

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 27 November 1985

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 DAVID AKERS-JONES, 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, C.M.G., Q.C.

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

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

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

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

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

THE HONOURABLE HU FA-KUANG, O.B.E., 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 DISTRICT ADMINISTRATION

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

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

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

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

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

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

DR. THE HONOURABLE HENRIETTA IP MAN-HING

THE HONOURABLE CHAN NAI-KEONG, C.B.E., J.P.

SECRETARY FOR LANDS AND WORKS

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 KIM CHAM YAU-SUM, J.P.

THE HONOURABLE JOHN WALTER CHAMBERS, J.P.

SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, O.B.E., J.P.

SECRETARY FOR TRANSPORT

THE HONOURABLE JACKIE CHAN CHAI-KEUNG
THE HONOURABLE CHENG HON-KWAN
THE HONOURABLE HILTON CHEONG-LEEN, C.B.E., J.P.
DR. THE HONOURABLE CHIU HIN-KWONG
THE HONOURABLE CHUNG PUI-LAM
THE HONOURABLE THOMAS CLYDESDALE
THE HONOURABLE HO SAI-CHU, M.B.E., J.P.
THE HONOURABLE HUI YIN-FAT
THE HONOURABLE RICHARD LAI SUNG-LUNG
DR. THE HONOURABLE CONRAD LAM KUI-SHING
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.
THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.
THE HONOURABLE LEE YU-TAI
THE HONOURABLE DAVID LI KWOK-PO, J.P.
THE HONOURABLE LIU LIT-FOR, J.P.
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.
THE HONOURABLE PANG CHUN-HOI, M.B.E.
THE HONOURABLE POON CHI-FAI
PROF. THE HONOURABLE POON CHUNG-KWONG
THE HONOURABLE HELMUT SOHMEN
THE HONOURABLE SZETO WAH
THE HONOURABLE TAI CHIN-WAH
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING
THE HONOURABLE TAM YIU-CHUNG
DR. THE HONOURABLE DANIEL TSE CHI-WAI, J.P.
THE HONOURABLE ANDREW WONG WANG-FAT
THE HONOURABLE PANG YUK-LING, I.S.O., J.P.
SECRETARY FOR HOUSING (*Acting*)

ABSENT

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.
SECRETARY FOR TRADE AND INDUSTRY
THE HONOURABLE JAMES NEIL HENDERSON, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LI WING

Government Business

Motion

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

MISS DUNN:—Sir, I support this Motion of Thanks to Your Excellency for a thorough and wide ranging statement of the Government's plans and policies for the year ahead. It provides us all with a wealth of material for this annual 'cross country' debate. Hong Kong's newly constituted Legislative Council is given its first opportunity to show its mettle as an informed and effective scrutineer of the Government's prospectus.

The Unofficials have, as we have already announced, divided into five groups to study various parts of your address, Sir. The areas on which the groups have concentrated are:

- * the structure and machinery of Government, the implementation of the Joint Declaration and the future of the public service,
- * economic and financial affairs,
- * social programmes,
- * development of the infrastructure,
- * law, order and security.

Members speaking after me will speak in these groups. 22 Members will speak today on Government structure, the Joint Declaration, the public service, the economy and finance, law and order and security; 23 Members will speak tomorrow on social programmes and infrastructure. So we shall, I hope, concentrate our fire on targets sighted in succession. This will be an improvement on the old 'scattered shots' approach.

Our speeches will be short—about ten minutes each is the limit we have set ourselves or you would be here all night. This means that none of us will be able to say everything we should like to say. So we wish to make it clear that the selectivity in our choice of subjects does not mean that we are not interested in the subjects that we shall leave to others. We can always come back to them later.

In thanking you for your address, Sir, I wish first to welcome your emphasis on the Government's determination to continue its steady progress in all its practical programmes to ensure Hong Kong's continuing stability and prosperity. China and Britain have made it clear, not only in the wording of the Joint Declaration but also by the participation of the leaders of both countries in reaching this accord, that they earnestly desire the continued prosperity and stability of Hong Kong. The will to observe the Joint Declaration is as strong as

ever. Since the signing of the accord China's presence in Hong Kong has become more pronounced as has the Hong Kong presence in China.

Neither is sinister.

The Joint Declaration is bound to result in much closer relations than have been seen in the past. These are essential for the fulfilment of the vision that led to the Joint Declaration in the first place.

It is right that we should have an eye to the future but we must not let it dominate our thoughts to the exclusion of the more pedestrian problems of the present. If we do not make the present work we shall not have a future.

So, I wish to suggest three areas of priority concern for our work in this session.

The first concerns the management of Council business. The Standing Orders of this Council were rewritten in 1968 and they have been amended from time to time since. We believe that they again need to be brought up to date. We need to review our use of the Standing Orders in practice to enable us to despatch expeditiously the much expanded business of a Council whose character and composition are very different from those of the 60s. We suggest, therefore, that a select committee should be set up to review and revise the Standing Orders.

In addition, in order to develop greater accountability, we foresee a need to appoint more select committees with power to call for papers, to question witnesses and to conduct hearings publicly and privately. This will require reinforcement of the Clerk's Office, just as we have already reinforced the secretariat of the Unofficial Members.

My next priority is the economy. We must continue to fight protectionism in our principal markets. Our prosperity depends on our trade, and our trade depends on our access to markets. Without access our economy cannot thrive and without a thriving economy we cannot maintain our essential stability and prosperity.

For years now we have had to cope with steadily increasing restrictions on our access to markets. We were often able to overcome these by switching products and markets. To a large extent our success has masked the fact that the screw was being tightened all the time. Each renewal of the multi-Fibre Arrangement has moved the world trade in garments and textiles further and further away from the long term aim of liberalising trade. The bilateral agreements that we have been obliged to accept have become more and more restrictive instead of less.

The Government's overseas offices have given the impression that they have been able to do little more than react to each successive blow. There are competent people in these offices but they have been kept so busy with their day

to day work and so understaffed that they have not been able to anticipate protectionist attacks.

So I ask what is our overseas strategy? Is it just to react? If we are to succeed in influencing events, surely we must anticipate, not just react. What are we doing now to prepare the ground for the difficult negotiations required before the future of the Multi-Fibre Arrangement comes under formal review next year?

It may seem that the task of influencing opinion in our markets is so enormous that massive public relations campaigns costing millions are needed. But this is not so. The number of people involved in the vital decisions is quite small. Those people should be our targets and it will not cost millions to get at them.

We need to step up sharply our efforts to keep abreast of political, social and economic developments in our principal markets in order to be able to convince those who make the decisions of the merits of recognising and respecting our GATT rights. We have recently reinforced our efforts in the United States, but it is very late in the day to expect even three lobbyists—where only a year ago we have none—to make any great impact.

Our standing in the battle for understanding will be much strengthened when our long term status in the GATT is settled. This should be put beyond doubt as soon as possible.

Although the objective is already guaranteed in Annex I to the Joint Declaration, the matter is, as you tell us, Sir, still under discussion in the Joint Liaison Group. The discussions in the Joint Liaison Group are only a beginning. After they are complete it will still be necessary to secure formal GATT acceptance of, and recognition for, whatever it is that Britain and China agree on. I hope this important matter will be settled definitively very soon.

My third priority concerns Hong Kong's international reputation. Many years ago we had a not entirely undeserved reputation for producing cheap and shoddy goods. The reputation persisted long after the products had been upgraded. Now we are getting a reputation for expensive and shoddy financial transactions. Such a reputation is easier to acquire than to get rid of.

You have referred, Sir, to the need to improve the legal and institutional framework in which the financial and allied service industries operate; and to the need for improvements in the Companies and Securities Ordinances. We all know how complex these matters are but we need to be seen to be doing our best to put our house in order as a matter of urgency. We cannot expect reputable people to invest here unless they can have confidence in our regulatory systems. We do not want to be seen as a place that attracts only those who are out to make a fast—and crooked—buck; or to be branded as a tax haven, or as a laundry for dirty money.

You have told us, Sir, of the welcome reinforcement of the Commercial Crime Bureau and of the service offered by the Corruption Prevention Advisory Services Group—a service which you say has been 'drawn to the attention of Government-listed contractors and subvented organisations'.

Surely such services should be marketed much more widely than that. Nobody likes to admit corruption in his own organisation. He does not feel the need for these services. It is a major task to convince managers that even if they have no corruption in their own organisation they should still look at their procedures to see if they can be improved. These services should not only be available to every firm in business but every firm in business should know about them. The growth in commercial crime and in private sector corruption reports spells danger to everyone in the business and, if not checked, for the whole of our society. It is not enough for the honest businessman to keep his own nose clean. He must play his part in preventing fraud and helping to catch the crooks.

It is important that our own tax system should not provide new and unnecessary opportunities or incentives to break the law. We must keep it simple and efficient. Complicated tax laws are unlikely to enhance the revenue by much. They are far more likely to drive new investment away and to breed complicated schemes for tax avoidance and evasion among those who remain.

In August 1985 Reuters quoted a U.S. Treasury report that more than 3 000 U.S. millionaires paid virtually no federal income tax in the previous year while nearly 30 000 people with annual incomes of over a quarter of a million U.S. dollars paid less than five per cent of it in income taxes. What a tribute to the skills of a good tax lawyer! Do we really want to encourage the members of that fundamentally unproductive profession to come forth and multiple here in Hong Kong?

So much for the three areas of priority in which we have much more work to do.

In carrying out this work I should like to assure you, Sir, and the people of Hong Kong that we, the Members of this Council, are all determined to work together for the good of Hong Kong.

We shall have our disagreements. We are, after all, 46 individuals. We shall make our own judgements. In doing so we shall all do our best to put any particular interests we represent in the context of the general interest of the community.

The people of Hong Kong, to whom we are responsible, are not doctrinaire. They are practical people. They view politics with the greatest scepticism. They will be looking for results and they will judge us by results.

We must understand what it is that people want. We must reflect this in our own policy proposals, and in our study of Government proposals. But the Government must take heed of what we say—not just succumb to our votes.

The power of a vote in the Council is the power of a sledge-hammer. A vote against the Government is a negative exercise of power. Our numbers enable us to prevent new laws being passed, to prevent new taxes being raised, to prevent revenue being spent. But this sledge-hammer power is not suitable for cracking nuts. And most of the business of this Council is concerned with cracking nuts. some large, some quite small.

The Government has, therefore, a part to play too.

The policies that the Government brings forward to this Council must be policies that we *can* support. This means that policy proposals must be backed up with full information and justification. This is much more likely to be the case if they have been developed in co-operation between the civil service and the Unofficials rather than hatched in secret and launched at this Council without warning.

The Government must also be prepared to *argue* its case, not just to assert it. If it cannot convince us by reason and research, it must be prepared to think again.

We on our part must be equally prepared publicly to support those policies which we have developed in cooperation with the civil service. We must always be prepared to support the Government when it is right, to question it when we are not convinced and to oppose it when we believe it is wrong.

It is only in this way that we shall be able, in your own words last year, Sir—'to develop a system of government which is firmly rooted in our community, in which the views of the community are fully represented and which is more directly accountable to the people of Hong Kong.'

DR. HO:—Sir, as I see it, the tone of your annual address gave strong indications that the Hong Kong Government is determined to implement the twin goals of prosperity and stability enshrined in the Sino-British Joint Declaration and to steer the territory through a smooth transition to the special administrative region status. The long list of infrastructure and urban renewal projects, as outlined, will serve to boost confidence in local and overseas investors and concurrently to demonstrate the Government's commitment to sustain Hong Kong's long term development. For these reasons, Sir, your annual address was warmly received in general.

I. *District administration*

Consultation is a fundamental element in the policy-making process in our Government machinery. At the district level, the public attempt to influence Government decisions by channelling their views and wishes through their district board members, elected and appointed. In recent months, we saw important Government policy proposals heatedly debated in district boards. Prior to these debates, district board members have to spend a great deal of time

and attention in consulting and canvassing their constituencies. Therefore, an uninhibited dialogue must be built between them. To promote this free-flow communication, district board members have been making repeated requests to the central Government for assistance in the form of subsidised office accommodation and secretarial services. I urge that the Government promptly consider their requests.

II. *British national (overseas) passports*

The White Paper on the Draft Hong Kong (British Nationality) Order 1986, published over a month ago, has drawn considerable comments from the public. Not only does it spell out the necessary amendments which have to be made to a number of related pieces of legislation in the United Kingdom regarding the provision of a new British status for the Hong Kong British Dependent Territories citizens after 30 June 1997, it also demonstrates Her Majesty's Government's commitment to the faithful implementation of the Sino-British Joint Declaration. Sir, this important document merits in-depth examination and I am pleased to learn that an opportunity has been arranged for Members of this Council to debate it on 4 December 1985.

Leaving the technical aspects of the British national (overseas) passports to the scheduled debate, I would, nevertheless, like to raise a point of practical significance this afternoon.

The draft Order-in-Council annexed to the White Paper is a rather complex and technical subject for the ordinary men in the street, and it will come into effect on 1 July 1987 after going through the necessary legislative process. By then, the new British national (overseas) passports will be available to those eligible Hong Kong residents, that is those who are holding existing but expiring British dependent territories citizen passports or those who are entitled to apply for a British passport for the first time. To the travelling public who are eligible for the new British status, they have yet to be convinced that the new British national (overseas) passport could afford the same degree of, if not more, convenience and benefit of travel as the alternative British dependent territories citizen passport which they would still be entitled to between now and 30 June 1997. Much has been said as regards why the Government wants to issue the passport well in advance, but it is equally important, from the 'user' point of view, that the advantages to holders of the new passport be clearly explained. I fully endorse the wish of the Government to have the British national (overseas) passport well tested in the run-up to 1997, but I would also urge the Government to perfect the 'marketing' of this brand-new untested product so as to encourage those eligible to take it up.

III. *Organised crime*

Turning to my last topic, I wish to reflect some observations which I have made on law and order. There is considerable amount of legislation enacted to counter organised criminal activities, but unfortunately these laws are either

inadequately applied or not fully exploited. The public widely hold the view that the penalty imposed on convicted offenders is too lenient to produce a deterrent effect. According to police statistics on triad society members arrested for committing various offences in 1983, custodial sentences were meted out to 17 per cent of the offenders convicted of unlawful society offences, to 26 per cent of serious assaults, to 33 per cent of gang fights and to 57 per cent of blackmail. In police prosecution, it is found extremely difficult to obtain a conviction of triad membership. Even if convicted, the current tariff is light, especially for youthful offenders. Men in the street would also like to see that the court, in appropriate circumstances, make more frequent use of section 21 of the Immigration Ordinance (Chapter 115) which provides for a deportation order for certain offences. This order will certainly help to suppress crime rates. I wish to point out that in the latter part of 1950s, the police successfully disintegrated triad societies by recourse to the special legislation, 'The Emergency (Detention Orders) Regulations 1956'. Over 10 000 triad officials and members were arrested and over 400 of the top officials were deported. Many surrendered themselves for being placed on supervision orders in preference to detention and deportation. I have no intention to interfere with the independence of the Judiciary. But I am merely voicing the views and wishes of the general public that members of the judiciary would duly reflect public sentiments and the gravity of the crime in their administration of criminal justice.

The real deterrent to a criminal is his being caught and penalised severely. It has been suggested that more investigatory powers be given to police officers, in order to enable them to gain access to certain information concerning those engaged in serious crimes. In addition, more stringent laws such as those on criminal conspiracy, on consorting, and on forfeiture of ill-gotten gains from illicit activities, may be enacted. The protagonists of civic rights may be critical of these new powers and laws. However, I appeal to them that they must weigh the sacrifice of some individual freedom against the effects these legislative measures may have in contributing to an improved social order. At times of deteriorating social order, draconian laws must prevail. As knowledge will lead to understanding and hence to support, I suggest that the Government make an effort to properly and adequately inform all sectors of the community of the full extent of organised crime and its overall anti-triad strategies, in particular, those parts where public participation and cooperation are to be enlisted. The publicity and education work undertaken in the fields of narcotics and corruption is very successful, and the same approach can be applied in the war against syndicated crime. If the fears of human liberties being unduly eroded are still high in spite of all publicity efforts, I suggest that these new statutes might be enacted with a life of, say, five years. When law and order returns, these statutes will not be extended to a further period. This practice is not new, as certain sections of the Immigration Ordinance (Chapter 115) and of the Merchant Shipping Ordinance (Chapter 281) to provide measures in connection

with illegal immigrants and Vietnamese refugees were enacted with a specified period of life, to be extended in the light of new circumstances.

With these remarks, Sir, I support the motion.

MR. CHAN KAM-CHUEN:—Sir, on 30 October 1985, we rejoiced in having a newly decorated home which we could call our own. The occasion was also significant in that we had newly Elected Members joining the legislature for the first time in the history of Hong Kong.

The celebrations which followed could best be described by the Chinese saying (冠蓋滿京華) i.e., 'the Capital is full of dignitaries' but what followed should be the phrase (斯人獨憔悴) i.e. 'but this person alone is left in distress'.

He is a man whom one met quite often in business circles and in Government advisory board meetings and he had worked faithfully in an industrial organisation for 16 years. His service is now terminated and he faces an uncertain future. It is wishful thinking to sweep the whole affair under the carpet—out of sight and out of mind. It is no fault to believe that all men are equal in political rights and that the protection of our election law is adequate.

We are here not to speak for the interest of an individual but when this case is transformed into a public issue and have vital future ramifications, then we should speak out without fear or favour.

House rules versus the law of the land

The important issue is whether house rules are above the law of the land.

The allegation of interfering in an organisation's internal affairs and the right of an employer to set down conditions of employment are all irrelevant when it conflicts with the spirit of the law and against the common good. Should employers now move that all their paid staff be banned from taking part in jury service and concentrate full time on their employment? The same ban may be applied to participation in military service, then countries like Switzerland would have no army for defence overnight.

Taking the law into one's own hands

In countries where the law provides for deprivation of election rights (褫奪公權) for a certain number of years or for life, it is usually done in criminal offences and properly administered by a Court of Law and according to law. This man was sentenced by his employer to deprivation of election rights for the term of his working life.

The public spirit

The public spirit of upholding the law and supporting the Government would become mere lip service if this precedent is perpetuated. Fortunately there are still a lot of employers with public spirit and who care for the good image of

their organisations. otherwise most of the working class legislators would disappear from this Council.

In fact, one can always work flexi-hours to do both jobs by pre-planning one's time and office work with some encouragement from one's employer.

The untouchables (賤民)

The acceptance of a salary is not tantamount to accepting slavery. The splitting of society into well-to-do employers with political rights and the 'untouchable' employees without political rights would cause unrest.

I hope that this is the only exception and anti-victimisation measures similar to those in the Employment Ordinance should be considered to prevent recurrence. If this is the 'Hong Kong people ruling Hong Kong' pattern, then this issue sends a chill down my spine.

The economy

Our exports have dropped, partly due to world economy and we must maintain our HK\$7.80 to the US\$1 rate for our exports to remain competitive.

