

# OFFICIAL RECORD OF PROCEEDINGS

**Thursday, 4 July 2002**

**The Council met at half-past Two o'clock**

## **MEMBERS PRESENT:**

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.S., J.P.

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, G.B.S., J.P.

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., J.P.

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG, B.B.S.

THE HONOURABLE LAU KONG-WAH

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE TIMOTHY FOK TSUN-TING, S.B.S., J.P.

THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

DR THE HONOURABLE TANG SIU-TONG, J.P.

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, J.P.

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE MA FUNG-KWOK, J.P.

**MEMBERS ABSENT:**

DR THE HONOURABLE DAVID CHU YU-LIN, J.P.

THE HONOURABLE MARTIN LEE CHU-MING, S.C., J.P.

THE HONOURABLE MARGARET NG

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE LEUNG YIU-CHUNG

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ABRAHAM SHEK LAI-HIM, J.P.

THE HONOURABLE FREDERICK FUNG KIN-KEE

**PUBLIC OFFICER ATTENDING:**

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.  
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

**CLERK IN ATTENDANCE:**

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

**MEMBERS' MOTION**

**PRESIDENT** (in Cantonese): Second motion: Trade policy.

**TRADE POLICY**

**MR BERNARD CHAN:** Madam President, I move that the motion standing in my name on the Agenda be passed.

This motion is perhaps a slightly unusual one. It is not asking the Government to do very much. And it is related to international affairs rather than domestic issues. Quite simply, it is asking the Government to speak out, when it has the opportunity, against trade policies in rich countries that hurt less developed countries.

On the whole, developed countries tend to have more open economies than developing ones. We generally associate the cause of free trade with rich, Western countries. They often preach the virtues of free trade, and they often encourage less developed countries to liberalize their economies. But there is a lot of hypocrisy at work here. There are some real double standards in the world of international trade. Most developed countries — and certainly the United States, the European Union and Japan — have trade barriers that specifically target some less developed countries' most efficient industries.

In China's case, this includes such diverse products as car windshields, steel, bicycle parts, television tubes, fax machines, garlic, ginseng and mushrooms. All of these products have had extra tariffs imposed on them under the so-called anti-dumping rules. Although these rules are supposed to ensure fair competition, they are often used in unfair ways, especially in the United States and Europe, purely to protect domestic producers.

Other developing countries encounter different types of barrier. Pakistan and India, for example, are extremely efficient at producing bed linen and towels. But for many years, they, like many other low-cost textiles producers, have been forced to pay tariffs if they exceed their quotas.

In the Philippines, producers of some types of fresh fruit find their produce banned from Australia on the grounds that the fruit might have disease

or be treated with harmful chemicals. Yet other rich countries are happy to buy Filipino fruit. The difference is that, unlike Australia, they do not have banana and pineapple producers to protect.

Perhaps the most damaging trade barriers erected by rich countries are agricultural subsidies. Developed countries spend US\$350 billion a year on agricultural subsidies. That is seven times the amount spent on foreign aid. These subsidies make it impossible for developing countries' farmers to compete. For example, American taxpayers subsidize their domestic cotton producers to the tune of US\$2 billion a year. That is more than the total value of sub-Saharan Africa's cotton production.

This is devastating to people in a small, poor country like Burkina Faso in West Africa, where cotton accounts for half of their export. According to the World Bank and the International Monetary Fund (IMF), if cotton producers in Burkina Faso were able to compete on fair terms, the number of people living in poverty in that nation would decline by 50% in six years.

The recent United States farm bill will have a huge dampening effect on agricultural prices around the world. Thailand produces rice for less than half the cost of the United States. But after the subsidies are included, the price of American rice in export markets is significantly lower than the Thai rice. Thailand has to match the subsidies to keep its farmers in business.

In all of these cases, the poorer parts of the population in these developing countries are often the biggest victims of this protectionism.

We all know that developing countries themselves have trade barriers of their own, and their lack of economic freedom contributes to their lack of economic growth. It is probably also true that in many cases, bad government and corruption play an even bigger part in keeping these countries poor. So it is not fair to blame the developed countries for all the poorer countries' problems. But that is not really the point. Richer countries should still do whatever they can to alleviate poverty in the third world. And giving developing countries better market access is an extremely efficient way of doing so. It does far more good than organizing foreign aid programmes.

We should also remember that these trade barriers in developed countries do not simply hurt people in the producing countries. They also mean less

choice and higher prices for consumers in rich countries. The subsidies also mean that they pay higher tax. And in the long run, these trade barriers hurt all of us. These trade policies cause global poverty. And that surely contributes to political instability, illegal migration, drugs trafficking and other problems.

Now, one might ask, why are we listening to this in the Hong Kong Legislative Council? What is the point of asking the Government of the Hong Kong Special Administrative Region (SAR) to speak out against protectionism in rich countries against exports from the third world?

Well, first of all, we have the moral high ground. The Heritage Foundation and the Cato Institute regularly say that we have the freest economy in the world. We practise full, open free trade. We are one of the few economies in the world that practise it. So why should we not preach it? In fact, our officials do preach it quite regularly. They support the cause of free trade when they attend trade negotiations. They call attention to it when they make speeches, when they are interviewed by the media, and our government departments always mention Hong Kong's free trade credentials in publications and websites. What I would like them to do is to take these opportunities to advocate the abolition of trade barriers in rich countries that exacerbate poverty in developing countries.

Secondly, we would be in good company. All sorts of organizations are speaking out on this subject. Among them are charities and voluntary groups such as Oxfam. Some of them are multinational institutions, like the IMF and the World Bank. Others are free-market think tanks like the Cato Institute and the Heritage Foundation. And then there is the Ministry of Foreign Trade and Economic Co-operation in Beijing, whose head, Mr SHI Guangsheng, is a frequent, outspoken critic of the unfair application of anti-dumping measures. So, there could be some brownie points in it for the SAR Government.

Thirdly, it will not cost anything. It may well be good for our international reputation. And it will bolster our case for free trade by introducing moral as well as economic principles to our argument.

It is especially appropriate, perhaps, that the new principal official with responsibility for trade is Mr Henry TANG. With his background in the textile industry, he knows all about the difficulties created by quotas, tariffs and other trade barriers.

Very well, one may say. But can the SAR Government actually make a difference? Well, I might be the youngest Member of this Council, but I hope that I am not naive. Of course, the SAR Government has little or no influence over other people's trade policies.

The United States' latest farm bill will provide an extra US\$180 billion in subsidies to the United States farming interests over a 10-year period. In practice, it may total even more. Despite his pro-free trade rhetoric, President BUSH is just as keen to win votes among farmers as his European and Japanese counterparts.

There is no way that the SAR can persuade the leaders of the developed world to lose elections in rural districts to help the third world. But that does not mean that we should not join the charities, the international bodies, the academics and the think tanks in speaking out. When Oxfam released a report on this issue a few months ago, it named the European Union as doing the most damage of any developed economy to less developed countries. The report obviously hit a raw nerve, because the reaction was quite bitter. European voters like to think of themselves as the caring part of the Western world. So it is worth speaking out. People do listen. There is a possibility that voters in richer countries can be shamed into putting pressure on their governments if enough people point out the costs of protectionism in developed countries.

Free trade would help China. According to one estimate, full import liberalization in developed countries would increase sales by mainland producers by an estimated US\$3 billion a year. That would help some of the poor and jobless among our fellow citizens across the border. And it would open up new business for our own trade-related industries, and for our investors looking for opportunities in the Mainland.

Other parts of Asia would gain. Indonesia would gain by more than US\$600 million a year. Again, this could help develop the country as a market for Hong Kong. And if greater prosperity made Indonesia a more stable country, it would improve prospects for Hong Kong investors there.

Ultimately, better trade opportunities for third-world countries would alleviate poverty, enhance global stability and reduce opposition to globalization.

Hong Kong is a living proof of the advantages of free trade and globalization. As I say, we are probably better qualified than any other economy to talk about this issue. Our Government should be lending its voice to the cause of better market access for developing countries.

Madam President, I beg to move.

**Mr Bernard CHAN moved the following motion:**

"That this Council urges the Government, when arguing the case for free trade in international forums, to:

- (a) support the abolition of trade practices in the European Union, the United States and other developed economies that discriminate against poor workers in such sectors as agriculture and textiles in China and other developing countries; and
- (b) emphasize the importance of market access in alleviating world poverty and inequality."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Bernard CHAN be passed.

