

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 24 October 1984****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR EDWARD YOUDE, G.C.M.G., M.B.E.

THE HONOURABLE THE CHIEF SECRETARY
SIR CHARLES PHILIP HADDON-CAVE, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN HENRY BREMRIDGE, K.B.E., J.P.

THE HONOURABLE THE ATTORNEY GENERAL
MR. MICHAEL DAVID THOMAS, Q.C.

THE HONOURABLE ROGERIO HYNDMAN LOBO, C.B.E., J.P.

THE HONOURABLE DENIS CAMPBELL BRAY, C.M.G., C.V.O., J.P.
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE DAVID AKERS-JONES, C.M.G., J.P.
SECRETARY FOR DISTRICT ADMINISTRATION

DR. THE HONOURABLE HARRY FANG SIN-YANG, C.B.E., J.P.

THE HONOURABLE LO TAK-SHING, C.B.E., J.P.

THE HONOURABLE FRANCIS YUAN-HAO TIEN, O.B.E., J.P.

THE HONOURABLE ALEX WU SHU-CHIH, C.B.E., J.P.

THE HONOURABLE CHEN SHOU-LUM, C.B.E., J.P.

THE HONOURABLE LYDIA DUNN, C.B.E., J.P.

THE HONOURABLE ALAN JAMES SCOTT, C.B.E., J.P.
SECRETARY FOR TRANSPORT

THE HONOURABLE PETER C. WONG, O.B.E., J.P.

THE HONOURABLE WONG LAM, O.B.E., J.P.

DR. THE HONOURABLE THONG KAH-LEONG, C.B.E., J.P.
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.
SECRETARY FOR TRADE AND INDUSTRY

DR. THE HONOURABLE HO KAM-FAI, O.B.E., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, O.B.E., J.P.

THE HONOURABLE ANDREW SO KWOK-WING, O.B.E., J.P.

THE HONOURABLE HU FA-KUANG, J.P.

THE HONOURABLE WONG PO-YAN, O.B.E., J.P.

THE HONOURABLE DONALD LIAO POON-HUAI, C.B.E., J.P.
SECRETARY FOR HOUSING

THE HONOURABLE WILLIAM CHARLES LANGDON BROWN. O.B.E., J.P.

THE HONOURABLE CHAN KAM-CHUEN. O.B.E., J.P.

THE HONOURABLE COLVYN HUGH HAYE. C.B.E., J.P.
DIRECTOR OF EDUCATION

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, J.P.

THE HONOURABLE CHEUNG YAN-LUNG, M.B.E., J.P.

THE HONOURABLE MARIA TAM WAI-CHU. O.B.E., J.P.

DR. THE HONOURABLE HENRIETTA IP MAN-HING

THE HONOURABLE PIERS JACOBS, O.B.E., J.P.
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE DAVID GREGORY JEAFFRESON. C.B.E., J.P.
SECRETARY FOR SECURITY

THE HONOURABLE HENRY CHING, C.B.E., J.P.
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE CHAN NAI-KEONG, J.P.
SECRETARY FOR LANDS AND WORKS

THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, J.P.
COMMISSIONER FOR LABOUR

THE HONOURABLE CHAN YING-LUN

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN

THE HONOURABLE PETER POON WING-CHEUNG. M.B.E., J.P.

THE HONOURABLE YEUNG PO-KWAN, C.P.M.

THE HONOURABLE JAMES NEIL HENDERSON. O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

THE HONOURABLE KIM CHAM YAU-SUM. J.P.

THE HONOURABLE KEITH LAM HON-KEUNG. J.P.

THE HONOURABLE CARL TONG KA-WING

ABSENT

THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.

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

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LI WING

Papers

The following papers were laid pursuant to Standing Order 14(2):—

Subject *L.N. NO.*

Subsidiary Legislation:

Public Health and Urban Services Ordinance. Public Health and Urban Services(Amendment of Fifth Schedule) (No. 2) Order 1984 -----	358
Public Health and Urban Services Ordinance. Public Health and Urban Services (Public Pleasure Grounds) (Amendment of Fourth Schedule) (No. 2) Order 1984 -----	359
Public Health and Urban Services Ordinance. Public Swimming Pools (Designation) (No. 3) Order 1984 -----	360
Apprenticeship (Periods of Apprenticeship) Notice 1984. Corrigendum -----	361

Government business**Motion****MOTION OF THANKS**

THE CHIEF SECRETARY moved the following motion:—That this Council thanks the Governor for his address.

DR. FANG:—Sir, it is a privilege to open the debate this afternoon on your address given on the 4 October at the commencement of this session.

May I first of all say a few words on the White Paper on the Sino-British agreement which was debated when I was away fulfilling an international commitment on rehabilitation.

I am convinced that, in all the circumstances, that the agreement as a package is the best deal we could possibly expect. It does reflect sincerity and willingness on the part of both Governments to enable Hong Kong to remain a stable place to live, to work and to prosper.

It is unfortunate that the British Nationality Act of 1981, which changed the status of the citizens of Hong Kong, came into effect so close to the negotiations. Unfortunately, it is considered by many to have been a deliberate move on the part of H.M.G. to distance herself from Hong Kong and this

suspicion has damaged the creditability of the British Government on this issue. It is hoped, however, that with the ratification of the Sino-British agreement and the return of sovereignty to China, those Hong Kong British subjects who may not wish to stay permanently in Hong Kong after 1997 will be able to obtain a right of abode in the United Kingdom. An assurance that the U.K. would always look sympathetically on such applications would do much to dispel the impression that we are being abandoned.

For the vast majority of Hong Kong citizens, I am sure my Unofficial colleagues are right that now is the time to make the agreement work. For it must be true that working hard towards our stability and prosperity is the surest guarantee that the agreement will be implemented not only for this generation but for generations to come, even beyond the year 2047.

In conclusion I wish to join with all my Unofficial colleagues in the Legislative Council in thanking you, Sir, for your great personal contribution and sacrifice, and our Unofficial Members on the Executive Council, whose fearless, selfless, meticulous and unyielding stance, both in public and behind the scenes, must have influenced immensely the shaping of the final agreement.

I would now turn to Your Excellency's opening address to this session. Sir, in your address you have emphasised that there will be changes and transformations in a number of areas in Hong Kong. So long as the changes are gradual and well understood by the public at large, I am sure they will be well accepted by the people, who are showing an increasing sense of belonging and civic awareness.

We all know that with the fall off in land sales, annual public expenditure can no longer be expected to be subsidised from this source of revenue. It is now time for remeasuring our resources. I am also aware that there will again be zero growth in the public service in the coming year.

You, Sir, have indicated that, despite the difficulties we are facing, the growth of our economy is going to be stronger than what was earlier expected and that a very large part of public sector expenditure in 1984-85 will continue to go into 'our investment in the future of the territory, that is on new towns, transportation, housing, schools, hospitals and clinics etc'. This is very reassuring and must further boost confidence in Hong Kong.

On the medical front, I wish to remark briefly on three issues. Firstly, I welcome whole heartedly the establishment of a Steering Committee on the Review of Medical Services provided in hospitals and the appointment of consultants to examine how best to improve the existing organisation and administration of our hospitals to enable them to cope more effectively.

Secondly, on the placement of dental graduates, since it is not the present policy for Government to provide general dental services in government hospitals and clinics; since the Prince Philip Dental School is to produce

qualified dental surgeons for the community at large; and since the primary difficulty in setting up dental clinics is the expensive equipment, will Government consider low interest or interest free loans to assist new dental graduates in setting up their own clinics in the private sector. This would help achieve Government's ultimate aim of improving dental services and without a recurrent financial commitment.

My third point is for Government to encourage the establishment of Hong Kong's own Academy of Medicine. This would primarily be an examination body to validate higher qualifications for clinical specialties, and to maintain internationally accepted standards. This is necessary because by 1997, or perhaps before that date, our training may no longer be recognised by overseas colleges, such as the Royal College of Surgeons, Physicians, and others of the United Kingdom.

On rehabilitation, Sir, I also wish to bring up some points which are contained in paragraph 94 of your address. I quote 'our plans for 1985 include preparation of a transport policy for the disabled, to enable that as far as possible the requirements of the disabled are taken into account in general transport planning'. I welcome this move and wish to suggest, as a start, that responsibility for Rehabus, which is a door to door service carrying the severely disabled to and from work, presently operating on 18 routes, be transferred from the Social Welfare Department to the Transport Department because providing transport for this purpose is no longer welfare. May I also urge that this valuable service be expanded further to enable more disabled to engage in productive work.

Paragraph 94 also mentioned the enactment of new legislation on access to buildings. This has been in the pipe line for quite sometime and a number of questions on this issue were raised in the last two Legislative Council sessions. May I urge that progress of this legislation be expedited and that all future public and commercial buildings be required to follow the Code of Practice to ensure they are accessible to those who are less able to cope with design deficiencies which present physical obstacles.

Also in your address, Sir, it was mentioned that efforts to improve public awareness and understanding of the problems of the handicapped, in particular the mentally ill, would be stepped up. It is hoped that the Government Committee on Public Education in Rehabilitation will be given adequate funds in order to discharge these duties effectively.

With these remarks, Sir, I have pleasure in supporting the motion.

MR. TIEN:—Sir, about two hundred years ago, Benjamin FRANKLIN made an interesting point. He said: 'No nation was ever ruined by trade'. Indeed, where there is trade, there is life, success and prosperity. We must above all remember Hong Kong is a commercial centre of supreme importance. We are in the

enviable group of top traders in such diverse areas as garments, toys, gold, container shipping and banking and finance.

What will happen, we may ask, as a result of the initialling of the Sino-British draft agreement? I can confidently say that with trade we can anticipate success in our endeavours. I can further say that trade is what Hong Kong *must* have for stability. And moreover, trade is what we do best. Of all the uncertain futures which everyone foresees for Hong Kong, there is one certainty and that is the certainty that with trade there is success, without it this certainty is lacking.

Fortunately, Hong Kong has skilled negotiators as well as enterprising manufacturers and traders who can help to ensure our continued success. Our trading performance so far this year is one of which we should feel very proud. The world judges us by our results. At all levels our industry is a success.

We must not, however, be complacent. Newer markets are required. An active policy of trade diversification is required. Our products must be more and more competitive. We must get simply better and spare no efforts at self-improvement. Everyday in every way we are getting better and better—not least in trade. The Trade Development Council is an instrument greatly respected as a generator of trade information. Its track record is undoubted. Its reputation in the Hong Kong business community is high. Its activities are seen as essential to an expansion of trade activities. It is soon to celebrate two decades of healthy growth and we look forward to the possibility of an overseas exhibition next year.

A writer said: 'There is no sight on earth more appealing than that of a beautiful woman in the act of cooking dinner for someone she loves.' The Chairlady of Trade Development Council is preparing the meal for the Hong Kong she loves.

Yet while it has a status and a high public vision to maintain, it still has many everyday things to do behind the scenes. In order to support the efforts of individual Hong Kong companies, much hard work is needed.

This includes the supporting of the efforts of individual Hong Kong companies, bringing together buyers and sellers through its trade enquiries service, participating in trade fairs, store promotions, and organising groups of business men and women.

I would like to conclude by calling upon the Hong Kong public (through the Trade Development Council) to see trade as an opportunity—a challenge and an adventure. And adventure, as has been well said, is the champagne of life. An adventurous toast then to our happy future and prosperity.

Sir, I support the motion.

MR. WU:—Your Excellency, in response to your inspiring address and in supporting your call for the Government and the people to participate in

building a bright future for Hong Kong, I wish to comment on three topics—the performing arts; education; and our taxation system.

Your Excellency referred to the Academy for Performing Arts in paragraph 79 of your speech and I am sure Members would now like to know of the progress that has been made since the enrolment of its first dance and music students last month, a year earlier than was originally anticipated.

The very large number of applicants, and the high standard of achievement and potential of those accepted, confirms my view, which was not shared by all, that there exists a rich well-spring of performing talent among the young people of Hong Kong. Already their enthusiasm and hard work are resulting in rapid progress in their studies.

Such progress would not be possible without first-class teaching. Fortunately the academy has been able to attract permanent staff of international repute, drawn to Hong Kong by the unique and exciting opportunities that the academy presents for intercultural and interdisciplinary work. The future work of the academy will be enhanced by a carefully planned programme of visiting teachers and artists of outstanding distinction from many countries.