We must keep a watchful eye on rising unemployment figures. Hong Kong prides herself with tripartite solutions to labour problems and when good employers contribute their money and labour contribute their efforts, I recommend that Government should contribute their services, *gratis*, to alleviate workers' hardship. Then those long white banners outside their offices and policemen inside their offices to rescue the negotiators will be a thing of the past.

Our re-export figures have increased but as the goods are not manufactured here, the labour cost content is limited to transportation and associated services.

Fortunately, for Hong Kong consumers, parallel goods, especially foodstuff, have helped to keep prices down.

The property market gave us confusing news. For three consecutive days, three pieces of choice properties could not be sold at the upset prices and had to be withdrawn. But auctions which follow yield different results.

The internal consumer markets, such as restaurants, jewellery, fashions etc. are sluggish due to the disappearance of their richer and long standing clients who are on prolonged holidays overseas.

Confidence

It is therefore important that politicians should be specific and careful with their public statements to enhance confidence, otherwise it would plummet like the share index and does no one any good, except for those who sold short beforehand. I pray that all parties concerned should put stability and prosperity at the top of their priority list.

With these observations, Sir, I support the motion.

MR. STEPHEN CHEONG:—Sir, since the initialling of the Sino-British Joint Declaration in September 1984, there has been quite visible signs of an upturn in our real estate and stock markets. These have been hailed repeatedly as signs of substantial restoration of confidence in Hong Kong's future. While many people have heaved a sigh of relief, not so much perhaps over the long term future of Hong Kong as over the temporary relief of tensions which had hung over us for over two years, as we enter the transitional period leading to 1997, we should nevertheless be honest with ourselves and recognise the fact that deep down in the minds of a lot of people, there is still great unease and uncertainty over our long term future. The signing of the Joint Declaration may be one thing, the successful implementation of all its provisions is quite another. The next few years will be very very crucial. On both the political and economic fronts we are at a cross road. I had planned to address my observations to both important subject areas this afternoon, but, this will certainly take me over the agreed guideline of ten minutes. Perhaps, my colleagues will be glad to lean that I intend to honour the guideline and therefore confine myself to only one subject matter.

Politically, we need to find and develop an institutional framework which will have the best prospects of surviving the progression towards the ultimate implementation of the Joint Declaration. This is no easy task, for that structure has to be seen to be able to achieve a smooth transition to the arrangements envisaged for 1997, while at the same time provide a meaningful base for fostering our future stability and prosperity. Patience, understanding and sincere co-operation from all sides are crucial if we are to achieve these objectives.

It may be inherent in international diplomacy that one side should have little trust of the other, and it is sad that the case of Hong Kong is no exception. Despite the fact that both Britain and China have so openly and repeatedly declared their common objectives for Hong Kong, the level of mistrust mutually between the two sides still appears to be high. China still seems to be very skeptical of any proposals raised by Britain, understandably so on the side of caution, but it cannot be denied also that such caution, when carried too far would impede proper and objective analysis of issues, thus unnecessarily causing serious problems to be deferred rather than solved. Britain, on the other hand, seems to have taken a somewhat nonchalant attitude and initially has done little to remove that mistrust. Certain proposals might have been put forward in all sincerity, but when setbacks were encountered, there seems to have been lacking a sense of dynamism in pursuing a satisfactory solution for Hong Kong. It is so easy to fall into the trap of thinking that 'the other side will never understand so what more can one do?' Surely, if both sides were to make no positive adjustments to this respective frames of mind in the next few years, it is difficult to see how the common objective can be achieved smoothly.

I would therefore urge both parties to interact with sympathy, understanding and due consideration for our anxieties, and to work closely and pragmatically towards developing solutions that could manifestly foster and maintain public confidence. As for the people of Hong Kong, whatever our private feelings may be, we have to recognise and come to terms with the fact that the source of power of the future S.A.R. government will be derived from the central Government of China. The deep concern of the majority of our populace is over possible future changes in China and not over whether or not China will accept a system of direct elections. We feel lost and uncertain because we are afraid that China will deviate significantly from its present course of policies and not over whether or not our future legislature will be mainly directly elected. One thing in fact is very clear and we must not harbour any illusions over it. A high degree of autonomy for the S.A.R. government is not synonymous with independence, nor with the freedom of action one normally associates with democratic government based on universal suffrage. The future S.A.R. government will always walk a tight rope, and it will constantly have to reconcile the interests of the people of Hong Kong with the interest of the central Government of China. Not to accept this reality I submit is plain stupidity.

Indeed if we are to achieve prosperity and stability, within this kind of autonomous environment, it behoves us to maintain our economic progress as our top priority, if only because making money is a field of endeavour we are good at, whilst progress on other idealistic fronts should be pursued patiently and step by step. As of late, it seems to me that there has been undue haste on the part of certain groups of people to force onto the community a future form of government long before the legislature has had a chance to review, in 1987, its present structure. The high degree of excitement coupled with the call for directly elected representatives accompanying the proposed formation of the Basic Law Consultative Committee seems to be part of that undue haste.

It has been claimed that the process of democratisation in Hong Kong cannot be stopped and that, prior to 1997, there must be in place a totally or at least 50 per cent directly elected legislature. It has even been postulated that a democratic S.A.R. government created through direct elections is the only desirable means of structure that will be able to withstand adverse effects and pressure arising from possible excesses in China. In further support for the push for direct elections, some people consider that the recent electoral college form of election should be replaced by direct elections.

With your permission, Sir, I wish to place on record the fact that I am not a diehard opponent to direct elections as some may believe. I do have an open mind on this issue. I would even go so far as to postulate that as the political experience of our society progresses, it may be desirable to have an element or elements of direct, territory-wide, single-list type elections within our future constitutional framework.

I am also in the firm belief that in the context of Hong Kong's unique situation, we should examine the merits or demerits of direct elections with a pragmatic and realistic attitude taking into account fully the avowed common objective of stability and prosperity whilst avoiding the ideological and emotional slant of any analysis. Furthermore, before we can come down on to any firm decisions, I believe we should first re-examine the rationale behind starting our constitutional development route with indirect elections. We have to consider whether it has achieved the desired objective of returning the sort of candidates with the right sort of calibre to take up the job as a Legislative Councillor. If there are problems with indirect elections, we should consider whether we can solve these problems and to improve on the system. What is the real rationale of dumping the indirect election system without giving it a fair examination? Save for ideological beliefs, I must confess I fail to see any pragmatic reason why Hong Kong needs to be that impatient to establish beyond any doubt the desirability of direct elections.

Sir, even if we eventually conclude that there is a case for some sort of trials in direct elections in the future, we still have to face the fact that Hong Kong is not and will not become an independent sovereign state. We survived and thrived economically without having to undertake political experimentation. Let us not now prematurely introduce drastic changes to our formula for success. Like it or not, we owe our existence now and in future to our continued economic successes. We do not have the luxury to err. If ever our prosperity is threatened through our own impatience, we would not be able to achieve the twin objective of developing for the future S.A.R. government a political structure that would be respected by both the people of Hong Kong and by the central Government of China, and one that would be manifestly capable of fostering Hong Kong's status as stable and prosperous international business and financial centre.

Sir, I would like to conclude with a plea to the Hong Kong media. I plead that our friends in the media should consider re-examining whether or not they have over allocated resources to cover the overheated political scene. I was told that, during a recent hour-long briefing session with the press by the Chief Secretary, 75 per cent of all questions asked were of a political nature, focussing on issues which may well be premature for any responsible public figure to commit or even to comment one way or the other. Memories of similar experiences encountered by many of my honourable Unofficial colleagues must be equally vivid. In my view such intense political heat and speculative questioning is not conducive for Hong Kong to find the much needed balanced answers to so many sensitive and thorny issues the solution of which will be critical to our future well being.

I can fully understand politics is more liable to breed controversies which make interesting or even exciting reading. Yet, Hong Kong does have other important issues which may be equally interesting to readers. For example, the future of the Multi-Fibre Arrangement, Hong Kong's role in negotiating an

extension of the GATT to cover world trade in services, and the development of our transportation and industrial support infrastructure, to name only a few. Even the intelligentsia of Hong Kong do not need excitements everyday and it may even be useful and constructive for the community to have some cooling periods now and again. Afterall, how many of us are really that brilliant as to be able to think clearly and rationally in a continuous atmosphere of tension and over excitement.

We must not run the risks of placing the priorities of Hong Kong out of perspective and in this respect. Sir, may I echo full support to the theme of our honourable senior colleague Miss Lydia DUNN. There will be no future for us if we do not address and resolve the problems of here and now. And the issues of today which impinge on the future stability and prosperity of Hong Kong are precisely what those two words imply. It is not without good political sense that someone once said: 'take care of the pennies and the pounds will take care of themselves.' Let us all reflect, ponder, react and work steadily towards continued progress in our quest for Hong Kong's stability and prosperity now and in the years to come.

MR. CHEUNG YAN-LUNG:—Sir, you have demonstrated in your address this year a commitment of the Government to maintain the prosperity and stability of Hong Kong and to flexibly and extensively consult and liaise with the people of Hong Kong at various levels. The Government is also sparing no effort to improve our social and economic systems and to provide the infrastructure which will sustain continuous development. Sir, I welcome these as they will ensure growth and strengthen our confidence in our future.

Sir, you have also pointed out the need for a more representative government. Towards these objectives, the Regional Council, when established next year, will have directly elected members, members elected by district boards, appointed members and *ex-officio* members from Heung Yee Kuk, representing a wide cross-section of the interests of the region. The Regional Council will also elect its representative to this Council. These will ensure a close link for consultation among the three tiers of the Government structure.

To complement these, the Provisional Regional Council has also set up an unique committee system consisting of three functional select committees to formulate policies for municipal services. It also has nine district committees, chaired by the respective district board representatives in the council, to deal with operational matters. I am confident, Sir, that the Regional Council with its representative structure and consultative network through its committees, will function properly in developing municipal services in the region.

As regards the finance of the Regional Council, arrangements are being worked out with the Financial Secretary. In this respect, I would like to stress that the Regional Council requires sufficient revenue to support its various activities. As you said, Sir, the main source of this revenue will be the rates

collected in the Regional Council area; and if the Financial Secretary considers it necessary to propose a small increase in the rates next year, the revenue so generated should be allocated to the Regional Council to enable it to fulfil its responsibilities. However, rates alone are most unlikely to be sufficient to finance the 428 capital works projects costing a total of \$4,013 million which is the council's responsibility. To put the financial position of the Regional Council on a proper footing, I feel obliged, Sir, to solicit an understanding on the part of the Government to continue to share the heavy financial burden on capital works until the Regional Council is in a position to take it over itself, hopefully in a few years' time.

While still on the matter of the Regional Council, I feel disappointed at the result of the recent registration for the Urban Council and Regional Council elections next year. A net increase of only 20 000 voters is by no means a satisfactory figure. The Government does not seem to have promoted the registration with the same stamina as demonstrated in the recent district board and Legislative Council elections. Bearing in mind that the functioning of the representative government will be reviewed, I would suggest that we should not overlook the possibility of extending the franchise to those who have reached the age of 18. Young people in Hong Kong mature at an age earlier than before. At reaching this age, many of them have completed their secondary education and have joined the society as a work force. Some continue to receive higher education in our post-secondary colleges and universities. They are a group whom we have provided with better education. On their part they have demonstrated increasing social and political consciousness. I think they deserve the entrustment of electoral rights.

My next topic concerns agriculture which is within the geographical area of the Regional Council but not directly connected with it.

Any visitor to the New Territories will marvel at the results of the rapid developments, the efficient rail and road systems and the spacious housing estates. But how many appreciate the sacrifice New Territories farmers have made in support of these developments?

Our agricultural community is a battered one. Our farmers have to struggle for a living against keen competition from incessant imports of agricultural products. The younger generation seeks employment in industries and business which often offer better pay, resulting in a shortage of farm hands and large pieces of arable land being laid waste. Farmers suffer most when their land is resumed by the Government for development purpose. Under the existing policy, the compensation they may receive depends on the location of the land that is being resumed. Only those whose land falls within development boundaries receive full compensation equivalent to the fair market value of the land; those outside may only receive as low as one-fifth. This is very unfair. Development layouts are zoned by the Government in accordance with development needs. It is understandable from the Government's point of view

that land lying within a development area is more valuable. However, to a genuine farmer, a piece of arable land is of the same agricultural value regardless of its location in relation to the development. Being forced to give up their land is unfortunate, it is also unfair that they only receive a portion of the full compensation due to their land being unwittingly placed outside the area of development. They suffer the same in being up-rooted and deprived of their means of livelihood, they do not have the skill nor assistance from the Government to re-establish themselves in a new trade or occupation.

Our agricultural community is not dying. It has a work force of 24 000 people, about one per cent of our economically active population. It has an annual output of agricultural products valued at \$1,400 million. It has good potentials in that there is arable land which has not been utilised. Yet we have farmers displaced by resumption who are unable to re-establish themselves in farming.

Sir, I am not only calling for a review of the compensation policy for land resumption. I wish to suggest that the Government should establish a policy to encourage and support the cultivation of wasted arable land. This could be achieved by resiting displaced farmers to fallow land leased by the Government for this purpose, with rental subsidies given where necessary. The Government should at the same time extend its work in introducing new and improved production techniques and equipment supported by increased agricultural loans and marketing facilities in order to make farming economically viable. As a result, the agricultural community may have the ability to improve its environment including the problem of agricultural pollution. After all, the Government has the responsibility to help the unemployed to seek jobs. We certainly owe more to these farmers who lose their land through no fault of theirs and we should do more to help by providing additional assistance. This policy, if established and expanded, has the additional merit of taping our last valuable natural resources which otherwise would continue to lay waste. We may also become less dependent on imported agricultural products. Sir, I hope my suggestion, in a rudimentary form though it may be, will be seriously considered by the Government.

My last point today concerns consumer protection and quality control of our industrial products and commercial practices. Recently we have enacted legislation to regulate the activities of money-changers and to require the registration of travel agents. The Government and the Consumer Council are also considering legislative amendments which will enable the Small Claims Tribunal to accord priority to complaints from tourists who are being ripped-off by dishonest traders. These measures will go some way to deter the unscrupulous traders and help to prevent foreign tourists from being cheated in Hong Kong.

Protection for the general consumer deserves equal concern. We should speed up trade description and weights and measures legislation to ensure that the

contents of the goods in our shops are accurately described and that we get the quantity of high quality goods we pay for. By promoting these, it will not only contribute towards preserving the prestige of Hong Kong as a shoppers' paradise but will also help to instil overseas confidence in the quality of our products. These will definitely help to further develop and maintain the prosperity and stability of Hong Kong.

Sir, with these remarks, I support the motion.

MRS. CHOW:—Sir, paragraph 3 of Article I of Annex I of the Sino-British Joint Declaration states the key elements of the Hong Kong Special Administrative Region government.

Firstly, the government and legislature of the Hong Kong Special Administrative Region shall be composed of local inhabitants.

Secondly, the chief executive of the Hong Kong Special Administrative Region shall be selected by election or through consultation held locally and be appointed by the Central People's Government.

Thirdly, principal officers (equivalent to secretaries) shall be nominated by the chief executive of the Hong Kong Special Administrative Region and appointed by the Central People's Government.

Fourthly, the legislature of the Hong Kong Special Administrative Region shall be constituted by elections.

Fifthly, the executive authorities of the Hong Kong Special Administrative Region shall abide by the law, and shall be accountable to the legislature.

These stipulations, if they are to be implemented faithfully, necessitate major changes to our present governmental system. And we have no reason to doubt that they will be faithfully implemented, for they are promises made in the eyes of the world, to the people of Hong Kong, on which our hope and confidence for the future rest.

Let us examine these terms that bind the Hong Kong Special Administrative Region government in 1997. The implications are significant, and must be fully recognized for the sake of good planning, adequate preparation and smooth transition.

Questions beg to be resolved.

Never before has Hong Kong selected our own chief executive in the manner described in the agreement. What method will be employed? Who will have the right to elect or to select?

Another significant change is the way in which the legislature is to be constituted. Here there will be nothing left of the appointed system. The choice remains between the various methods of elections, but elections they must be.

There will no doubt be considerable debate over the method of elections. Apart from the choice between the forms that the election may take, such as direct or indirect selection, secret or open ballot, simple or absolute majority, there are other aspects such as the franchise or respective constituencies, the proportion between functional and populist constituencies and so on, that should be fully explored before they are adopted, adjusted, or discarded. It must also never be forgotten that election is a means of selection so that the candidates selected could be held more accountable to the people they represent. Election is not itself an end. But most important of all, it must in no way put at risk the stability Hong Kong has and needs.

Sir, in the debate on the White Paper on the Further Development of Representative Government in this Council this January I have advocated early debate and forward planning for our constitutional reforms. Now that we have had the benefit of experience gained in the district board elections in March and the first round of Legislative Council elections in September, we must not lose the sense of urgency in our deliberations for the future. I would therefore ask for your indulgence in putting forward some of my own thoughts on the matter.

Allow me to dwell briefly on the question of direct and indirect election.

At the moment we are using a mixture of direct and indirect election for our Legislative Council elections. Some of the functional constituencies such as medical, teaching, legal and engineers and associated professions are already employing direct election for their eligible voters. The other functional constituencies employ the one-unit-one-vote system through delegated voters. The district boards of course operate on the system of electoral college.

Direct election within the four professional constituencies seem by and large to have met with approval, except for the view that the pooling of four professions under the engineering constituency is unsatisfactory. Accountants' exclusion is generally regarded to be an unfortunate oversight.

Indirect election within the other functional constituencies seems to have been acceptable, although debate as to whether the social services constituency should adopt direct election with the introduction of one-social-worker-one-vote remain inconclusive. Property developers feel they ought to have one seat, and bearing in mind the importance of this sector in Hong Kong, I think this request is totally justified.

There is general concensus over the high quality of the candidates returned in the electoral college. However, dissatisfaction has been expressed over the fact that the number of seats was less than that of districts, giving rise to unnecessary disharmony during the campaigning. Reservations have also been voiced that the system did not hold the voters in the electoral college accountable to their respective constituencies regarding their choice of candidates.

Adjustments to present arrangements may be considered along three alternatives.

Instead of 12 constituencies, the single list system could be adopted. Another option to ensure accountability, assuming that the existing system is retained, is for voting within the electoral college to be open. A third possibility is to allow direct election to replace the electoral college altogether so that legislators elected on such a populist base could be held directly accountable to their constituencies.

There is considerable popular support for a limited scale of direct election to be introduced in 1988. At the same time, there is considerable resistance from the conservative sectors of our community against universal suffrage. The 'free lunch' argument is well-known and the threat that adversarial politics poses to stability is genuinely feared by some.

