead to a significant ➤





LONELY PLANET

Although any downturn in China's economy would be likely to act as a brake on growth for the world, its economy remains strong at present

➔ slowdown in consumer spending, thus destabilising the UK economy. In our view, however, this early action by the Bank of England is intended to dampen the boom in household debt – not to curb the overall strength of the economy – and will reduce the need for aggressive tightening later on. We remain positive on UK stocks.

Within the eurozone, surveys of business and consumer sentiment point to stronger growth, and that has started to come through. Despite the strength of the euro, the economy is benefiting from stronger global growth. Consumers have become more optimistic, with signs of an improvement in the German labour market, and spending has started to recover. In addition, European equity markets tend to perform better than US markets during an upturn. As a result, we have become more positive on European equities.

Japan and Asia

The Japanese economy continues to improve on many fronts. Japan is benefiting from both the recovery in the US and the boom in the Pacific Rim (particularly China), but domestic demand is also strengthening. Meanwhile, the Bank of Japan has massively boosted the money supply at last. Japanese banks have outperformed the rest of the market in recent months, and that has relieved some of the pressure on the banking sector, which has been suffering from a high level of bad debts.

We have therefore become less cautious on Japanese equities. The main risk now appears to be from the yen's strength. We still prefer to avoid Japanese government bonds, as signs of improved growth and a possible return to inflation have led markets lower, with bond yields rising. Our wariness has been reinforced by the Bank of Japan's stated determination to target higher growth.

We remain keen on Pacific Rim equities. Over the past

“With interest rates in many economies at their lowest for a generation, consumer borrowing has stayed at surprisingly high levels, even during the downturn”

few months, we have heard considerable speculation that growth in China, the bright spot of the world economy in recent years, may not manage to sustain its recent fast pace. Any downturn in China could act as a brake on growth for the world, the region and, particularly, Japan. But, with few signs that the economy is overheating, we think these fears are exaggerated. Growth in China is remarkably strong and, in our view, should remain so. Our main concern would be any escalation in protectionism in the run-up to the US election.

Future focus

We have identified several themes that may have an impact on the global economy in the longer term. Over the past decade, the US has had to shoulder a disproportionate responsibility for the global economy. Japan, the world's second-largest economy, has been fighting deflation since its asset-price bubble burst in the early 1990s. Germany (the third-largest economy) has struggled to generate respectable growth since reunification. Now, however, we see some signs for hope that both Japan and Germany may solve their problems, which would be extremely positive for world growth.

Germany and some other eurozone countries are only just embarking on reforms, and it is too early to say whether their politicians will brave the short-term unpopularity such reforms inevitably bring. But at least they are moving in the right direction.

Geopolitical risks also remain a factor, and terrorism continues to have some impact through a low-level reduction in investors' appetite for risk. It also directly affects some sectors, such as defence and security stocks, which have benefited from increased spending, and airlines, which have suffered from an overall decrease in the amount of air travel. Markets will, of course, remain susceptible to short-term shocks from further attacks.

For the present, though, the geopolitical outlook appears more stable than at the start of 2003, and economics are once again the main drivers behind financial markets. With the global economy growing strongly, the future looks bright for equities. The improvement in employment and business investment has reinforced our view that the recovery will prove sustainable. Investors appear to share our confidence in the outlook, and the stock-market rally shows little sign of ending. ■

Dated 5th December, 2003.

This article is the opinion of Barclays Private Clients and is not intended to give specific advice. Readers should always seek individual investment advice.

Twenty 20 talks to David Gower OBE about cricket, investments and his broadcasting career

□ Did you ever expect to receive an Order of the British Empire?

It was not expected, but I am proud to be an OBE and match my father, though he had to spend 20 years in Tanganyika to earn his!

□ What was the highlight of your cricketing career?

Captaining the side to victory in The Ashes in 1985 and scoring a few runs to boot – all right, it was the most runs I ever scored in a single series. It was very satisfying, especially as my summer had started terribly.

□ What was the lowest point?

A 5-0 defeat at the hands of the West Indies (for the second time!) in 1986.

□ What would have been your alternate career choice?

Following our African days, I did, for a while, have an ambition to be a game warden.

□ What other sports do you play for fun?

Tennis, skiing and shooting.

□ Who was the biggest inspiration to you in your cricketing career?

In the early days my father, and then my main coaches at school: Mr Whittome at my prep school, Marlborough House, and Colin Fairservice at King's Canterbury.