Next year the academy will take up full residency in the new building provided so generously by the Royal Hong Kong Jockey Club. The facilities here will be second to none. Although their prime function will be to assist in the training of the students, they will also be used as fully as possible for the wider benefit of the people of Hong Kong. The premises are of course built to the highest standards. Isolating and keeping down outside noise interference has been a major and successful task, so far. But I have to express my anxiety about the future of the nearby helipad. The Chief Secretary has assured us that it will cease to operate by 31 August next. Whilst I would not suggest that this will not happen, there are disconcerting stories of determined efforts by the present users to persuade the Chief Secretary to change his mind. I hope it will be possible for me to be given an assurance that this will not happen, because the academy has not been designed to withstand such noise interference.

Your Excellency, the academy's council members and staff are very conscious of our responsibilities to the community and every endeavour will be made in the future to reach out into the community, to enrich its daily life, and to play a major part in establishing Hong Kong as one of the great cultural cities of the world.

Those of us responsible for the academy believe the performing arts can provide a bridge between East and West. Such a bridge is important, and will become increasingly so because of Hong Kong's unique situation. I am happy to report that its foundations have been successfully laid.

Sir, wearing my other hat, I must also say something about the Council for the Performing Arts. Since its inception, the council has been primarily

concerned with, and restricted to, reviewing the present performing arts scene and advising Government on the funding of a limited number of specific arts organisations. However, it is now time to move forward and this month the council adds a new dimension to its role.

The Finance Committee of this Council recently approved the creation of a block vote of funds which will be disbursed on the advice of the Council for the Performing Arts. It will accordingly decide where to channel the funds and thus be more truly able to foster the arts, to support new endeavours and to respond to new ideas.

This is the first step putting funding of the arts at the territorial level into the hands of those who understand the issues involved. But this is not enough. In the longer term, Hong Kong also needs its own Arts Trust, built from contributions from corporate and caring members of our society, and the council will be considering how best to develop this idea in the coming weeks and months.

Your Excellency, with regards to education, I am pleased to learn that the Education Commission has completed its study of the priority areas identified by the International Panel of Visitors who conducted an overall review of our educational system. I look forward to knowing the outcome of the commission's recommendations in its First Report, particularly those concerning language in education.

As I have said before in this Council, language is crucial to the advancement of our intellectual and even our economic life, and a start must be made as soon as possible to improve the standards of Chinese and English in our schools and in the community at large. With this in mind, I should like to refer to paragraph 83 in your address on the Working Party on the Chinese Language Foundation, which I chaired and on which I submitted a report in March 1982.

It is encouraging to note that the Government is examining the recommendations in that report concerning the production of primary and secondary school textbooks written in Chinese. However, I am slightly disappointed that no indication was given of the Government's view on the proposed Chinese Language Foundation's broader objective, namely, to promote and facilitate the better use of Chinese as a tool of communication, study, work and leisure through various promotional, research and publishing activities involving not only schools but also the mass media and the community as a whole. I should like to make a plea that while the production of school textbooks should be given top priority because of its relevance to the medium of instruction in our schools, the other proposed activities of the foundation should also be supported and given equal emphasis because they are complementary to each other and together they are beneficial to the future development in Hong Kong.

Sir, in broader terms, I believe we must now be quite certain we know where we are heading so far as our educational policy is concerned and take measures to ensure we reach our goals. It seems to me there are two major aspects that must be addressed:

First, how is our education policy to change now that the draft agreement has been initialled, if indeed it is to change at all?

Second, are the parameters of education offered in Hong Kong to remain the same as in the past or is the perspective to be broadened to take account of Hong Kong's future relationship with China?

It must be borne in mind that the most basic education now takes nine years, while those who go on through university needed almost twice that time. In other words, many of those now entering school will still be studying in 1997 and consequently no time can be lost in deciding on the educational policy that will guide their studies.

Finally, Sir, I wish to turn to our taxation system. As a businessman and not a member of the accounting profession, I only ask that our taxation system be kept simple and that we do not create a bureaucratic monster of the kind that is such an impediment to business in many other countries.

We are all appreciative of the efforts of the Financial Secretary and his team in dealing with our deficits. But the solution does not lie in creating a tax system that only experts can understand. This is the danger we now face. Recent Inland Revenue Amendment Bills show a marked tendency towards the introduction of complicated tax systems and reporting requirements. These are a source of anxiety to businessmen and—equally worrying—they are contrary to the manner in which taxation has always been handled in Hong Kong.

Members will be aware that in some countries the tax laws are now so complicated that many people cannot even fill out the forms for their personal assessment without assistance. In such places 'tax consultants' have become a major industry in their own right because it has become a full-time job keeping up with the latest amendments and the loopholes that can be made in them. Such a situation negates one of the most important principles of democracy— that governments are set up to serve the people, and not the other way round. Unfortunately there are disturbing signs that recent tax legislation in Hong Kong, and some that has been suggested, can quickly undermine our entire economy because if it becomes established, companies may move their funds away from Hong Kong. This must not be allowed to happen here.

With these remarks, Sir, I support the motion.

MR. S. L. CHEN:—Sir, constitutional development is an area where only a broad-brush treatment was given in the draft agreement on the Future of Hong Kong, and the draft agreement provides just the basic essentials. Consequently

I believe there will be some scope for the development of Hong Kong's governmental system during the years to come. The proposals in the Green Paper on the Further Development of Representative Government in Hong Kong seem to be the logical steps towards this direction.

The fact that nearly one quarter of your annual address was devoted to constitutional development clearly reflects the importance which you attach to the vital task of evolving a more democratic form of government for Hong Kong during the course of the next thirteen years, with the aim of rooting the political power in the community where it belongs. But thirteen years is a very short time in which to establish a truly democratic system worthy of the words. Some of course would like to have the process completed yesterday! We must not forget that it has taken countries like the United Kingdom hundreds of years to develop and establish their democratic political system which is still by no means perfect. This being the case, it would be too much to expect that Hong Kong could achieve a fully and truly democratic system of government in a matter of thirteen years or less.

I believe, Sir, the importance does not lie so much with completing the system in thirteen years but with the building of a solid foundation on which a sound governmental system could develop and flourish in the years to come. We must allow time for the system to evolve gradually and, more importantly, for people of the right calibre serving the system to emerge. A hastily developed democracy could only be Hong Kong's own worst enemy.

Sir, you have on many occasions reminded us of the importance and the need for continuing industrial capital reinvestment in new plant and machinery, particularly in the present situation where the growth in our exports has not been matched by a corresponding increase in investment by industry. I earnestly hope that local businessmen and industrialists would respond positively to your call. But with respect, they are unlikely to heed your call unless they can see the government of the future will command both their faith and trust. Therefore, we must not be carried away unwittingly by the sweet sound of democracy, and ignoring that our priority task is to maintain Hong Kong as a sound and healthy economy which, as I said in the debate on the White Paper on the draft agreement, is our surest guarantee for future survival. Putting it crudely, an economic decline in Hong Kong would be detrimental to the full and faithful implementation of the draft agreement and consequently our survival.

Industrialists will also be looking for pointers from the Government. In particular, they will watch carefully whether the Government is also investing in the future of Hong Kong and to invest wisely so as to encourage and stimulate economic growth. However, from statistical records of public expenditure as shown in Table (3) in the Financial Secretary's Budget Speech in February this year, it can be seen that for the past ten years, expenditure on economic services represented only a very small percentage of the total public expenditure, small in contrast to the expenditure on social services which has been kept at a very

high level of over 40 per cent of total expenditure for the same period except year 1981-82. Even this small percentage has been continuously diminishing from 6.2 per cent in 1975 down to the estimated 3.6 per cent for the current financial year. This, I would say, can hardly be seen as encouragement to develop and strengthen our economy.

I feel strongly therefore that in the light of the new situation which has arisen from the draft agreement, some change in the existing government policy would have to be seriously considered. In particular, the disparity in emphasis between social and economic services should be addressed to reflect the importance of maintaining Hong Kong as a sound and healthy economy. In my view, economic services should be strengthened. Instead of reacting to events they should adopt a more aggressive and dynamic approach to assisting commerce and industry. They should also be encouraged to sponsor and provide industrial support services such as advanced research and development facilities which are normally beyond the capacity of any individual industrial organisations or even a complete sector of the industry, but are essential to maintaining their lead in the international market.

I appreciate of course that the non-interference policy has served Hong Kong well in the past. But even the healthiest person requires a dose of tonic from time to time to maintain peak conditions. For Hong Kong to maintain and strengthen its economy, particularly after the uncertainty for the past two years, timely encouragement and assistance from Government would only be right and proper. As you said, Sir, Hong Kong has built up and maintained its industrial lead in the region but in a competitive world we cannot afford to let that lead slip.

With these words, Sir, I support the motion before Council.

MISS DUNN:—Sir, last week the majority of the Members of this Council endorsed the Sino-British agreement on the future of Hong Kong. I think the general impression that all of us have gained from the public and private discussion of the agreement since it was published is that it will prove acceptable to the majority of the people of Hong Kong and that it will, therefore, in due course be ratified and come into effect some time before the end of June next year.

The coming into effect of the agreement has many implications for the Government and the community and for the relations between them. This afternoon I shall confine myself to four areas that seem to me important: namely, the implications of the agreement for our system of government; the changes that will be needed in the attitudes of the Government and the community; the case for a reappraisal of the central machinery of government; and the importance of maintaining the efficiency, loyalty and morale of the public service if we are to continue to have an effective government during the next 12 to 13 years and beyond.

But first I should say that to my mind the most important immediate practical consequence of this agreement is that for the first time the Hong Kong Government will have before it one clear over-riding aim. We have, of course, many aims of policy but we have never before had, as we must have now, one over-riding aim. That aim must be to govern Hong Kong in such a way and to develop its system of government in such a way as to ensure the smoothest possible transition from our present status as a British Dependent Territory to our new status in 1997 as a Special Administrative Region of China. If we are to make that transition smoothly and successfully we must keep that aim in clear view all the time. We must ensure that everything the Government does, every change that we make, will facilitate or at least not in any way prejudice the transition.

The most important area of necessary change will be, of course, in our system of government. We have already made a start with the Green Paper on more representative government. The proposals were published before we knew what would be in the Sino-British agreement.

Now we know that the government and legislature of the S.A.R. will be composed of local inhabitants; that the chief executive will be chosen by elections or consultations to be held locally; that principal officials will be nominated by the chief executive for appointment by the Chinese Government; that the legislature will be constituted by elections; and that the executive authorities will be accountable to the legislature.

I have previously advocated that we should move towards a ministerial system, by which I meant that the principal officials, or ministers, of the government, should be chosen and appointed by the chief executive from among the members of the legislature. I believe that only in this way can we forge a strong chain of responsibility linking the elected legislature, the executive and the public service and that only thus can the executive and the public service become truly accountable to the people they exist to serve. But as you have said, Sir, this is not the only way to proceed. The other way is for the chief executive to nominate principal officials who are not members of the legislature. Which way are we to go? I accept, Sir, that, as you have said, this is not a question to be decided in the immediate future but it is a question that will have to be faced before long, firstly because the decision that is made will have considerable implications for the rest of the system and secondly because it is, I think, clearly necessary that the new system should be working smoothly well before the time of transition.

Another thing we have to think about is *how* the executive authorities—and I assume that executive authorities include the chief executive—how the executive authorities ‘shall be accountable to the legislature’, to use the words of Annex I to the Joint Declaration. That phrase does not just mean answering questions in this Council. It means that we shall have to take accountability a good deal further than it goes at present.

Just as important as changes in the system of government will be changes in our attitudes to it. By 1997 Hong Kong will be running its own elected government. Now we in Hong Kong are quite used to being the governed, who criticise but put up with their government and we have recently become much more vocal about the sort of government we think we should have. But, as the numbers voting in the District Board elections showed we have not yet become used to the idea that we should participate in government.

As a community we tend to take little interest in what the Government is doing unless its actions directly affect our own interests. In future we shall have to think more about whether its actions are good for the community as a whole.

So we need a really fundamental change in our attitudes to our Government. But this must be matched by a change in government attitudes also. For if the public does not feel that the moves towards more representative government will lead to real change in the way we are governed then as I said in the debate on the Green Paper on representative government, there is a risk of a continuation of the apathy that has characterised the public's attitude to District Board and Urban Council elections in the past.