**PRESIDENT** (in Cantonese): Mr LEE Cheuk-yan will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, I move that the Honourable Bernard CHAN's motion be amended, as printed on the Agenda.

Madam President, globalization of world economy can be regarded as the tallest challenge for mankind in the new millennium. It affects everyone in the world direct. Although international trade is nothing new, with the development in information technology and the liberalization of markets, it has been progressing very rapidly. However, the extreme imbalance in the development of trade has brought a serious crisis to mankind. A lot of business

opportunities are created by globalization for rich countries and transnational conglomerates whereas local workers have to face the risks of high unemployment and low income. Workers in poor countries are unfortunately squeezed dry, and the basic subsistence of some of them is being threatened. It is no wonder that international organizations such as the World Trade Organization (WTO), the World Bank and the IMF that advocate globalization are treated like rats. Wherever these organizations hold meetings, mass demonstrations and people's curses follow. Even Mr James WOLFENSOHN, the President of the World Bank, admitted in 1999 that at the people's level, the system of one nation does not work. Let me explain in detail.

I would like to take Senegal as an example. Senegal defeated France, the ex-champion by one goal to nil in the opening match of the World Cup Finals this year. The story of Senegal's development over the past 10-odd years may illustrate the major rationale behind my amendment.

Senegal is located in West Africa. It gained independence from France on 4 April 1960. The total area of the nation is about 200 000 sq km, in which arable land accounts for around 12%. In 1999, it had a population of about 9.2 million, of which 47% lived in the cities. In 1986, Senegal instituted the structural transformation measures advocated by the IMF, which involve the cancellation of the government subsidy scheme for farmers and the switch to the promotion of export of agricultural produces. Due to this change in policy, farmers who used to grow staple crops such as maize and vegetables were hard hit. A national food crisis arose. In 1990, 33% of the population were on the brink of starvation. Two years later, the proportion increased to 40%. According to the estimate of its government, in 1996, 22% of the children in the country suffered from long-term malnutrition.

Under the trade liberalization reform advocated by the IMF, the problems of unemployment and child labour aggravated in Senegal. The unemployment rate of Dakar, capital of Senegal, rose rapidly from 25% in 1991 to 44% in 1996. According to the projection of the International Labour Organization (ILO), in 2000, over one quarter of the children aged from 10 to 14 in Senegal were engaged in economic activities. In order to promote the competitiveness of its exports, Senegal devaluated its currency, CFA franc, in 1994. As a result, the prices of imports including medicines sharply rose by 100%, leading to a series of strikes and riots. After over a decade of trade liberalization, Senegal eventually becomes one of the 49 least developed countries in the world.

Many other developing countries share the experience of Senegal. Free trade and market liberalization have not only failed to bring about a bright future, but plunged these countries into an even deeper abyss of poverty. Why is there such a great difference between the deductions in the economic textbooks and the reality? The unfair trade policies adopted by rich countries are one of the reasons. For instance, in the seventies, tomato farming brought diversification to the agricultural industry of Senegal. It helped conserve agricultural land, and brought in additional income. However, after the lifting of import restriction on concentrated ketchup in 1994, it was impossible for West African countries including Senegal to compete with the heavily subsidized products of the European Union. As a result, their tomato farming and processing industry have completely shrunk. The production of concentrated ketchup of Senegal dropped from 73 000 tons in 1990 to 20 000 tons in 1997.

Research conducted by the United Nations Conference on Trade and Development points out that the present structure and operation of certain commodity markets allow developing countries to participate in international trade, but those countries are not able to share the benefits of trade. Take coffee as an example. In order to maintain a steady supply, major coffee importers ask each country to produce at least 600 million kg of coffee each year. Farms in many developing countries are small in size. It is difficult for them to meet this target because of their backward farming techniques and totally insufficient arable land. In order to achieve this target, farming in some countries eventually has to be reduced to several commercial crops, which is detrimental to the conservation of arable land and made these countries more vulnerable to the drops and fluctuations of prices. For instance, the export price of coffee bean has dropped nearly 70% since 1997. Many farmers of the developing countries have suffered great losses as a result of this. According to research conducted by the World Bank, prices tend to drop if more and more developing countries join the agricultural exports market. Current information shows that such a trend has already emerged in the markets of banana, cocoa, coffee, tea and cotton. Since the commodity markets have linked with the financial markets in recent years, commodity prices are subject to speculative activities, resulting in great fluctuations similar to those in the financial markets. This is also unfavourable to the steady development of the developing countries.

Madam President, for poor countries and poor people, blind free trade is not going to work. That is why so many trade unions and non-government organizations have come up with the idea of fair trade and supported the abolition of unfair trade policies of the rich countries, so that developing countries may access their markets. This is what Mr Bernard CHAN has all along stressed in his speech earlier, the so-called removal of the unreasonable trade barriers. On this point, Mr CHAN and I do see eye to eye. Our major difference lies in the following point. Apart from the abolition of unfair trade policies, I also request the WTO, the World Bank and the IMF to allow developing countries to set the scope, extent and timeframe of their own market liberalization in accordance with their own circumstances. This may be the greatest divergence between Mr CHAN and me. Theoretically, in a free trade environment, there should not be any manner of protection. However, we think developing countries must be protected. They should develop their own defence mechanisms. They should not be deprived of the right to self-protection just because they are developing countries. In fact, they are very different from rich countries. Therefore, we hope that developing countries are allowed to set the scope, extent and timeframe of their market liberalization in accordance with their own circumstances. They should not practise free trade blindly. Actually, as we all know, over the past decade, economies which eliminate poverty most efficiently, such as China, Thailand and Vietnam, are not countries enforcing the most liberal trade policies.

Madam President, the economic strength of developing countries to rich countries is like David to Goliath. If it is hoped that the people's lot in developing countries will be improved through trade, a separate set of suitable rules and standards should be applied to them. This is similar to the handicapping system in horse racing, which is in place to ensure fair competition. We should not apply the same standard to all countries. This is the reason why we cannot support the original motion.

Madam President, the ultimate goal of trade promotion is to promote economic development, and the ultimate goal of economic development is to improve the people's lot. Therefore, we should not just consider trade and disregard the people's livelihood. This is why the Confederation of Trade Unions and major trade unions all over the world ask for more participation and influence of the ILO in the formulation of global trade policies. It is hoped that trade policies will then better look after the needs of workers and the people's livelihood. This is also one of the suggestions in my amendment.

As regards the incorporation in trade agreements of provisions for protecting fundamental labour rights, I understand this is an extremely controversial issue. On the one hand, rich countries think that developing countries cut down their production costs through exploitation of labour, thus resulting in unfair competition; on the other hand, developing countries think that this is an excuse for rich countries to adopt protectionism. First, I have to point out that fundamental labour rights cover four main areas, namely the prohibition of forced labour; the prohibition of the employment of child labour; the elimination of discrimination in employment, and the protection of the right to organizing trade unions. These are labour benefits that do not have direct impact on cost. I would like to stress once again that they are unrelated to money or wages. Most of the countries in the world have recognized these four fundamental labour rights. Some developing countries object to the incorporation of provisions for protecting fundamental labour rights mainly because they have no faith in the WTO. They are afraid that this will become a tool to bar their access to the markets of rich countries.

Madam President, the worries of these developing countries are understandable. In this connection, a number of major international trade unions, including the International Confederation of Free Trade Unions, have requested the ILO to handle complaints against violation of fundamental labour rights through the existing mechanism. They also fully support the ILO to continue to promote fundamental labour rights through dialogue and technical assistance. However, as regards cases of serious violation of fundamental labour rights such as murder and detention of trade union leaders and condoning the engagement of children in sex work, the WTO should decide whether sanctions should be imposed, as advised by the ILO.

In the last suggestion of my amendment, I request the Government to consult the concern groups of Hong Kong first so as to assess the impact of foreign trade policies on society as a whole.

With these remarks, Madam President, I beg to move.

**Mr LEE Cheuk-yan moved the following amendment:**

"To delete "arguing the case for free trade in international forums" after "That this Council urges the Government, when", and substitute with "participating in discussions on trade policies and negotiations on trade

agreements at international meetings"; to delete "and" after "in China and other developing countries;"; to delete "market access" after "(b) emphasize the importance of", and substitute with "fair trade"; and to add "; (c) request the World Trade Organization to strengthen its co-operation with the International Labour Organization, and support the incorporation in trade agreements of provisions for protecting fundamental labour rights; and (d) duly consult Hong Kong people and concern groups through public hearings or other similar means before attending such meetings" after "in alleviating world poverty and inequality"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr LEE Cheuk-yan to Mr Bernard CHAN's motion, be passed.