We must recognise the fears as well as the aspirations. But at the same time we must also recognise the pitfalls of stagnation and retrogression, which could be detrimental to public confidence and could paradoxically put at risk the stability we wish to preserve. It is for this reason that our constitutional reform must progress towards the form spelt out in the Joint Declaration. The direction is clear. The goal is defined. The pace is ours to determine. But we have less than twelve years, considerably less if we are to effect a smooth transition, to arrive at the final structure. The more we delay that finalisation, the more changes we would need to effect within a shorter time frame, which could only mean that we will be running a higher risk of instability. Such a scenario must surely be harmful to the interests of Hong Kong, China and Britain.

A host of other questions on the development of our system need to be immediately addressed within the parameters laid down in the Joint Declaration. They include:

- (1) The relationship between the Legislative and the Executive Councils.
- (2) The monitoring function of the elected representatives.
- (3) The relationship between the Urban and Regional Councils and the district boards on one hand, and central Government on the other.
- (4) The role of the Unofficials on the various planes of Government, and the resource support they require to fulfill their respective roles effectively.
- (5) The relationship between the various entities within the network and hierarchy of advisory bodies within Government.

The 1987 review, to which the Government is firmly committed, must be as thorough as possible, exploring all facets that need to be looked at, containing as many options as are practicable, so as to assist Hong Kong to come to the right decision expediently.

Sir, every member of the community is a consumer. The Consumer Council regards as its duty and objective to ensure adequate protection for the consumer in the context of our free economy. Safety of products and services tops its list of priorities. This has prompted the Consumer Council's decision to conduct

a major campaign in March next year to promote public awareness in this very important aspect of consumer protection.

In line with the development of Hong Kong, the Consumer Council is pressing ahead with its regionalisation plan. Apart from realising its goal to open one advice centre in each of the 19 districts, it is necessary to ensure their adequate support and supervision at head office. This requires reorganisation and strengthening of senior management. It is also intended that services provided in these district centres will answer the specific needs of each district, and a more aggressive out reach approach is being planned.

Consumer protection is the business of all of us, but more specifically that of the Consumer Council, Government departments (and there are many) which have the duty to control, and if necessary, to prosecute delinquent traders, the police, the business community and of course this Council where legislative measures are necessary. We have a common cause. We will succeed if we maintain the present spirit of close co-operation.

The curtain to the International Youth Year will fall in a month's time.

A lot has been achieved in this year. The Central Co-ordinating Committee wishes to thank each and every group and individual who has contributed to the success of this year. Next March we hope to present an overall report of I.Y.Y.

Among its many conclusions, the Central Co-ordinating Committee will be presenting to Government its own recommendation on policies relating to youth, having taken into consideration views expressed in a most meaningful conference of two parts on Youth Policies in Perspective. The committee will also recommend that a standing co-ordinating committee on youth be constituted to:

- (1) co-ordinate all territory wide youth activities in recreation and culture; and
- (2) to advise Government on major policy issues from the point of view of the young.

It is felt that such a committee with official and unofficial participation which must include young people, will be able to continue the much goodwork that has started this year. One of the committee's priorities could be to examine the feasibility of a so-called youth policy, in answer to calls made by a number of experts on youth matters.

Sir, I support the motion.

MR. CHEONG-LEEN:—Sir, I lay on the table for the record a copy of my ten-point election manifesto (Appendix) on which I was elected to the Legislative Council.

During the 1985-86 session, I intend to give top priority to cooperating closely with my fellow Councillors in ensuring that the work for which the Legislative Council is responsible proceeds smoothly and beneficially for all. As Your Excellency so aptly put it, 'all of us have a common responsibility to the community as a whole.'

We have less than three years to prepare ourselves for the next round of wider representative government. During the period, Councillors will have to prove both to local citizens and to the world that we have the capability of governing ourselves in accordance with the spirit and terms of the Sino-British Joint Declaration.

It is an unprecedented challenge but I believe that we can fulfil this historic task. Confidence in ourselves and faith in the future of China and Hong Kong will ensure a smooth transition by 1997 and into the 21st century.

Some people, both local and abroad, with interests in Hong Kong are concerned that China will not maintain its open door policy and modernisation drive before and after 1997, and that China's leadership may show later on signs of inconsistency and change in her open door policy. My answer to that is simple and direct: it is a matter of faith, confidence and optimism in the future of China and her one billion people. China needs the rest of the world and the rest of the world needs China. Furthermore, both the Chinese and the British Governments have registered the Sino-British Joint Declaration on Hong Kong at the United Nations, and it is thus a binding international instrument.

Both Britain and China will have to unfailingly demonstrate that they are fully implementing the spirit and intention of the Joint Declaration in order to set at rest the hearts and minds of Hong Kong people.

Other people have expressed concern as to whether Hong Kong will be able to cope with the rapid changes towards a high degree of autonomy that will take place. My answer is in the affirmative, that although the situation has been thrust upon us by history, we must and will make a success out of it.

Civic and political education of the Hong Kong public should be a matter of the utmost importance. We will have to inform and engage community affairs groups and interested citizens on key issues as they arise. The more active public interest there is in Hong Kong political affairs, the more committed will Hong Kong people be to their own future and the future of China.

This new-look Council will no doubt keep its sights firmly focussed on Hong Kong's continued economic growth, the foundation for which is our free enterprise system and market-oriented economy.

Hong Kong's own brand of capitalism will have to relate to and make its significant contribution to China's socialist modernisation and higher living standards for the Chinese people.

In other words, Hong Kong after 1997 can be the proving ground whereby capitalism and socialism can co-exist productively and peacefully for all concerned.

Already as a start, in implementation of the Joint Declaration, new land leases are being issued to expire in the year 2047, and this has reinforced confidence in Hong Kong's economic future.

Our progress towards political reforms needs to be paced right so as to enhance social stability, economic prosperity and confidence in our future, and to avoid economic chaos at all costs.

We have to pragmatically move forward in building up our own style of representative government for 1997. So between now and then, Hong Kong should be increasingly aligning itself to China's open door policy, modernisation drive, socialist civilisation and Chinese-style rule of law, while still retaining our own systems under the 'one country—two systems' principle.

I believe that it is in the long term interests of the people of Hong Kong to have a balanced proportion of indirectly and directly elected Legislative Council seats by the 1988 elections. I urge that Legislative Councillors express their views on this subject and also in their individual capacities exert their best efforts to persuade Basic Law Drafting Committee members to accept the principle of direct election for a proportion of the seats of this Council.

I was recently asked by an overseas visitor whether Hong Kong now needed someone of the calibre of LEE Kuan-yew to lead us through this crucial transition period. My response was that Hong Kong wants many LEE Kuan-yews—and this includes the female gender as well—with the will, dedication and vision to combine into a united and effective local leadership to step-by-step take over the administration of Hong Kong under British responsibility until 1997.

I would propose that during the 1985-86 session, standing select committees be appointed with Unofficials as chairmen to cover some or all of the following subjects:

- Education
- Culture and recreation
- Housing
- Medical and health
- Social services
- Trade and industry
- Environmental improvement

So, having been elected from the Urban Council constituency, I shall be actively interested in all matters for which the Urban Council has responsibility such as public hygiene, recreation and culture.

In cooperation with Government, the Urban Council hopes to see the completion of the Hong Kong Cultural Centre opposite the Peninsula Hotel by 1989.

I might add that in many ways, the Urban Council's work, especially in the cultural and public hygiene fields, contribute to the development of tourism, an industry which is very much part of Hong Kong's economic success.

While Hong Kong has generally a good reputation in maintaining law and order, the recent disclosure by the police that triads are a growing menace leaves one wondering whether the problem is one which requires enactment of more stringent legislation, or more vigorous action on the part of the police, or of stronger grass roots anti-crime support at the area committee level, or a combination of these and other factors, and closer coordination all round.

I urge more vigorous action by Government, firstly because Hong Kong people are quite concerned about 'the insidious menace of triads'—as Your Excellency has appropriately described it—and secondly because triads are counted in some countries as an export product from Hong Kong—an illegal and unwelcome export product which does nothing to enhance Hong Kong's image abroad.

One of the most intractable areas where triad activity is endemic is among hawkers. I would urge maximum cooperation from the police to the Urban Council and the Urban Services Department in combatting the triad menace among hawkers.

There is another matter of concern to the Urban Council and that is legislation regarding advertisement signs. The Urban Council many years ago decided that it did not have the required engineering skills and facilities to effectively control advertisement signs. It was agreed with Government in 1977 that the necessary legislation should be enacted to facilitate Government taking over this task.

Despite innumerable reminders to Government over the years, nothing so far has happened. As the Secretary for Municipal Services is once again making a plea for the necessary legislation to be enacted, I should be grateful to know if such legislation can be enacted during the current 1985-86 session.

Sir, I support the motion.

APPENDIX

The following is a 10-point programme of what I wish to accomplish and promote if I am elected to the Legislative Council in September.

The foundation of this programme is:

Progress
Stability
Prosperity
Rule of law and
Preserving Hong Kong's own life-style and systems

Political and legal

1. We will have to press ahead towards a representative system of Government. By 1988, there should be an increased number of indirectly elected Legislative Councillors plus a certain number who are directly elected from regional constituencies. A form of ministerial system compatible to Hong Kong's future S.A.R. status will have to be progressively developed.

The rule of law and an independent judiciary are part of the Hong Kong systems which have to be preserved under the Sino-British Joint Declaration.

Basic law

2. The drafting of the basic law is of great concern to Hong Kong. I shall carefully follow progress in the drafting and do my share to ensure that the draft basic law will fully reflect the spirit and intention of the Sino-British Joint Declaration, and the wishes of the people of Hong Kong.

Better consultation

3. I will seek to improve the Government's consultation process with the public on important legislative measures, and build up the image of the legislature as a more representative political institution attuned to the needs, aspirations and concerns of the people.

The need for an ombudsman or parliamentary commission system should be carefully looked into.

Urban Council

4. The Urban Council performs a vital role in improving the environment and the quality of life in Hong Kong; therefore I shall defend, enhance and amplify the Urban Council's interests within the legislature on all occasions.

Economic

5. I will strive to strengthen our economic base, build up confidence in Hong Kong's future, and encourage more investment capital to come here; this in turn will stimulate steady economic growth and provide more jobs for our people.

A strong and independent Hong Kong dollar and a flourishing free enterprise system are important keys to Hong Kong's economic stability and prosperity.

As Hong Kong's future is irrevocably linked with that of China, it is vitally necessary that Hong Kong residents expand their trade, industrial and investment, social and cultural links with mainland China: the promotion of mutual understanding and cooperation between Hong Kong and mainland China residents is to be fully supported.

Civil service

6. An efficient and loyal civil service with increasing opportunities for qualified locals to reach to the top, is essential to Hong Kong's continued prosperity; equally, there should be minimum waste, maximum productivity and continuous monitoring of the performance of the civil service in the interests of the community.

Law and order

7. In particular, I will continue to be actively interested in the law and order situation. Hong Kong has an outstanding police force, which on the one hand needs public support in the battle against crime, while on the other hand, the work of the police needs monitoring to ensure the rights of ordinary citizens are not eroded by those officers who are over-zealous or otherwise.

Social services

8. Hong Kong has to steadily move towards a better educated community if it is to hold its own as a bridge between China and the West, and to achieve a higher level of employment and rising living standards. We should progressively aim for 12-year universal education within this decade, and expand civic education among the young so that they will better understand their rights and duties as Hong Kong citizens.

Bearing in mind the necessity to keep the level of taxation low enough to attract overseas investment, we should seek to improve our medical and health facilities, our public housing and social welfare services, and a greener and healthier living environment.

Our aim is to be a 'caring society' where the needs of both the young, the elderly and the handicapped, both physically and mentally, are given due priority.

Culture and recreation

9. As an international city, Hong Kong should continue—especially through the dynamic input from the Urban Council—to expand its cultural, sports and recreation facilities and services for the community. Much has been accomplished by the Urban Council to improve the quality of life for our people in this respect. Much more still remains to be done.

One country—two systems

10. At this time in Hong Kong's history we need unity and faith in ourselves to meet the challenges and risks of the future. Under the 'one country—two systems' concept. Hong Kong will have to play a significant part in China's open door policy and in its modernisation programme.

I will do what I can towards this objective, so that Hong Kong fulfils its historic destiny of being the bridge between China and the outside world for a long time to come.

May I count on your support to help me in realising the above 10-point programme.

Hilton CHEONG-LEEN

MR. HO SAI-CHU:—Sir, of your wide and comprehensive review at the opening of the 1985-86 session of this Council, I would like to welcome your remarks on the implementation of the Sino-British Joint Declaration and in particular, the reference to the encouraging start of the Joint Liaison Group in its ability to co-operate in this important work, to ensure a smooth transfer of government in 1997, and the spirit of co-operation prevailing between the members of the Land Commission in relation to its works on matters of land leases as set out in Annex III of the Joint Declaration.

The Land Commission, apart from reaching agreement on a range of legal documents for use in land transactions, has also agreed to increase the limit of 50 hectares a year of new land as stipulated in paragraph 4 of Annex III, to 58 hectares for the current financial year and for the Hong Kong Government to grant new leases of land for terms expiring not later than 30 June 2047, that is to say 50 years beyond 1997. This is indeed a good beginning and the Land Commission is to be congratulated on its flexible approach in resolving our current needs and all concerned should now rest assured that land will continue to be made available when necessary, to meet our development requirements. We should therefore take a long term view and not be pessimistic about our future.

I also welcome your remarks about the basic law and the firm commitment of both the British Government and the Government of China to maintain the prosperity and stability of Hong Kong and to the fact that both Governments have pledged themselves to consult extensively with the people of Hong Kong. I therefore urge all concerned who may have views on the drafting of the basic law to express their opinions through the relevant channels so that we may build a framework of enduring institutions which will maintain confidence in Hong Kong. I wish also to add that any political reforms during the present transitional period should be introduced cautiously and linked to the future constitution of Hong Kong; in other words, political reforms should only be made in tandem with the basic law which is to be drafted and passed by the National People's Congress.

Finally, I would like to say a few words about the civil service.

In our pursuit of localisation, we must not discriminate against overseas officers whose contributions have indeed been great, and I am glad to hear that there will still be a place for such officers not only during the transitional period but also after 1997 as is provided for under the Joint Declaration. Much of Hong Kong's achievements have been accomplished not only through the efforts of local civil servants but also with the help and guidance of their expatriate colleagues.

In conclusion, I would like to remind the civil service as a whole, that their primary task is to serve the community in order to improve the quality of life in Hong Kong. We not only require a loyal and dedicated civic service but also one which is capable of inculcating a sense of devotion to the needs of the public so that it may discharge its responsibilities in the best interest of Hong Kong.

With these remarks, Sir, I support the motion.

MR. MARTIN LEE:—Sir, the people of Hong Kong love their present way of life; they particularly cherish their many freedoms. They do not wish to live in a communist system. Their wishes have been taken into account by the Chinese and British Government; for it is now clearly provided in the Joint Declaration that for 50 years beyond 1997, Hong Kong will continue to have a capitalist system.

But in order to ensure that the principle of 'one country two systems' can work efficiently, it is thought by both Governments that the political system in Hong Kong must change in at least three areas:

- (a) The chief executive of the Hong Kong Special Administrative Region will be appointed by the Central People's Government on the basis of the results of elections or consultations to be held locally;
- (b) Secondly, the legislature of the Hong Kong S.A.R. shall be constituted by elections; and
- (c) Thirdly, the executive authorities shall be accountable to the legislature.

Thus, in order to ensure that 'the current social and economic systems in Hong Kong will remain unchanged, and so will the life-style', the political system has to change, so as to provide for a more open, responsible and democratic government, with a high degree of autonomy.

Before the draft Joint Declaration was published, many people in Hong Kong did not believe that the principle of 'one country two systems' would work, and hence the outflow of capital and talent. The Joint Declaration has restored confidence in Hong Kong, for people thought that there was some chance for it to work, difficult though it seemed. Indeed, a fair number of able people in Hong Kong are willing to do their part to make it work. They are prepared to sacrifice their time and career to do something for the future of Hong Kong. But

there is a doubt in their minds: will China interfere in the internal administration of Hong Kong, whether in the law-making sphere or executive decisions or the judicial process?

It is not surprising, therefore, that the people of Hong Kong began to look very hard for some safeguards, realising always that these safeguards must be compatible with the Joint Declaration. Many believe that the only possible safeguard is to evolve a system which will produce a really effective and highly autonomous government in the future S.A.R. so that it can withstand such attempts to interfere. The system must not depend for its success on the integrity and ability of just a few individuals; but rather, those in power should be able to derive support from the system. And what can be better than a system where those in power are put there by the people of Hong Kong and can therefore be removed by the people of Hong Kong? In such a system, whenever there is any interference or attempt to interfere, those in power can say: 'The people of Hong Kong will not allow it.' That is why it is thought necessary to provide in the Joint Declaration that the executive shall be accountable to the legislature which shall be constituted by elections. But these provisions will be meaningless unless a substantial number of Members of this Council are elected directly by the people of Hong Kong. And that is the whole rationale behind direct election; and that is why so many people have been, and are, clamouring for direct election in Hong Kong. Indeed, it is our only hope to realise the ideal of 'one country two systems'. Sir, this has now become the spirit of the times and no one can resist it. Take that away, and the beautiful and courageous dream of a grand old man will turn into a nightmare; and our freedoms can no longer be safeguarded.

The elections held this September as a result of the recommendations contained in the White Paper on the Further Development of Representative Government in Hong Kong have been well received by the public. I suggest that the most natural and logical second step in the direction towards a more open, responsible and democratic government within the constraints of the Joint Declaration is to introduce direct election in 1988. This suggestion follows the recommendations in the White Paper which acknowledged that 'the bulk of public response from all sources suggested...a gradual start by introducing a very small number of directly elected members in 1988 and building up to a significant number of directly elected members by 1997...In summary, there was strong public support for the idea of direct elections but little support for such elections in the immediate future. In the context, the immediate future meant September 1985.

Sir, I have detected no sign whatsoever of any change of public sentiment in this regard. On the contrary, having regard to my platform and those of my many colleagues in the recent elections, it is obvious to all that those of us who had, in our respective election campaigns, pledged to support the introduction

of direct election in 1988, have received a clear mandate to do so. And that mandate is a very wide one, embracing most of the district boards and functional constituencies.

Those who are opposed to direct election are worried that 'the wrong people' may be elected to this Council; that the boat may be rocked; and that the heart of our success, our economy, may be threatened. But Sir, our economic success, which is indeed the heart of our being, needs the support of the other vital organs of the body; and it cannot exist independently from the rest of the body. Or to borrow my honourable colleague Miss Lydia DUNN's famous analogy; our economy is not the only pillar in our structure of success; nor can it stand by itself.