□ What was your very first job?

Cricket for Leicestershire, though during my first off-season I worked at Bostik in Leicester, doing all sorts of menial tasks around the factory.

□ Talking money, when did you open your first bank account?

When I left school and joined Leicestershire – I had to have somewhere to put my £25 per week, if not for long.

□ Are you a cautious or daring investor?

Both. For the bulk of my investments I prefer to be reasonably safe and thus relaxed. Hence, various guaranteed funds have come in handy recently, especially within my pension schemes.

□ If you could buy shares in any current cricketer, who would it be?

Sachin Tendulkar. As he is a demi-god in India, home of the largest cricket-loving market, the man's worth a fortune. He can also play!

□ Have you ever had a big investment success or failure?

I sold a flat in London at just the right time in the late '80s, which counted as a success. On the other hand, I have had a few disasters – a golf course in Belgium was one bright idea.

□ What is your favourite part of television broadcasting?

I enjoy the live aspect of presenting the



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“I would love to see my children mature into great human beings, happy in their lives and content with what they are doing – and to see England win the Ashes again”

cricket for SKY Sports. Basically, it is all off the top of one's head and no doubt it shows – at least some of the time! I had a lot of fun, too, with *They Think It's All Over*, mainly listening to Jonathan Ross and smiling a lot. The man is irrepresible – even if he can't say the word!

□ What's next for you?

I think I might audition for the part of Harry Potter, the one where he gets to reach 50, goes grey and stands at first slip.

□ Do you support any charities?

Lots of them. I am a Trustee of the David Shepherd Wildlife Foundation and President of the Fundraising Committee for a local Southampton charity, Leukaemia Busters.

□ How do you unwind at the end of a hectic day?

What's a hectic day? Whatever stress that ever builds up can be quickly alleviated by fine wine, music and a loving wife.

□ Are you scared of failure?

Been there, done that. What was the fuss?

□ Where is the most interesting place your career has taken you?

My favourite destination in the cricketing world is Sydney, my number one city in the world. I have thoroughly enjoyed my tours to India as well, where I once or twice combined cricket with wildlife, spending some wonderful days at Khana and Ranthambore tiger reserves.

□ What's the most extravagant gift you've bought someone?

The most expensive would probably be my wife Thorunn's eternity ring, which I bought in Venice, but there is no way I could call that extravagant!

□ Are you at all handy in the kitchen?

Handy, but not outstanding. Breakfasts are my speciality, but I can rustle up lunch or dinner without too much fuss if all else fails.

□ What do you want to achieve before you die?

I would love to see my children mature into great human beings, happy in their lives and content with what they are doing – and to see England win the Ashes again. As to which will happen first... all I can say is Alex is 10 and Sammi is seven.

Small is powerful

Whether you live there or have been one of its millions of visitors, you'll know there's nowhere on earth quite like Hong Kong, as Lucy Ryan explains

KUNG FU superstar and film director Jackie Chan is small, perfectly formed and packs a punch – just like his homeland, Hong Kong. And, like a great action movie, Hong Kong offers a rollercoaster ride of experiences that will surprise you, take your breath away and leave you wondering what is going to happen next.

Nothing can quite prepare you for the energy of Hong Kong. The contrasting cultural forces of East and West create a unique environment in which colour, light, noise and smell bombard the senses. It is a city of extremes. You can choose to travel on a high-tech shuttle train watching the personal television in the seatback in front of you, or bob across to Kowloon on the 100-year-old Star Ferry. You may dine à la carte with the jet set at a rooftop restaurant or chew chicken's feet with the locals at a street market café. You can shop until you drop, bagging designer brands by day, or haggle furiously with street traders by night. You can watch world-class operatic divas at the Hong Kong Cultural Centre or enjoy tai chi for free in Victoria Park. Whatever you do, you will not do it alone.

Seven million people crowd into this small corner

of land where the Pearl River Delta meets the South China Sea, with 16 million visitors joining in the fray each year. Yet it is this diversity that creates its unique social and economic environment. The local Hong Kong Chinese and mainland Chinese citizens share the 1,071 square kilometres of China's Special Administrative Region with 529,870 expats, including 142,630 Filipinos, 85,240 Indonesians, 32,340 Americans and 25,000 Britons. Most foreign nationals are there for the short term and the driving force is the dollar.