As you said, Sir, when you introduced the Green Paper on more representative government, one of the aims is to develop a system that is more directly accountable to the people of Hong Kong. So the Government must be more, and more quickly, responsive, and it must not be so defensive. It must react to public opinion, to criticism and to opposition with reasoned argument and a willingness to consider change without being forced into it. It must not ignore, reject without argument or brush aside objections, however misconceived it may think they are.

A reappraisal of the machinery of government will also be necessary. I have proposed this many times. I find it rather strange that the Government has always declined to take it up because when I first proposed it I was only following up a remark by the then Financial Secretary in his 1978 Budget Speech. He suggested that the time had come for another look at what he described as the organisation of the Government's internal administration.

I came back to that subject in 1979, 1980 and 1981. Success at last I thought then, for the then Chief Secretary replied that 'the time (had) come for another look at the overall organisation of the central government' and said that he had given 'instructions that a reappraisal be undertaken by the Administration Branch'.

In the Budget Debate of 1982 I asked what was the outcome of this reappraisal. In his reply, the new Chief Secretary ignored this inquiry. Instead, he listed the changes that had been made in the Secretariat in the past year. But these were merely changes within the existing system such as the dismemberment of the Environment Branch into three parts. He referred also to other

switches of responsibility from one Branch to another and to the 'defederalisation' of the Public Works and Trade, Industry and Customs Departments.

I have no doubt that these changes were desirable or even necessary but the recital of them did not answer the question I had raised: is the system itself the right one?

So, in October 1983 I tried again, only to be told by the Chief Secretary who as the Financial Secretary had started the whole thing back in 1978 that he saw 'no necessity for and even less wisdom in' the reappraisal he and I had proposed.

I find all this rather astonishing for two reasons. One lies in the fact that since the secretary system was introduced over ten years ago on the recommendations of McKinsey and Co., management consultants, no thorough study has yet been made of whether the new system is actually realising the aims set out in the original brief to the consultants.

One of the requirements put to McKinsey was to make better use of scarce manpower. In practice the new system resulted in such rapid growth in Secretariat numbers that the Government soon had to put an extra storey on the building.

Over the last ten years we have seen an increase from seven Secretaries— already one more than McKinsey proposed—to twelve today. How many can we reckon to have by 1997?

The other and stronger reason for my astonishment at the Government's persistent refusal to reappraise the present system (and the consequential growth of the Secretariat) is that McKinsey's proposals for the new central machinery of government were based on a fundamental misunderstanding of—or failure to read—our Constitution. They thought that 'policy' was a product of the Secretariat. They never grasped that it is made by the Governor in Council and, if it requires legislation or finance, confirmed by this Council. It is then carried out by the departments of Government. The Secretariat is just that. Secretariat officers are, in relation to the Executive Council and to departments, not line managers but staff officers.

I accept that where McKinsey and Co. went wrong is a bit academic now, except that it does make clear that there is no particular virtue in the present system. Let me make it quite clear, I am not proposing a fundamental reappraisal of an ancient, tried and tested constitution but of a ten-year-old arrangement that stands anyway on pretty shaky premises.

With the development of an elected legislature, the removal from it of most of the Official Members, the development of a new constitution of Executive Council and of a new relationship between the two Councils, it will undeniably be necessary also to reconsider the form of the central machinery of Government. I am sure that none of us want a highly centralised government. Flexibility and responsiveness demand decentralisation.

So, to start with, could we have a written definition, as precise as possible, of the authority and responsibility of each secretary? To me at least the relationship between them and Heads of Departments has always been unclear. The Secretaries are generally senior, but the ordinances under which departments operate confer authority and responsibilities on Heads of Departments. Secretaries are not mentioned. The Departmental Heads appear also to have financial authority. It is they who are generally shown in the Estimates as vote controllers and I believe they are also accounting officers. So who is, or will be, accountable for the operations and expenditure of each department?

The need to keep our complex administration running efficiently while at the same time adapting it to face the future lays a very heavy responsibility on our public service. We are fortunate that, as we enter this new era, we already have a public service that has served Hong Kong well, that is hard-working, efficient and dedicated to the public good. We all know that the members of the service have been particularly affected by the stress and uncertainty that have affected us all in the last two years. They have not allowed their personal concerns to affect their performance. We should acknowledge the debt we all owe them. The demands that the community makes upon them will not grow less in the future. The Hong Kong Government must govern as effectively in the future as it has done in the past.

This cannot be done unless we can keep a loyal and dedicated public service. The maintenance of the morale of the service poses an awkward dilemma, whose existence it would be foolish to deny. Part IV of Annex I to the draft agreement provides that from 1997 all public servants may continue in their employment with their pay and conditions of service no less favourable than before and their pension and gratuity rights guaranteed. But it also provides that expatriates may no longer serve as Secretaries or as heads of major departments at the same level nor as deputy heads of some departments though they may continue to serve as advisers.

This has two implications. One is that localisation must be speeded up. We must have a more systematic approach to it. Systematic efforts must be made to identify early and to train for greater responsibilities those who have the potential to become the senior officers of the future perhaps sooner than they would have got there before. The other implication is that the career prospects of expatriate officers may not be as good as they have been in the past. But the maintenance of the efficiency and stability of the service is just as important as the need for accelerated localisation. Expatriates have served and continue to serve Hong Kong well, working in harmony with an increasing proportion of local officers. We must not therefore pursue localisation so singlemindedly as to give the expatriates the feeling that there is no future at all for them.

Sir, the management of the public service, indeed, the management of our affairs generally will require a great deal more imagination and understanding

than ever before. We must all be mindful of the implications of the Sino-British agreement for our future. As I said at the beginning of this speech our overriding aim must be to ensure the smoothest possible transition from our present status to our new status in 1997.

Sir, I support the motion.

MR. PETER C. WONG:—Your Excellency, now that the future of Hong Kong has been amicably settled, it is only right that we should now focus our attention on the immediate problems facing us.

Your Excellency emphasised in your address that the United Kingdom will continue to be responsible for the administration of Hong Kong until 1 July 1997, and that ‘the Government would continue to discharge its duty of governing Hong Kong in the interests of the community, and meet the essential needs so that everyone in Hong Kong will be encouraged to have faith in the future.’

It was an encouraging review of Government’s plans for the coming year and one that should help restore confidence and serve as a stimulus to the resilient and hard-working Hong Kong people in their search for a better life.

This afternoon I will speak briefly on legislation, law and order, textile quotas and education.

Legislation

I shall begin with legislation. We have 12 to 13 years to consolidate the laws now in force in Hong Kong. This task will be time-consuming and should be undertaken without delay. Several of our ordinances are dependent on English statutes and to that extent, amendments will have to be introduced so that our laws can stand on their own. Ordinances relating to shipping, civil aviation and patent are obvious examples. Obviously, certain modifications to our existing laws will also be necessary in view of the impending constitutional changes.

Last session we enacted our own law on conveyancing and property. That, incidentally, had nothing to do with 1997, but nonetheless, it was in a way a momentous piece of legislation, tailored to meet the unique circumstances of Hong Kong. For the first time in 143 years, Hong Kong now has its own provisions in this vital area of the law. The new ordinance, which comes into operation on 1 November, is clear and concise and adequate for our needs. Besides removing many uncertainties, we do not now have to depend on obsolete English legislation.

The legislative programme for the current session will understandably be heavy, but this Council, as well as UMELCO, is well poised to undertake the tasks that lie ahead.

Law and Order

I now turn to law and order. I share Your Excellency's concern over the high incidence of triad and gang crimes, and serious and violent crimes committed by young men. The prevalent use of firearms in the commission of crimes must be deplored. The legislative proposals referred to by Your Excellency are therefore encouraging. In my view, there is probably no better deterrent than the provision of increased penalties and the imposition of heavier sentences.

The supreme punishment is, of course, the death penalty. I have always considered myself an abolitionist. However, with the high incidence of serious and violent crimes and the advent of a new era, I may be persuaded to review my stance. My own view is that if the people of Hong Kong had their say, many convicted murderers, now serving their commuted life imprisonment, would have forfeited their lives for the heinous crimes they had committed. The death penalty, in fact, is still on our statute book.

After the terrorist bomb attack in Brighton, the movement to restore the death penalty in England is gathering momentum. In the final analysis, the overall interests of the community must override those of the individual. If the death penalty is ever carried out in Hong Kong, I for one would not subscribe to the return of the gallows. It is a primitive form of execution which belongs to another age. Perhaps a civilised method should be used, such as the injection of a lethal solution preceded by an appropriate dose of anaesthesia. Even the most atrocious of criminals deserve humane treatment.

While on the subject of crime, I would like to refer to one particular concern—the 'infiltration' of triads into our schools. Despite assurances by the Administration, I am not satisfied that enough has been done to protect the younger members of our society from triad influence. I would urge the Government not to underestimate the seriousness of this problem and to take positive steps to remedy the situation before it gets worse. I would also appeal to school authorities and parents not to turn a blind eye to this destructive force which is threatening the healthy existence of our schools. Their co-operation is absolutely essential if we are to succeed in eradicating the triad element from our educational establishments.

Quotas

From the topic of crime, I propose to proceed to the subject of our existing quota system. I am by no means suggesting that there is a connection between the two subjects. Nonetheless, it is an issue which deserves prompt and positive action. During the budget debate this year, I spoke in this Council on the need to reform our textile quota system. Since that time I believe the volume of quota transfers in 1983 for the U.S. market has increased to the extent that quotas transferred were in excess of 50 per cent of the overall restraint limit. This demonstrates to me that the quota holdings are now out of line with the structure of the industry and trade. I urge the Government to address this problem urgently to safeguard the community's wider interests in this matter.

Education

My fourth and last topic deals with education, which is a subject close to the heart of every parent. Perhaps more than any other factors in our society, it provides the foundation upon which the future of the individual as well as that of the community is built. Hong Kong is lucky to have a comparatively sound educational system, but because of circumstances beyond our control, we are constantly struggling against shortages of school places as well as teachers. This has resulted in keen competition and selection processes which are not entirely satisfactory. In so far as the pressure on the pupils and students is concerned, Hong Kong is perhaps second to none. It is true that we do produce first-class scholars, but the attainment of such excellence is at the expense of fostering a more balanced development. The pressure is such that only a few talented pupils and students can afford to enjoy the many good things that life has to offer. This undesirable situation should be rectified in the medium if not in the short term.

The Education Commission has been taking a long hard look at the overall educational system and will be presenting its report to Your Excellency at the end of this month. Although it would not be possible to re-structure the whole system overnight, it is hoped that with hindsight and prudent planning, our existing deficiencies will be progressively reduced.

One area which is of general concern is the J.S.E.A. Admittedly, it is a necessary evil. It can only be abolished if there are sufficient form IV places for students wishing to proceed beyond the nine years of compulsory education. For an answer, we shall have to wait for the report of the Education Commission.

A staunch advocate for a third university, I am extremely pleased to learn that a number of sites for such an institution have been indentified. There is no doubt whatsoever that we need a third university. Arguments in favour are overwhelming. The only possible constraint I can think of is finance. University education is expensive and a heavy burden on the public revenue. As a long term investment, however, the money to be spent on a third university will bring incalculable benefits to the community. I believe I do not need to labour on this point.

Finally, a word on the White Paper on the future of Hong Kong in so far as it concerns education. I am particularly pleased to note the contents of paragraph X in Annex I which reads as follows—

‘The Hong Kong Special Administrative Region shall maintain the educational system previously practised in Hong Kong. The Hong Kong Special Administrative Region Government shall on its own decide policies in the fields of culture, education, science and technology, including policies regarding the educational system and its administration, the language of instruction, the allocation of funds, the examination system, the system of academic awards and the recognition of educational and technological

qualifications. Institutions of all kinds, including those run by religious and community organisations, may retain their autonomy. They may continue to recruit staff and use teaching materials from outside the Hong Kong Special Administrative Region. Students shall enjoy freedom of choice of education and freedom to pursue their education outside the Hong Kong Special Administrative Region'.

The amount of detail contained in the agreement regarding education is indicative of the importance of the existing educational system in Hong Kong. The agreement undoubtedly provides a sound basis for the continued development of our own unique system.

