

S. C. M. P.

26 June 1985

## Carrian case cost soaring

By HALIMA GUTERRES

The Carrian and Eda cases are already expected to cost taxpayers more than \$45.6 million in investigation and legal costs.

And that is even before the High Court trial on Carrian has begun.

The final costs, when all the lawyers' bills come in, is therefore almost certainly to be much more.

Today the Finance Committee will be asked to approve a \$16.7 million allocation for the appointment of inspectors to investigate the complicated affairs of Carrian and the defunct Eda Investments Ltd.

This is in addition to the \$28.9 million which the Finance Committee approved in September last year for the appointment of inspectors to investigate the affairs of the two companies.

If today's request is approved, the sum budgeted for investigations alone would stand at \$45.6 million.

It is understood that the extra money is being sought because inspectors digging into the affairs of the two companies have discovered new issues calling for more detailed investigations.

As a result the timetable for the completion of the investigation has been extended.

In the Carrian case, investigations are expected to continue until June next year.

As for the Eda case, the probe is not expected to end until August.

The inspection into the affairs of the two companies

began more than two years ago in March 1983.

Apart from investigation costs, \$10.5 million has been earmarked in the current year's budget for legal expenses mainly for engaging Queen's Counsel from the United Kingdom.

No breakdowns were available but it was learnt that part of this sum is for the prosecution of the Carrian case.

Sources said that if the initial legal fees are added to the \$45.6 million for the investigation, the total cost so far may already have topped the \$50 million mark.

The Carrian case is scheduled to go to the High Court next year.

• The Government has approved an extra 74 posts to boost the Commercial Crime Bureau of the Royal Hongkong Police.

This will mean a major shot in the arm for the specialised branch which deals with white collar crime. It will make it one of the biggest fraud squads in the world.

The new posts will not be only for detectives and extra investigators, it will mean positions for lawyers, accountants and people such as company secretaries.

The cost of bolstering the CCB will come from the police vote in the estimates, but it is known that the increase is a result of consultations with the Legal Department, Commissioner of Banking and other branches of Government concerned with crime committed by pens and computers rather than with guns.

## Holiday for defendant

One of the defendants in the Carrian case has been given his passport back to go on holiday.

Accountant David Begg (34) successfully applied to Mr Justice Baber yesterday for the return of his travel document to go on leave, but fellow-defendant, solicitor Richard Wallis, had a similar application rejected.

Both hearings were in chambers before Mr Justice Baber. Begg and Wallis are two of eight defendants currently awaiting trial in the High Court, charged with conspiracy to defraud shareholders and creditors of Carrian Investments Ltd.

No date has yet been fixed for trial.

Mr Adrian Huggins appeared for Begg on the instructions of Denton, Hall and Burgin.

Mr Gary Alderdice appeared for Wallis on the instructions of Lovell, White and King.

Senior Crown counsel Mr Clive Grossman appeared for the Crown.

Both Begg and Wallis are each on bail of \$100,000 plus a surety of the same amount.

## Hongkong

Now you see it, now  
you don't *29 June 1985*

Hongkong's financial secretary, Sir John Bremridge, is unlikely this year to pull off his usual trick: a confidence-boosting half-time upward revision to the economic forecasts made in his budget speech in February. Economists are pencilling in



Growth contained

gdp growth of 6-7% for the full year, against the original, and then supposedly conservative, forecast of 7.2%.

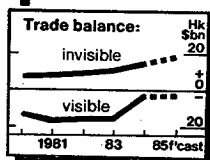
Blame China's recent foreign-exchange squeeze. This has crimped the colony's China trade to the point where it cannot take up the slack left by the slowing growth in Hongkong's biggest export market, the United States. It was the buoyancy of the Chinese and American markets that helped Hongkong run up 9.6% growth in 1984. The modest volume gains in the first four months of this year suggest that the budget forecasts of 11% growth in Hongkong exports in 1985 (compared with a 17% increase in 1984) and 30% in re-exports (as was achieved in 1984) are over-optimistic.

Hongkong is not alone among regional competitors in being heavily dependent on the United States market (which takes more than two fifths of Hongkong's domestic exports). Taiwan and South Korea also sell heavily to America. However, Hongkong's fleet-footed exporters are handicapped in making up these lost sales in their next biggest markets, because of the loss of competitiveness there brought about by the linking of the Hongkong dollar to its American counterpart since October, 1983.

Hongkong manufacturers had hoped that China would more than make up for trade lost elsewhere. China has dashed that hope with its policy changes in March and April to dampen its overheating

### Passing trade

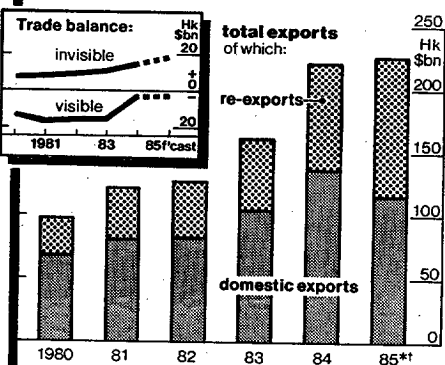
Hongkong's:



total exports of which:

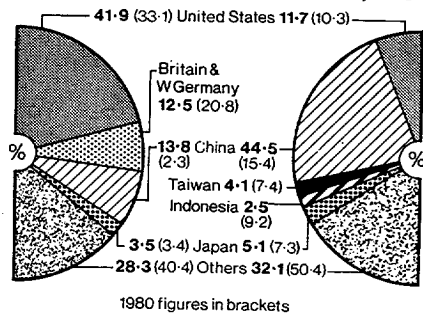
re-exports

domestic exports



domestic exports by destination, 1985\*

re-exports by destination, 1985\*



Sources: Government statistics; Phillips & Drew

\*First four months †At annual rate

economy. These included controls on credit expansion, import restrictions and rationing of foreign currency, all designed to bring China's economic growth down to a sustainable level of 7% after last year's highly inflationary 13% surge.

They have yet to work through to Hongkong trade figures, but the colony's exports and re-exports will feel the draught in the second half of this year. Even if the 95% increase in Hongkong's domestic exports to China in the first quarter of this year were sustained for the full year, that increase is from such a low base that it would bring only an extra HK\$11 billion (\$1.4 billion) through the trade account. The rise in exports to the United States last year was worth HK\$17.5 billion.

The ray of hope for Hongkong, though,

is the emergence of invisible trade as a net earner. From 1980 to 1984, the value of the colony's invisible exports—shipping, tourism, financial services, etc—doubled to HK\$44.5 billion, putting them not far short of the value of Hongkong's biggest export earner, textiles and clothing (HK\$46.5 billion in 1984). Phillips & Drew, a London stockbroking firm, reckons they could well move into top spot this year.

Between 1980 and 1984, the contribution to Hongkong's gdp growth from net trade in services increased from minus 1.4 percentage points to 1 percentage point. Sir John forecast in his budget in March that contribution would decline to 0.7 of a percentage point in 1985. It may be the one figure he will be able to revise upwards.