Perpetual motion

"I came out here to work, and work I do," says 28-year-old investment analyst Jane Morton. "There is a particular buzz about Hong Kong that I haven't experienced elsewhere. You just know you're in a special place for a short period of your life, so you really make the most of it.

"The work ethic is intense – you work incredibly hard, but you socialise in a crazy way, too. In fact, everything seems to happen more quickly and more impressively here, whether it's a new bar opening or throwing up a skyscraper. Whole new areas keep opening up for business or pleasure – for example the SoHo (South of Hollywood Road) bar and restaurant area has really taken off in the past couple of years. Things are constantly changing and evolving."

Coping with economic and social change is what Hong Kong does best. It has been the economic pawn in trade wars between China and Great Britain since the Opium Wars of the 19th

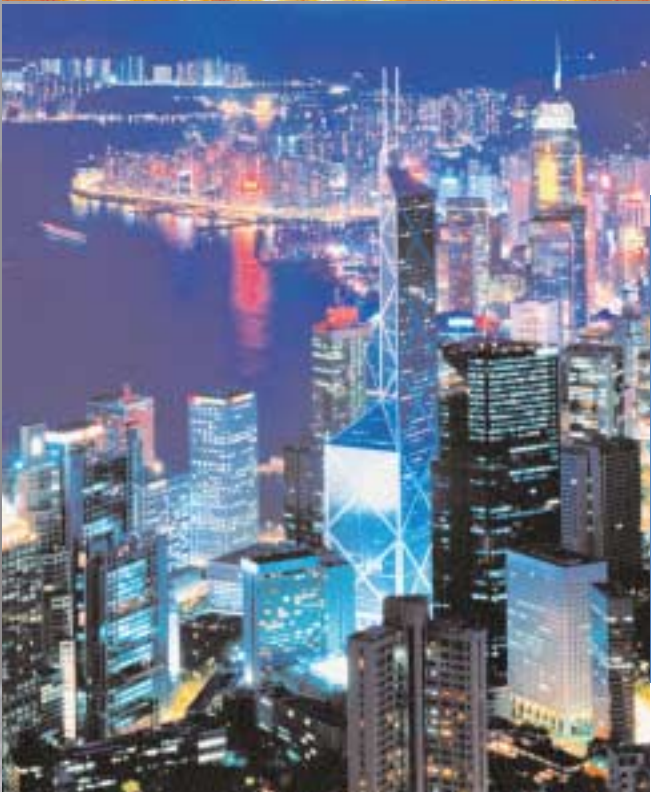
century, when Britain used the territory as a naval base. At the end of the first Opium War in 1842, the Treaty of Nanking ceded Hong Kong to Britain in perpetuity and further conflicts saw Britain take possession of Kowloon and the New Territories, thus establishing the territory as a key trading port in East Asia.

"The contrasting cultural forces create a unique environment in which colour, light and noise bombard the senses"

After the UN lifted the trade embargo with China in the 1950s, Hong Kong capitalised on regional resources, cheap labour and invested capital from China, while advantageous tax policies encouraged foreign investment, confirming its potential as a centre for high-productivity textile and electronic goods manufacturing. The banking and financial services sectors followed as the economy flourished and international investors sought strongholds in Asia's emerging markets.

In 1997, China resumed sovereignty of Hong Kong after Britain's 99-year colonial 'lease' came to an end under the terms of the Joint Declaration, signed by Britain and China in 1984. It was agreed that Hong Kong would become a new economic Special Administrative Region of China, in which the existing social and economic structure would remain unchanged for 50 years and the world's largest port would remain free to international trade.

"I'm constantly asked how life has been since the handover," says long-term expat Anna Koor. "There was a huge exodus of colonial generation expats in 1997, but I'd



like to think those of us who stayed behind have more of a commitment to life and home here. A lot of Hong Kong Chinese families who left in fear of the handover seem to be drifting back in ever bigger numbers. They're bringing their experiences overseas back to Hong Kong and this is adding to the buzz. Hong Kong feels a more global, cosmopolitan city. It has the ability to absorb elements of other cultures very easily and this is what increasingly gives it a worldly attitude.

"Economically, the situation before 1997 was crazy," says Anna. "It was a bubble waiting to burst. The economic recession in Asia has, in a sense, helped Hong Kong to become more grounded in reality."