**MR KENNETH TING** (in Cantonese): Madam President, Hong Kong has all along upheld the free trade policy. Basically, we do not impose tariff on any kind of imports and exports. Nor do we have any policy to subsidize local industries. As a result, our economy has enjoyed a long period of thriving development over the years. For this reason, Hong Kong has also been repeatedly accorded the status of the freest economy in the world. I think these are the principles behind the founding of the World Trade Organization (WTO), which are to break all trade barriers and open up a new phase where prosperity can be achieved by all. Therefore, China and many other developing countries are eager to become members of the global village.

However, some countries disregard the WTO principles and convictions and erect trade barriers either in an indiscreet or discreet manner, such as providing subsidies for expensive domestic products. This deals a heavy blow to the effective but low-cost products of the other countries and intervenes free trade. Some countries use all kinds of excuses to impose penalizing tariffs on exporters so that the cost of their exports has to be raised.

For instance, since March this year, the United States has unilaterally imposed a protective tariff to the tune of 30% on some of the imported steel products, on the excuse that the exporting countries have adopted the low price dumping policy. The textiles industry of the United States has also requested the government to provide protection for the industry. For example, the annual

growth rate of textile imports is restricted by means of the provision on sharp increase in imports. As over 50% of the textile products of China and Hong Kong are currently exported to the United States, if the Government of the United States accepts the request of the industry, both the economies of China and Hong Kong will suffer irreparable losses. Apart from industrial products, agricultural products have also given rise to a lot of disputes in trade.

Therefore, the Federation of Hong Kong Industries and the Liberal Party support the Chinese Government to lodge complaints against unfair trade terms through the redress channel put in place by the WTO. Reasonable arbitration by international organizations should be sought so that the principle of free and fair trade promoted by the WTO would be upheld.

As regards the amendment moved by the Honourable LEE Cheuk-yan, I would like to point out that there is fallacy in his argument. As warned by the IMF, the WTO and the World Bank at the meeting of the Organization for Economic Co-operation and Development last month, protectionism hampers global economic growth and trade restrictions aggravate the poverty of developing countries. Only when effort is made to remove trade barriers can poor countries eliminate poverty, can their national income increase by enhancing productivity and promoting free trade. However, in point (c) of the amendment, Mr LEE demands more labour benefits such as increases in wages and welfare. This is totally unrelated to free trade and we should not confuse these two separate issues.

There is also the concern that the products of developing countries enjoy a relative edge made possible by the low living standard and more competitive costs such as lower wages. If Mr LEE's suggestion is implemented, labour costs will be raised substantially and artificially. In consequence, the competitiveness of the exporters will be undermined considerably, which will not help weaker countries combat poverty and earn foreign exchange. I am afraid this could be another example of "turning a good deed sour despite the best of intentions". On the contrary, the original motion advocates market liberalization and the abolition of problematic trade practices to enable all countries to develop their own efficient industries in a free trade environment. Labour wages may thus rise as a result of economic development.

Madam President, the return of China to the WTO last year means that it needs room to maximize its economic strength and potentials. And Hong Kong

has all along advocated free trade. Therefore, on behalf of the Federation of Hong Kong Industries and the Liberal Party, I urge the Government of the Hong Kong Special Administrative Region to speak up more at international forums to support removal of trade barriers so that the principle of fairness will be upheld and free trade promoted.

With these remarks, Madam President, I support the original motion and object to the amendment.

**DR RAYMOND HO** (in Cantonese): Madam President, the problem of disparity between the rich and the poor in Hong Kong is a matter of great concern to the community. When it extends to the national level, the problem is all the more worrying. The following figures may throw light on the magnitude of the problem. At present, over 1.2 billion people in the world live on less than US\$1 or HK\$7.8 per day, and over 0.8 billion people suffer from long-term starvation, unable to lead a healthy and normal life.

Although some advanced and rich countries will occasionally offer assistance to the poor countries or regions, the effect is minimal and the relief is only short-term. In the long run, reliance on foreign aid is not the solution. Facts show that the wealth gap among countries will foster instability in international relations, in detriment to global development.

Developing countries should free themselves from their dependence on other countries by developing their own economies. Trade development is an important starting point. The story of Hong Kong's development proves that an economy may flourish as long as it can make full use of its own advantages even it lacks natural resources. Pushed by advanced technology, globalization of world economy is the general trend. If developing countries can grasp the opportunity to participate in global economic development, their people's livelihood will be able to improve.

Of course, this is only half the story. Many advanced countries, riding on the trend of globalization to advocate free trade and demand market liberalization by other countries on the one hand, and resort to protectionism to protect domestic markets under the political influence in their own countries on the other. This has created many cases of extreme unfairness, resigning developing countries to a more disadvantageous position.

In the agricultural sector, many countries including the United States and the European Union provide substantial subsidies for their agricultural industry. As a result, it has made it all the more difficult for uncompetitive agricultural products of developing countries to survive in the international market. What is more worrying is that the agricultural industry of developing countries has further shrunken under the impact of the agricultural products of the advanced countries. They even have to depend on food imports from other countries.

As regards other products, many advanced countries have made it difficult for developing countries to access their markets by adopting non-tariff trade protection measures, such as harsh terms in technical standards, complicated health and environmental hygiene quarantine, product packaging and labelling regulations with diverse contents and formalities, as well as import permit system. Poor countries cannot earn foreign exchange through exports, but they have to use their meagre foreign exchange to buy food and necessities. This widens the wealth gap among countries.

Although trade involves a lot of benefits and political considerations among nations, as a supporter of free trade, Hong Kong should make an effort to promote free trade and the abolition of trade policies and practices inconsistent with the principle of free trade at suitable international forums and discussions.

Madam President, some current international issues such as terrorism, illegal migration among nations, traffic in human beings and drugs are closely related to the poverty problem in developing countries. If globalization of world economy is to be realized to enable all countries and regions to share the fruit of development, every country should abide by the principle of free trade and should not "preach one thing and practise another" like now. I so submit. Thank you.

**MR ERIC LI:** Madam President, trade is one of the most powerful forces linking the nations of the world. This powerful link provides a source of unprecedented wealth. Yet undisputedly, a symptom of trade is that the wealth gap between the rich and the poor is widening in many corners of the world as trade flourishes. Millions of the world's poorest people are being left behind, not sharing the fruits in the process of wealth creation. Ironically, world trade could also be a cure to the illness that it creates. Trade is a powerful motor to generate economic growth in underdeveloped countries, and help to reduce

poverty locally. However, this positive potential is mostly lost in the midst of political wrangling among the nations, which seems always to benefit the interests of the more powerful and affluent in the end. The problem is, therefore, not that international trade is inherently opposed to the needs and interests of the poor, but that the rules that govern it are rigged in favour of the rich and demonstrate the double standards and hypocrisy of the wealthiest and most powerful countries.

Hong Kong is by now a major player in the world economy and a beneficiary of international trade. Also, it is a world city and a Special Administrative Region of China — the largest developing country in the world with a significant proportion of its population living in poverty. As such, Hong Kong has a clear interest and moral obligation to ensure that the global trading system benefits all countries, especially the most vulnerable groups in China and other developing countries.

Unfair trade rules deprive developing countries of their rights to enjoy their fair share of the benefits of international trade. According to Oxfam, between 1988 and 1993, the world's poorest 5% lost almost a quarter of their real income. During the same period, the top 5% gained 12%. Trade barriers in developed countries, such as tariffs, quotas and subsidies, limit market access for developing economies and cost developing countries US\$100 billion a year (double what they receive in foreign aid). As regards the agricultural sector, the European Union and the United States spend agricultural subsidies of US\$1 billion a day on domestic farmers, leading to environmental damage and overproduction. This drives down world prices and these products are then dumped into developing countries' markets, devastating small shareholder farmers and workers.

As mentioned in the beginning of my speech, many of the rules governing the global trading system are unfair. There is an urgent need to change these rules and reform the global trading system. For instance, some rules of the World Trade Organization (WTO) on intellectual property, investment, and services protect the interests of rich countries and powerful transnational companies, while imposing huge costs on developing countries. This bias raises fundamental questions about the legitimacy of the WTO. Moreover, the free trade promotion strategies of the International Monetary Fund and the World Bank restrict the developing countries' ability to set the pace and scope of their own market liberalization and prevent governments from introducing policies necessary to eliminate poverty.