Sir, the strength of our economy can only be maintained if, and only if, the people of Hong Kong believe that this principle of 'one country two systems' can work; that is, they can reasonably expect that the much mightier system across the border will not interfere in the administration of our much smaller system; or that if there be such attempts to interfere, there is a sufficiently strong and effective government in Hong Kong to withstand them. It is not realistic to hope that China will not interfere or at least attempt to interfere; and we must be prepared for it. Indeed, it must be clear by now to everyone, including those who are afraid of direct election, that unless we have direct election, we will never have an effective and highly autonomous government to keep our system separate from the rest of China. In such a situation, the outflow of capital and talent will continue as before; and although the boat will not be rocked, our economy will languish and die.

But as it is desirable to carry out our political reforms gradually, I suggest that we should only have 25 per cent of the seats to this Council via the direct election route in 1988. As to the rest, we should wait for the review in 1987, which should commence as soon as possible. We will need to assess the position again after the 1988 elections before deciding on the next step.

Sir, I do not see how it could be suggested that the introduction of direct election can be said to contravene the Joint Declaration. Although the Joint Declaration does not say that the legislature should be by direct election, it does not prohibit it either. Of all the capitalist countries in the world that have elections, the great great majority have direct election, which is acknowledged to be the best mode of elections. And since the Joint Declaration specifically provides that Hong Kong will continue to have its capitalist system for 50 years beyond 1997, it is only logical to expect that the method of elections should follow that of most other capitalist countries in the world.

Sir, I am confident that once it is introduced, direct election will be acceptable even to the people of Hong Kong who have reservations about it now. But whether it will really be a success or not, it is our only hope; and no one has pointed to a better way which would give our future S.A.R. government that high degree of autonomy.

Further, this experience of direct election in 1988 must be beneficial to the members of both the drafting and consultative committees of the basic law, because they could judge for themselves whether the actual experience will show direct election to be a success or failure.

Sir, if I may summarise my speech in the form of an equation:

Prosperity and stability = one country two systems = no intervention = effective government = answerable to people = fully elected Legislative Council (at least 25 per cent direct)

I call this 'the equation of success'; and I suggest it is already contained in the Joint Declaration.

Sir, everybody wishes to see the Joint Declaration implemented, and fully implemented. Nobody likes to see this Government becoming a lame-duck administration. Nobody likes to see China interfering in the administration of Hong Kong during this period of transition and thereafter. But, Sir, it is useless for our top civil servants to proclaim from the house-tops everyday that theirs is not a lame-duck administration. Show us. It is equally useless for the leaders of China to shout from their house-tops across the border that they will not interfere. Show us.

Sir, this Government must not be forced into inaction during these vital few years, and wait for the basic law to be promulgated. For the direction of our future political reform is already set out in the Joint Declaration and there is no reason why we should not proceed in that direction even now. Likewise, Members of this Council must not be forced into silence and prevented from debating or considering our future political reforms. Our terms of office is only for three years. How can we be faithful to our oath to serve the people of Hong Kong conscientiously and truly if we do not address our minds to the most burning question of the day? Of course, we will listen to the views of the people of Hong Kong; but it must be recognised that only the people of Hong Kong can tell us what to do. Nobody else can.

Sir, the people of Hong Kong who care for their future must speak up now, and let the world know that this Council has their support in introducing direct election in 1988.

Sir, I believe there is a future for Hong Kong. And like everyone else, I too want to see this ideal of 'one country two systems' successfully implemented in Hong Kong. That is why I have said these things. I do not intend to be confrontational when I said what has to be said. It is from the heart—not only mine, but also those of many other people who share the common objective of working out a bright future, not only for ourselves, but for our children and their children. I know we can do it together.

Sir, I support the motion.

MR. LEE YU-TAI:—Sir, the introduction of Elected Members into Legislative Council this session marked the first step in the reform towards a more representative government and the replacement of old traditions for over a century. With this successful beginning, I certainly hope that there will be further development, e.g. an increase in the number of elected seats and the introduction of a more direct electoral system; these, I believe, are in accordance with the natural process of political development. As far as the principle of election is concerned, the number of eligible voters in direct elections is higher than that in indirect elections, and by comparison, the results are harder to be manipulated. Let me illustrate this with an analogy. Direct election can be compared to 'choosing one's spouse by oneself' while indirect election is not unlike 'finding one's spouse through a matchmaker'. Although the former way of marriage suffers a relatively higher divorce rate than the latter, people today still prefer the former method as it allows them to choose their own spouses. It is therefore, easy to see how members of the public choose between direct and indirect elections. As regards the pace of reforms, while I will agree that a gradual approach must be adopted, I must say that a gradual approach is still one that is constantly on the move and is not at a standstill. The political system after 1997 will certainly be modelled on the basis of the one as shaped during the next 12 years and it is now already 'a race against time as 12 years will not be too far off'. The people of Hong Kong will have to make good preparations during the 12-year transitional period to establish an effective representative government on the basis of 'one country, two systems'.

There are three different levels in representative government, namely the Legislative Council, the Urban Council and the Regional Council and the district boards. Within this well-knitted framework, close links have been established between the central policy level and the grass roots level in the districts so as to enable the central Government to take more account of public wish when formulating its policies. Among the three levels of Government, district boards are closest to the public and the role of district board members should accordingly be given the fullest play. The authorities should consider the possibility of providing them with reasonable resources, such as office accommodation, so that they could serve the public in a more effective way. Also, for those members who are required by their profession (such as teachers) to perform their duties in designated places within prescribed periods of time, the authorities should consider appropriate arrangements to the effect that they could take a temporary leave of absence under appropriate circumstances to attend district board meetings or to perform public duties.

Justice must be upheld in any society. I support the establishment of 'some sort of institution to enquire into complaints alleging maladministration by government departments' as mentioned in the annual address. However, both the existing and the proposed systems should be maintained so as to put into effect the idea of upholding justice. On the other hand, it is essential that the press could still maintain its independent status and made objective reports. In

this connection, there should not be any censorship of the press or any measures for compulsory disclosure of the sources of information. These are the essential points which need to be considered in the broadcasting review. Avenues of redress and newspaper reports can both serve the purposes of monitoring Government action as well as upholding social justice. Freedom of speech will ensure our confidence in the future.

Education helps train up qualified personnel and has a most important bearing on the future of our society. This year, it is accorded the highest percentage (calculation based on single area of government activity) in public expenditure. It is hoped that such a percentage could be maintained or even improved in the years to come. Since universal compulsory education has been the cornerstone of our education policy since 1978, equal resources should be distributed to all students receiving universal education. At present the subsidy given to a government bought private school place is approximately \$3,000 p.a. and \$8,000-\$10,000 for a government/aided school place. The resources given to students of different types of schools are therefore greatly different, but still the private school bodies and the Education Department have not decided on a new policy agreeable to all. The Llewellyn Panel has criticised the education system of Hong Kong as lacking in cooperative enterprising spirit, showing no improvement over the years.

Although we are now enjoying universal secondary education (up to Form III), its qualities have yet to be improved. The places in institutes for higher education are grossly inadequate. For example, there are nearly 170 000 students participating in this year's Certificate of Education Examination, but only some 3 000 plus first year places are available in the two universities, illustrating the acute need to expand the paths for further education. The annual address admits that places for degree courses are not enough to meet either the requirements of our economy or the aspirations of our students. Since the Government has the intention to plan a third university, I propose a planning committee be set up as soon as possible to coordinate the work and to consider following the example of the City Polytechnic to start school session early at temporary school premises. (The City Polytechnic will be moving out from its present premises in about three years time and consideration could be given to giving the premises then left vacant to the third university.) Besides, there should be plans for exploring the possibility of providing 'second chance' higher education courses for adults. The part-time degree courses at the Chinese University of Hong Kong are apparently in need of expansion, the external degree project of the University of Hong Kong should be resolved expeditiously and open-type courses should be established. Open education actively transmits the course materials to adult students, enabling them to do private studies at time and places within their grasp. This overcomes the restraints imposed on them through work and family life and is most suitable to meet the requirements in promoting adult education in a modern city. The site for the third university

should preferably be adjacent to the major traffic systems to facilitate the running of adult courses.

The number of places in post secondary colleges in Hong Kong is inadequate. Besides, the academic qualification of a graduate is classified. Take for example graduates serving in the civil service. If they are diploma holders, they will enter at point 14 on the Master Pay Scale; higher diploma holders will enter at point 17 and degree holders at point 20. Thus, it seems as if graduates are ranked and there exists the phenomenon of 'scarcity and inequality' in higher education. It is hoped that a local validation organisation will be established at the earliest opportunity, to assess the curricula and academic qualifications of higher education establishments for the purpose of proper recognition so as to redress the inequality situation.

At present, the curricula of Form V and above are all dominated by entry requirements of the universities. There is a general lack of significance in matriculation education. The Chinese University of Hong Kong has adopted the provisional acceptance scheme which is, in fact, an innovation in improving the existing system. It can on the one hand lessen the pressure exerted by examinations and on the other enable the curricula of Form VI to be more flexible. It is hoped that the authorities of the two universities and post-secondary colleges and personalities of the educational circle will improve communication among themselves, and with concerted efforts help solve certain technical problems pertaining to the provisional acceptance scheme. As a result, the curricula of Form V and above can be improved and the joint enterprise spirit can be achieved. It is inappropriate to blame one party for certain defects which have been in existence in the past and to neglect to make improvement in the total system.

The matriculation structure should not be 'unified simply for the sake of unification'. Each year, there are about 5 000 plus students in Hong Kong who go to North America and another 3 000 plus who go to mainland China and Taiwan to pursue further studies. As four-year under-graduate courses are provided in the above places, there should not be any 'link-up' problem for the one-year matriculation course or six-year secondary structure here.

In recent years, the number of repeaters in various open examinations have continued to increase. The number of repeat candidates sitting for the school certificate examination amounts to some 60 000 (40 per cent) per year and that for higher level and advanced level examinations is also considerable. Moreover, most repeaters have already passed the examination but unfortunately have been unable to get enough distinctions and credits to further their studies. As a mammoth number of young people waste their youthful life to sit for the examinations each year, it will inevitably lead to severe frustration and despair. (To describe the situation better, let me quote two lines of verses from the poem *Pipa* written by the Tang poet Bai Ju-Yi and rephrase them as:

Year after year they sit for the exam.
Gone are the days that bring real jam.)

I hope that the organisations which shape policies relating to education and examination (e.g. the Education Commission and the Education Authority) should review this situation very carefully and bring about improvements.

Sir, I support the motion.

MR. SOHMEN:—Sir, may I first of all say that I consider it a privilege to be a Member of this Council, being affiliated as I am with that amorphous but important segment of the community which is engaged in international business from a base in Hong Kong, or is representing foreign investment here.

Foreign business interests in Hong Kong have made and are making a contribution to the territory's economic success on a daily basis. It is encouraging to note that foreign firms continue to be attracted to Hong Kong and we must strive to maintain this trend, particularly at a time when we face yet again a very noticeable decline in domestic exports. Fortunately the services sector in Hong Kong is making an increasing contribution to our gross domestic product and will no doubt be a significant factor in the future growth of the territory. In this context the emphasis given by Government to the improvement of educational facilities across the board, but in particular to higher education including the plans to establish a third university, are most welcome and will greatly help Hong Kong to maintain, if not widen, its lead also in the services sector through a broader base of well-educated personnel. The so-called 'localisation' process must continue and will require more experienced younger people to swiftly move into positions of commercial responsibility.

The foreign business community in Hong Kong should also be seen as an additional conduit to convey the views and concerns of Hong Kong to the governments and, perhaps more importantly, to public opinion in their own countries. The efforts by American business interests in Hong Kong to intercede with Washington on the issue of U.S. protectionist legislation on behalf of Hong Kong deserves particular praise. A better understanding of the background for many of the novel arrangements Hong Kong will need to put in place in the context of implementing the Joint Declaration would certainly help in the effort to obtain the cooperation required of other countries, since a good grasp of commercial intricacies frequently also paves the way for the political acceptance of new developments. This will be of particular relevance later when Hong Kong starts to renegotiate the 190 multilateral and 575 bilateral international agreements which are currently extended to Hong Kong by the United Kingdom, or when Hong Kong negotiates new agreements or seeks to join as a member of international organisations as provided for in Article XI of Annex I of the Joint Declaration; in the interim it is of course the task of the Joint Liaison Group to deal with such matters, and local discussion is currently restricted by the confidentiality aspects of that Group's deliberations. I would

also like to recommend that further invitations be extended to senior officials of the Central Government of the People's Republic for visits to Hong Kong to allow for personal impressions of the territory and its institutions and for a deepening of the contacts at most senior level.

A more specific example of the need for international acceptance of a solution proposed by the Joint Declaration is the planned creation of a Hong Kong Shipping Register to which, Sir, you have specifically referred in your address. Over the past 30 years Hong Kong has developed into one of the world's busiest and most efficient ports and into a very major shipowning and shipmanagement centre: in terms of total tonnage beneficially owned by Hong Kong-based interests we rank among the top shipping nations of the world, notwithstanding the fact that of the 55 million deadweight tons of ships only about 14 per cent are flying the British flag with their port of registry in Hong Kong. While in overall local employment terms the shipping industry does not figure as prominently as the large fleet size suggests (at end-1984 about 11 100 officers and ratings served from Hong Kong), it must be remembered that shipping and port activities rely on a broad base of ancillary services providing additional employment and revenue: management and agency; legal, technical, and accounting services; finance and insurance; repairs and equipment supplies. While regrettably shipping is currently an industry seriously suffering from structural change and a prolonged market depression which are taking their toll also on local enterprises, it is an industry whose economic tentacles reach very deep, apart from providing one of the essential services necessary for Hong Kong's existence.

The Joint Declaration actually envisages more autonomy in shipping—as in fact it does for aviation matters—for the Hong Kong Special Administrative Region than Hong Kong has enjoyed up to now. However, this raises the question as to the actual flag for vessels on the future Hong Kong Register, since Hong Kong will remain a dependent territory. If the Chinese national flag only could be flown, this would negate the express provisions of the Joint Declaration; while a distinct Hong Kong emblem alone will likely not be recognised by other nations. The practical solution will lie in a dual flag, with both the Chinese and a new Hong Kong emblem flown together. The free entry and exit to the new register, an absence of requisition powers, together with some guaranties as to the tax treatment of Hong Kong shipping operations over the longer term will be basic prerequisites for its attractiveness of the registered individual shipowners. The Hong Kong shipowning community believes that the not inconsiderable technical, legal, and administrative problems involved in the creation of a new register can otherwise be resolved, but they are concerned with international reaction to the flag question and therefore hopes that the British and Chinese Governments will address this issue at an early opportunity, or progress on other details of establishment continues with all deliberate speed.

A similar question of acceptability by other nations arises in connection with nationality and passports. While flag considerations touch very directly and publicly on aspects of sovereignty, and have much wider ramifications, policies relative to nationality and travel documents have evolved more flexibly in the recent past and are now quite often the subject of bilateral agreements between concerned administrations to deal with unusual situations. I am confident that with sufficient international goodwill vis-a-vis Hong Kong and its people, any arrangements made by the United Kingdom and China will have good chances of being accepted by many other countries although strong lobbying efforts will be unavoidable.

This Council will shortly debate the White Paper on the Draft Hong Kong (British Nationality) Order 1986, and other Members will speak in detail on this matter of such great personal interest and importance to the people of Hong Kong. Preciseness in definitions and further clarification of the proposed documentary arrangements appear necessary and desirable to remove public doubt. It is somewhat surprising that the draft legislation seems to have left open so many queries and different interpretations which should have been expected to create anxiety, and which should perhaps have been discussed in inter-governmental exchanges prior to publication of the white paper. It is difficult to envisage however that the two countries would amend or modify the basic points already agreed and embodied in the Joint Declaration and the memoranda exchanged in relation thereto. It is worth remembering that the terms of the Joint Declaration and the draft implementing legislation will mean that a majority of the Hong Kong population will, after 1 July 1997, be legally entitled to *two* travel documents, and to consular protection in third countries by *two* states, a benefit not normally enjoyed by the citizens of other nations.

While the successful conclusion of the talks on the future of Hong Kong has clearly resulted in a return of confidence at home and abroad, we must be realistic enough to admit that for the maintenance of Hong Kong's eminent position as a commercial and financial centre constant re-assurances will be needed; a requirement not made simpler by the high profile which Hong Kong has assumed internationally in recent years. To this end, Sir, the Hong Kong and international business world should be generally accepting of the legal and institutional measures proposed by Government and as outlined in your address, to improve upon or to newly regulate areas of commercial activity where deficiencies exist, where holes need to be plugged to eliminate misuse, abuse, or criminality, or where we do need to catch up with other major business centres. I would only like to sound a word of caution. Hong Kong has prospered over the decades largely because it has so far provided an environment of relative freedom for commercial enterprise based on private risk-taking. We must therefore be careful not to throw out the baby with the bathwater, and in a surge of reformatory zeal following the highly-publicised events of recent years try to prevent a recurrence of such events at the cost of

changing the basic character of the market place. Business confidence also requires a degree of certainty, as well as the avoidance of retroactivity and of any apparent criticism of commercial success when and where legitimately achieved.

Although the implementation process for the Joint Declaration has only just begun, Hong Kong already finds itself in the midst of internal and external arguments about the speed and scope of constitutional development and the interrelationship between those developments and the basic law drafting effort. This is regrettable as it will not help Hong Kong's ambitions to maintain international confidence. With hindsight one might say that apart from stability and prosperity, an additional objective of the two sovereign powers for Hong Kong should have been 'continuity.' as a guiding principle for the transition period. The Joint Declaration has brought its share of interpretation problems and Government is facing a situation of having to adapt to new expressions of public opinion, steer a careful course between our local aspirations and the national interests and differing priorities of two sovereign nations, cope with economic uncertainty while attempting to modify the machinery of Government and educate the people to meet the demands expected to be made on them by the transfer of sovereignty in 1997. Few other governments in the world operate under such constraints or are as dependent on external influences, or are as much subjected to time pressures, but I submit, Sir, there can be no responsibility without authority and that authority should not be undermined by either internal or external dissension. As a businessman I may be forgiven for arguing that Hong Kong's only strength continues to lie in its economic success and that the consequences of any measures capable of threatening this success even temporarily does not bode well for the longer term future of the territory. Gradualism in the business context is always preferable to sudden change.

Sir, with these very general comments I support the motion.

4.35 p.m.

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

4.50 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council resumes.

MR. ANDREW WONG:—Sir, I rise in this my maiden speech to join my senior and contemporary colleagues in support of the motion to thank you, Sir, for your address which you delivered at the commencement of the current legislative session on 30 October 1985. That day will certainly go down in the history books of Hong Kong as it also marked the opening of the new Legislative Council Building which was originally erected as the Supreme Court.

Now, as one approaches the main entrance of the building, one cannot help but be awed by a granite statue of a female, blind-folded, with a sword in one hand and a pair of scales in the other, standing on the top of the portico.

I have not studied the particular piece of history surrounding the conception, commissioning and execution of this sculpture. But my scanty knowledge of Greek mythology tells me it must be a modern rendition of the Greek goddess Themis.