Bouncing back

"The last few years have been tough for Hong Kong," says Simon Pritchard, business editor for the *South China Morning Post*. "After the boom years came the truly impressive bust that coincided with the handover. House prices fell by 70% and the Hang Seng index lost half its value.

"The nadir came early this year with the SARS outbreak and the series of political protests. On the upside, however, there has been an incredible upturn in trade flow through from China – the international market in traded goods is absolutely flourishing. In addition, the protests, which saw half a million people take to the streets this summer, forced the government to make a legislative U-turn.

"As a result, the property market and investment climate seem to have picked

up markedly. People seem to feel empowered once more and this is reflected in a new mood in the business community. The restaurant trade and taxis seem to have already noticed a new level of investment exuberance," he says.

Andrew Leung, director general in London for the government of the Hong Kong Special Administrative Region, agrees: "Hong Kong has recovered extremely well and more rapidly than originally expected after the Asian economic crisis and the SARS outbreak earlier this year," he says. "The economic restructuring of the past five years is beginning to bear fruit and the government in Beijing has re-examined the intrinsic value of Hong Kong by establishing a Closer Economic Partnership Arrangement."

This historic trade agreement, signed on 29th June 2003, aims to forge closer and freer economic co-operation with mainland China and opens up many economic possibilities for Hong Kong. "Consensus was reached on building a bridge link between Macau, Hong Kong and southern China," says Andrew. "This, together with China's relaxed attitude to international investment and regional co-operation, will maximise the potential of developing the western part of the Pearl River Delta. Hong Kong is perfectly placed to take full advantage of this. Exciting times are ahead." ■

Lucy Ryan is the former editor of Hinge, a Hong Kong architecture and design magazine.

International Banking's Hong Kong office

FEBRUARY 2004 marked a new beginning for Barclays International Banking, with the opening of an International Premier Banking sales office in Hong Kong. This new team is in addition to Barclays Capital, Barclays Global Investors and Barclays Private Bank, who are already well established in the Special Administrative Region.

The Premier sales office will promote the International Premier Banking product suite, which comprises multi-currency checking and savings accounts, an array of longer-term deposit options and access to a variety of international investment products. The office will also offer international mortgages for purchasing investment property in the United Kingdom.

The International Premier Banking sales team will be based on the 42nd floor of the Citibank Tower in Hong Kong Central.

For more information, please contact Yvonne Lyndon-Cave, Head of International Premier Sales, Hong Kong (yvonne.lyndon-cave@barclayscapital.com).

A brief history of time

From antique beauty to modern style, watches are as popular a collectible as they ever have been

INSPIRED NO DOUBT by the fact that virtually anyone can collect them, timepieces have a large and devoted following. Indeed, from affordable Swatches to high-end one-offs, watch collecting is a global passion – and one that shows no sign of abating.

Nearly 500 years of watch-making have brought us some stunning examples of the horological art. One of the earliest examples of a portable timepiece is a brass drum-shaped watch made in southern Germany around 1540, which was worn around the neck. Early 17th-century France saw the emergence of exquisitely painted enamel pocket watches, combining aesthetics with functionality.

And then, of course, there's the wristwatch. Although they had been experimented with as far back as the late 1500s, wristwatches, surprisingly, didn't gain widespread popularity until around the time of World War I, with soldiers in the trenches finding them more convenient than pocket watches.

Perhaps one of the most passionate groups of aficionados are Swatch collectors. Swatch, which was launched in 1983, set out to combine quality with affordability. As the company continually releases limited editions – such as last year's James Bond theme and a range exclusively available at Place Vendôme in Paris – they are ideal for collecting. And despite their general affordability, rare examples can be worth thousands – at an auction in 2001, a set of six 'Puff' Swatches went for \$105,000. ■



NEED TO KNOW

- The Patek Philippe Museum, dedicated to the history and craft of timepieces, opened in Geneva in 2001. There you can see a prototype of the most complicated watch in the world – the Calibre 89. Patek Philippe also produces the Sky Moon Tourbillon Ref. 5002 (left), which is the first ever double-sided wristwatch made by the company.
- Fiorenzo Barindelli owns the world's largest collection of Swatches and recently opened a museum in Cesano Maderno, Italy, dedicated to them. His collection comprises nearly 4,000 Swatches and includes an example of every type produced since 1983.
- Bonhams will hold an auction of fine watches at its New Bond Street location, on 20th April.



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To comment on *Twenty 20*, email the editor at internationalbanking@theforwardgroup.com

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