Some people may think that this issue is irrelevant to Hong Kong as our Government has traditionally advocated and practised free trade and our economy is nurtured by a *laissez-faire* policy. However, I strongly disagree with their views. Lowering or abolishing trade barriers in developed countries would benefit the economies of both Hong Kong and the Mainland. Full import liberalization in developed countries would increase sales for mainland producers by an estimated US\$3 billion a year, according to Oxfam. Better market access for developing countries would benefit Hong Kong's business community and increase mainland and regional investment opportunities. Jobs are created and consumers can enjoy more choices and lower prices. Our trade-related businesses would also be benefited as they have a clearer view of their future opportunities. Besides, our neighbouring economies would develop as markets for Hong Kong companies.

Hong Kong is the world's tenth largest trading economy. It should be concerned about fair global trade rules. In my view, the Government should use its influence in the WTO, the Asia-Pacific Economic Co-operation, the World Intellectual Property Organization and other international, regional and national forums to voice its support for fair trade as a tool to eliminate world poverty and inequality. Also, the Government should assess the impact of international trade agreements on employment and poverty in Hong Kong before forming its positions. I am most grateful to the Honourable Bernard CHAN for bringing up this motion for debate today. Madam President, I support this motion and strongly believe that the Legislative Council has a public duty to urge the Government to support global sustainable development and to take part in reforming the global trading system so as to develop a new model of inclusive globalization, based on shared values and principles of social justice.

Madam President, I would also like to say that this speech is very much a credit of the Honourable Abraham SHEK, who unfortunately cannot be here today. But since I share his view so totally, I would very much like to share what he has in mind, which is totally shared by me, with this Council and with the Administration. Thank you.

**MR NG LEUNG-SING** (in Cantonese): Madam President, free trade and globalization is an irresistible world trend. In the past 50 years, the total value of world trade has increased twenty-fold, close to US\$7,000 billion. During this period, there have been contentions about free trade and globalization in the

international community. Recently, there is even the emergence of an anti-globalization campaign. When certain organizations representing the existing international economic and trade order and establishment, such as the WTO, the IMF and the World Bank hold their meetings, anti-globalization protests and demonstrations will very often become the focus for the media and public opinion.

Arguments against global new economic order founded on free trade are multifarious. On its home page, the WTO has listed out some views against this new economic order. For example, it is opined that the WTO only takes into account the interests of multinational conglomerates, neglects labour rights and environmental protection, injures the interests of developing countries and intensifies inequalities and polarization between the rich and the poor. No matter what the objectives of these arguments may be, we can see that they are just pointing out that there are still deficiencies in the international order of globalization and free trade. Nevertheless, we cannot deny its positive effect of creating wealth for the world and its role of being the final resort to improve the unfair economic condition in the international community. Seclusion and the ending of free trade will not be helpful to ameliorating the problem of dividing the rich and the poor in the international community. Resisting the trend of globalization and reverting the world to the state of "living within hail but never visit each other" is obviously neither desirable nor possible. Thus, the international community should come to a consensus — not to abandon globalization and free trade but to find out how this international order can be made fairer and more impartial, allowing it to attend better to the needs of developing countries and attach more importance to a balanced development of the community as a whole.

This is by no means an easy task. Every country will seek to protect its own interests. Even in those developed countries in the West which strongly advocate free trade, this slogan is only used for expanding their economic sphere externally; once free trade poses a threat to their domestic industries, they will also erect trade barriers. Take the recent case in the United States as an example. Under the pretext of other countries dumping at a price lower than the cost, the United States unilaterally levies tariffs of up to 30% on steel imports for a period of three years; the United States Congress has also passed an act to the effect that in the next 10 years, a subsidy of up to US\$173.5 billion will be provided for American agricultural products. In fact, the European Union (EU)

is giving higher subsidy to agricultural products. According to figures released by the Organization for Economic Co-operation and Development, in 1999 alone, the EU provided US\$1.145 billion in subsidy to its agricultural products, which was equal to 49% of its total agricultural production. These cases all reflect the hypocrisy and double standards of the developed countries under the slogan of free trade. Undoubtedly, given the high-rate subsidy by the governments of developed countries, developing countries and their people relying on these traditional industries are the hardest hit.

At present, unfairness in international trade order is attributable to the fact that developed countries are in a strong leading position. They can always gain the initiative in trade talks and discussions, putting forward more conditions that are advantageous to themselves. It is also because of this strong position that they can very often disregard international trade agreements and regulations, and dare to unilaterally increase tariffs and subsidies and take other measures to restrict imports. Arbitration mechanisms similar to the WTO always take a long time to come up with arbitration results on a trade dispute. By then, the pillar industry or enterprise of a developing country may have collapsed, and the taking of retaliatory measures will serve no purpose at all. In the meantime, it is of course these developed countries who know the best how to apply the rules of the game of the WTO. On the contrary, the developing countries and their enterprises very often lack the knowledge or resources to fight for fair treatment.

In the present international trade order, the cruel reality is national interests come first. Any beautiful slogan, such as "market liberalization", "environmental protection", "upholding labour rights and interests", and so on, are very often used for fighting for one's own benefits; politicians also use them as cover-ups to win votes. By comparison, Hong Kong is in a special position because it has all along upheld an open policy. Therefore, in all trade talks, Hong Kong has had no powerful bargaining chips, nor has it assumed important roles. As a real model of free trade, Hong Kong should in the future endeavour to promote genuine fair and just free trade order in international forums and trade talks. It should also, at the same time, seriously consider its own interests when participating in such talks. This is particularly so for future WTO talks on trading in services because it is Hong Kong's pillar industry. According to WTO information, in 2001, Hong Kong's commercial service exports amounted to US\$43 billion, ranking the ninth worldwide. Thus, I am of the opinion that the Government should make more reports and briefings to the relevant

Legislative Council panels on the strategy and progress of various international trade talks and agreements. In the meantime, the Government should also pay more attention to whether other trade partners have honoured their obligations under international trade agreements, so as to fight for Hong Kong enterprises fair treatment in international trade and business opportunities.

Madam President, I so submit.

**MISS LI FUNG-YING** (in Cantonese): Madam President, today the Legislative Council is holding a debate on trade policy. However, this in fact is not purely a trade issue; rather, this Council is making its stance known on the direction of globalization. The original motion and the amendment are an epitome of the contentions on globalization — what kind of relationship should it be among free trade, market access, poverty and inequality?

I am by no means an expert on economic issues. Nor have I conducted any in-depth study on the issue of globalization. Given the enormous volume of discussions on globalization, I can only respond to issues highlighted by this motion with limited information and common sense.

To those apparently positive terms as free trade and market access which people always talk about, I am just but dubious; in face of the demand as contained in the original motion on the Government to emphasize free trade on the international level, and to alleviate global poverty and inequality by means of market access, my doubts are even bigger. Last week, an internationally renowned research agency announced the latest ranking for regions and countries practising free trade. Hong Kong came out top again for the sixth time to be the world's freest trading region. This is a fantastic piece of news. Nevertheless, the Population Census report released by the Census and Statistics Department last year revealed that the disparity between the rich and the poor in Hong Kong had been aggravating, and the problem of social inequality worsening.

From the global level, after the cold war, there were marked developments in free trade and market access. However, the United Nations Development Programme pointed out in its 1999 annual report that the population living in the richest 20% countries and the population living in the poorest 20% countries, their income difference in 1960 was 30:1, 60:1 in 1990 and 74:1 in 1997. The World Bank said in its 2001 report that over half of the world's population was

living on less than US\$2 daily, and the situation would deteriorate in the future. Such frightening figures explain why I am dubious. Is it because our market is not free and open enough that there is disparity between the rich and the poor, or is it because it is too free and open that it has given rise to problems of poverty and inequality that are becoming more and more serious? In fact, a greedy market is utterly not capable of solving the problems of poverty and inequality.

Free trade and market access are never unilateral. On the issue of globalization, I simply cannot agree with the "big market, small government" argument of the new freedom advocates. Preaching free trade and market access under the circumstances of uneven national power and disparity in economic strength, all that the government can do is to strive to improve the business environment. Whether we view it from the macro global level or the micro social domestic context, if this does not mean more misfortune for the disadvantaged, then the effect of improving one's own lot will be greatly discounted. This is one of the reasons why a worldwide anti-globalization movement has been surging in recent years.