It was a most becoming symbol of the then Supreme Court, as Themis is known as Soteira, meaning the protectress, who protects the good and punishes the evil. Legend has it that it was in her name and according to her advice judges on earth gave their verdicts.

However, it is also a most fitting statue for the new Legislative Council Building, as Themis is also known as Euboulos, the good counsellor. In the world of Greek mythology, it was under this title that she presided over public assemblies. And what are we if not a deliberative assembly on public affairs.

Themis' three daughters, called the Horae, meaning the hours or seasons, were conceived of by ancient Athenians as Thallo, Auxo and Carpo meaning sprouting, growth and fructification respectively, and representing the three stages of the life cycle of a plant. Insofar as the political sphere is concerned, now that the Sino-British Joint Declaration on Hong Kong's political future has been signed and ratified and that the Government has since 1981 set in train political reforms first in local administration leading now to central administration particularly to this very Council, we are beginning to see the sprouting of a new machinery of government. Let us hope that this young seedling will grow to be strong, to blossom, and to bear abundant fruits.

While I fully support Government's present efforts to further develop our political system and to ensure a smooth transition in 1997 when the basic law will come into force, but these are still to be enacted by China's National People's Congress, I suggest proper, not malignant, growth and development can be realised only by treating public affairs as a problem-solving activity and not as an utopian engineering exercise and task. There is always that inclination in each and every one of us to construct a blueprint and plunge head on into it. Let us not fool ourselves or be fooled even if that blueprint contained well-phased steps, because in the public realm, in public affairs, every step we take brings about hosts of unforeseen and unanticipated consequences which constitute further problems we have to solve before the next step can be taken, if at all.

I venture to further suggest that problems ought to be tackled in the order of their immediacy, hence pending problems always take precedence over anticipated ones. In the political sphere, too much has been said and probably also done in anticipation of the transfer of government in 1997. There is now a lot of clamour for direct elections in 1988. While I personally regard direct

elections superior to indirect elections, and direct and/or indirect elections on a geographical constituency basis superior to such elections on a functional constituency basis, I do not regard it as an immediate problem. It may well be that 1987 may be the right time to consider and 1988 the right time to introduce a directly elected element into the Legislative Council. But it is still a problem in anticipation of 1997, and there are more immediate problems to tackle. Who knows, with the solution of the immediate problems, direct elections may come as a natural development.

I have in mind here two immediate problems, both have to do with accountability. First, at the central level. At present, top level executive positions including those filled by my honourable Official colleagues in this Council are filled by civil servants who are personally only subject to administrative accountability. In other words, they are not removable even if they have made ill-considered and ill-judged decisions as long as they have followed established procedure. This has long disillusioned and alienated a great deal of people. The solution lies in changing such positions into ones to be filled by political appointments making it possible for such Government officials to be subject to political accountability. These appointees can initially be the existing civil servants given the option to remain as civil servants or to assume the new roles. Call these political appointees ministers and vice-ministers or junior-ministers etc., and call those remaining in the civil service permanent secretaries, deputy secretaries etc., if you like. This can be introduced and doesn't have to wait the 1987 review well before 1987. Consideration should also be given to initially appointing Unofficial Legislative Council Members to be junior ministers, then eventually perhaps ministers.

Second, at the local level. Although district boards have been in existence since 1981 and that the elected, directly elected, element has now been boosted to comprise two thirds of the membership, the decision-making powers have remained restricted and constricted. It is true that administration at the district level has improved, however, most board members are still disgruntled with their inability to solve local problems when faced with the official stock reply that it has to do with central policy which has to be applied uniformly. Sir, I am not advocating that powers ought to be delegated indefinitely to the district level. However, it is obvious that a more imaginative division of labour among our three tiers of government is called for. We do have the 1966 Dickinson Report on Local Administration as a ready reference.

Increasing the decision-making powers of district boards has the advantage of civic education through practice. Given the responsibility of choosing their own district board members who in turn will make decisions affecting their daily life, it is most likely that the people will begin to take public affairs in general and elections in particular much more seriously. It is only through practice that a democratic tradition, which is so vital for direct elections at the central level, can begin to emerge.

Sir, it is with the same conviction that immediate problems ought to be tackled first that I welcome your plan to, firstly, introduce a separate and independent ombudsman for the redress of grievances caused by maladministration, and also your intention to produce the first piece of legislation in both Chinese and English in 1986-87 and to produce an authentic Chinese version of our existing statute law in due course. Both are immediate problems, and in fact their solution is long overdue. Maladministration is bound to occur whether or not our political system is democratic or not and the first call was made in the mid-1960s when the United Kingdom was considering the creation of the Office of the Parliamentary Commissioner for Administration. As for law in Chinese, in a place where most people do not read and write English and where the *lingua franca* is Cantonese, how can the Government expect the people to know and to respect the law when all legislation and litigation are in English, and Chinese relegated to the status of a translation or interpretation. I do realise that this is a Herculean task. But a start must be taken and the sooner the better.

Back to Themis, Sir, her three Horae daughters are known in another tradition started by the poet Hesiod as Eunomia, Dike and Eirene meaning good legal order, justice and peace respectively. These are all attributes of Themis herself or at least derivatives from them. A good legal order must of necessity comprise good laws and wise legislations which are compatible with the principle of justice. If they are unjust, there can be no peace and no order. Justice is therefore of paramount importance, and for us human mortals the wisdom to discriminate between the just and the unjust is imperative.

Too often, however, rulers and legislators yield to expediency and all in the name of the public interest. I will not here go into details as this is not my main theme, but will venture a few questions as food for thought. Have we been fair and just to tenants of private housing who may be as poor as or even poorer than tenants of public housing? Have we been fair and just to the Vietnamese refugees in closed camps who are denied any form of normal life particularly the children? Have we been fair and just to the residents of the new towns, particularly those in public housing, when practically no land is allocated for office development? Have we been fair and just to the indigenous population of the New Territories when super highways criss-cross through the land cutting off their traditional accesses and exists? Have we been fair and just to those living in the closed border areas when traffic piles up on jammed old roads waiting to cross the border? Have we been fair and just to them to have closed areas at all where development is practically arrested? Have we been fair and just to commuters through the Lion Rock Tunnel when they have to pay three dollars for the jam while commuters through the Airport Tunnel do not have to pay a single cent for the facility? These questions can go on, but I will stop here and offer you a simple Aristotelian principle of procedural justice: Treat equals equally and unequals unequally. This tallies well with our modern rendering of the Goddess Themis as being blind-folded. She dares not take off the blind-fold lest she be ironically blinded by all the specifics and particulars; that she weighs

not the competing claims, but the competing parties and personalities: that she weighs not the competing reasons but the competing forces or that she turns the whole question of justice into an amoral, if not, immoral utilitarian calculus of the public interest, which sees only the forest but forgets that the forest is made of millions of individual trees.

Sir, according to the Greek playwright Aeschylus, Themis was also mother to Prometheus, the great Titan, who risked the wrath of Zeus (the Lord who reigns over Mount Olympus) and stole fire for the benefit of human kind. He was punished, but mankind prospered.

Let us have the wisdom and justice of a Themis and the heart and courage of a Prometheus in our pursuits for the benefit of Hong Kong which has been baptised by British culture but whose destiny will be and has always been in China.

With this digression in Greek mythology, Sir, I beg to support the motion.

MR. S. L. CHEN:—Sir, the opening of this year's Legislative Council marked a new milestone in the history of Hong Kong's constitutional development. The first step has now been taken towards establishing a more representative governmental system. We now have a new Council Building and a new style Council with many newly elected and appointed Members. But changes, desirable and welcome as they are, must not overshadow the vital objective of Government, which is the maintenance and preservation of Hong Kong's economic prosperity and social stability, as clearly spelt out in article 4 of the Sino-British Joint Declaration.

Most people agree that a more representative government would be helpful to the maintenance of prosperity and stability, although some still questioned whether it would. However, whatever view we may hold, let us not fool ourselves that once we have established a democratic government, prosperity and stability will automatically ensue. Whilst appreciating the desirability of having a more representative government to manage Hong Kong's own affairs, emphasis must be placed on the importance of having a sound and healthy economy on which to build and maintain our future. Surely Government must in its planning strategy accord the highest priority to the achievement of a healthy economy. With respect, Sir, I fail to detect from your speech that Government has a conscious economic policy that would support and encourage the development of trade and industry which is vital to Hong Kong's economy.

Sir, in the part of your speech that dealt with the economic and financial situation, it was noted that our economic growth had slowed down although still satisfactory. However, considering the low inflation and unemployment rates, our economy is still performing better than many other countries. Nevertheless, the fact remains that domestic exports to our traditional markets

have declined and this should give all of us little comfort especially when viewed in the light of increasing protectionism of our major trading partners, in particular the U.S.A. where over 40 per cent of our export goes.

Although domestic exports to China continue to record substantial growth, thus providing a useful buffer for Hong Kong's external trade at a time when the growth on domestic exports to our traditional markets is low, Hong Kong's long term economic performance cannot and must not depend on it.

Sir, if we are honest, we have to admit that the prospects for Hong Kong in the coming year do not appear encouraging. In his recent press briefing, the Financial Secretary said that his forecast for Hong Kong's G.D.P. growth this year would be no more than 4.5 per cent. He also said that our domestic exports were not going to grow by a real 1 per cent as previously forecast. Bearing in mind the substantial growth of domestic exports to China which was 75 per cent up in value terms for the first half of 1985, this means that domestic exports to our traditional market have continued to decline. In the light of the growing uncertainties, the need to be cautious in the management of public finance is therefore paramount. As a first step, we must critically review the expenditures on all our existing policy commitments. To illustrate my point, I will zero in on two particular areas:

First public housing. Sir, in your address last year you said: 'Nowhere is the Government's investment in the future more visible than in the field of housing. Over 2.4 million people, or about 45 per cent of the population, live in permanent public housing of various types'. As a matter of fact, expenditure on public housing has been increasing quite rapidly from \$665.4 million in 1975-76 to the revised estimates of \$5,644.8 million for 1984-85. In other words, during the past decade Hong Kong's taxpayers have carried the financial burden to the tune of \$31 billion for the provision of public housing. A question must therefore now be asked: Are we only helping those who are in real need or are we also subsidising the well-off? I fully endorse the underlying principle set out in the Green Paper on Housing Subsidy to Tenants of Public Housing that well-off tenants must be expected to pay more for their subsidised accommodation especially when there is still a very large number of people waiting for public housing. It is only right and fair that those who have for a long time benefited from subsidised housing, but are now financially in a much better position, should either vacate their units or be made to pay higher rents. The increased revenue could then be ploughed back to the public housing programme to ease the burden of the tax paying public. Unless we are satisfied that we are getting good value for our huge sums of money spent each year on public housing, I as a taxpayer have considerable doubts in the wisdom of pursuing a programme the purpose of which has departed from that originally envisaged, that is to say to help those who are in real need.

My second point is on education. Whilst many applauded the merit of nine-year free and compulsory education when it was introduced in 1978, it is ironic

that many educators and teachers are now saying that it is one of the main causes of increasing unruly and delinquent behaviours in schools. Many children have no interest in studying and would rather spend their time in the streets or such places as electronic games parlours, etc. This means that vast amount of public money is being wasted on those who obviously do not appreciate the opportunity of education. At the same time, they create difficulties for the teachers and exert bad influence on fellow students. Psychologically, people tend not to appreciate things which are 'free' and resist doing things which are 'compulsory'. Obviously something must be done to correct the situation. As a first step, I believe we have to accept the fact that not all children are suitable for education beyond a certain level. For those who should be educated, we need to ensure that the quality of education is such that would justify our huge annual expenditures in this particular sector of education. Has the present system been seriously re-assessed of its value since its inception?

In closing, Sir, as I said, housing and education are the two largest expenditure items in our public finance. In the appendix of my written speech, I have listed statistics of comparative government expenditures on housing and education of several selected countries over a period of six years from 1978 to 1983. On housing, Hong Kong has consistently been the leader among both industrially developed and developing countries. On education, Hong Kong is only second to Japan. We should of course be proud to be in the forefront in the provision of these social services. But having achieved so much in so short a time, I suggest the time has now come for us to take a hard look at how much further we could go or can afford to go without upsetting our long established fiscal policy that we must have a simple and equitable taxation system with levels set to provide incentives and enterprise. This is imperative if Hong Kong's prosperity and stability is to be maintained and preserved in the future.

*APPENDIX***Percentage of Government Expenditure**

	<i>Housing</i>						<i>Education</i>					
	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>
Hong Kong	14.1	15.2	16.8	13.3	13.8	14.5	16.1	15.6	15.3	14.2	14.3	14.9
Japan	1.7	1.8	1.8	1.8	1.9	—	20.3	20.2	19.7	19.6	—	—
U.K.	8.3	8.5	7.4	5.0	4.8	—	14.0	13.4	13.7	13.3	—	—
U.S.A.	0.8	1.0	1.3	1.3	—	—	15.9	15.5	15.0	14.2	—	—
Republic of Korea	2.2	1.6	2.5	7.4	3.3	4.8	13.8	14.8	14.6	14.4	17.0	17.9
Malaysia	2.5	2.9	1.4	4.6	5.9	—	17.3	15.8	13.2	13.0	14.5	—
Philippines	2.5	4.4	3.6	3.5	3.1	2.6	13.0	11.0	11.4	11.7	13.4	13.9

Sources

Hong Kong	Estimates for the year ending 31 March 1986 Volume 2: Revenue, Funds and Statistical Appendices
Japan	Statistical Year Book 1984
U.K.	Annual abstract of Statistics 1984
U.S.A.	Statistical Abstract of United States
Republic of Korea	
Malaysia	Key indicators of Developing Member Countries of ADB April/October 1984
Philippines	

MR. ALLEN LEE:—Sir, there are a number of issues we will be facing in the coming years—constitutional reform, implementation of the Sino-British Joint Declaration, social development, internal security and development of our infrastructure etc., etc. Even though all of them are important to Hong Kong, and in many cases, these issues are inter-related but, in my opinion, none of these issues are more important than our economy. Hong Kong's past success was based on our economic performance, and all the rest came along, inclusive of the Sino-British agreement, because of the success of our economy. Therefore, I shall concentrate my speech this afternoon on our economy, the shifting of our economic base and make broad suggestions in order, in my view, to meet the future economic challenges.

First of all, protectionist pressure is mounting in our major markets, particularly in our largest market, the United States. The issue of protectionism is not only an economic issue anymore; it is a political issue. It really doesn't matter to examine what are the causes of the protectionist sentiments; the fact is, it is there and it won't disappear. We have made our voices known to the world that Hong Kong has an open market, we practise free trade, and we are the victim of protectionism through no fault of our own. But at the end of the day, the most we will get is a sympathetic hearing. The recent vote in the U.S. Senate by 60 to 39 on 13 November approved a measure to set quotas on textile, apparel, and leather shoe imports from 12 countries. Naturally this will have an impact on us and on our economy. Even though President REAGAN has time and again assured the world that he will exercise a presidential veto but we cannot rely on the presidential veto to relieve us on this thorny subject. Therefore, we should examine our policy on how to tackle this problem positively. Our economists have, in the past, time and again, urged our Government to take action towards the movement of high technology in the manufacturing sector. I am afraid that, in my opinion, our Government has given us a lip service and has done very little in enhancing the development in this area. I suggest that we should set up a committee with specific terms of reference to take action on this important subject which will affect our future economic development.

Secondly, during the past few years there have been a gradual but continuing shift in the economic base of Hong Kong from manufacturing into the service and financial sectors. This does not mean that the manufacturing sector is losing its importance in terms of contribution to G.D.P. in an expanded economy, but certainly other sectors are coming into play more significantly. The manufacturing sector is still the largest sector for employment, but we must recognise this shifting of our economic base and look to directions other than manufacturing to help to maintain our growth and prosperity into the 1990s.

One of the key factors to the development of the service industries is the provision and process of information in all its forms. I believe that the new field of 'information technology', known to the world as 'I.T.', will prove crucial to our efforts in pressing forward with developments in these areas of the economy.

'Information technology' is one of the fastest growing industries in the world today. It has been estimated that the current world growth rate is of the order of 15 per cent and that some sectors of the industry are growing by 20 per cent per annum. This growth has been largely concentrated in the U.S.A., Europe, and Japan.

Before going further, perhaps I should explain what I mean by 'information technology'. Many people seem to think that it is only concerned with the use of computers and the development of electronic devices. In fact, 'information technology' covers a wide field which ranges from office automation to computer aided engineering. More recent developments in the field include the so called knowledge based systems and artificial intelligence.

'Information technology' is the technology concerned with the generation, transmission, distribution, and use of information in various forms including voice, video, text, and data. It includes electronic systems and consumer electronics, telecommunications, both the hardware and software aspects of computing and the design and production of computer based manufacturing systems. It is, therefore, not just a question of using computers. It covers a much wider field of applications, and it is difficult to envisage any area of activity which will not be affected in some way by the developments which are currently taking place in this new and rapidly developing industry.

Hong Kong operates in the international arena of trade and finance, and it is inevitable that we will be increasingly affected by these new technologies. However, I believe there is a more important reason for Hong Kong to encourage development in 'information technology'. We have the opportunity to become the centre for developments in this field for the whole of the region and to provide a source of expertise and experience for China as she moves forward with her modernisation programme.

Hong Kong's major asset is its people. We have a highly motivated population with a wealth of intellectual talent capable of absorbing the complexity of new technologies. We have institutions of higher education which can provide the necessary courses to upgrade the knowledge of our managers and engineers to enable them to take full advantage of the applications of 'information technology'.

I understand that both polytechnics have already taken the initiative and have been studying these developments in relation to the courses they should be offering, and I hope to see the first courses in Information Technology commencing in the next academic year. We should now begin to take a wider look at the problem and provide clearer guidance to our educational institutions for their future planning.

A number of initiatives have been taken by governments elsewhere to promote the development of 'I.T.'. These include the Alvey and Esprit Programmes in the U.K. and Europe and I believe it is time for Hong Kong to

take a similar initiative. The European programmes have tended to concentrate on the development of 'I.T.' products and services and for this reason they have not been without critics. However, I see the needs of Hong Kong somewhat differently. We have always tended to be a 'user' rather than an 'innovator' of new technologies, and I see this continue for some time to come. I would suggest, therefore, that Hong Kong needs to concentrate on the applications of 'I.T.' rather than 'I.T.' itself and to quickly develop its ability to handle and to exploit the new applications that information technology is making possible.

I would like to propose that the Government should establish a working party for information technology with representatives from industry, commerce, Government and universities and polytechnics. The working party should be charged with the task of examining the recent developments of information technology, worldwide assessing their potential impact on Hong Kong and to make recommendations on how best Hong Kong can meet this challenge. The working party should also examine the resource implications of its recommendations particularly in relation to the provision of the necessary retraining programmes which may be required.

Sir, I speak on the above issues because I believe they are vital to our future economic development. I hope that our Government take positive actions because our economy is the very reason for our existence.