In this connection, Sir, certain issues merit further attention, for example, the development of the existing programmes of civic education and the promotion of civic awareness. Other issues which need to be addressed as a matter of priority include the teaching of Putonghua, contemporary Chinese history, simplified Chinese characters currently used in China and generally Chinese culture, modern as well as traditional. The question of textbooks, curriculum development and other topics should, of course, continue to receive close attention. In a fast changing society, constant review is necessary over the whole spectrum of educational matters.

Sir, I have great pleasure in supporting the motion.

MR. WONG LAM delivered his speech in Cantonese:—

督憲閣下：近兩年來，本港因政治前途的不明朗，猶如處身迷霧之中，各項發展和市民生活都大受困擾，每有不知何去何從之感。

九月底公布的中英草簽協議，使到情況大為改善，猶如迷霧中有了指南針。雖然今後前途仍有未明確的地方，但祇要市民和有關政府齊心合力，取向正確，相信香港達到目標的可能性極大。

港人的目標，是希望香港無論在一九九七年之前或後都能夠保持繁榮、安定和生活方式不變等。要使一九九七之後仍有良好的發展，港人必須在九七之前努力奠定良好的基礎。所以對港人來說，最重要的是如何好好處理未來的十三年。

本人認為未來的十三年應分三階段來處理，每階段約佔四年。第一階段（即現今至八八年間）主要的工作是如何擺脫政治前景不明的陰影而重新踏上發展的軌道，使香港繼續繁榮、安定，市民能夠如七〇年代及八〇年代初期般安居樂業。另一項重要的工作是為將來政制上的改變作好初步的準備。

第二階段（即八八至九二年間）最重要的工作應是一方面繼續保持繁榮、安定，另一方面則完成港人治港的各種程序，建立適當的政治架構，使港人在一定程度上，開始實際治理香港。

第三階段（即九二至九七年）是演進期，屆時名義上雖然仍是英國政府管治香港，但在極大程度上已由港人自行治理，使港人在九七年來臨之前，有機會實踐高度自治，利用此段時間，吸取經驗，慢慢演進，以便至一九九七年時，各種安排都行之有年，井井有條，運作良好。

第二和第三階段是較長遠的事。本人今天要集中討論的是第一階段的問題。

第一階段首先要着意的是如何消除過往兩年政治前景不明朗所留下的陰影。政治前景不明朗使投資意慾下降，使人和財外流，使金融產生極大的動盪。香港前途協議草案的公布，有助於增強港人信心和解決這方面的問題；不過，施政報告中除了說明的政府不打算改變聯繫匯率制度及加強金融業的監管外，並未提及政府有何積極的做法，鼓勵及刺激投資，尤其是資本金性的投資，亦未提及如何保留人、財。希望政府在這方面有更明確的顯示和安排。

第一階段的第二項重要工作是政府如何維持各項民生及基本建設，推行各種社會計劃，使港人及世界各地瞭解和相信香港政府於九七年前的保持香港繁榮和安定的決心。這方面施政報告有全面性的交代，也提供足夠的資料證明政府的決心，因為部份建設工程及社會大計，不獨耗資極大，而且跨越八〇年代而至九〇年代，甚至跨越一九九七年。這是很恰當的做法，當為市民所樂聞的。

第一階段的第三項重要着眼點是如何保持政府的威信。在主權將易手的情況下，港政的威信並不如過往的容易保持。市民小小的不滿也較以往容易擴大，帶來動盪和不安。政府在推行政策上應更着意於市民的意願；一些如去年引致的士罷駛風潮的法案或行政措施應可免則免，不應因個別官員的堅持或偏見而勉強市民接受。保持威信並不等於保持固執，希望政府對此有深刻的體會。

第一階段的第四項重要工作是如何為將來港人治港在政制架構上作好準備，以便於第二階段時港人能夠在一定程度上負起治港的責任。本人認為這項工作包括兩方面。一方面是應於第一階段末期（約八八年間）即進行的有限度的直接選舉，使港人能夠於八〇年代末期即接觸到一個將來必定要面臨的問題，從而吸取經驗和加以改善。本人的同意政制改革應當循序漸進，不應操之過急，而且瞭解到間接選舉有其特殊的作用，但深信港人無論如何將來必會面臨直接選舉的事實，即使不是全面性選舉也會逐步向部份直接選舉的情形。早日加強市民政治和政制上的認識，使市民一步步地習慣直接選舉是有必要的。施政報告中提及政府仔細考慮提早於一九八七年檢討政制等問題，實在是適當的做法。

為港人治港的政制架構作好準備，另一方面的的工作是政府應早日將行政與監察的機構分立。目前司法經已獨立，但行政和立法架構仍然未能真正分開。代議制綠皮書中顯示政府經已注意這問題，而施政報告中亦提及由明年開始，立法局將遷往舊最高法院大樓，於新會議廳開會。形式上這是很好的做法，不過本人希望政府在實質上亦能盡早將行政機構和監察的立法機構分開，可惜施政報告中對此並未作有詳細的討論，相信代議制白皮書發表時會有較深入的計劃透露出來。無論如何，本人希望行政和立法機構分離的步伐能夠於九〇年代初即已達到兩者全面獨立。

閣下，正如剛才所言，本人無意於現階段詳細討論八〇年代末及九〇年代的問題，但認為在處理第一階段（即現今至八八年）問題上，雖然政府有些問題應該加強關注，在某些政制改革上應該調整及加速步伐，但整體而言，足見政府在目前（即一九八四年）所踏出的第一步是正確和恰當的。本人樂於支持此項動議。

(The following is the interpretation of what Mr. WONG Lam said.)

Sir, for the last two years, Hong Kong was shrouded in a thick mist because of political uncertainties about the future. All kinds of development and the livelihood of the Hong Kong people were seriously affected. We found ourselves at crossroads and did not know what to do.

The situation, however, has now been greatly improved because of the announcement of the Sino-British draft agreement at the end of September. We have been given a compass to find our way out of the mist. Admittedly, some uncertainties about the future still exist, yet so long as the people of Hong Kong and the Government make concerted efforts and take the right approach, it is highly possible that Hong Kong will attain its goal.

The continuation of prosperity, stability and the present life-style in Hong Kong before and after 1997 is the goal which the Hong Kong people have in mind. To ensure satisfactory development after 1997, Hong Kong people should strive to lay a sound foundation for its future before 1997. Thus, the most important task of the Hong Kong people is to face the next thirteen years successfully.

In my view, the next thirteen years can be divided into three periods, each of about four years. The major concern of the first period (that is from now to 1988) is to remove the shadow that political uncertainties have cast over Hong Kong and put Hong Kong back on the track of development so that prosperity and stability may be maintained and the people here may work and live comfortably and peacefully as they did in the '70s and the early '80s. Another major concern of the period is to make preliminary preparation for future political changes.

The most important problem of the second period (that is from 1988 to 1992) will be the maintenance of prosperity and stability on the one hand and the drawing up of all the procedures necessary for the practice of 'Hong Kong people administering Hong Kong' on the other, so that a proper political structure may be built up and Hong Kong people may begin running the territory to an appreciable extent under this structure.

The third period (that is from 1992 to 1997) will be a period of progressive transition. By that time, Hong Kong will stay under Britain rule only in name. To a very large extent, Hong Kong people will administer Hong Kong, with a 'high degree of autonomy'. This period will provide a chance for Hong Kong people to practice self-administration, gain experience and gear themselves towards the transfer of sovereignty so that by 1997 all the necessary arrangements may already be operating smoothly and orderly.

As the second and third periods are relatively not as imminent as the first one, I will focus my attention on the problems concerning the first period.

In the first period, we should first try our best to remove the shadow cast by political uncertainties that bothered us in the last two years. Political uncertainties dampen interest in investments and result in the outflow of brains and wealth from Hong Kong, leaving the monetary sector in a great turmoil. The arrangement of the draft agreement on the future of Hong Kong has helped Hong Kong people to regain their confidence and solve some of the problems in these connections. Nevertheless, other than informing us that the pegged exchange rate system will remain in force and stronger regulation will be

introduced in the financial sector, nothing has been said about the introduction of positive measures to encourage and stimulate investments, in particular capital investments and re-investments. Furthermore, no idea has been given on ways to retain brains and wealth. It is my hope that Government will give more specific details and make more definite arrangements in these respects.

The second crucial task of this period is to continue to maintain the standard of living of the Hong Kong people, develop our infrastructure and introduce various kinds of social programmes, to show and convince the world and the Hong Kong people that the Hong Kong Government is determined to maintain prosperity and stability in Hong Kong for the period leading up to 1997. Your policy address has given us a comprehensive view in this respect and provided us with adequate evidence of the government's determination in this regard, for some of the public works and social programmes are indeed very massive and costly and will extend beyond the '80s and the '90s, or even beyond 1997. It is appropriate for the Government to do so and I believe the people of Hong Kong are happy to know these.

The third crucial task in this period is the upholding of the Government's authority. With the impending transfer of sovereignty, it will not be easy to exercise authority as before. A minor social discontent could easily flare up and result in chaos and instability. Thus, the Government should pay much greater care to the wishes of the people in introducing its policies. Bills and measures that may cause disturbances such as the one caused by the taxi-drivers' line-up this year should be avoided as far as possible. Government measures should not be taken simply because individual opinionated officials assist on implementing them. Upholding authority is different from upholding obstinacy. It is my hope that the Government will take heed of this advice.

The fourth crucial task of the first period is to make the necessary arrangements in the political structure so that the people of Hong Kong will govern Hong Kong to an appreciable extent during the second period. I think this preparation should involve two aspects. Firstly, direct elections to a limited extent should be introduced towards the end of the first period so that Hong Kong people would have a chance to get in touch with this inevitable reality in the late '80s, gain experience from these elections and to introduce improvements where necessary. I agree that political changes should be progressive. It would be wrong to introduce changes too quickly. I also appreciate the significance of indirect elections for they serve a special purpose. Yet I firmly believe that Hong Kong people would sooner or later face the reality of direct elections, though not entirely full scale, at least half scale. There is an exigency to strengthen people's awareness in politics and political systems now and lead them onto the road of direct elections step by step. You mentioned in your address that the position of political reforms would be reviewed as early as 1987. I consider this a very appropriate move of the Government.

Secondly, to prepare for changes in the political structure, it would be necessary to separate the administrative machinery from the monitoring machinery. We have an independent judicial system in Hong Kong, but the position is not so with the administration and the legislature. The Green Paper on the Further Development of Representative Government in Hong Kong indicates the Government's attention to this problem. It is mentioned in your policy address that the Legislative Council will move into the old Supreme Court building and hold its meeting in the new Chamber next year. This is a good move that would physically separate the two machinery and give the Legislative Council a new look. Yet I hope that the Government will similarly separate in essence the monitoring institution from the civil service as soon as possible. It is regretted that the policy address has not elaborated on such a move. I assume greater details in this respect will be given in the White Paper on the Further Development of Representative Government in Hong Kong. Nevertheless, I do hope that such a move will be accelerated. It would be advisable if the legislature can be independent of the civil service by the early '90s.

Sir, as I have said, I do not intend to discuss in detail the problems that would arise in the late '80s and the '90s. I have pointed out the problems of the period to which the Government should pay greater attention and I have also listed some of the political reforms which should be stepped up. I would like to say that, on the whole, the Government has taken a proper and appropriate first step at this stage in 1984 and I have pleasure in supporting the motion.

DR. HO:—Sir, no other measures can be more convincing to show the Government's commitment to administer Hong Kong in a single-minded and conscientious manner up to the historic landmark of 1997 than the long list of development projects you, Sir, pronounced in your annual address. These infrastructural projects are in various stages of construction, or to be committed in the near future, with their completion set in 1990s. This shows the Government's faith in the future and will hence greatly boost the confidence of the local and overseas businessmen and industrialists to invest and re-invest in Hong Kong. This will, no doubt, work towards the long-term interest of the territory.

I. *The Status of the Chinese Language*

It is most heartening to learn that the Government is paying its attention to the recommendations of the Report on the Development of a Chinese Language Foundation, and in particular to the production of primary and secondary school textbooks written in Chinese. The history of Hong Kong explains clearly why there is a shortfall of high quality instructional, reference and general reading materials written in Chinese. Today, the Sino-British Joint Declaration have been initialled and Hong Kong is about to become a part of China. It can be anticipated that more contacts with China in a wide range of economic,

trading, cultural, social and sports activities will take place. It is therefore the most opportune time to consider ways and means to raise the general standard of the Chinese language in the territory as a concrete measure of preparing Hong Kong for its re-integration into the Chinese sovereignty.