Madam President, given that we are not starting from the same point, what results in fact are we expecting when we urge the Government to make appeals for free trade and market access on the international level? Under the slogans for free trade and market access, should we have some preconditions in place so as to prevent developing countries and regions from falling victims helplessly one after the other to those wealthy and powerful multinational enterprises which are snatching their wealth like tornadoes? Thus, the principle of fair trade as suggested in the amendment is to inject a human element into the kind of trade which exists under the circumstances of unbalanced national power. I think this is the first step which should be taken. I therefore call on the Government to make appeals for the protection of labour rights and interests on the international level. I will give my full support to this. Thus, I support the amendment. Thank you, Madam President.

**MS AUDREY EU** (in Cantonese): Madam President, as a member of the WTO, Hong Kong is duty-bound to promote free and open trade worldwide. Nevertheless, the implementation of trade liberalization alone cannot guarantee a balanced development of world economy nor an improvement in living for the poor. Particularly, when developed countries are already enjoying the

advantages in terms of economic development, technology and productivity, full market liberation may make it impossible for the developing countries to contend and compete. As a result, the situation may turn out to be what the Honourable LI Fung-ying said just now, only some frightening figures are available; only the well-off party will benefit, widening the global gap between the rich and the poor.

Madam President, the global trade policy should aim at improving the living of the people and reducing poverty. However, just as the motion has pointed out, at present, some trade practices of the European Union, the United States and other developed countries are causing harm to other countries while protecting their own economic interests.

Take agricultural policy as an example. According to a report of Oxfam Hong Kong, in 1999, farmers of members states of the Organization for Economic Co-operation and Development received a total of up to US\$361 billion in subsidy. With their advanced technology and high productivity alone, the agricultural production costs of these countries are already lower. Coupled with the large amount of subsidy from their governments, their agricultural products can advance into global markets at a cheap price.

Upon Mexico's accession to the North American Free Trade Zone in 1994, cheap corn from the United States flooded the local market. So far, the price of local corn has dropped 48%, and corn from the United States has taken up one quarter of the market. On the surface, a drop in corn price is favourable to consumers but let us not forget that income for local farmers has decreased drastically because of this. For these developing countries, agricultural production very often is their economic lifeline.

With China's accession to the WTO, the mainland market will be opened up. It is worrying that a similar situation may occur in the Mainland, and the livelihood of millions of farmers will be hard hit.

Madam President, last year, I attended the Drug Patent Campaign held by Oxfam Hong Kong, urging the Government to support the movement by developing countries demanding to purchase drugs at reasonable prices. The WTO agreement stresses that intellectual property should be respected, and all newly invented products, including drugs, can enjoy patents for 20 years. Due to this agreement, developing countries cannot reproduce the necessary drugs but

at the same time, they cannot afford buying the patent drugs. The price difference between patent and non-patent drugs can be as great as 40 times.

According to statistics of the World Health Organization, in 2000, 11 million people around the world died of contagious diseases. Among them, the majority came from developing countries. In Africa alone, 2 million people died of AIDS. Developing countries are worst-hit by contagious diseases, but ironically, they cannot afford to purchase the expensive drugs, thus, the lives of their people are subject to constant threats. Madam President, human life should be treated with the utmost care. Therefore, I consider that the WTO and the pharmaceutical factories should not be too stubborn with intellectual property. Rather, they should provide developing countries with cheaper drugs or export their technologies to help them produce drugs.

Although trade liberalization is the trend, the WTO should not neglect the rights and interests of developing countries while pushing ahead with promotion of market liberalization. Mr Bernard CHAN suggests that actions be taken against the improper trade practices employed the developed countries against developing countries so that the latter can compete on a fairer basis. Mr LEE Cheuk-yan's amendment suggests that provisions for protecting fundamental labour rights be incorporated into trade agreements of the WTO. Madam President, I support Mr LEE Cheuk-yan's amendment in principle, but I would like to add that labour problems such as low wages and child labour are real problems in developing countries. In fact, these problems are also more serious. The reason why labour rights and interests are ignored is sometimes not purely intentional exploitation; it may be the result of poverty and reality. Thus, Madam President, I worry that if sanctions are again imposed on the poor countries purely because of a violation of the provisions of International Labour Conventions, the ultimate victims will only be the local people.

To sum up, Madam President, I think that all sides should win in trade liberalization. Developed countries should give more technological or monetary assistance to the poor countries and lift trade restrictions such as tariffs. It is only then that the impoverished people can really enjoy the positive results of market liberation.

With these remarks, Madam President, I support the original motion and the amendment.

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, the Democratic Party supports free trade. Furthermore, we also support the Government's continued efforts to promote the further implementation of trade liberalization among the member states of the WTO, gradually lifting the discriminatory trade practices such as imposition of tariffs and quotas. Not only will this bring advantages to China and the developing countries, but will also benefit Hong Kong.

Take a look around the world. Only a few places can really practise free trade, and Hong Kong is one of them. Hong Kong adopts the zero tariff policy and has no quota system, foreign products can therefore be imported freely. We think that precisely because of this, Hong Kong often lacks bargaining chips when it conducts trade talks with other places. With the emergence of regionalism, countries around the world have switched from forging multilateral trade relations to suggesting the building up of bilateral trade relations or the setting up of regional trade organizations. Hong Kong will face greater difficulties in its fight for its interests, in attempts to ensure that its interests will not be injured.

Moreover, Hong Kong and the Mainland have close economic ties. Upon China's accession to the WTO, it is believed that more Hong Kong businessmen will carry out investment and production in the Mainland, and the discriminatory trade practices of the European and American countries against the Mainland will ultimately harm the interests of Hong Kong. Thus, the Democratic Party urges the Government to continue to devote efforts to promoting free trade in international forums. At the same time, the Democratic Party also calls on the European Union (EU), the United States and other developed economies to abolish all kinds of discriminatory trade practices.

Madam President, although Hong Kong should continue to support free trade, this is by no means the international trend. More and more trade barriers have appeared over the past 10 years. For example, there are the establishment of the EU, the establishment of the North American Free Trade Zone by the United States, and even plans by China to establish a free trade zone with the Association of South-East Asian Nations in the future. Under such new circumstances, countries such as Japan, Singapore, and so on, which have all along advocated multilateral free trade, have all started talks with other countries in respect of free trade regions. In order that the long-term interests of Hong Kong would not be harmed, it is necessary that the Government formulates proper policies. In the future, while promoting multilateral systems, the

Government should also suitably review past trade policies. In a nutshell, the past trade policy of the Government was one of positive non-intervention. On the one hand, the Government opened the market equally to all countries but on the other, it would not intervene in disputes encountered by Hong Kong businessmen in foreign places. The Government would only assume the role of a referee. Obviously, under Hong Kong's present economic situation, the Government cannot just be satisfied with this role of a referee; apart from taking the initiative to hold trade talks with the governments of the other countries, fighting for Hong Kong businesses room for doing business, the Government should also take on a more active approach to fight for the interests of Hong Kong businesses. For example, all along, United States embassies in foreign countries will protect the interests of American businessmen in foreign places while Hong Kong's economic and trade offices overseas only provide Hong Kong businessmen with informational materials or prepare reports. Therefore, the Government has to effect changes in this regard.

Moreover, recently, the Government has been negotiating bilateral trade agreements with New Zealand and the Mainland respectively. This signifies a good start. The Democratic Party thinks that the Government should further look into ways to strengthen bilateral trade and investment relations, and promote closer economic ties with other Asian regions such as Taiwan and Malaysia where the size of the Chinese population is considerable. Nevertheless, the Government is moving very slowly in this aspect. For instance, it has been two years now since it started talks with New Zealand on the issue of a free trade zone, but no new progress has been made. At the end of 2001, Mr TUNG Chee-hwa announced that a proposal had been put forth to the Central Government for the establishment of a China-Hong Kong free trade zone so that there could be a closer tie; the Financial Secretary Antony LEUNG has also over and over again expressed that the Government is actively pursuing work in this regard. However, as of today, all that there is thunder but no rain; no substantive progress has been made. The Democratic Party requests the government of TUNG Chee-hwa to reach this agreement in the next two years, making this one of its policy objectives.

Finally, I would like to make a simple response to the amendment. Both the original motion and the amendment have suggested that emphasis should be put on the importance of market access and fair trade to alleviating world poverty and inequality. The Democratic Party thinks that market access and fair trade do not contradict one another, but market access itself seems insufficient to

alleviate world poverty and inequality. Fair trade is a very important premise. Thus, the Democratic Party considers that the amendment is more desirable than the original motion. The amendment seeks the incorporation into trade agreements of provisions on protecting fundamental labour rights. To a certain extent, this is one of the measures to promote fair trade. The Democratic Party supports this.