With these remarks and suggestions I support the motion.

MR. WONG PO-YAN delivered his speech in Cantonese:—

(The following is the translation of his speech.)

Sir, when I prepared the draft speech, I learnt that I should call you '主席先生' in Chinese, because in the future, the President of the Council might not be the Governor. However, the Chief Secretary has moved the motion to thank the Governor for his address. I do think it appropriate to call you 'Your Excellency the Governor'. As a matter of fact, I agree that we should progress steadily instead of introducing abrupt changes.

In your opening address this year, you emphasised that all along the Government has been looking for progress combined with stability and you made a comprehensive review of various aspects affecting the territory. It is encouraging for the people of Hong Kong to have a clear and definite goal in regard to the administrative guidelines for the coming year.

Economic and financial situation

I wish today to express my personal views on the chapter on 'Economic and Financial Situation' in the policy address. Generally speaking, our current situation stands as follows. This year's economic growth has slowed down but the worth of the gross domestic product can still be expected to rise by 4.5 per cent to 5 per cent. The value of local product exports has gone down whilst

entrepot trade has increased, property market revived, job opportunities established and the inflation rate reduced to about 3.8 per cent. On the other hand, our commerce and industry are seriously threatened by protectionism and we are adopting active measures to tackle with the problems. The Government has a creditable administration and control of its finance and the deficit balance of its income and expenditure is lower than originally anticipated. The Government is at the same time actively improving its monitor over the local financial and commercial undertakings in the light of defects revealed in recent cases.

Amidst the situation as described above, the aspect to which we should pay more attention is the continual reduction in the worth of local product exports. On the other hand, if we should consider the great range of increase in the export trade for the past two consecutive years (in terms of monetary worth), namely 26 per cent in 1983 and 38 per cent in 1984, there should be no cause for alarm when we have a drop of not more than 10 per cent in the cost of local export trade this year. We have experienced, in the past two or three decades, similar situation on many occasions. If we should maintain our determination and efforts, the current situation could, it is believed, still be improved. What is most worth our worrying is that we cannot have satisfactory progress in our local investments whilst we are in an atmosphere where the American protectionism is prevailing, our export markets (other than those in mainland China) are rather undesirable and the world markets are more and more competitive.

After the Sino-British Joint Declaration has been signed, the people of Hong Kong has restored their confidence and this can be evidenced in the revival of the real estate market and the stable condition in the in-coming and out-going flows of funds. It cannot be denied that certain people in Hong Kong are still taking a wait-and-see attitude and the confidence for investment has not been restored to that level as it was before 1982. If we, in Hong Kong, should wish to continue developing our economy at a pace as it was previously, we need to make an enormous amount of investment in new industries in order to alleviate productivity. More management and technology personnel need be trained to cope with the new circumstances. We need more reinforced financial strength to support these developments. In order to achieve this goal, the predominant factor is confidence itself.

Firstly, Hong Kong people should have full confidence in its own future and only by this can the wait-and-see attitude be put to an end. Business and industry operators can make long term and large scale investments, professional people can concentrate on long term planning in the development of their business, and the general people can also make long term planning to live and work in peace and contentment in the territory.

Secondly, it is important to make foreign investors hold full confidence in Hong Kong's future and environment and to convince them in making long term investments in Hong Kong.

The efforts of both the Government and the general public in Hong Kong are needed if the above two objects are to be attained. The Government has to undertake the task of clearing doubts and worries held by local and foreign investors. As far as I understand, since the signing of the Sino-British Joint Declaration, the basic doubts and worries previously prevailing have vanished. What still exist are the doubts and worries about the system. Our present task is to clear any factor which might possibly make the investors feel doubtful and worried in our revenue, administration and management aspects. Sir, I wish to express my total agreement to paragraph 23 of your police address which stated 'the need for a simple and equitable taxation system'. We therefore must be very careful and should not over-react when we are plugging loopholes in our taxation system in order to avoid jeopardising the confidence of the entrepreneurs. We cannot afford to lose those people who are contributing to our economic activities simply because we want to achieve the target of collecting a specific figure of taxation.

It is important to have reasonable monitoring on financial and commercial undertakings. We should make provisions in our legislation to offer a fair and competitive environment to all entrepreneurs alike, be they Chinese or foreign and be they on a large or small scale. The guidelines must be able to serve the purpose of protecting the investments of the general public in order to secure their confidence. It should be appreciated that regular and strict monitoring of financial and commercial undertakings can save hasty and costly remedial actions. The aim of the Government in spending a large sum of money in the investigation of certain illegal activities is to gather long term remedial effects. We should again avoid over-reacting in this respect so as not to make those well-established international organisations reduce their operation interest and confidence.

Thirdly, China has now become Hong Kong's biggest trade partner and the second biggest market for Hong Kong products. We must take every possible measure to improve the understanding of Hong Kong's functioning in various respects by the officials and people of China. Our aim is to make them hold confidence in Hong Kong, understand our current situation, and realise that Hong Kong will similarly contribute to China when it becomes a special administrative region in 12 years' time. To achieve this aim, both Government and the general public have responsibility to advocate the communication and understanding and to avoid any doubts, worries or misunderstanding. All these are very important factors.

Fourthly, there has been a close link of more than a hundred years between Britain and Hong Kong and Britain will still be responsible for Hong Kong's administration in the coming 12 years. We thus cannot neglect the importance of this relationship and we must adopt various measures to encourage British entrepreneurs to maintain a high level of interest on Hong Kong's economic activities. We should on the other hand avoid any measures which might obstruct our mutual trade and other related economic activities.

I wish to conclude on this section by stating that Hong Kong's future rests in the confidence of Hong Kong people, international people, China and Britain. The Government should take this principle as a criterion in its administration.

Manufacturing industry

Now I want to touch on our manufacturing industry. Although the pattern of Hong Kong's overall economic development is the same as other advanced countries, there is a tendency that the percentage rate of manufacturing industry in the gross domestic product may be gradually decreasing. The manufacturing industry will continue to be an important pillar in Hong Kong's economy because it still provides the greatest job opportunities and earns the greatest amount of foreign exchange. If we stress on the development of the tertiary production and neglect the manufacturing industry, it will be a tremendous mistake.

As Hong Kong is confronting with the upsurge of protectionism and strong competition, our manufacturing industry must be adjusted in many respects. The following are my proposals.

Firstly, we must develop our ability in product designing. In 1968, the Hong Kong Industrial Products Design Promotion Committee was set up under the Federation of Hong Kong Industries. A design course was also established in the Hong Kong Polytechnic. However, up to now, the progress of our designing ability has been largely confined to pattern design and fashions design. As far as products design is concerned, we still remain at a fairly low level. This is evidenced by the fact that the greater part of our largest export industry, toys, is manufactured based on the designs provided by the buyers, and the opportunity of designing our own products has been very limited. Apart from toys, metalware, plastic domestic appliances, electrical appliances, and miscellaneous items from large machineries to small gifts, are all manufactured in the same manner. As we are lacking in the ability of products design, the increase in the value of our products and the marginal profit due to our manufacturers cannot reach a higher level because these are controlled by the buyers of foreign countries. We have to catch up fast with other countries in this respect. Recently the Government has done something about it, but in my opinion, it is still inadequate. I think that both the public and private sectors must be far sighted by actively making investments in this respect and arranging for the training of people in this area. The Government should set up such courses in the polytechnics as well as in technical institutes, and the private sector should devote more resources to the development of local products.

Secondly, we should provide more guidance to attract foreign investments in our industries. I have often heard many foreign friends mention that some organisations appreciate Hong Kong's development potential and have interest in coming to Hong Kong to invest in our manufacturing industry, but they did not know which industry they should set up. They hoped that they could be given more substantial guidance so that those foreign investors' tendency in

investment could be more easily materialised. I understand that the Government has made tremendous effort for setting up four overseas offices to urge people from abroad to invest in our industries. The staff of these offices get in touch with thousands of entrepreneurs every year and have obtained fairly good results. At the same time, I understand that the Government's standing attitude has always been eager in supplying all the necessary information to those potential entrepreneurs from overseas. On the other hand, the Government will not specifically recommend them to set up certain kinds of factories. Basically, I consider the Government's policy in this respect is correct. However, in order to satisfy the requirements of part of the potential investors mentioned above, I think the Government should try to employ, from various regions in the world, some internationally renowned investment planning organisations to come to Hong Kong and conduct an in-depth and objective survey on Hong Kong's industrial foundation and resources together with its special characteristics, manpower, technology and industrial environments. They can make some specific and special recommendations from an objective point of view for the reference of potential investors in Hong Kong. On the one hand, these recommendations are made by a third party which may be more easily understood and accepted; whereas on the other hand, Government's standing policy can also be maintained.

Finally, I would like to take this opportunity to raise some suggestions on Government's long adopted non-intervention policy. As there is an upsurge of international protectionism and various factors affecting Hong Kong currently, it is considered necessary to review such a policy.

The establishment of the third university

Finally, I would like to speak briefly on the issue of the third university. On 24 October last year, I spoke in Legislative Council that the establishment of the third university should be given higher priority. I am glad that in paragraph 55 of the policy address, you, Sir, specifically announced that the Government intends to proceed with the establishment of a third university, and thereby increasing the provision of first-year, first-degree places to over 7 500. In my estimation, the number of students who go abroad of studying in this first-degree course is estimated to be over 3 000 and the number of those who are financially incapable of studying abroad but are eager and academically qualified to study their first-degree programme locally is more than that. On the other hand, for Hong Kong's future economic development, the expansion of university education is essential and most urgent. The establishment of the third university should therefore be given top priority.

Besides, I would like to propose that the Government should study into the feasibility of expanding Baptist College so as to turn it into a university. In my conscience, I think I have no need to worry about my status of having been appointed by you, Sir, as a member of the college council and refrain from making comments. In fact the college made satisfactory progress last year.

Adjacent to the college at the junction of Junction Road and Luen Fuk Road, there is a large piece of land with an area of some 6 500 square metres suitable for the expansion of the college. If we make use of this college as a base to develop the third university of Hong Kong, it is most worthwhile both in terms of time and resources. In the meantime, I must state that my colleague in this Council, Dr. Daniel TSE is not aware of my proposal.

Sir, with these remarks, I support the motion.

MR. PETER POON:—Sir, I have only a few comments to make on the economic and financial aspects of Hong Kong.

Despite the world economic recession which inevitably affect Hong Kong, the revised growth rate of our G.D.P. for 1985-86 is still expected to be about 4.5 per cent, still a creditable performance during these difficult times. Our consoling feature which has often been overlooked, is our low rate of unemployment at around 3.5 per cent. We are lucky that we do not have massive unemployment which no doubt creates many social problems elsewhere. However, the slowing down of re-investment in industry is worrying and this may have long term repercussions.

I am very pleased to hear that Government is in agreement with the business community on the need for a simple and equitable taxation system. This has always been Hong Kong's attraction to local and foreign investors. Any drastic departure from such tax philosophy will undoubtedly cause harm to Hong Kong's growth and prosperity. However, this does not mean that we should live with tax legislation which is relatively easy to avoid. If there are loopholes which cause loss of revenue which should properly be due to Government, they need to be plugged quickly. I therefore strongly support the introduction of adequate anti-avoidance legislation at an early date. If such legislation is passed, Inland Revenue Department will need a strong team of assessors, expert and experienced in anti-avoidance legislation. In this context, I understand that there are less than twenty expatriate assessors in the Inland Revenue Department out of over 300 assessors and a total of about 3 400 staff. Therefore, whilst I feel that localisation should proceed with due speed, in such circumstances, the expertise of these officers, many of whom are mature accountants with a good tax background should be retained as far as possible. In the meantime, every effort should also be made to train more local assessors in this particular field.

Recently, the high costs of investigating commercial activities and crimes by engaging outside professionals have caused great concern. I suggest that Government should, as a matter of priority, set up its own training unit to train in-house investigating accountants and lawyers to serve various Government departments. In a few years, a pool of expertise will then be available within the Government. It may be argued that what Government trains, the private sector will grab. I am not sure that this will necessarily be the case in future. Our

universities, post-secondary institutions and polytechnics are turning out more accounting and law graduates and many such graduates from overseas are returning to Hong Kong as their prospects elsewhere are generally not as good as in Hong Kong. There is therefore no lack of talent to be trained. Certain losses of these personnel are inevitable but to quote an example, the Investigation Section of the Inland Revenue Department has successfully trained a considerable number of highly competent and efficient accountants to investigate tax evasion and has been able to retain most of such staff. The proposed training scheme is definitely worth looking into as there are likely to be a number of commercial crimes or other assignments each year which will justify the new posts. The recruitment of such experts directly from the professions locally or overseas will be extremely costly.

Bank failures are not peculiar to Hong Kong. The United Kingdom, Canada and U.S.A. all have their fair share of serious bank collapses during the past few years, possibly due to over-expansion and over-extension of credit facilities. All these countries have sound banking supervisory systems. Therefore, while I fully agree and support the introduction of further measures to strengthen the prudential supervision of banks and deposit-taking companies, tight regulations alone cannot solve the problem. Banks and other financial institutions must be impressed upon that they should observe the spirit as well as the letter of the law and relevant new requirements. Furthermore, constant consultation with the banking sector and closer liaison between the Commissioner's office and the auditing profession are to be welcome.

Finally, I am happy to note that the legislation relating to the United Stock Exchange, the Stock Exchange Compensation Fund and new listing rules are paving the way for the new United Stock Exchange to commence operations in 1986. However, supervision of stock exchange activities will not be complete without proper company legislation. The recommendations of the Standing Committee on Company Law Reform on disclosure of interests in public companies are therefore both necessary and timely. I hope they will be implemented as soon as possible.

Sir, with these observations, I support the motion.

MR. KIM CHAM:—Sir, in the Budget debate earlier this year, I have voiced my concern over the growing pressure caused by the worldwide upsurge of protectionism. Now, in the United States, even the exercise of the presidential veto of the controversial Jenkins Bill will at best stem for a while the offensive of advocates of this school rather than providing an overall solution to this incessant battle against free trade. In the near future, Hong Kong's trading outlook will remain clouded by the uncertainties looming over the prolonged cycle of demands, political bargain and compromises over the issue of trade restriction.

Amidst the uncertainties in trade, open market intervention by the central banks of the Group of Five have caused many currencies to appreciate against

the U.S. dollar. Strategies used include a mix-bag of monetary policies, with implications for the spot and future rates of both the foreign exchange and interest rate markets. Naturally, such variations on the monetary market are liable to impinge upon our manufacturers who have to import raw materials from such countries of strong currency as Japan while not gaining much from export orders which are mostly contracted in U.S. dollars.

The implications for the hedging needs of financial futures are obvious in as much as these regulatory activities may lead to movements in foreign exchange and interest rates. Given this element of uncertainty in the international setting of the world economy and trade, financial centres in the Far East like Tokyo, Singapore and Kuala Lumpur are now assiduous in consolidating and cradling their futures markets. Evidently, the Hong Kong market must be nurtured to meet the economic needs of the changing environment.

In the face of the mounting pressure of protectionism in our markets, Hong Kong has to face the brunt of increasingly intense competition from its rival centres of industrial production nearby. In this context, China's modernisation programme could have contributed to the need for adjustments in our own economy too. It is likely for the present transfer from Hong Kong to China of some production units at the lower end of the land-labour cost structure to continue, given the obvious attraction of such operations in the mainland. This process of structural readjustments will serve to stimulate our economy's high labour productivity and sophistication to maintain our course of diversification. Evidently, it is imperative for our economy to remain both compatible and complementary to developments inside China.

Clearly, the sluggish performance of the American economy has in part induced the downturn of our domestic exports, but we also need to address urgently the pressure of growing competition in our traditional markets posed by other low-priced producers in Asia and Europe. Indeed, a new market once captured should deserve every effort to preserve it. Put it otherwise, our market once lost will also be difficult to redeem.

In parallel, the progressive need for diversification and high technology industries is conspicuous and imperative. But one balancing factor is relevant. Again, high technology industries do engender the factor of higher risks, in spite of the prospect of higher return, if successful. We have heard such cases of how a small computer operation of a humble start blossomed into an industrial corporation of lucrative earning and employment, or, when the concept of seeing without spectacles becomes a profitable reality of a contact lens manufacturer. Nevertheless, common to these high technology industries is their high risk of failure endemic in their early stages of gestation and development. Given our conviction in free enterprise, it is patently unrealistic to rely upon the Government to sponsor and develop these industries. Private initiatives, in terms of creativity and enterpreneurial care, are therefore essential to the conception, breeding and sustenance of our high-tech industries. And, Hong Kong is never short of entrepreneurs.

To cater to these unique capital needs, Hong Kong should consider providing a venture capital market for raising venture capital similar to an Over-the-Counter market elsewhere in the world. This can be achieved through the relaxation of existing listing guidelines of minimum capital to permit smaller and younger companies to be traded. Upon maturity, this market for venture capital can be further expanded to permit the listing and trading of 'concept stocks' in our equity market. In this way, we can channel surplus capital into needy ventures of high technology and risks but there must be corresponding safeguards on the adequate disclosure of the risks involved in venture capital stocks. Provided that the prospective investor invests within his means and is well aware of the implied risk, such stocks will help bridge the need for high-technology industrial investment on one hand and investors who has the capacity to take risks on the other. While the conservative-minded regulators may continue to insist upon the protection of investors by approving the listing of large companies alone, the vigour of protection should be varied to match the size of the means and assets of the investor concerned. Certainly, a person with a high income probably does not mind investing and eventually losing a small investment on a small company in a high risk, high return venture. Alternatively, a fund manager may be willing to risk a small percentage of his portfolio in a small company but with promising pay-off. Basically, it is the risk profile of the person that matters.

Strategically speaking, while a venture capital market with liberal listing guidelines and adequate risk disclosure may help to stimulate investments in Hong Kong, a venture capital market will also be congruent to and supportive of the modernisation programme in the provision of venture equity financing in China. This will enable our economy to remain complementary and compatible while expending the unique functions of our free enterprise economy.

More control of the commodity industry is likely following the amendment of the Commodities Trading Ordinance and the revamping of the compensation fund. While the futures market is closely regulated by law, the present legislation still raises ambiguities, as the physical market is neither under the jurisdiction of the Commission for Commodities Trading nor subject to the protection of the compensation fund. Furthermore, physical dealers have provided credit liberally, permitted deferred deliveries, thus offering features similar to futures trading. Without a proper market structure, there are no requirements for the segregation of clients' funds, no supervision and above all, no discipline for malpractices. Thus, for want of control defaults are not infrequent. Although the market started only among dealers, the gradual broadening of its clientele have led to substantial claims upon dealer defaults. Government must consider appropriate regulation over this off-beat market, otherwise spurts in gold prices will generate more cases of default and by implication, damages to the public.