The Chinese Language Foundation, if approved, will among other functions, produce high-quality textbooks for students and general reading materials for the public at large. However, it seems to me that to effectively promote the use of Chinese in the community as basic tools for communication, work, study and self-enrichment, a wider approach is necessary. Nowadays in Hong Kong, it is a common fact that a person with a Chinese secondary school education is normally limited to a range of jobs characterised by restricted mobility, poor promotion prospects, a meagre salary and a low status, when compared with his or her counterpart with an English secondary school education. This state of affairs must be redressed at the earliest possible time.

The community looks in earnest to the Government for vigorous leadership in elevating the position and status of the Chinese language in Hong Kong. As a matter of fact, the Government has made considerable effort in this regard. A brief account of the developments may be in order. In October 1970, a Chinese Language Committee was formed 'to examine the use of Chinese in official business and to advise on practicable ways and means by which the use of Chinese might be further extended in the interest of good administration and for the convenience of the public.' The Committee produced four reports and the Government accepted most of the recommendations contained in these reports. As a consequence, Chinese was made an official language in Hong Kong in 1974. The Chinese Language Authority assisted by a Chinese Language Division was established in 1972 for implementing the Government's policy on Chinese language. Interpretation services are made available in the Legislative and Urban Councils, District Board and advisory committee meetings. Important public documents of community-wide interests are translated into Chinese. More recently, an Institute of Language in Education was set up to train better teachers of English and Chinese.

Notwithstanding these achievements, the extent of the use of Chinese and its social status in Hong Kong still fall short of public expectations. Further steps should be taken by the Government to raise the position of the Chinese language in the interest of good administration. I therefore venture to propose some measures for consideration alongside the production and propagation of well-written Chinese teaching and reading materials.

First, the Government, being the largest single and good employer in Hong Kong, should take the lead of giving equal opportunity in recruiting young people with a Chinese secondary school education, thereby serving as an example to private sector on their recruitment exercises. Test for the use of Chinese language should be made compulsory for all candidates applying for any grade in the civil service.

Secondly, promotion in the civil service should take into account the officer's level of competency in written and oral Chinese on top of other criteria of assessment, if he or she is of Chinese ethnicity.

Thirdly, incentive should be given to non-Chinese speaking officers in the civil service who have acquired a prescribed level of proficiency in written or oral Chinese, as substantiated by some sort of certification.

Fourthly, more serious effort should be made to give the use of Chinese an equal status with that of English in court proceedings and to make Chinese a language of the law in the long-term.

Fifthly, institutions of tertiary education should be encouraged to make a pass in Chinese as one of the admission requirements for candidates who are of Chinese descent.

And lastly, decision on the use of Chinese as a medium of instruction in primary and secondary schools must be made without delay. The aim is to raise the students' proficiency in using both Chinese and English before completing their school education.

II. *Review of the Public Assistance Scheme*

The present Public Assistance Scheme is designed basically to help those individual families or individuals least able to help themselves. It is simple in structure and yet at the same time provides some flexibilities in meeting certain special needs of the public assistance recipients. Currently, the public assistance recipients are eligible for three types of supplements, namely:

- (i) a long-term supplement is available for those people who have been on public assistance for more than 12 months and is for purchasing household replacements;
- (ii) an old-age supplement is payable to a public assistance recipient aged 60 or over. The purpose is to defray additional expenses arising from infirmity; and
- (iii) a disability supplement is available to a public assistance recipient with a 50 per cent or more loss of earning capacity as defined in the Workmen's Compensation Ordinance, in order to meet additional expenses arising from the conditions of disability, physical or mental.

However, there are two more categories of public assistance recipients whose special circumstances and needs warrant our compassionate consideration. The first group refers to widows with young children. Nowadays in Hong Kong, rearing children with a decent living standard requires an expenditure normally larger than the public assistance payment. The second group consists of chronically sick persons who are not eligible for sick leave under the Employment Ordinance and whose illness has rendered them incapable of work for a prolonged period of time, but not permanently disabled. The needs of this group of people are often beyond what the public assistance is designed for. To

alleviate hardship, I would like to suggest that in the forthcoming comprehensive review as mentioned in your annual address, these two categories of public assistance recipients will be considered for a widowhood supplement and a chronic sickness supplement respectively, which, like the existing supplements, should be at half of the public assistance rate.

With these remarks, Sir, I support the motion.

4.00 p.m.

HIS EXCELLENCY THE PRESIDENT:—At this point, Council might like a short break.

4.17 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council will resume.

MR. ALLEN LEE:—Sir, the initialling of the Sino-British draft agreement has placed Hong Kong into a new era. An era with which the Hong Kong people are unfamiliar. There will be changes and challenges ahead in the immediate future and the pace of these changes will be much more rapid than we would like. However, we must realise that there is a lot we must accomplish in the next few years. There will be changes in the District Boards, the establishment of the Regional Council and as you have stated, Sir, in your annual address, you expect this to be the last session of this Council in which all its Members are appointed. Careful thoughts and plans are required in the composition of government and elections as Hong Kong is preparing itself for the twenty-first century. I am sure that there are many dedicated people in Hong Kong who are willing to make personal sacrifices for the future of its people. There are concerns in our community about Hong Kong people being apolitical. Like Mr. Rita FAN, I have confidence that when the crunch comes, the Hong Kong people will be able to recognise the political opportunists who are only able to deliver empty promises. As I have said a few days ago, it is now up to the people of Hong Kong to build a new Hong Kong.

There are three subjects which I wish to speak this afternoon, namely: education, industrial development and our relationship with China.

Education

Educating our youth is a vital investment into our future. I am glad to see that our Government has attached great importance to education by setting-up the Education Commission. We would not be what we are today if not for the Government's persistence in pursuing an education system that is suitable for the development of Hong Kong. To this end, I am sure the Education Commission will make valuable contributions in the future. There are two aspects of education on which I would like to express my opinion. Firstly, I wish

to speak on higher education. I have always been concerned about the young man who is qualified but whose family does not have the means to send him overseas for further education and who is unable to get into the universities and Polytechnic in Hong Kong due to the lack of places. Even though our Government has done a lot in the tertiary education sector, but as for this young man, he has lost his chance for advancement, to learn and to be educated. It is gratifying to see the establishment of the City Polytechnic. I hope the future expansion of the City Polytechnic will be as rapid as its establishment was. Hong Kong has the ability to do things in a grand style once our Government has made up its mind to do so. Secondly, I am glad, Sir, to see that you have attached importance to computer education. Even though a pilot scheme began in 1982 which provided computer equipment to 105 government-aided secondary schools, however, I feel that we are falling behind our competitors. With the advancements in microtechnology during the last decade, microcomputers today are more powerful than the main frame computers of the past. It is inexpensive and it is affordable. We are now living in a world of computers. Computers will play an increasingly important part in our daily lives. I believe a review should be conducted immediately with the aim of introducing computer courses into all secondary schools in the near future as well as introducing computer courses into primary schools.

Industrial development

When the Government introduced nine years of compulsory education, I supported it because it was in line with our social and economic development. I predicted then that in the future, it would become exceedingly difficult to recruit new labour force in the manufacturing sector. At that time, I conducted a survey in the factory that I was running and learnt that the education standard of the labour force was between primary five to primary six. There is no question that with this upgrading of the education standard of our labour force, we are able to move up-market, to produce better quality products, to improve our productivity and to enhance our competitiveness. The manufacturing sector is the mainstay of our economy providing employment for 870 000 people. However, the trend of the introduction of the nine years compulsory education is becoming abundantly clear. The graduates are reluctant to join the manufacturing sector as a labourer. This is not a bad thing as Hong Kong is also developing in other areas such as the financial and service sectors. I am sure that the industrialists would agree with me that for instance this year, it is very difficult to recruit labour. Just take a look at the number of recruitment posters posted in the industrial areas and the advertisements in the newspapers. One can easily conclude that there is a labour shortage in Hong Kong. If Hong Kong had the additional labour force, we would be able to increase our exports. Of course we should encourage automation and productivity through the use of equipment and machinery. We should focus our attention on training but at the same time, we should always be looking for other methods to strengthen our competitive edge. I would like to suggest that our Government look into the

possibilities of co-ordinating with China in setting up an industrial zone at the border which would employ labour from the nearby Chinese towns and villages. Provisions would also have to be made for the necessary transportation services. I am confident that together with Hong Kong's management expertise and the Chinese labour force, our competitive edge would definitely be strengthened. There are numerous mutual benefits associated with this suggestion; however, I do not wish to bore my fellow Council Members with the details at this point in time. It is my opinion that this scheme is feasible. In case the Secretary for Security and the Director of Immigration are worried about problems of illegal immigrants, I believe measures can be taken to ensure that this industrial zone be a restricted area. The factories can be operated as bonded factories which Hong Kong manufacturers should be familiar with if they have factories outside of Hong Kong.

I am not forgetting the important role of the Vocational Training Council and the Productivity Council. Nor have I forgotten the importance of overseas investment promotion and Government's infrastructural support of industrial development. But at the end of the day, we need labour and we need to stand tall and let our competitors worry about Hong Kong.

Relationship with China

Sir, our relationship with China will become closer as we move towards 1997. Let me say it again, we must establish mutual trust and understanding with China. The type of relationship I am referring to is best described by Sir S. Y. CHUNG's analogy. It is like the relationship between the subsidiary and the headquarters of a multinational company. Having been the former manager of a subsidiary of a multinational company for many years, I know exactly what Sir S. Y. CHUNG is talking about. I had a high degree of autonomy. I understood my duties and responsibilities and I made contributions year after year for the company and the relationship was a good one. I am not saying that Sir S. Y. CHUNG's analogy is absolutely correct, but I believe that in this day and age, it is impractical to dream. It is understandable that we have concerns but we should take a look at what China has achieved in the past five years instead of continuously dwelling on the first thirty years of the history of the People's Republic of China. A few days ago, the Central Government of China announced plans to carry out reforms in the cities and in its manufacturing facilities. If anything, China is on the right track of modernisation and we should be glad to see China heading in its current direction. We are all aware of the importance of Hong Kong to China and vice versa. Therefore, we must look ahead and we must contribute our part in ensuring and maintaining Hong Kong's prosperity and stability. After all, this is our home and we must have a positive attitude towards the future. I could not agree with you more, Sir, when you concluded your annual speech by saying that the whole community must become involved. Now is the time for everyone in Hong Kong to think of what contributions they can make and how they can participate in building Hong

Kong's future. With a community and a government dedicated to that task, we can be confident that Hong Kong will remain the vibrant, dynamic and progressive city of which its citizens are so justly proud. With these remarks, Sir, I support the motion.