The last point of the amendment demands that due consultation be conducted by the Government before attending the meetings concerned. The Democratic Party agrees to this. In fact, apart from conducting due consultation before the meetings, the Government should also make detailed reports on the contents and results of those meetings afterwards. For example, the Democratic Party has always asked the Government to provide the relevant information and opinions expressed by WTO member states on Hong Kong after attending the meetings of the working group of the WTO on the promotion of fair competition. Actually, quite a number of international organizations have criticized Hong Kong for not performing satisfactorily in upholding fair competition. With greater government participation in bilateral trade talks, the contents and results of such talks will more directly affect the interests of local people from different sectors. The Government must assure the transparency of these talks and the people's right to know. With these remarks, I support Mr LEE Cheuk-yan's amendment.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, there has been trade since the ancient times. Through trade, places all over the world help supply each other's needs, bringing economic benefits. Under the present circumstances of globalization, trade has brought advantages to many countries. For example, in recent years, South Korea has generated substantial revenue for the nation through exports. Increase in trade has also created new job opportunities, and the income per capita rises as a result. Look us take a look at Hong Kong. Although the disparity between the rich and the poor is worsening, it cannot be denied that development in the past 10-odd years or the post-war development has meant better living for this generation of Hong Kong. Through economic activities, job vacancies can be increased and people's living improved.

To the developing countries, trade however can mean that their people are hard hit. In particular, when the governments of those countries join

international trade organizations, the problem will become more serious. On the one hand, we can see the advantages brought about by trade, and yet on the other, trade also subjects the third world to challenges. In fact, even for the developed countries, their workers can also be subject to impact.

International trade organizations such as the WTO require all countries to adopt uniform and standardized trade criteria, and the criteria are set in accordance with the standards of the developed countries. Nevertheless, situations are different in different countries. Once the developing countries join these organizations, they have to observe their criteria instead of implementing policies that are fair and reasonable, policies that can safeguard the living of their people, having regard to their respective states.

Some people may say, developing countries can choose not to join the international trade organizations but in fact, they cannot do so. Take our country's accession to the WTO as an example. Premier ZHU commented that there were both advantages and pains to it. During the process, we can see that it is impossible for China not to join, but China's accession will create a lot of impact. For instance, many mainlanders worry that industries and agriculture at home will be subject to enormous impact upon China's accession to the WTO. However, under the trend of globalization, our country has to join the WTO.

Actually, some countries just cannot refuse to join. To a certain extent, it can be said that under the coercion or inducement of some large countries, they are forced to participate in the opening up of markets. Given limited time, I am not going to elaborate here.

When a country joins the international trade organizations, the living of its small farmers and workers are the most affected. Just now, quite a number of colleagues have mentioned farmers, I would also like to talk about their problems. A large proportion of the population of developing countries relies on agriculture. The whole family lives on a few acres of barren land, growing mainly staple crops. Since their farming techniques are backward, and there are always natural and man-made disasters, their income is meagre and unstable, barely enough to feed the family. It is only when they manage to have a good crop that they can sell the excessive food for money, which can then be used for buying daily necessities and sending their children to school.

Many developing countries will invariably subsidize their agriculture and agricultural products so as to safeguard the living of the farmers. Nonetheless, international trade organizations hold high the so-called principle of "fairness", demanding developing countries to do away with subsidies. This renders the income of the small farmers who are already leading a difficult life even more insecure.

However, developed countries are applying double standards. They subsidize the agricultural products of their countries through various channels, for example, providing subsidies for research and credit. With mass production, their agricultural products are already cheaper than those produced by the small farmers; adding the government subsidies, their products can be even cheaper. When exported to the developing countries, they will cause prices of local agricultural products to be lashed. Small farmers of the less developed countries are unable to get money by selling their produce and thus cannot afford to send their children to school. Without knowledge, it is impossible to solve the problem of poverty. We can say that poverty in these countries will pass on from one generation to the next.

As regards Mr LEE Cheuk-yan's amendment, we support it. I am of the opinion that provisions on protecting fundamental labour rights should be incorporated into international trade rules. At present, WTO rules only impose restrictions on the import of goods made by prisoners, without mentioning anything on other rules protecting the rights of workers.

Therefore, many developing countries have "workplaces filled with blood and tears". Child labour and women labour are the most vulnerable. They have to work for more than 10 hours each day but are given low wages and no rest time, nor do they enjoy any protection for their rights. Multinational enterprises notorious for exploiting workers include Disney, McDonald's, garment production lines, and so on. Very often, due to economic reasons, their governments turn a blind eye to the hardship of workers and child labour, or are simply incapable of making improvements. We can see that a lot of people in third world countries are much disgusted with these multinational companies. Since these corporations have done countless harms to them, they are forced to stand up and take actions against the unreasonable exploitation by these multinational corporations.

Just as I said at the beginning of my speech, trade should bring better living to mankind, but if the system of trade is not fair, it will just end up in the opposite, making life more difficult for the people. If we are to reverse this situation of unfair trade, the Hong Kong people and the Hong Kong Government have a certain role to play. The people can "voice out", asking producers of products they like to use in their daily life to give workers their due rights. The Hong Kong Government can bring up demands for the protection of farmers' living and workers' rights on international occasions, ask for reforms to the existing international trade criteria which are unfair, and call on the other countries to give their support to using fair trade to improve the living of people around the world. Then, the objective of sharing the fruits of economic development can really be achieved.

Madam President, I so submit.

**MISS CYD HO** (in Cantonese): Madam President, as we talk about fair trade today, I have to explain what the word "fair" means in the first instance.

Let us take an example of two persons having a piece of cake. If one of them has eaten that piece of cake alone while the other one cannot have a share, that is of course unfair. If the piece of cake is divided into two so that each one of them can have a share, is that fair? Not necessarily, for one slice of the cake can be very big while the other can be very small. If that piece of cake is divided into two slices of equal size and weight and then distributed to the two persons, is that fair? Again, not necessarily. It is because one of the two persons may be an infant who does not need to eat so much, while the other one may be an adult who has to labour for the whole day. Therefore, when we talk about kumite, we really have to examine if the two contestants are able-bodied before we talk about fairness. If one of the participants only has one arm and one leg, it is obvious who will prevail. If they are to engage in a kumite, fairness is, of course, out of the question. Thus, when referring to free trade, we actually have to consider the different levels of development of different countries, and we also have to look at the impact of different degrees of market liberalization on the countries concerned.

Madam President, the major international organizations currently leading world trade are the WTO, the World Bank and the International Monetary Fund (IMF). Among them, the WTO claims itself to be a democratic structure which solves problems through consensus. For the rest of the issues, they will be referred to the World Bank and the IMF. The work of the World Bank and the IMF on the surface is to provide loans to developing countries in order to assist them in economic development. But as a matter of fact, they, at the same time, coerce and induce developing countries to borrow loans from them, and require these countries to implement "structural adjustment programmes".

The so-called "structural adjustment programmes" are, in fact, loans conditions imposed on the borrowing countries. These conditions usually include tightening financial expenditure and reducing public expenditure of the government. At the end, the social welfare of these countries will be slashed. Moreover, these countries will also be forced to open their markets immediately. The ones who stand to gain will be those multinational enterprises. But for the workers of those countries, they will actually switch from their traditional farm-related or other family-type industries to some assembly line or division of labour kind of work. In real terms, how much will their living improve? In some countries where there is no democracy, the situation is even worse, as collusion between local officials and foreign investors can easily arise. Therefore, in these countries, there appears to have a high degree of growth judging from the trading figures. However, the labourers can only obtain minimal rewards while their lot has not seen much improvement.

Farmers, workers, and so on at the lowest level of society are the hardest hit, while women workers can even easily become the first victims. In a lot of third world countries, the concept of superiority of male over female is still prevalent, and the opportunities of women receiving education are correspondingly less. Therefore, some low-skilled, labour-intensive jobs will be taken up by female child labour. These jobs are by nature lowly paid, while the employment conditions are rather bad. When the multinational enterprises from overseas bring the production lines to these third world countries, it is very often that these female child labour will become the worst sacrifice.