Having called for the regulation of totally uncontrolled market, let me reflect on what measures of regulation should be deemed desirable. This is because

over-regulation is often abhorred for suggesting strangulation. The sheer outcry for investor protection is not efficacious. Rather, it is the pulse of the market and the feeling of it which underlie better regulation and protection. This is vividly illustrated in a speech to the British Property Federation by Sir Kenneth BERRILL, Chairman of the Securities and Investment Board, formerly the chief executive of an investment house in the City of London. To protect investors and maintaining London's competitive position, his considered view is that regulation of the markets will be most effectively executed by members of the Securities and Investment Board who are practitioners drawn from the markets which they have the job of regulating. 'This is crucial, because I would argue strongly that a full understanding of the markets is essential if they are to be regulated effectively—and by "understanding" I mean more than a knowledge of technicalities but rather the idea of being closely attuned to the needs of particular markets'. Such are the views of the chief regulator in one of the leading financial centres of the world. For Hong Kong, surely this is food for thought as we reconsider our regulatory framework to meet our future needs.

Sir, I support the motion.

6.00 p.m.

THE CHIEF SECRETARY:—Sir, in accordance with Standing Order 68, I move the suspension of Standing Order 8(2), so that today's business may be concluded.

Question put and agreed to.

MR. CLYDESDALE:—Sir, I am pleased that the 'Ayes' have it. (*laughter*)

It is, I think, appropriate that I should speak briefly on issues affecting the commercial sector. However, time is too short today even to touch lightly on the wide range of matters which concerns business in Hong Kong. Let me therefore select one matter which seems to me to stand out as being of particular relevance to this debate and to the continued viability and growth of our economy and society in the future.

In this current session, the Legislative Council will no doubt be dealing with a host of policy, legal and technical matters affecting business. Many of these will have a direct bearing on how businessmen operate in Hong Kong and on their perception of the opportunities and the problems which they will face individually and collectively.

The environment within which business operates is a constantly changing thing as are the actual conditions of business. In a territory like Hong Kong which depends so extensively on external trade and market access, the process of change and adjustment is not only inevitable but necessary. Business cannot remain competitive without continual change stimulated by market forces over which we have no control or influence whatsoever.

One factor however is constant. The most important ingredient for business growth, viability and success is confidence. Every business, big or small, is born out of confidence. This may be the confidence of the individual in his own capability. It may be the confidence of the foreign investor in the business environment of the country in which he invests. In its widest sense, it may be the confidence of a community in itself and in its future. Ultimately, confidence is the force which nurtures and sustains business. Lack of it or an excess of it can seriously damage business. Have we not all experienced what happens in Hong Kong when business confidence falls sharply and, conversely, when there is a sudden return of confidence.

Perhaps the most important of many aspects affecting business confidence is the performance and level of efficiency of Government. This is especially so in a territory like Hong Kong where the political scene is undergoing fundamental and dramatic change.

This can hardly be otherwise, given the very heavy responsibility resting upon the Government for the long term planning and day to day administration of one of the most efficient and successful economic systems in the world today. Because of our unique political circumstances, the Government works under the glare of informed public observation, assessment and comment. A policy which has gone wrong or which looks like going wrong is very quickly the object of criticism and censure—and rightly so. The point is however that Government policies and procedures have a direct and swift effect on public and business confidence.

It is not too much to claim that the success of the transition from British to Chinese sovereign responsibility for Hong Kong which will be brought about during the next 12 years will depend almost exclusively on the retention of business confidence in the ability of the Government to maintain the systems, freedoms and growth patterns to which we have long been accustomed.

If I were to select just a handful of specific issues—the ones that are uppermost in the minds of businessmen today—I think they would include the following. On the international front, the threat of trade protectionism in the United States with the serious knock-on effect this could have on the Multi-Fibre Agreement on Textiles and the General Agreement on Tariffs and Trade is worrying large sectors of Hong Kong business specifically and all Hong Kong businessmen generally. Closer to home we are interested in the continuing developments in China, both political and economic. Let us hope that these will indeed continue to provide greater growth opportunities than any other market in the world.

On the domestic front, interest rates, labour availability and cost, textile quotas, taxation and the local currency exchange rate are all matters which exercise the business mind. The greatest single concern however must be that over our immediate and longer term future. Given the fundamental nature of the political changes which are taking place, businessmen are acutely aware of the importance of the Hong Kong/China relationship. The level of their

confidence that this situation continues to improve will be reflected in their willingness to invest in long term projects essential to our future successful development. For the last three years the level of this kind of investment commitment has not been satisfactory.

There are many things, of course, which are outside our influence or control. Our successful economic growth during the last 30 years has taken place despite continual uncertainties and many very real problems of an economic nature and we have long since learned to live with a measure of uncertainty and to look beyond immediate problems, no matter how serious they seem, to further periods of economic growth.

I therefore expect that external market problems will continue to be resolved and that Hong Kong will be able to adjust to changes in trading and investment patterns as these occur. Provided we continue to enjoy reasonable and non-discriminatory market access for our goods and services, we should always be able to export competitively. We shall however have to take such strong action as is open to us to protect our rights under the GATT and other international instruments, working on our own account and with other like minded territories. In this regard, there is no doubt that we must have the best possible institutional organisation and system to protect and promote our international market access.

Our manufacturing and service industries must be encouraged to maintain technological progress so that our products will remain acceptable in world markets. In this process, the Government has a very clear responsibility and role to play in actively continuing to assist in developing the necessary local infrastructural and institutional systems which support trade and industrial development.

But it is the political future of Hong Kong which is the most important of the issues which affect business confidence in Hong Kong. We are in a completely new situation travelling along an unfamiliar road and must take care that we are not diverted. This Council will play an essential role in helping to guide the Hong Kong community along this chosen path in such a way and at such a pace that confidence can be maintained at the present high level.

Local and international business must be encouraged to remain confident throughout all the stages of the transition set out in the Sino-British agreement on Hong Kong. This can best be done by continuing to follow tried, tested and proven economic and social policies. Business will not take kindly to change for change's sake but only when a case has been made out for it and when it will clearly improve our future prospects. The systems we have developed in Hong Kong over many years have proved enormously successful and must not be discarded or radically altered without very good reason. The further development of a representative system of government, for example, must be considered in this light.

A final point—one of the greatest attractions for local businessmen and for foreign business people attracted to Hong Kong has been the comparative

freedom from Government regulation and control coupled with the low tax regime and the continuity of Government policies and procedures. These have provided a substantial basis of certainty on which business confidence is predicated and an indication of possible change in any of them can cause real concern. The point is well illustrated if one cares to look at the unsettling effect of the changes which have already taken place in the field of taxation—and there will be more proposals for changes put before us in the coming weeks. I shall be taking a closer interest in the further development of our taxation system which is of fundamental importance to Hong Kong's economic viability.

Despite the increasing sophistication of the Hong Kong economy which will probably require more and more Government involvement in its development, I believe that it should be possible for the private sector to continue to enjoy substantial freedom to conduct its affairs within systems which do not change radically and which continue to engender a high level of confidence in Hong Kong and elsewhere. This Council is the watchdog which must guard our freedoms. I have no doubt we shall work together in a harmony to that end.

With these remarks, Sir, I support the motion.

MR. DAVID LI:—Sir, in November 1985, Hong Kong looks to the future with renewed confidence and hope. The mood today is in sharp contrast to the uncertainty of just two years ago.

In retrospect, two historic events turned the tide in favour of Hong Kong. One was the implementation of the linked exchange rate in October 1983, which has been so effective in stabilising the Hong Kong dollar, and the other was the signing of the Sino-British Joint Declaration.

However, while both the economy and the financial system are now in a much healthier state, there is no room for complacency. There are some important lessons to be learnt from the events of the past few years.

First, public confidence remains both fragile and volatile, particularly with respect to the banking and monetary system. No effort should be spared to strengthen that confidence.

Second, whilst the linked rate is not flawless, it is the best that we have been able to devise. Without a viable alternative, we should not even contemplate changing or replacing this system.

The third lesson is the paramount need to strengthen the prudential supervision of financial institutions and markets to protect the interests of the public, especially smaller depositors and investors, and to preserve Hong Kong's role as an international financial centre. In the wake of the Overseas Trust Bank collapse, it is all too easy to blame everything on fraud. We should also be asking how the auditors and our banking supervisors could have failed to detect the mountain of problems at Overseas Trust Bank, and what flaws their failure might reflect in our system.

Proposals to improve the prudential supervision will soon be put before this Council. The financial sector fully supports the major objectives of the proposed reforms, namely, to protect individual and corporate depositors; to protect and promote the integrity of the banking system operating in and from Hong Kong; to assist consolidated supervision by other jurisdictions in the interests of safe international banking; and to protect the good name of Hong Kong as a reputable financial centre. The financial sector also recognises that such reform proposals are in its own best interests. Whatever reservations we may have concern the way the reforms are to be implemented, and the supplementary measures that they may assist the reform process.

One must remember that in less than 20 years, Hong Kong has developed into the world's third largest financial centre, and that the share of the financial services sectors in the gross domestic product has nearly doubled, and that the growth rate of employment in the sector has been among the highest in recent years. This has been achieved under supervision rather than regulation. We accept that, to strengthen supervision, more regulations are necessary at times. But over-regulation and over-legislation will discourage private enterprise and initiative, to the permanent detriment of Hong Kong's financial services sector.

The events of the past few years have placed an enormous strain on the staff of the Banking Commissioner's office. Reform proposals will require stricter supervision and the pressure on the staff will be greater than ever. More staff with a higher degree of banking knowledge and experience to cope with the mounting workload must be recruited.

In the suggested reform proposals, the Banking Commissioner would be given more discretionary powers to deal with individual cases of suspected mismanagement or fraud. Together with his existing powers, the new proposals will make the future Commissioner of Banking a very powerful person indeed. Hong Kong is very fortunate that in our present commissioner, we have a person of exceptional experience and integrity. But in the challenging years ahead, adequate safeguards must be provided against any possible abuse of power.

We in the banking community think that we can live with the suggested liquidity ratio, but only if the liquidity of the system is guaranteed by a lender of last resort in some acceptable form. In recent years there has been a tremendous growth in the number of money market instruments, including some instruments guaranteed by the Hong Kong Government, but our secondary market is still relatively small. It has been said that the attraction of some of these money market instruments is their ranking as liquid assets under the Banking and Deposit-taking Companies Ordinances. However this is somewhat of an illusion because individual banks have found it difficult to dispose of these assets at short notice in a liquidity squeeze. While the interbank market and the standby

facilities provided by the leading banks can afford some relief, smaller institutions feel that regular borrowing or discounting from their larger competitors would place them at a substantial disadvantage.

May I suggest, Sir, that one solution acceptable for all would be for the Monetary Affairs Branch or the Banking Commission to devise a special arrangement whereby such instruments could be purchased by a special organ supported by the banking community and sponsored by the Government. These instrument would be purchased at discounted rates, such rates to be determined by an agreed formula. Were such an avenue open to smaller institutions, it would help liquidity, and it would reduce the need for smaller institutions to consult their larger rivals.

While no special concession or privilege should be given to any group, rigid enforcement of some proposed reforms might lead to a major withdrawal of banking business from Hong Kong. May I suggest, Sir, therefore that the concept of the 'limited service bank' be re-activated whereby institutions which confine themselves to offshore operations, and do not take Hong Kong dollar deposits or compete in the domestic market, would be subject to minimal supervision and regulation. To sum up, Sir, the need to strengthen and improve Hong Kong's system of prudential supervision is not in dispute. Imprudence, mismanagements and fraud on the part of a few 'black sheep' in the financial community must not be allowed to cause untold harm to the public again. But we must ensure that the reform package will preserve Hong Kong's special appeal as an international financial centre. The financial service sector is now of vital importance to our economy in terms of income, employment, and the other linkage effects it generates. We simply cannot afford an exodus of financial institutions from Hong Kong because of over-regulation and over legislation.

Sir, with these remarks, I support the motion.

MR. NGAI delivered his speech in Cantonese:—

(The following is the translation of his speech.)

Sir, in your policy address this year you stressed the importance of social stability and reiterated that after the signing of the Joint Declaration both the British Government and the Government of China are firmly committed to the prosperity and stability of Hong Kong. You also firmly believed that under the assurance from the Governments of China and Britain, confidence in the future of Hong Kong will be maintained and the transfer of government in 1997 will be smoothly executed. I am certain all the above are the common wish of the people of Hong Kong.

It is now nearly six months after the signing of the Sino-British Joint Declaration. Under the assurance of both Governments to ensure that basic systems remain unchanged for 50 years, the response from various sectors has been good, displaying confidence in the Joint Declaration. As you have pointed

out in your policy address, during the first-half of this year, there are encouraging signs in Hong Kong's export growth, property market, employment situation. Hong Kong dollar exchange rate and industrial investment. Nevertheless, putting aside the factor of future political issue, the long term prospect of our economy, especially in the field of export trade, is still potentially full of worries. Being a member of the industrial sector, I cannot but show concern toward such a situation.

Hong Kong's economic lifeline depends on industrial exports. Without industrial products and export trade, our economic success today would never have existed. It can be said with certainty that Hong Kong's economic future is also determined by the performance of its industrial exports. In recent years, a number of Hong Kong's trade partners especially the United States, tend to adopt the policy of trade protectionism, one after another, giving a serious blow to the export-oriented manufacturing industry of developing countries and regions. As its victim Hong Kong really needs to devise a counter-strategy to neutralise the pounding of protectionism. My colleagues have already voiced their views on this. However, in view of the present rampancy in trade protectionism, whether a single bill would be passed or vetoed is no longer the oux of the problem. What is more crucial is for the Government to join hands with the industrial and commercial sector in planning a long term industrial strategy in order to build a better foundation for our manufacturing industry, thereby making our export trade more competitive. Therefore I propose on the one hand to Government to join hands with the relevant organisations in continuing to ease the effects of protectionistic measures on Hong Kong through negotiations and lobbying, while on the other hand to step up its effort in a more comprehensive industrial policy to help our industry to adapt itself to the changing trade climate and to achieve continued export growth.

In an era of new technology and modern advancement, product research and development has become a key link in the manufacturing industry. The industrial sector also realises that only product research and development would enable us to meet the changing demands of the markets. It is only through diversification of products that we could nullify the pressure arising from foreign protectionism. Although Hong Kong's industry has a reputation for high efficiency and flexibility, it has achieved little in creativity. To keep up with or even create new product trends, we must utilise our resources for the research and development of new products. It is a pity that at present product research and development is neither common nor fully developed in Hong Kong's industrial sector and only a handful of considerably-sized manufacturers invest in it. Most small manufacturers, limited by their size, are unable to shoulder the expenses in this aspect. Therefore, the Government should consider setting up a special organisation or department for devising a comprehensive and systematic plan to supply technical consulting and counselling services to manufacturers in the field of product research and development, on the one hand to alert the consciousness of manufacturers to develop new products and on the other hand

directly assist needy manufacturers to research and develop new products more systematically and efficiently, and to overcome technical difficulties. It is worth mentioning that the Government should also consider granting tax exemption to investments on product research and development as a sort of incentive.

Besides, as product research and development cannot be completely detached from the application of new technology, the Government should also consider providing more systematic facilities in technology transfer, and to raise the level of our industrial production technology. Some Hong Kong people tend to shun from even the mentioning of high technology or related terms, thinking we could only follow the line of fad products and there is no way for the development of high technology industry. This is indeed being over conservative. World technology advances and if Hong Kong does not learn from advanced countries she would in effect be retreating backwards and eventually be eliminated. The development of Hong Kong's industry from domestic-type workshops to today's enterprises with fully-automated production plant is the result of the incessant efforts of our industrialists who learned and adopted foreign technology. In order that Hong Kong could catch up with the pace of advancement in technology, the Government should be more systematic and comprehensive in technology transfer. Therefore, it should consider setting up a technology transfer centre or department, to coordinate the research on the introduction of foreign technology, having regard to our existing industrial base and with a view to raising the technological level of manufacturing production.

It is my opinion that any policy, especially economic policy, could not be adhered to forever. The 'active non-intervention policy' adopted by the Hong Kong Government for so many years is now, in my view, in need of overall review, in order to cope with the changing environment. The intention of my bringing out the issue of supportive industrial facilities is to reinforce our industrial base, thereby making our industrial export products more competitive and more resistant to foreign protectionism. It is the shared view of the industrial sector that only a robust manufacturing industry could result in a more healthy economic growth. Therefore, the Government's indirect assistance to industry does not imply favouring one sector against another. On the contrary, the Government could strengthen Hong Kong's economic base through supporting the manufacturing industry, thus enabling more prosperous activities in other trades and economic sectors. This will ultimately be beneficial to our community as a whole and thus is absolutely correct. On the other hand, if activities were only confined to monetary and property speculation while the investment in manufacturing industry remained at a standstill. Hong Kong's real income will definitely drop and at the same time, the reduction of employment opportunities would also result in serious problems such as social instability. At present Hong Kong is playing an active role in China's modernisation scheme and should thus further strengthen our economic status. There is actual need for the Government to actively support our industry and at the same time to devise a long term industrial policy.

Regarding the expenditure and income in the public sector, I am glad to learn that the Government is expecting a balanced Budget due to the increase in revenue from sale of land. It is hoped that this could help to avoid increase in tax rate or make use of our free fiscal reserve again. This will have a definite effect on social stability.

Finally, I am all out for the civil service's localisation scheme. The qualities and efficiency of civil servants are the prerequisite to an effective Government. I propose that civil servants should be given more local and overseas training opportunities. In particular, we should step up the training of the middle management in the civil service, to serve as a booster to Hong Kong's development towards prosperity.

Sir, with these remarks, I support the motion.

MR. SWAINE:—Sir, I will speak on four subjects under the heads adopted in Your Excellency's address:

- (i) nationality and passports;
- (ii) language in education;
- (iii) higher education;
- (iv) legal aid.

Nationality and passports

An Adjournment debate on the White Paper on the Draft Hong Kong (British Nationality) Order 1986 has been planned for 4 December 1985, so I will be brief on this occasion. I welcome Your Excellency's statement that the British Government has undertaken to do its utmost to obtain international recognition of the proposed British National (Overseas) passport. The difficulty hinges I believe on a suitable form of endorsement to indicate that the holder has right of abode in Hong Kong. I would go further afield and suggest that Her Majesty's Government would best achieve international recognition of the passport if it were itself to recognise the value of the passport for securing entry into the U.K. As the passport will be issued under the authority of the British Government to persons who are already British (namely Hong Kong British Dependent Territories citizens), why should the passport itself not be sufficient without more to secure the holder's entry into the U.K.? Administratively this could be achieved with the minimum of difficulty by having all such passports endorsed on issue with permission to land in the U.K. This would secure free entry of the holder into the U.K., and obviate the need for obtaining a certificate of entry beforehand or for obtaining specific permission on each occasion of entry. The advantage to the traveller would be the removal of red tape and inconvenience each time he wishes to travel to the U.K. The benefits to Her Majesty's Government in terms of the goodwill which this would generate locally are immeasurable. No violation of principle is involved since permission to land falls short of the right to land and could not therefore mature into an

entitlement to registration as a British citizen under section 4 of the British Nationality Act 1981.