MR. SO delivered his speech in Cantonese:—

督憲閣下：政府像是一個鐘，人民像鐘擺。政府的運作是由人民推動的；所以政府依賴人民而並非人民依賴政府。同樣的，人民不管政府，政府便會管人民。香港人很珍惜自由。一個好政府能夠給予市民充份的自由。每一個市民的所作所為都能夠加強或減弱社會的自由。

政府所處理的事務雖然繁複，但和一個家庭主婦的工作沒多大的分別。當一位主婦打掃居室，清理垃圾，編製家庭的預算，安排子女的教育，保障家人的安全和財產時，她便是一位行政長官。她的日常工作實踐了政府各部門應該小心執行的原則。

中英聯合聲明無疑是香港歷史上的里程碑，立法機關的成立，行政區劃分的完成，這些都是香港轉型的關鍵。我們必須認識到，香港的成功在於其獨特的地理位置和歷史背景。在未來的日子裏，我們應該繼續保持這種優勢，並不斷地進行改革和創新。同時，我們也要加強與國際社會的聯繫，提高香港在世界舞台上的影響力。只有這樣，我們才能確保香港在未來的發展中始終保持領先地位。

香港在未來的日子裏會面對很多的轉變，政制的逐步改革就是一個典型的例子。蕭伯納曾經說過：「任何事物都是不向前的。」這話雖然老套，但卻是事實。我們不能因為害怕改變而停止前進。相反，我們應該勇敢地迎接挑戰，不斷地學習和進步。只有這樣，我們才能在激烈的競爭中立於不敗之地。

使香港政制成功主要的條件有三個：第一是教育，第二個是教育，第三個是教育。教育包括訓練和參與的機會。在學校推行公民教育，在社會推行民主教育，這兩者是相輔相成、缺一不可的。我們應該加強對教育的投入，提高教育質量，培養更多的人才。同時，我們也要鼓勵市民積極參與社會事務，提高他們的責任感和歸屬感。只有這樣，我們才能為香港的繁榮穩定奠定堅實的基礎。

臨求變的階段。勞工團體，特別是工會，及本港三千九百多個互助委員會就是典型的例子。它們是最基層的組織，是市民實踐民主生活方式的場所，亦是替香港培育領袖人才的溫床。政府不但要改變對他們的政策，更應該加強與他們的聯絡和協助他們進行改革。我們不要忘記，世上最出色的政治家均來自小社區或小團體，他們自小天地中接受訓練和經驗，準備自己面對世界的困難。

本人是香港最大的一個「壓力團體」的一份子。它就是兩局議員辦事處。本人很欣慰，因為兩局議員辦事處已做好面對香港轉變的準備，並且設立了基本法小組和憲制事務小組，分別由鍾士元爵士和陳壽霖議員作召集人。

直接或間接選舉是香港近今一個熱門的話題。本人認為這一點不大重要，重要的是香港要有積極參與的市民和熱愛香港和正直的領袖，那時我們便可「左選右選，橫選拈選」了！

督憲閣下，本人此番陳詞是回應閣下在十月四日施政報告中所說的一段話：「締造一個美好的將來，不能全靠政府。整個社會都必需參與。所有早經銛咱螻{在應該想想自己可以作出甚麼貢獻，又怎樣參與締造美好將來。」

(The following is the interpretation of what Mr. So said.)

Sir, a government is like a clock, and the people its pendulum. The government machinery is operated by the people. Hence, it is the government that depends on the people and not the other way round. Likewise, if the people do not oversee the government, the government will control them. The people of Hong Kong cherish freedom and a good government has the obligation to let its people enjoy a full range of freedoms. The very act of each individual citizen plays a part in enhancing or diminishing the freedoms of a community.

The Government has to handle a complexity of affairs. Nevertheless, its duties are not very different from the household chores of a housewife. As she tidies up her home, disposes of rubbish, prepares the family budget, plans her children's education, safeguards her family and their property, the housewife is acting as a chief executive. In doing her daily work, she puts into practice the principles which various government departments should also follow with care.

The Sino-British Joint Declaration is no doubt a milestone in the history of Hong Kong. From now on, Hong Kong will stride forward to become a Special Administrative Region with a high degree of autonomy. Its government and legislature shall be composed of local inhabitants. The Hong Kong S.A.R. legislature shall be constituted by elections. The executive authorities shall abide by the law and shall be accountable to the legislature. Hong Kong will see a change. Instead of being passive, we will be playing an active role in political affairs. In the past, we put our emphasis on our economic achievement, paying little attention to politics. As circumstances change, politics will become Hong Kong's concern. Leaders of Hong Kong will be more enterprising and more adventurous and innovative in spirit. Elections and voting will be an integral part of life in Hong Kong. Election is a kind of selection. When a person casts a vote, he is in fact making a wish and putting in his hope. The right to vote is a very significant privilege. Each voter, irrespective of the extent of his influence,

is able to influence and shape the destiny of his country and even the world. Not everyone in this world can enjoy his privilege. It is due to the hard effort and struggles of numerous fore-runners that we can vote and hold elections today. The Sino-British Joint Declaration stipulates that the legislature of the Hong Kong Special Administrative Region shall be constituted by elections. This is indeed a very important provision. That, I believe, was achieved after much hard work. We must therefore cherish it. Millions and millions of people all over the world are deprived of the freedom of choice. They will surely urge us to value the chances of exercising our right to hold elections and to cast votes. For the sake of our own freedom and the freedom of others in Hong Kong, we must above all bear this in mind. Later this month, the Executive Council will consider Hong Kong people's comments on the various proposals contained in the Green Paper on Further Development of Representative Government in Hong Kong. I am glad to hear of that. The Green Paper suggests that a review would be conducted in 1989, but I hope that the position can be reviewed earlier in 1987. I do not intend to discuss the pros and cons of direct and indirect elections now. However, I believe that in building a suitable political system for Hong Kong, it is not advisable to be too conservative. The Sino-British Joint Declaration has already given us a blueprint. Thus it is most unlikely that we would go astray. We may stumble but we can of course stand on our feet again, shake off the dust and move on in a steady pace.

Hong Kong will face a lot of changes in the future, and a typical example of these will be the progressive change in our government system. George Bernard SHAW once said, 'There is nothing more permanent than change, and nothing that meets with more resistance. Yet nothing stands still. Everything moves forward or falls backward. Man has progressed through the centuries because man has had the intelligence to meet change with change. Individuals, too, must learn the lesson of the race. And, of course, men can master change by training today for the opportunities which new conditions will open tomorrow.' It was good advice a generation or so ago and it is even better advice today. Every sector in Hong Kong, whether it be an individual or an organisation, should respond to these changes and become agents of these changes.

There are three keys to success in building up our political system. These three keys bear the same label: education, education and education. Education includes training and the opportunity to participate. Certainly, it is important to have civic and political education in schools. However, we must not overlook the influence that the people of Hong Kong may exert through active participation in social organisations and adherence to democratic ways of life. The system of representative government depends largely upon the active participation of the people. The system itself underlines the importance of educating the people. In Hong Kong, it is necessary to educate and train up leaders so that they would understand and assume their political responsibilities. At the same time, the people should be educated to understand their responsibilities and play their part in electing suitable leaders. Moreover, they

should also be taught to express their views on the administration of the Government as well as the bills introduced by it. As the Sino-British draft agreement clearly indicates the direction of changes for Hong Kong, people from all walks of life throughout the territory should study the future changes at different levels and in different areas enthusiastically with a view to ensuring that the aim of Hong Kong people running Hong Kong can be achieved. There will be political parties in Hong Kong, and the number of professional organisations will be on the increase. All these are natural developments. It is also a time for the existing organisations in Hong Kong to head for change. Worker organisations, particularly the trade unions, and the 3 900 or so Mutual Aid Committees are some typical examples. They are the organisations at the grassroots level, providing a forum of the people to practise democracy. They also serve as a nursery bed for the cultivation of leaders for Hong Kong. While the Government should adjust its policies towards these organisations, it should also seek to improve the contact with them and help them carry out reforms. We should bear in mind that the most outstanding politicians in the world all made their start in small communities or organisations, where they got their training and acquired experience, thereby preparing themselves to face the problems of the world.

I am a member of the most significant 'pressure group' in Hong Kong—the UMELCO Office. I am glad that the Office has prepared itself for the changes of Hong Kong and has set up the Basic Law Panel and the Constitutional Affairs Panel, of which Sir S. Y. CHUNG and the Honourable CHEN Shou-lam are the conveners respectively.

Direct or indirect elections is one of the popular topics being discussed recently. Yet I think it is not the crux of the whole problem; what is crucial is that there should be more citizens to participate enthusiastically in the elections and that more dedicated and righteous men and women should come up as leaders. It is only then that we would be able to elect the right candidates.

Sir, this is my response to your address to this Council on 4 October and I agree with you that 'building a future is not a task for the Government alone. The whole community must become involved. It is now for everyone in Hong Kong to think what contribution he, or she, can make, and how he or she can participate in building that future.'

MR. F. K. HU:—Sir, the initialling of the draft Sino-British agreement on the future of Hong Kong on 26 September 1984 was not just a memorable and historic event for Hong Kong but also for the rest of the world as the 'one country two systems' concept could possibly help to resolve numerous complex political issues which have remained unresolved for decades. It is heartening to note from Your Excellency's address the positive action which will continue to be taken by the Government in order to discharge its duty for governing Hong Kong in the interest of the community and to encourage Hong Kong people to have faith in the future of Hong Kong as the Government itself has that faith.

This afternoon I will comment on four topics: constitutional development, civil service, industry, social welfare.

Constitutional development

I regret that I was out of Hong Kong when this Council held the debate on the Green Paper on the Further Development of Representative Government in Hong Kong in early August this year, and I am indeed grateful to my colleague, Mr. Stephen CHEONG, who kindly agreed to express the essentials of my view in his speech.

Hong Kong is in a unique situation. We have a highly autonomous and efficient government which is not elected by Hong Kong people but always decides its policy through consultation and by consensus with the result that the policy is fair, reasonable and beneficial to the overall prosperity and stability of Hong Kong. The great majority of Hong Kong people are happy with the situation and carry on with their lives without too much concern on the political structure. Now we have to face the reality of managing our own affairs in 13 years' time and there is no ready made proven system for us to follow to cope with the situation. Therefore we must find our own solution to the problems. The final structure must ensure political stability, effective and efficient administration, continuous economic development and above all, faith of the general public.

The present democratic systems adopted in many countries have already proved to be detrimental to economic development and political stability. Hong Kong people must learn to be more civic minded, to understand the pros and cons of different political systems, and to appreciate their own rights and duties in their society. Without such knowledge and understanding, there will not be any great improvement in the registration of voters and the voting percentage will be very low. The successful candidates will not be representative and consequently there could be lack of public support in policy decisions and their implementation. Furthermore, many candidates may make unrealistic promises to voters which may be beneficial to only certain sectors of the community but not necessarily favourable to the whole society.

One possible development is the eventual formation of political parties with a common platform on overall policy at various fronts. These parties might persuade candidates of high calibre with quality of leadership to stand for election. Therefore, I am in full support of the gradual development outlined in the Green Paper in order to ensure future development in the right direction. The general public may formulate their own idea in the meantime whether they favour the election of candidates in their individual capacities or on political party basis or other alternatives. Furthermore, we must ensure that there will be a smooth transition into the Special Administrative Region Government in 1997 with no abrupt and drastic change in the political structure at that time. Therefore, the Chinese Government should be consulted in the next 13 years in any stage of development of the system.

The timing for direct election should not be decided prematurely; it can be considered seriously at the time of review when we have made a full assessment of the situation. I endorse Your Excellency's remarks that our system must grow from our own society and take account of our circumstances, bearing in mind the provisions of the agreement on the future of Hong Kong.

Civil Service

Turning to the civil service, I agree that the provisions in the draft agreement on the future should have resolved the anxieties of the public service which will play a full part in maintaining a stable and prosperous Hong Kong. Expenditure on the civil service including personal emolument and personnel related expenses occupies nearly 30 per cent of the total government expenditure. Government should be congratulated for its effort to stabilise the size of the public service. Where it is essential to provide staff for new facilities, compensatory savings in staff will need to be found elsewhere. Even greater effort should be exerted to reduce the size through streamlining and simplifying operations and procedures without sacrificing the quality of work.

All departments should look into possible areas where work or management can be passed on to the private sector which could undertake the work more cost-effectively and assist the Government not only in reducing the size of the civil service, but also in producing additional or similar revenue instead of incurring limited revenue or deficit. The privatisation of government car park management, in which the Government has managed to reduce over 200 staff without affecting the revenue, is a good example.

On the other hand, we must allow expansion in certain departments to cope with their additional volume of works, especially those dealing with security and trade, without applying the rigid rule of saving in other sectors. It may not be advisable to forego the quality and standard of a particular service merely for the sake of some saving in the short term because it may be detrimental to the original objectives over the long term. For those departments, where there is additional revenue due to expansion of services, the logic of limiting expansion does not apply. The question of restraining growth in the civil service must be dealt with systematically and reasonably, but not dogmatically.

Industry

I share Your Excellency's concern that the recent growth in our exports has not been matched in recent years by as large a resurgence of investment by local industry as we have experienced in the past. Our future prosperity depends on our industrial lead in the region through a continual process of capital reinvestment in new plant and equipment. I agree that the announcement of the draft Sino-British agreement on the future will now give renewed confidence and the lead to a revival of domestic investment.

Our industrial lead, especially in the field of high technology, depends on our investment on research and development which may be beyond the means of many domestic low-end product manufacturers who have to struggle for survival with a very low margin of profit against competition from our neighbouring countries. Government should seriously look into the possibility of establishing research and development centres to assist these manufacturers until they can produce more high-end products with higher margins of profit so that they may undertake research and development themselves. This is a much needed support from the Government and will eventually lead to bigger export business and create more jobs for management and professional personnel and the labour force.