In 1993, there was a fire incident at Zhili Toy Factory in Shenzhen which used to manufacture toys for an Italian toy company. I believe many Members from the labour sector will have deep memories of that incident. When the

factory was on fire, the workers were trapped in an enclosed, cage-like dormitory. Since all the doors and windows were locked, many female workers had no way to escape and were miserably burnt to death. Although there were survivors, they carry with them serious disabilities and are still not reasonably compensated in full to date. In fact, in this world nowadays, similar factories still exist and operate in many third world countries or places in the third world.

At the government level, third world countries caught in thick debts can only borrow new loans to cover previous loans, similar to some Hong Kong people who obtain overdraft from a credit card account to pay for the outstanding balance due under another credit card account. Even though one has paid off the principal, he still has to pay a lot of interest. For instance, many African countries still have to repay a lot of interest to Japan nowadays. In fact, some international humanitarian organizations have pointed out that if all the military forces in the world should take a vacation for 10 days (all those soldiers will definitely be very happy), the military expenses for these 10 days will be sufficient for providing free fundamental education to all children in the world.

We certainly welcome this kind of globalization campaigns very much. But have the organizations leading globalization of trade ever thought of doing some work for the benefit of children all over the world while they are opening up markets? When these organizations implement some structural adjustment programmes or other conditions, they can obtain some concessions from the well-off countries which can, in turn, help these third world countries to reduce their foreign debts. Their children can then truly have opportunities to rise on their own feet. In fact, there are currently a lot of capital that can be used for providing clean potable water to many people, for providing education to a lot of children and for providing medical care to many people. However, let us look at the trend of international trade. We see that not only are the few global trade organizations unable to solve the poverty problem, but they are actually contributing to widening the wealth gap within the countries concerned, and in widening the wealth gap among different countries.

What can the Government do? Some Members have earlier mentioned that there is actually not much that Hong Kong can do. However, at least we have the obligation to consult local bodies, labour groups and humanitarian organizations before we attend international trade conferences overseas, with a

view to working out the bottomline which we definitely cannot pass. I would also like to point out that there is presently a trend in the international community that some humanitarian organizations will mount globalized boycotts against consumption activities. Whenever they see that any multinational enterprises have gone beyond their own territories too far as to destroy others' environment or exploit other people, they will launch boycotting movements. I believe the new Secretary has ample experience in the garment manufacturing industry and is very familiar with this situation. At present, some garment manufacturing companies in the United States, as a result, dare not employ any child labour blatantly.

Madam President, international trade has turned people into consumers. But the consumers with conscience also have ways to gather themselves in launching boycotting movements. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Does any other Member wish to speak?

(No Member responded)

**PRESIDENT** (in Cantonese): Mr Bernard CHAN, you may now speak on Mr LEE Cheuk-yan's amendment.

**MR BERNARD CHAN:** Madam President, the Honourable LEE Cheuk-yan's amendment has introduced several new subjects into the motion. In particular, he asks the Government to promote international labour rights, and to consult local people and groups before attending trade negotiations. These are both very interesting ideas.

I am happy to accept that labour-related issues are important to the development of third-world economies. And I am always in favour of government officials receiving comments and suggestions from the community. However, unlike the relatively straightforward issue of market access for developing countries, these subjects are potentially quite complex. It may be that they deserve to be debated more fully on another occasion.

The original motion, unlike some motions that we see here, asks for something that can realistically be achieved. So I would respectfully urge Members to vote in favour of the original motion.

Thank you.

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, I am grateful to Mr Bernard CHAN for moving this motion today and to Mr LEE Cheuk-yan for his amendment. I also wish to thank the many Members who have spoken.

As the economy has become increasingly globalized, international trade is an issue of great concern and is also the lifeline of the Hong Kong economy nowadays. I am glad that as the Government of the Hong Kong Special Administrative Region (SAR) has just entered its second five years, I can have this opportunity to elucidate the Government's objectives and position in respect of international trade.

Hong Kong is a highly externally-oriented economy. We have virtually no natural resources in Hong Kong. But all along, with the implementation of free and open trade policies and zero tariffs on imports, and with the opening up of a predominant part of the service market and active participation in global trade, Hong Kong has become an international trade centre and a relatively affluent city in the region within just a few decades. Despite a downturn in the global economy in the last couple of years, the volume of trade in Hong Kong last year still amounted to \$3,560 billion, which is 2.8 times of the Gross Domestic Product (GDP). To survive amidst the increasingly fierce competition in the international arena and maintain a certain level of economic growth, Hong Kong must bring its advantages into full play, promote the export of local goods and services, develop more international markets, and further consolidate the important role played by Hong Kong in international trade using the experience in re-export trade that we have accumulated over the years.

To achieve these objectives, our position has always been unequivocal and firm whether in multilateral or regional trade organizations and forums, such as the World Trade Organization (WTO) and the Asia-Pacific Economic Co-operation. On the one hand, we spare no effort in promoting further market liberalization, so that products exported by Hong Kong and other places can gain

access to many more markets; and on the other, we advocate the formulation of fair and reasonable international trade rules to enable all economies, including Hong Kong, to compete on an equal footing in the international market with their respective strengths and benefit from the growth in global trade.

Hong Kong has always been a staunch supporter of open, fair and free trade. This is not only because we are a typical example of success attributable to international trade, but also because abundant statistics and studies have proven the inextricable linkage between the openness of trade and sustained economic growth. In the past 50 years, under the General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO, eight rounds of multilateral trade negotiations were held, causing international trade to grow as many as 15 times and the global economy was thus able to develop rapidly. Moreover, academic studies have also pointed out that when an economy increases the proportion of its trade to its GDP by one percentage point, the per capita income will then increase by 0.5 to two percentage points. So, I firmly believe free trade is the cornerstone of economic growth.

Hong Kong has all along been an advocate for the multilateral trade system, which is built upon a set of legally binding rules of the WTO. The WTO was founded in 1995 to replace the GATT concluded in 1947. Hong Kong, being a founding member of the WTO, has continued to take part in the activities of the WTO as a separate member under the name of "Hong Kong, China" after the reunification in 1997. The WTO rules cover not only the trading of goods, but also specify standards for the trading of services and the protection of intellectual property. These rules serve to ensure that international trade activities are conducted under the principles of fairness and impartiality. The WTO also has in place a mediation and arbitration mechanism for trade disputes, aiming to seek positive solutions to trade disputes and help deter discriminatory trade acts made by strong trade nations unilaterally. Therefore, the multilateral trade regime under the WTO is of paramount importance to the developing economies, countries with little political power and also the small member states of the WTO, such as Hong Kong.

While WTO rules have embodied the progress and achievements of the liberalization of global trade, trade barriers still exist to date. The reason is that all countries invariably take their own economic benefits as the prime consideration in every round of trade negotiations and fail to fully take account of the overall global economy and the need for development of poor nations. Agricultural and textiles industries are two typical examples.

Over the last 50 to 60 years of international trade negotiations, agriculture and textiles have all along been fairly sensitive and knotty topics. On the one hand, many developing countries rely heavily on these two industries, for they have a massive labour force and can take advantage of their low production costs to secure a place in international trade, thereby earning foreign exchange and creating more employment opportunities. Consequently, their domestic economies can grow and develop, and the poverty problem resolved. But on the other hand, the developed countries traditionally take a myriad of protectionist measures with regard to these two industries. So, when it comes to opening up these two markets, the developed countries are set to face tremendous domestic political pressure and they absolutely cannot agree to liberalization lightly.

On the agriculture front, developed countries have all long provided enormous subsidies for their agricultural products, and Mr Bernard CHAN already provided a series of statistics in this connection earlier. According to surveys conducted by the Organization for Economic Co-operation and Development, agricultural subsidies granted by its members amount to US\$300 billion yearly, which is double the value of agricultural exports from developing countries. Moreover, to prevent massive exports of cheap agricultural products from developing countries, most developed countries have taken such measures as imposing extremely high tariffs or imposing tariffs-based quota on such products. Although Hong Kong is not an exporter of agricultural products, we still support the gradual abolition of all protectionist measures on the trading of agricultural products so long as the political realities allow, on the economic principle of fair and free trade at large, so that each country can ultimately compete on an equal footing in the market of agricultural products and the poor countries can also capitalize on their edges on the agriculture front to increase production and boost trade and hence drive the development of society.

