Editorial

Future of Hong Kong

There is no doubt that morale in Hong Kong is low in the wake of Mrs Margaret Thatcher's recent visit to China to discuss, inter alia, the future of the Territory. Plummetting values in the Hong Kong stock market and all-time low exchange rates for the Hong Kong Dollar are but symptoms of this.

There seems no tangible reason for such loss of morale at this particular time. No one could have realistically expected Mrs Thatcher to have brought back more than she did — an understanding that the future of Hong Kong would be settled with the common aim of maintaining the stability and prosperity of Hong Kong. Perhaps the most disappointing aspect of the talks has been the vehemence with which China has stressed that it denies the validity of the 19th century treaties under which Britain rules the Territory. This was not all that surprising but it does cast some doubt on whether the status quo will be permitted to continue until 1997 (the expiry date of the lease of the New Territories). However, in view of Britain's insistence on the legal significance of this date it would be short-sighted and have many adverse international implications if China were to seek unilaterally to impose constitutional changes on Hong Kong before then. This would not be acceptable to much of the Chinese population of Hong Kong and China is well aware of the damaging potential of a mass exodus from the Territory.

It is clearly necessary that understanding as to the future should be reached as soon as possible since, as Mrs Thatcher has made clear: "You don't make future investments if it is only for a period of 15 years — you want to know what are the prospects for the longer term". It cannot be in the interests of China for the Territory to stagnate and to lose its present enviable trading position to other Far Eastern territories not subject to such Chinese claims.

It seems to us encouraging that detailed diplomatic negotiations are now under way; economic realities would seem to dictate that the parties must reach a solution which will minimise the trauma of the long-term transfer of the Territory to Chinese sovereignty.

Early Leavers

Those responsible for running pension schemes have been giving much thought to the present unsatisfactory treatment of early leavers following the report on this matter by the Occupational Pensions Board (Cmnd 8271). The CBI is to be commended for having recently published some helpful "Guidelines for Employers" on the subject. The CBI is, understandably, keen to forestall the possibility of legislation on this (which was recommended in the OPB report). The CBI therefore advocates voluntary steps by employers and pension schemes to improve the treatment of early leavers and the Guidelines suggest a number of possible approaches, including eliminating "franking" (offsetting the revaluation of the Guaranteed Minimum Pension in contracted-out schemes against other preserved benefits), or providing for the accrued benefits of early leavers to be used to purchase a with-profits insurance contract.

Clearly any solutions to this problem will involve additional contributions by employers (and possibly by employees) and/or a redistribution of schemes' resources between members.

It may be that many schemes would limit action in this respect to the solution recommended in the OPB report — revaluing the "preserved pensions" of early leavers (which currently remain calculated on the salary level at the date of leaving) in line with earnings levels up to a maximum of 5 per cent per annum.

The Guidelines point out that pension funds have in the past shown that they do respond to the need for change (eg in the move to "final salary" schemes which are now commonplace). We would urge that all concerned with pension fund administration should give careful consideration to the Guidelines; voluntary initiatives should provide the solutions to this problem.