Social Welfare

I am pleased to note that in the field of social welfare there will be a comprehensive review by the Secretary for Health and Welfare on the public assistance scheme for the purpose of consolidating the various payments and for increasing the amount of disregarded income for those who are able to supplement their assistance with their own earnings. The scheme at present with all its supplements such as disability supplement, old age supplement, long term supplement and allowances for rent, special diet, and other special needs is indeed difficult and complicated for the clients to understand. It will be equally difficult for the welfare workers to explain to them their eligibility and entitlement. I hope the review will eventually result in simplification and consolidation of the scheme.

Since we are now on this subject, may I raise again the question of a contributory central provident fund. Last year, when I addressed this Council on 26 October 1983, I asked for reconsideration of this proposal for a different reason. My understanding had been that one main underlying problem which had to be tackled in connection with this proposal was the uncertainty of the future of Hong Kong beyond 1997. Now that the draft Sino-British agreement has clarified our future, it seems that it is time to review Government's previous decision on the proposal. Although I accept that our existing non-contributory social security programmes should remain the central pillar of our system, a central provident fund scheme could be worked out to provide additional benefits to those affected, for example, by temporary unemployment or retirement and it could even reduce the continued burden on public funds.

Sir, with these remarks, I support the motion.

MR. WONG PO-YAN:—Sir, it is gratifying to find that in spite of the timing journeys which you have made in the talks on the future of Hong Kong, you have opened the 1984-85 session of the Council with a solid and comprehensive policy report which, amid favourable public comments, has let all the people in Hong Kong know that we will continue to develop Hong Kong as a whole and that the prospect is one which we could put our faith in. Today, I would like to put forward my personal views on some of the issues.

I. *Economic and Financial Situation*

Sir, you mentioned that this is the second year of our export-led recovery of our economy, that overall domestic exports for 1984 will probably grow by 18 per cent, that the unemployment rate is 3.4 per cent, representing full employment of the labour force and that the rate of inflation has now slowed down to about 9 per cent. These facts are both promising and encouraging. Meanwhile, I should point out that a change may emerge in our short term economic situation, although we need not be alarmed by it. The change is that the growth rate of domestic exports is declining after reaching the peak. We could say that this is the inevitable consequence of the stagnant investment in equipment in 1982 and 1983 coupled with the fact that there is a time lag in the effects of the increase in equipment investment in 1984. It should be noted that there is a tendency for the growth rate of the net import value of raw materials and semi-manufactures, which is an indicator of manufacturing activity, to decline. For easy illustration, the following is a table showing the quarterly changes from the first quarter of 1983 to the second quarter of 1984:

Year-on-year comparison	Growth rate of domestic exports in real terms (%)	Growth rate of retained imports of capital goods in real terms (%)	Growth rate of retained imports of raw materials and semi-manufacturers in real terms (%)
1983/82 Q1	3	-9	1
Q2	14	0	21
Q3	18	-15	29
Q4	20	5	29
1984/83 Q1	30	14	29
Q2	22	35	10

It is obvious that starting from the second quarter of 1983, the growth rate of domestic exports had been rising and continued to increase in every quarter until it reached the peak of 30 per cent in the first quarter of 1984. It then began to make a downward turn. The net import of capital goods, which represents the increase in investment in equipment, did not attain a lowly 5 per cent growth rate until the fourth quarter of 1983. Such growth rate reached the highest point of 35 per cent in the second quarter of 1984 and is forecast to have taken a downward trend in the third quarter of the year. The net import rate of raw materials grew at the same time as domestic exports did. Starting from 21 per cent in the second quarter of 1983, the quarterly growth of the net import rate of raw materials had been greater than that of domestic exports in the corresponding period. For the following three quarters from the third quarter of 1983 to the first quarter of 1984 a high growth rate of 29 per cent had sustained but in the second quarter of 1984 it assumed a downward trend.

Before attempting to give my views on such a situation, I would like to express what the quoted figures meant to me.

- (1) Generally speaking, it is considered a remarkable achievement if our domestic exports attain an annual growth rate of 10 per cent in real terms. We could see from the above figures that since the second quarter of 1983 Hong Kong had been fortunate enough to benefit from the world economic recovery, with the growth rate of domestic exports exceeding 14 per cent for six quarters, one of them reaching as high as 30 per cent. It would be unrealistic to expect that such a high growth rate could be maintained for a long period of time. On the other hand, only in the latter four of these six quarters did the net import of capital goods change from a negative growth rate to a positive one, showing that during this period, local manufacturers had been flexible in their process of production by increasing the utilisation rate of machinery and equipment and enhancing workers' efficiency and working hours. These are the valuable assets of the Hong Kong system.
- (2) The negative and low growth rate of the import of capital goods in the two years of 1982 and 1983 clearly manifest the anxieties of the public over our unclear future. However, the growth rate of 1984 reflects that people are having better expectations on the future and there is a revival of confidence as a result. In the wake of the initialling of the Sino-British agreement it is only logical that, after the first quarter of 1985, the growth rate will take a noticeable upturn.
- (3) The high net growth rate of import of raw materials/semi-manufactures from the start of the second quarter of 1983 reflects the expectations on export growth and also the manufacturers' confidence on brisk overseas markets. Since such a rate had exceeded the export growth rate for four consecutive quarters, its drop in the second and third quarters of 1984 may be viewed as adjustments. While I am concerned over the situation, I believe there is no cause for anxiety. Sir, when you said in your policy address that an overall growth rate of 18 per cent in our domestic exports for 1984 might be expected, you, of course, had taken into account this downward trend and made the forecast with utmost caution.

In these circumstances, I think that our priority should be looking for and opening up more markets for our products, and giving more impetus to the diversification of our products to avoid over-concentration in a few markets and production fields. As far as the exploration of new markets is concerned both Japan and China deserve our particular attention. Although the market structures of Japan are unfavourable to foreign goods the difficulty is by no means insurmountable. Extensive research on the Japanese markets, deeper understanding of its sales network and incessant attempts to enter the market will one day bring corresponding results.

Another market which is worth our attention is China. In just a few years, China has become our third largest market with its growth rate surging to the top. China's trade policy has been changing and the power of decision has been delegated to lower echelon. The result of such devolution of power is that the

local units of provinces and municipalities have become our trading partners. This is different from the previous centrally-planned purchase format and gradually helps minimise the differences in the ways of trade between the two places much to the mutual benefit of both parties. The new economic policies recently announced by China will further enhance such process. On account of this, I suggest that the Government should direct and help the Trade Development Council to organise more promotion activities in various provinces and municipalities of China. It will, on one hand, provide a chance for trade expansion for the local manufacturers and, on the other, show our experience and ways of foreign trade to the trading organisations in China.

Apart from promoting trade, the diversification of our industries should also be high on our priority list. The success of this scheme depends much on Government's efforts to promote it and the positive attitude of our manufacturers. I believe the Government should be commended for its efforts in certain aspects in this regard, for example the setting up of the Standards and Calibration Laboratory. It is also hoped that the proposal to undertake research work by electronics industry would come to a stage where decisive actions would be taken. Under the present financial climate, I think that it is more appropriate to levy funds from the exports of the industry to finance such work. In the long run, the electronics industry as a whole will reap the benefits of the research, and all manufacturers in the trade will benefit either directly or indirectly. In view of this, it is hoped that efforts will be made by every manufacturer in the trade to implement the proposal.

II. *Education*

The immense investment made by the Government on education in past years and the positive approach in both the tertiary and the industrial education has benefited the industrial sector greatly. Graduates from the Polytechnic, technical institutes and vocational training schools are filling up posts in every industrial sector and this accounts for the tremendous increase in productivity of the manufacturing industries in recent years. The three technical institutes and two vocational training centres due to be completed within these two to three years mentioned in your policy address are much needed in the course of the diversification of our industries. It is hoped that the development in technical education will keep pace with industrial development.

As the political system of Hong Kong has started to take on a new form, civic education must be introduced in primary and secondary school levels to enable the students to have a better understanding of civic obligations and public affairs so that they may play their part in elections and politics in future. In university education, I think a special programme should be offered at undergraduate or graduate school level to make a systematic academic study on the practice and possible developments of local politics, economics and social issues so as to provide a theoretical basis for the future development of Hong Kong.

I also believe that the establishment of the third university should be given a higher priority. At present, the number of students going abroad every year for higher education is greater than that of the undergraduates in Hong Kong and this situation must be rectified from both the angle of financial burdens of the parents and the angle of possible loss of talents. Of course it is necessary to have a number of students studying abroad but there should be enough university places here for the students to make their choice.

III. Public Expenditure

The Government's control on expenditure in the past one or two years has resulted in a smaller deficit running below the budgetted figure by 100 million dollars last year, and it will continue to run down from 1984-85 onwards. Meanwhile, construction, investment and services in various sectors are maintained at a level higher than before. The Financial Secretary deserves to be commended for his budgetting. I believe that in the many years to come Hong Kong still needs to spend much money on the development of infrastructure. As revenue from the land sales will be adversely affected, therefore, a re-assessment of the priority on expenditure may be called for. I suggest the Government to consider seriously restrictions on expenditure on public housing and its investment in this sector be partially taken up by private enterprises. The Government has been investing enormously in public housing since 1972 in accordance with the housing programme of Lord MACLEHOSE, the former Governor. The scope of this programme can be regarded as the largest in the world, accommodating nearly half of the Hong Kong population. Meanwhile, Hong Kong absorbed more than 500 000 new immigrants during the same period, and its burden, I am afraid, is unprecedented. This situation has now changed and the economic strength of the private sector has strengthened. Therefore the Government should review its commitment in this respect.

And I believe that the Private Sector Participation Scheme' should be further expanded. If the number of residential units built under this scheme together with that provided by the Hong Kong Housing Authority reaches 20 000 a year, then government's investment in the field of public housing can be directed to other capital works. I support Government's review on the housing allocation policy and the direction of work of the Committee on Well-off Tenants in Public Housing Estates, which is chaired by the Honourable Hu Fa-kuang. However, I think that more positive measures should be taken in this respect to reduce the burden on the Government so that only the needies are benefited. There is no reason that the Government should continue to take care of those who are capable of taking care of themselves.

Hong Kong has limited resources the Government's expenditure can be considered as enormous. It is from the various economic activities that Government derives its revenue. To enable our economic activities to expand, an environment that would encourage the development of local enterprises and

attract foreign enterprises to Hong Kong must be provided. For this reason, comparatively low taxation—a must to ensure our survival—must be maintained. This factor should be taken into account when deciding the priorities of government finance. Also, because of the unique position of Hong Kong, I believe that it is undesirable to have budget deficits in the few years to come, no matter how small the deficit is when compared with the gross domestic products. In the past two years, activities and services provided by the various sectors grew tremendously and the Government should be commended for its efforts in restraining the growth of the civil service in the past one or two years and stabilising the size of the public service in 1985-86. Some government departments really need additional staff for new activities but the Government is able to cope with the situation without increasing the total number of civil servants nor affecting adversely the quality of service. This shows how much the efficiency has been improved. The practice in the reshuffling of the department heads and senior civil servants in the last two years may result in the efficiency of the various government departments becoming more uniform. I, therefore, would like to take this opportunity to pay tribute to the Chief Secretary, head of our civil service.

Sir, with these remarks, I support the motion.

MR. BROWN:—Sir, your opening address this year is to be welcomed not only for its content, but also for its tone. Clearly it is a case of business being back to normal, and as you point out there is a lot of it to be done.

During the past year we have naturally been engrossed in the future, but now is the time to focus both our attention and our energies on the present. And the present needs a lot of attention for we all know that we are living in a time of change. One can feel that change in the air, and the trauma of the past year seems to have brought the community to a new maturity, which itself is influencing not only the changes themselves but also the speed with which they are taking place.

The size of the electoral roll—about 1.4 million persons at the latest estimate—is only one pointer to the interest ordinary people are taking in public affairs. Your call for the community to contribute to the continued development of life in Hong Kong is not falling on deaf ears. But the developments that are taking place, the Regional Council, the District Boards, etcetera, all cost money. They cost money not only to create and administer, but also their very existence—and indeed their purpose—leads to expenditure as the demands of the community are determined more accurately, and then met at either the local or central level of Government.