Textile is an industry that is very familiar to Hong Kong. All along, Hong Kong has a substantive edge in the export of garments and textiles. At present, the garment and textile industries remain the manufacturing industries with the highest export value and the highest number of employees in Hong Kong. Developed countries have, for a long time, adopted many discriminatory measures against developing countries in respect of garments and textiles, including the quota restrictions under the Multi-fibre Arrangement. Over the years, Hong Kong and other affected economies have worked very hard for the abolition of these measures via bilateral and multilateral channels, with a view to

facilitating incorporation of textiles into the normal multilateral trading regime. After eight years of strenuous efforts in the Uruguay Round, Hong Kong and other developing economies have successfully championed for the conclusion of the Agreement on Textiles and Clothing under the framework of the WTO, which represents a milestone for the liberalization of the textile market. According to the Agreement, all textile quotas will be abolished in three stages within 10 years. Moreover, Hong Kong, being a member of the International Textiles and Clothing Bureau (ITCB) and through co-operation among members of the ITCB, will put pressure on countries that adopt protectionist measures in order to prevent new protectionist measures from being introduced, and will hold discussions and make proposals on the implementation of the ITCB. By 2005 when all the textile quotas will be abolished, textiles trade can be conducted on a fairer platform, enabling developing countries to give play to their strengths and benefit from the growth in textiles trade.

Now I wish to respond to the amendment proposed by Mr LEE Cheuk-yan. With regard to trade *vis-a-vis* labour rights, developing countries have constantly been very resistant to attempts by developed countries to incorporate sanctions relating to labour standards in the trade agreements. Developing countries generally regard these sanctions as discriminatory trading practices aiming to deprive poor developing countries of the opportunity to improve their economies and the standard of living of their people through the development of labour-intensive industries and service trade. It is for this reason that developing countries have all along raised strong opposition against discussions on the inclusion of provisions related to labour standards in the WTO. Given that decisions of the WTO are premised on consensus reached among all its members, the position of developing countries thus play a decisive role in the discussions of the relevant issues.

Hong Kong has consistently attached importance to labour rights and interests and actively participated in the work of the International Labour Organization (ILO). Indeed, most developing countries or territories are members of such organizations as the ILO, and have endeavoured to gradually improve labour rights and interests through the formulation of appropriate labour policies.

To enhance mutual co-operation, the Secretariat of the WTO has been participating as an observer in the various levels of meetings of the ILO, including the annual meeting of the ILO and the working group that studies

globalization from the social perspectives. Furthermore, there is communication between the Secretariats of the WTO and the ILO and they will reflect to each other the discussions of their members. We do support that these initiatives should continue. Meanwhile, we also consider that international organizations, when seeking to step up co-operation with one another, must concentrate on issues within their own ambit, in order to avoid duplication of efforts and waste of resources.

Concerning the last part of Mr LEE Cheuk-yan's amendment, we always hold that the position taken by the Government in multilateral trade negotiations must be premised on the interest of the Hong Kong economy as a whole, and the outcome of our efforts should also be beneficial to the community at large. To this end, we will consult the industries, concerned groups and the public before we engage in trade talks. Since there are numerous WTO meetings and the topics generally require repeated and protracted discussions before a consensus can be reached, if we have to consult the industries, concerned groups and the public before each and every such meeting, it would constitute tremendous technical and operational difficulties. However, I can assure Members that before we take part in any decisive meeting of great importance, we will, through various channels, listen to the views of the industries, concerned groups and the public to ensure that the decision made with our contribution will eventually be in the overall interest of Hong Kong and acceptable to the public.

Finally, I wish to take this opportunity to talk about our role in international trade negotiations. As I said earlier on, we firmly believe free trade is the cornerstone of sustained economic development, and our position in international trade negotiations is to pursue market liberalization and fair trade. For this reason, colleagues of the former Commerce and Industry Bureau, the Trade and Industry Department and Hong Kong's Economic and Trade Office in Geneva actively participated in the new round of multilateral trade negotiations in Doha in November last year, with a view to further promoting the liberalization of global trade. This round of negotiations was different from the previous ones in that the interest and needs of developing countries were very important considerations in almost every topic discussed. So, this round of negotiations is also known as the "Doha Development Agenda". Hong Kong supports the technical assistance provided by the WTO to enable developing countries to effectively participate in the multilateral trade system. But more importantly, we will make an all-out effort to seek more market access in the

negotiations, in order to develop more business opportunities for Hong Kong businessmen and at the same time enable developing countries to increase production, promote economic development, create employment and reduce poverty through their participation in international trade. According to the statistics of the World Bank, the elimination of all trade barriers can increase the global income by US\$2,800 billion and pull 300 million people out of poverty.

In the new round of multilateral negotiations, Hong Kong will continue to serve as an important bridge between developing countries and developed countries. On the trading of goods, in particular textiles, we, like other developing WTO members, face many discriminatory trade measures taken by developed countries. Therefore, we must stand on the same side of other developing WTO members. Nevertheless, on the trading of services, given that the service industry accounts for over 80% of our GDP, we will, therefore, actively pursue for the opening up of more service industries on the negotiation table, and this position is closer to that taken by developed WTO members. For these reasons, Hong Kong can fully appreciate the views of the two major camps, and thanks to our past efforts, we have built up a fair and constructive image and so, Hong Kong, albeit a small member only, can play the important role as a bridge between the two major camps.

Madam President, I hope what I have said can make clear to Members the objectives and position of Hong Kong in international trade. We know that free trade is not a panacea for resolving poverty, but doubtless trade will increase employment and raise the standard of living. While we have made some measure of achievements in free trade, we still have to constantly guard against the emergence of protectionism, and we must maintain our dynamics in trade negotiations and continue to work for an integral, energetic and sustained multilateral trade system.

Madam President, I so submit.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr LEE Cheuk-yan to Mr Bernard CHAN's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr LEE Cheuk-yan rose to claim a division.

**PRESIDENT** (in Cantonese): Mr LEE Cheuk-yan has claimed a division. The division bell will ring for three minutes.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Michael MAK and Mr IP Kwok-him voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Dr LUI Ming-wah, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Mr Timothy FOK, Mr Tommy CHEUNG and Mr LAU Ping-cheung voted against the amendment.

Mr Eric LI and Mr Bernard CHAN abstained.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO

Wah, Mr TAM Yiu-chung, Mr WONG Sing-chi and Ms Audrey EU voted for the amendment.

Mr Andrew WONG and Mr Ambrose LAU voted against the amendment.

Mr NG Leung-sing and Mr MA Fung-kwok abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 19 were present, six were in favour of the amendment, 11 against it and two abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 21 were present, 16 were in favour of the amendment, two against it and two abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

**PRESIDENT** (in Cantonese): Mr Bernard CHAN, you may now reply.

**MR BERNARD CHAN:** Madam President, first, I would like to thank my Honourable colleagues in their return to this Chamber two days in a row, and in particular, to the 10 Members who share with us their views on this complex issue.

It was not my wish in moving this motion to create a conflict between different groups within this Council, and that is why this motion has a simple and modest aim. It simply urges the Government to speak out about the so-called double standards that developed countries employ in denying access of third-world producers to their markets.

Being pro-free trade, with a clean record of practising what it preaches, Hong Kong is in a perfect position to add its voice to the many others speaking out on this subject.

The denial of free market access to developing economies slows down economic growth in those countries. The cost is especially heavy on the poorer parts of the population in these developing countries. It is the farmers, the textile workers and the factory workers who suffer the most. But ultimately, we all pay a price. The richer countries' consumers and taxpayers suffer. And the whole world has to live with the effects of poverty, including instability and a weaker business environment.

My motion is intended to be uncontroversial, realistic and achievable. I am not under any illusions that Hong Kong is in a position to influence the trade policies of the United States, the European Union or Japan. But it can lend some weight to a simple and just call for change. Let us, on all sides in this Council, join together in urging it to do so.

Thank you.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Bernard CHAN, as set out on the Agenda, be passed.

Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

Mr James TO rose to claim a division.

**PRESIDENT** (in Cantonese): Mr James TO has claimed a division. The division bell will ring for three minutes.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mrs Selina CHOW, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Tommy CHEUNG, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the motion.

Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr LAW Chi-kwong, Miss LI Fung-ying and Mr Michael MAK abstained.

Geographical Constituencies and Election Committee:

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr NG Leung-sing, Mr Ambrose LAU and Mr MA Fung-kwok voted for the motion.

Miss Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO Wah and Mr WONG Sing-chi abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 15 were in favour of the motion and five abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 21 were present, 10 were in favour of the motion and 10 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negated.

**NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 3 pm on Monday, 8 July 2002.

*Adjourned accordingly at sixteen minutes past Four o'clock.*