Language in education

I would fully endorse Your Excellency's statement that Hong Kong's special position requires that our younger generation can use both Chinese and English with ease, and I welcome Your Excellency's assurance that the more wide spread use of Chinese in schools is in no way intended to diminish the importance of a high standard of English. I would stress that now more than ever we must ensure the proficiency of our young men and women in both spoken and written English. Hong Kong's economic prosperity, which is one of the chief aims of the Joint Declaration on our future, requires that Hong Kong must remain a leader in the world of trade, industry and finance. An international dimension is essential for Hong Kong's success and Hong Kong must retain its grip on English, which is an international language.

The unfortunate fact is that over the years the standard of English on the pan of our young people, whether at school, polytechnic or university has slumped Remedial courses in English at the tertiary level are commonplace, yet the standard remains unacceptably low. Why aren't our young people speaking and writing better English? Now more than ever we must address the problem and come up with solutions that work.

Higher education

I welcome Your Excellency's stated intention to proceed with the planning for a third university. The upward pressure of our Forms VI and VII leavers is unrelenting and will only be partially eased by the establishing of a third university. On the projections contained in Your Excellency's speech we shall be providing first-year first-degree places for something like 9.5 per cent of the target population (namely the 17- to 20-year-olds age group) by the year 1996-97. This represents the apex of our system namely those school-leavers who will be able to obtain degree places at the five U.P.G.C. funded institutions and the sixth institution for which planning will proceed. We shall also need to plan for our sub-degree places namely those at diploma and certificate level and seek to achieve the optimum mix of degree and non-degree places. All this in the context of providing sufficient opportunities at post-secondary level for our school leavers. The cost of higher education is high indeed and we shall have to ensure value for money in the face of competing demands on the public purse.

I could not leave the subject of higher education without expressing my concern at the time it is taking to set up a local accrediting body in place of the U.K. Council for National Academic Awards and also of a local Research Grants Committee.

The proposed Hong Kong Council for Academic Awards will have the job of assessing and validating new degree courses at the two polytechnics and the

Baptist College. Its scope could be increased to cover sub-degree courses and indeed the courses at institutions which are not within the U.P.G.C. umbrella. Early establishing of such a body would give it time to develop its own procedures and to acquire the necessary reputation to achieve international recognition.

The need for co-ordinated direction of the research activities at our tertiary institutions and for the expansion of such activities through strategic funding is well recognised. Not only will industry and the community benefit by the fruits of such research but the opportunities for research will help attract, retain and develop the right calibre of staff. This is of particular importance now that we have a third university in view because if we wish to engage local staff for it, we must ensure that our present tertiary institutions are able to produce postgraduates of high calibre, which means ensuring sufficient research opportunities at the existing institutions.

Legal aid

I note Your Excellency's statement that a working party is now examining all aspects of our present legal aid system, although I believe neither the Bar Association nor Law Society is represented on it. I would strongly recommend that legal aid should cease to be a Government-provided service. This is particularly so in criminal cases. Increasingly in the years ahead we shall need to jealously guard our principles of justice, and key amongst them is the principle that justice must not only be done, it must be seen to be done. The question must inevitably be asked whether it is appropriate that the Government which prosecutes an alleged offender through one of its arms should administer the scheme for his defence through another of its arms. More fundamentally, in Hong Kong the decision whether to grant legal aid in criminal cases rests with the Legal Aid Department (although there is final recourse to a judge), whereas in England the power to make a legal aid order rests with the court. In civil cases, legal aid is administered by the Law Society in England, whereas in Hong Kong it is run by the Legal Aid Department which determines whether legal aid should be granted, a decision which might be seen to be increasingly sensitive where the Government is a party to the litigation. So I advocate that the administration of legal aid in both civil and criminal cases should be removed from the Government and placed with the private sector. I believe the legal profession in Hong Kong is now large enough to shoulder this responsibility.

Sir, having spoken as planned, I would like now to say a few words about the events of the past week, concerning our political development.

Under article 2 of the Joint Declaration, Britain is to restore Hong Kong to the People's Republic of China as from 1 July 1997. Under article 4, the British Government remains responsible for the administration of Hong Kong during the transitional period up to 30 June 1997. Under article 3, China has promised that the Hong Kong Special Administrative Region will enjoy a high degree of

autonomy. Annex I article I provides that the legislature of the Hong Kong Special Administrative Region shall be constituted by elections, and that the executive authorities shall abide by the law and shall be accountable to the legislature.

I take these provisions to be clear beyond question. It is for the British Government to bring Hong Kong along the road of political development to a state of maturity sufficient for the people to exercise the political rights promised under the Joint Declaration. In this solemn task, the British Government owes a constitutional and moral obligation to the people of Hong Kong to ensure that the ideals and promises of the Joint Declaration are fulfilled to the letter and spirit. To that end, consultation with the people of Hong Kong is essential, as Your Excellency has recognised and emphasised in your address. For their part, the people must be free to express their views without fear or favour. The atmosphere of the past week has not been conducive to a free expression of views, charged as it has been with tension and veiled threats. I venture to say that such a strategy will prove to be wholly counter-productive.

Sir, I have pleasure in supporting the motion.

MR. YEUNG PO-KWAN delivered his speech in Cantonese:—

(The following is the translation of his speech.)

Sir, stability and prosperity are the long-term pursuits of every society. Social stability brings about prosperity while social unrest leads to a gloomy economy. Social stability relies on security and order which, in turn, depend on the assistance of the police. The function of having an outstanding police force in maintaining law and order is beyond doubt. Therefore, to keep on improving the efficiency and morale of the police force should be given top priority. During the transitional period before 1997, Government should give utmost support to the police force, so that police officers would reinforce their sense of identity to the force, their enthusiasm in work and their confidence in the future. Moreover, it is important to train up more police officers with good potentials to tackle future challenges. Government should begin to review and research into the role of the auxiliary force in helping to maintain law and order in Hong Kong. It is only through full cooperation between the police and the public can we attain social stability, which also relies on constant education, support and encouragement by Government. What is more important is that we must recognise that corruption would jeopardise social stability and enhance the growth of crimes, particularly commercial crimes; the fraudulent behavior involved is shameful and unforgivable. On the one hand, Government should continue to give full support to the police and the I.C.A.C. On the other, civil education should be promoted in schools and other organisations, so as to eliminate the evil effects of corruption on society.

I sincerely hope that Government would consider the following points in examining how to enhance the efficiency and morale of the police force:

- (1) The police force is solely responsible for maintaining law and order. There are many channels through which the public can complain against the abuse of power by the police. But if proposals are made to reduce some of the powers of police officers without practical and convincing reasons, then the morale of the police force, as well as our law and order, will certainly be affected.
- (2) To fit in with the development of new towns, our police force must be modernised, with constant review of the facilities and capital works which the force is short of. Only then can our police force catch up with modern technological development and with the future needs of our society.
- (3) A modernised police force should also try its best to reinforce the management of its staff (particularly upper and middle level officers) and its professional training.
- (4) Good welfare benefits will also help to enhance morale and efficiency. The Police Welfare Branch is responsible for coordinating welfare, sports and recreation matters for the force. It also offers professional social work service and psychological counselling to serving/retired police officers and civilian staff (as well as their families). The branch serves a useful function in maintaining the high morale and good physique of police officers. The welfare benefits enjoyed by police officers are being financed by the Police Welfare Fund. The Director of Audit pointed out in his 1984-85 annual report that according to section 39(2)(b) of the Police Force Ordinance, all charges arising from the hiring of police officers should be appropriated into the Police Welfare Fund. During the nine-year period between 1976 and 1985, \$7.2 million has been obtained from charges for hiring the service of auxiliary police officers. But in 1963, the Legal Department was of the view that auxiliary police officers could not be considered as the same as police officers specified in the Police Force Ordinance. As a result, charges for hiring the service of auxiliary police officers should not be appropriated into the Police Welfare Fund. I have no intention to discuss here whether from the legal point of view, such charges should be appropriated under the general revenue of Government. I must point out however, that Government should carefully consider whether such amendment in legislation would affect the overall morale and efficiency of the police force. Moreover, I would like to point out that the auxiliary police force consists of some 5 400 people coming from various social strata. Their work is to assist the police force in enforcing daily police duties and to provide supplementary support during emergencies. On the average, about 700 auxiliary police officers are being mobilised each day to maintain law and order side by side with the regular force. As a matter

of principle they should also be eligible for police welfare benefits in general. Government should therefore, consider setting up an auxiliary police welfare fund as well, so as to enhance the morale and efficiency of auxiliary police officers. And since it has been proved that the auxiliary police force is playing an important role in maintaining our law and order, Government should formulate some specific policy to allocate sufficient funds to the auxiliaries, so that maximum use could be made of the spacious area of the new auxiliary police headquarters in Kowloon Bay.

- (5) Although the Sino-British agreement has been signed, many police officers are still worried about their job prospects. Such worries are understandable and will affect morale and efficiency to a certain extent. Government should therefore take early steps to formulate some specific policy to reinforce the confidence of police officers in the future of their work.
- (6) Localisation of the police force should follow a stable and gradual course. Otherwise, the morale and efficiency of both local and expatriate police officers will be affected.
- (7) Government should carefully examine the effect of the proposed new retirement scheme on the morale of police officers, especially the rank and file. In view of the particular nature and working conditions of police officers, Government should consider whether some special arrangement should be made for them.

Sir, the stability of a sound social structure is dependent on the support of citizens who are physically and mentally healthy. A delicious apple must not be rotten by pests. The same applied to our beautiful Hong Kong, which must not be overshadowed by drugs. I need not elaborate on the evils of drugs. Most important of all and it will be regrettable if the future masters of Hong Kong, i.e., our younger generation, become indulged in narcotics. It will certainly have bad effects on the society and in turn erode its stability. Hence Government must not slacken its anti-narcotics work in order not to give drug traffickers the least opportunity. I strongly believe that confiscating the wealth acquired by drug traffickers through illegal means will have a greater deterring effect on drug traffickers. Besides, this can ensure that such ill-gotten gains will not flow into the narcotics market again. In fact, such effective deterring measure is in line with resolutions passed by the United Nations Commission on Narcotic Problems, United Nations Economic and Social Affairs Council and the General Assembly of Interpol. Apart from continuing to promote anti-narcotic education among the general public and young people, as well as inflicting severe punishment upon those who go against the law by smuggling, manufacturing and growing narcotic drugs, Government ought to strengthen contact with neighbouring countries to strike a heavy blow on drug traffickers. Only then can Hong Kong be cleared of the shadow of drugs and our people,

particularly the young, would be able to breathe in some fresh air while striving to create a healthy society and a prosperous future.

Now I wish to respond in brief to the language of teaching and broadcasting issues. As a member of the Education Commission, I am glad to learn that Government has decided to spend \$2,500 million in the next 10 years on bettering the quality of education. Undoubtedly, a good education in English and Chinese, together with the instruction of advanced scientific knowledge, will lay the foundation of a bright future for Hong Kong. A proper course of education will enable well-trained students to make use of what they have learnt to serve the society in return. Academic exchange between Hong Kong and China will reinforce the understanding needed by both countries. It will also have an effect on the course of education in future.

It is well known that consolidating the learning of a language requires more listening, more speaking and writing. This is so with English as well as Chinese. As a training ground, schools must pay attention to the effects of good teaching staff and appropriate textbooks while making a decision to use both English and Chinese as the medium of instruction. We have learnt from experience that be it English or Chinese, using one's mother tongue as the language of teaching will heighten the interest of students in learning more effectively. Regarding the use of English as the language of teaching, Government has the responsibility to try its best to help schools overcome practical difficulties e.g. subsidised housing in recruiting expatriate language teachers. In using Chinese as the medium of teaching, Government must provide, at its earliest convenience, sufficient secondary school textbooks which are of good quality and written in Chinese. If it is hoped that the present situation of putting stronger emphasis on English than Chinese could be balanced, Government ought to take the lead in various aspects, particularly in education and employment, to prove to the younger generation that adoption of a bilingual teaching policy is a key factor in keeping Hong Kong as an important commercial, industrial and monetary centre.

Sir, the radio and television perform a very important educational function. Apart from providing diversified programmes for adults, they also have certain effects on the younger generation. It seems broadcasting is something indispensable in any civilised country. It is disclosed in the report of the Broadcasting Review Board that in accordance with the function and principle of broadcasting, and in line with future needs, comprehensive as well as high quality broadcasting programmes will be provided for the people of Hong Kong, so as to attain the objectives of broadcasting, i.e. to report, educate and entertain. So long as the intention is correct, any proposal made in this direction is worth giving due consideration. Whether a proposal is applicable depends on its acceptability by the whole society. In this respect, we have to give priority to the interests of the public. During the three-month consultation period, various sectors (not only those of the mass communication and advertising circles) should read carefully the contents of the report and submit any objective

opinions on the recommendations contained therein for the reference of Government. Almost every family in Hong Kong is in possession of a T.V. or radio set. Adults and young people have their own favourite programmes and so diversification will be able to satisfy their requirements. But what is the long term demand of the public towards broadcasting programmes? This is a question worth considering by all. Proposals in the report are aimed at meeting this demand. The report also contains proposals on various other aspects, including organisation, management, resources, technology and the role played by Government in broadcasting. Government ought to make haste in distributing Chinese copies of the report to the Urban Council, Provisional Regional Council, district boards and other organisations for their reference. In fact, as the Broadcasting Review Board has already been dissolved and owing to the complexity of the contents of the report, Government has the responsibility to provide some general explanations to facilitate public understanding and in turn, encourage more public views of value. The public have to view the original text independently, and if possible, put forward acceptable proposals. This Council has decided to hold a debate on the report after the consultation period and it is hoped that the debate will assist Government in coming to a decision.

Sir, with these remarks, I support the motion.

MR. CHUNG delivered his speech in Cantonese:—

(The following is the translation of his speech.)

Sir, I am the last speaker on the Order Paper and I will be as efficient as Hong Kong people generally are so that very soon, Members will be able to have a more relaxed moment. Sir, Hong Kong is now in the period of transition to a special administrative region and the preservation of its prosperity and stability is the wish and responsibility of both the Government and the people here. Broadly speaking, Sir, your annual address shows that the Government has made a considerably smooth and pragmatic arrangement in all aspects of development, which is in line with the spirit of promoting steady progress. Nevertheless, I have the following comments to make.

Law and order

The maintenance of public security and social order is an important factor in preserving the prosperity and stability of Hong Kong. Having regard to the terms of the Joint Declaration, it is clear that the police force must undergo some changes in its staffing and organisation aspects during the transitional period. However, we must ensure that the force will be able to maintain its high level of efficiency and morale so that it would always be on the alert and carry out corresponding measures in meeting all the changes as may arise during the transitional period. To achieve such an objective, the Government must provide the force with adequate resources for maintaining its modernisation.

Members of the public are glad to learn from your annual address that the decrease in violent crime recorded in 1984 has continued in 1985, with a further reduction in the number of robberies and cases involving firearms. This, however, does not mean that the police force could be self-complacent in this regard. On the contrary, it should spare no efforts in reducing the number of such cases to the minimum.

Sir, you attach importance to the issue of triad society and has asked the Fight Crime Committee to give high priority to further measures to combat the insidious menace of triads, thus suiting the remedy to the case. priority should be particularly given to the possible measures of keeping triad influence away from schools and the places of amusement for young people. I hope the Government would consider without further delay whether it is necessary to amend the relevant legislation to the effect that serious crimes could be more effectively dealt with and that the criminals be more readily brought to justice.

On the other hand, we are rather concerned over the rising number of burglary in residential flats. According to police information, one quarter of such cases could well have been avoided had members of the public taken some simple and effective anti-burglary measures beforehand. The Fight Crime Committee and the police have now jointly launched a neighbourhood watch programme with the purpose of encouraging members of the public to cooperate and help one another so that good neighbourly relationship could be established for preventing crime as far as possible while protecting one's own as well as neighbours' properties. The Government should provide every resources to promote and make a success of this worthwhile programme which can, in fact, kill two birds with one stone by preventing crime on one hand and facilitating the implementation of district administration on the other.

The security of multi-storey buildings has much to do with the quality of the watchmen. The Watchmen Ordinance in its present form has been outdated. There is ambiguity in the term 'watchmen' as well as room for improvement in the quality of watchmen. The annual address of 1984 already touched on the amendment of the relevant legislation but the draft bill has, regrettably, not yet been finished. I hope that the draft bill could be completed as soon as possible, with importance being attached to quality improvement and basic training of the watchmen.

Housing

During the consultation period in regard to the Green Paper on Housing Subsidy to Tenants of Public Housing, the Housing Authority has received a large number of public comments which, I believe, would certainly be given the most careful consideration. No matter what the decisions of the authority will be, I think the better-off tenants of rental estates should be encouraged to purchase those premises under the Home Ownership Scheme so that more flats could thus be vacated and re-allocated to those applicants on the waiting list. In

selling the H.O.S. flats to the public housing tenants, the authority could lay down more attractive terms by, for instance,

- (a) exempting them from paying a downpayment so that the money originally intended for that purpose could be used for decoration or other purposes;
- (b) arranging prospective buyers to repay the loan at a lower rate of interest and in a longer span of repayment period so as to reduce the amount of monthly instalment to the minimum;
- (c) selling those flats to the tenants at concessionary price;
- (d) assuring prospective buyers that they would be given back a rental estate flat in the event of their being unable to pay up their monthly instalments for their H.O.S. flat due to change in financial condition, thus relieving them of any worry about accommodation.

Given support by the Government, a solution could possibly be worked out in regard to the above-said conditions.

Education

The planning of a third university is most welcome. However, the University and Polytechnic Grants Committee has advised that the provision of first-year, first-degree places can only be increased to 7 500 within the 1990s. This figure is a far cry from the number of students who intend to take up first-degree courses. In view of the growing demand for qualified personnel to meet the need of constitutional development and the future of Hong Kong, I urge the Government to think about the provision of external degree courses by making full use of the facilities of existing institutions and taking after the external degree system of London University, so that those who wish to obtain a degree but have no chance to enter a conventional university due to economic or other reasons would be able to complete an external degree course during the hours after work. For such external degree courses, the Government has to provide resources only on a limited scale while the universities have only to deal with the acceptance of students, lay down the admission requirements, provide the basic course materials, conduct the relevant examinations and assess the examination results. The students can take up their courses by private study, correspondence or in any other way at their own expenses. Their number will not be affected by the lack of space in the campus. Many young people in Hong Kong have obtained a degree through the external degree course of London University, and I believe this system will be able to meet the need of those aspiring young people who are keen on furthering their studies and to bring up more qualified personnel at the same time.

With these remarks, Sir, I support the motion.

Suspension of sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance to Standing Orders I now suspend the Council until 2.30 pm tomorrow.

Suspended accordingly at five minutes past Seven o'clock.