In these circumstances your assessment that the public finances are presently within the budget forecasts is comforting, but we are clearly entering an era in which it will be difficult, if not impossible, to prevent increased public expenditure. Where will the revenue come from?

In the 1982 budget debate I drew attention to the signals that were then warning us of our over reliance on the proceeds of land sales—the least stable component of our public accounts. Market conditions subsequently reduced, and reduced dramatically, actual revenue from this source, and contributed to the current budget deficit situation. A deficit situation which incidentally I still believe shows signs of being partly structural, as I argued in the budget debate earlier this year. We now have a clearer picture as to the future contribution we may expect from land sales, which will be restricted under the terms of the agreement over the future of Hong Kong, and from a macro-economic point of view it is no bad thing that such moneys should assume a more modest, although hopefully more consistent, source of revenue.

The need to raise additional revenue to meet the costs of change, in addition to the normal demands on the exchequer, not to mention the cost of Mr. S. L. CHEN's new tonic for industry, makes the prospect of additional taxation in my view inevitable. Bearing in mind the changes that are occurring, and the way in which the community as a whole is clearly more prosperous, it would seem that if the need for additional taxation does arise, then increased indirect taxation would be preferable to any significant increase in direct taxation. A tax on the consumption of a wide range of goods and services would perhaps be the fairest method of spreading any additional tax burden evenly across the community. A Value Added Tax would meet the requirements of the day in theory, although the difficulties of collection could well make it impractical in practice. However, in my view some form of sales tax will need to be considered as being the most equitable way to finance the community's growing demands without unduly disturbing our present economic system, which must be maintained if business is to continue generating that prosperity we are all perhaps taking too much for granted. In this context I was pleased to note the assurance given by the Financial Secretary in this Council last week that Government remains committed to a policy of low taxation friendly to our entrepreneurs.

Sir, in the section dealing with the economy you state categorically that there are no plans to change the linked exchange rate system. I welcome that statement for I do not subscribe to the views of those who believe we should revert to a freely floating currency. There have been some suggestions that as the United Kingdom has now reached agreement with China over the future of Hong Kong, and as stability has returned to our markets, we should abandon the link, or alter the linked rate of 7.80.

The link is not something that can be turned on and off like a tap, and to suggest otherwise is to misunderstand how the system works. It is true that the link was adopted as a measure to restore confidence in our currency. But it is also true that the linked rate system, which offers a stable exchange rate, has its own merits.

During the periods of turbulence, both prior to the Sino-British accord because of political uncertainty, and more recently because of the exceptional

strength of the U.S. dollar, our exchange market has been relatively calm in marked contrast to most other markets. Under the system this stability has been purchased at the cost of more volatile interest rates, but the combination of a stable exchange rate and the amount of change in interest rates has proven to be more acceptable to the business community than a floating exchange rate susceptible to exaggerated movements caused by anxiety and speculation during periods of instability. It would take a brave man to discount any possibility of some element of instability and turmoil reappearing in our markets at some point in the future, and indeed Chinese leaders themselves have warned us of that possibility recurring at some point in the long count down to 1997. But 13 years is a very long time and I would be suspicious of predicting any stability over this period in any market anywhere in the world.

There is of course a cost to pay for linking the Hong Kong dollar to the U.S. currency and that has been likened as placing our economy on a roller-coaster powered by the U.S. economy. That relationship to date has brought Hong Kong an export boom with only modest inflationary pressure, but in the event of the U.S. currency itself suffering any dramatic reversal of fortune in the years ahead it is not inconceivable that we would wish to reconsider the merits of linking our exchange rate to an alternative anchor, such as a basket of currencies representative of our major trading partners. There is however no sign that any such measure will be necessary, in my view, in the foreseeable future.

Turning now to the actual rate of 7.80 the whole system depends on the linked rate remaining unchanged. Any undervaluation or overvaluation induces changes in the internal cost-price structure which in time brings the dollar's purchasing power back into parity with its exchange rate. The system has now been in operation for just over one year, and after the initial impact—which did of course reflect the sharp devaluation that had occurred earlier—experience suggests that equilibrium has been reached or is near. I would remind Members that it does not in fact matter much to the system what the linked rate is once the initial effects have been absorbed, and to change the rate now would merely wreck the system and cause speculation on future changes, that is to say, bring about a situation the link is designed specifically to avoid.

Sir, with these observations I support the motion.

MR. STEPHEN CHEONG:—Sir, in the aftermath of the excitement generated by the recent debate in this Chamber on the issue of Hong Kong's future after 1997, we can become an easy prey to a feeling of nonchalance towards this year's policy debate. Yet for those who still believe we have good prospects for building a future for Hong Kong, it is important to recognise that the building process has only just begun, and this must start with the mundane attitude of continuing our business as usual. It is, therefore, heartening to learn that the Government is determined to stay on course, through a steady set of policies that will facilitate

our evolution towards a highly autonomous administrative structure. In this debate, I shall speak briefly on three subjects, namely, open government, the factors that may adversely affect our economy in 1985, and the proposed Tuen Mun—Yuen Long Light Rail Transit System.

The lynch-pin in any plan aimed at building a brighter future for Hong Kong must be the development of the representational system of government in the years to come. I look forward with great interest, not only to the publication of the White Paper in the near future but also to the debate on it in this Chamber. But, regardless of whatever proposals that we will be enlightened with, it is my belief that the fundamental principle towards achieving the goal of involving more people in the business of governing Hong Kong must be through the application of a more open system of government. The opening to the public of hearings in the examination of the 1983-84 Draft Estimates of Expenditure was a first step in the right direction. The decision of the Public Accounts Committee, under the able chairmanship of the Honourable S. L. CHEN, to hold its hearing of evidence in public is another step in the right direction. As a further step along the path towards more open government, perhaps the Government could agree to a procedure by which those UMELCO panel meetings which are held to examine government policy proposals of major public interest might, at the discretion of the chairman, be opened to the public. In the U.S. there are arrangements for the public to be admitted to hearings of congressional committees, and similar arrangements have also been known to apply to certain U.K. parliamentary select committee hearings. I do not see why similar arrangements could not be introduced here.

On the economic front, Hong Kong has much to be thankful for over the past 18 months. In a period when political uncertainty has sapped a lot of our energy, our economy led by the export sector has fared unexpectedly well. Statistics on the state of the economy for the past 12 months speak well for themselves. But good things seldom last for long. Despite a good showing this year, I must sound a note of caution here for the outlook of the export sector for the coming year. There are two main dangerous areas which could dent our prospects of further growth. The first of these is the recent announcement by the U.S. Government of their plan to implement new customs regulations in respect of textiles and apparel, formulated under an Executive Order signed by the President in May 1984. Sir, these regulations were promulgated unilaterally and without prior consultation. Moreover, they are blatantly inconsistent with the basic principles upon which our bilateral agreement with the U.S. was concluded. At the stroke of a pen, the U.S. Government has cast a dark cloud over our export prospects for 1985. In my view, if these regulations are to be carried out in full without sensible and reasonable modifications, their effect on Hong Kong's exports would be so great that they would threaten the very viability of Hong Kong's textiles and apparel industries. This particular sector's output still account for 40 per cent of our export earnings and employ directly 40 per cent of our labour force. These regulations have both short term and

long term consequences. In the short term, if implemented without modification, the regulations would have the effect of wiping out the knitwear sector of the clothing industry, which exported about HK\$3.5 billion worth of both restrained and non-quota knitted products to the U.S., easily the sector's largest market. This is certainly no mean turnover by any standards. More importantly, the knitwear sector provides 60 000 jobs which, lost, would present short term serious dislocation problems for some 200 000 people, assuming each wage earner supports in varying degrees only three persons in the family. In the longer term, the effect of these regulations may be even more insidious and far reaching. The regulations require every manufacturer to declare in great detail, on the special customs invoice, the steps involved in the manufacture of the garment, and the production cost of every manufacturing process. That means that our manufacturing costs will be known to our customers. This would lead to reduced profit margins to our manufacturers, to a reduction in our manufacturers' ability to reinvest, to a gradual erosion of our export competitiveness and to a possible collapse of the industry. If that scenario were to materialise, 20 per cent of our exports earnings would be seriously jeopardised and 20 per cent of our labour force would have to readjust and find other jobs. Such a forecast may be considered by some to be over-pessimistic but the possibility is real and cannot be discarded. Viewed from both the short term and the long term, Hong Kong cannot afford such huge losses in export earnings. I would strongly urge the Government, therefore, to devise contingency plans to prevent such a disaster from happening. The contingency plans so devised may be unconventional but emergency situations certainly do require imaginative solutions.

Secondly, the strength of the U.S. dollar vis-a-vis European currencies and the fact that Hong Kong dollar is necessarily linked to the U.S. dollar have eroded the competitive edge of our products to Europe. Our exports to Europe have already suffered from any appreciable lack of growth and if the strength of the U.S. dollar were to continue well into 1985, our export performance to Europe may well experience further set-backs.

On the basis of the foregoing observations, Sir, I am not hopeful that Hong Kong will be able to sustain our remarkable export performance over the past two years. We may well have to tighten our belts. Thus it may be prudent for the Financial Secretary to take a cautious attitude in the preparation of the 1985-86 Budget, so that recurrent expenditure, though successfully kept within cash limits this year, could be trimmed perhaps even further. Capital expenditure would certainly need to be more carefully scrutinised so that even marginally viable projects could be considered to be deferred. In this connection, I would like to draw the Administration's attention to the proposed construction of the Light Rail Transit System linking Tuen Mun and Yuen Long. Based on figures that I have obtained so far, I am not convinced that it will be a financially viable project. The construction cost in 1984 dollar is estimated to be \$1.7 billion, and the completion date for the whole project will be about 1993 at the earliest.

Based on a 1984 dollar value of 1.7 billion, and on a daily passenger boardings of 600 000 to 750 000 when the full L.R.T. System is completed, it will take ten to 15 years before the investment could be recouped. Sir, the Secretary for Transport in a written reply to questions on this subject raised by honourable Members in 1983, indicated that the predicted total passenger trip for the full L.R.T. network will only be 515 000 per day by as late as 1996. I realise there may be a difference between passenger boardings and passenger trips but given the current travelling pattern of the Tuen Mun residents, the projection of 515 000 passenger trips seems likely to be over-optimistic. How then the L.R.T. can then be regarded as a viable proposition is beyond my comprehension. It is true that K.C.R.C. has been invited to construct and operate the proposed system. Theoretically, therefore, if K.C.R.C. should decide to go ahead, the Government would not shoulder short term liabilities. Though K.C.R.C. is separated from the Government in that it is a corporation having an independent identity, yet to the extent that the K.C.R.C. is underwritten by the Government, the Government is ultimately responsible for its survival and its debts. It is therefore incumbent on the Government to satisfy itself beyond reasonable doubt that the project is viable, before committing itself irrevocably to the underwriting of another possible white elephant. A well-managed private sector transport company has spent a great deal of time and millions of dollars in evaluating the project and has turned it down. What factors have led the K.C.R.C. to arrive at a different set of conclusions is something I am sure we will all be very interested to know.

Sir, before closing, with your permission, may I put down a marker on behalf of almost all my present and past colleagues of the fairly well respected Textile Advisory Board that the current quota system we have in Hong Kong has been the result of a continuous process of conscientious deliberations ever since Hong Kong has been forced to restrain our export in the sector. The system cannot be claimed as perfect but has been widely recognised by those who really understand the trade as a well designed system that can achieve the purpose of maintaining stability and continued development of the trade. The Honourable Peter C. WONG's concerns about the system is perhaps understandable, as the working of the system is so complex that it might render its comings and goings to be quite incomprehensible to those who has limited knowledge and experience of the trade. With your permission also, Sir, may I, and I am sure the whole industry will join me in expressing our gratitude to Mr. WONG for being so kind as to make it so explicit that he is not linking crime with quota system (laughter). Sir, I welcome another review of the system if Government so desires. I welcome it not because I have the same reservation as my friend but because there is a need to constantly satisfy ourselves that the system we devise would be the right system on practical and economical grounds. Above all, the implementation of it must meet the prime objective of being able to bring maximum macro-economic benefits to Hong Kong.

With these remarks, Sir, I support the motion.

Suspension of sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30 p.m. on 25 October 1984.

Suspended accordingly at twenty-eight minutes to six o'clock.