

# OFFICIAL RECORD OF PROCEEDINGS

**Thursday, 13 May 1993**

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

## **PRESENT**

THE PRESIDENT

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

THE FINANCIAL SECRETARY

THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, C.B.E., J.P.

THE ATTORNEY GENERAL

THE HONOURABLE JOHN WOOD, C.B., J.P.

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

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

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

THE HONOURABLE HUI YIN-FAT, O.B.E., J.P.

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

THE HONOURABLE PANG CHUN-HOI, M.B.E.

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

THE HONOURABLE ANDREW WONG WANG-FAT, O.B.E., J.P.

THE HONOURABLE LAU WONG-FAT, O.B.E., J.P.

THE HONOURABLE EDWARD HO SING-TIN, O.B.E., J.P.

THE HONOURABLE MARTIN GILBERT BARROW, O.B.E., J.P.

THE HONOURABLE MRS PEGGY LAM, O.B.E., J.P.

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, O.B.E., J.P.

DR THE HONOURABLE LEONG CHE-HUNG, O.B.E.

THE HONOURABLE MRS ELSIE TU, C.B.E.

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, J.P.

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE TIMOTHY HA WING-HO, M.B.E., J.P.

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

THE HONOURABLE SIMON IP SIK-ON, J.P.

DR THE HONOURABLE LAM KUI-CHUN

THE HONOURABLE EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

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

THE HONOURABLE FRED LI WAH-MING

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE STEVEN POON KWOK-LIM

THE HONOURABLE HENRY TANG YING-YEN, J.P.

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

DR THE HONOURABLE SAMUEL WONG PING-WAI, M.B.E., J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE ANNA WU HUNG-YUK

**ABSENT**

THE CHIEF SECRETARY

THE HONOURABLE SIR DAVID ROBERT FORD, K.B.E., L.V.O., J.P.

THE HONOURABLE DAVID LI KWOK-PO, O.B.E., J.P.

THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.

THE HONOURABLE RONALD JOSEPH ARCELLI, J.P.

THE HONOURABLE LAU WAH-SUM, O.B.E., J.P.

THE HONOURABLE JAMES DAVID McGREGOR, O.B.E., I.S.O., J.P.

THE HONOURABLE PETER WONG HONG-YUEN, O.B.E., J.P.

THE HONOURABLE VINCENT CHENG HOI-CHUEN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE GILBERT LEUNG KAM-HO

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

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL

MR CLETUS LAU KWOK-HONG

PURSUANT TO STANDING ORDER 4AA, HIS EXCELLENCY THE GOVERNOR, THE RIGHT HONOURABLE CHRISTOPHER FRANCIS PATTEN, ATTENDED TO ADDRESS THE COUNCIL AND TO RECEIVE QUESTIONS.

PRESIDENT: Would Members please remain standing for the Governor?

CLERK: His Excellency the Governor.

PRESIDENT: The Governor will address the Council. Thereafter, Members may put questions to the Governor.

GOVERNOR: Mr President, I am grateful for this opportunity to brief Honourable Members on my visit to the United States last week, my first as Governor of Hong Kong. Like previous Governors, I consider it an essential part of my job to defend Hong Kong's vital interests whenever and wherever they are threatened.

The debate now under way in the United States about China's MFN trading status is of critical importance to us in Hong Kong. Anything which might damage the relationship between our two most important trading partners clearly puts at risk Hong Kong's vital interests.

It is worth reminding ourselves how important our relationship is with the United States. The United States is our second most important trading partner after China. It is our largest market for domestic exports. It is our second largest market for re-exports. It is a hugely important source of direct investment and of tourist revenue. The total value of our trade with the United States last year was HK\$285 billion. There are 15 United States banks and 21 insurance companies operating here. 127 factories are wholly or partly US-owned and they provide employment for 23 400 people. Some 900 United States firms carry out business in Hong Kong. So the economic links are close. I would like to see them develop further. Besides stressing the importance of MFN renewal during my visit, I sought to underline the importance of this relationship to as wide an audience as possible.

I am very grateful for the warm reception I received in the United States. I found a deep reservoir of goodwill and respect for Hong Kong, and I think it is this goodwill that helps to explain why so many people set aside time to listen to what I had to say on behalf of Hong Kong. I had meetings with President CLINTON and Vice President GORE; with Acting Secretary of State WHARTON and Winston LORD, the Assistant Secretary of State responsible for this part of Asia and the Pacific; with Treasury Secretary BENTSEN; and with Robert RUBIN, the Assistant to the President for Economic Policy.

In the Congress I had discussions with Senators BAUCUS, BRADLEY, McCONNELL and MITCHELL and Representatives FOLEY, HAMILTON, PELOSI, PORTER and ROSTENKOVSKI, and I met both the Asian and Pacific Affairs Subcommittee of the Foreign Affairs Committee, chaired by Representative ACKERMAN, and Senator ROBB's East Asian and Pacific

Affairs Subcommittee of the Senate Foreign Relations Committee. In addition, I gave speeches to the National Press Club in Washington, the National Committee on United States-China Relations and the Hong Kong Association in New York, and to a number of other audiences. On all of these occasions I argued with all the force at my command in defence of free trade and the renewal of MFN status for China.

My visit was well timed. The new Administration and Congress are moving towards a decision on the MFN issue. I explained the implications of the decision for Hong Kong. I made it clear that non-renewal or heavily qualified renewal would have a serious impact on jobs and incomes here. We estimate that 70 000 jobs might be lost in Hong Kong and that our growth rate would be halved if China were to be denied MFN status by the United States. I am convinced that Hong Kong's position is now well understood in Washington and that our concerns will be a major factor to be taken into account when the final decision is made.

Having said that, I have to report to Honourable Members that I found widespread concern in the United States about human rights, about market access and about arms proliferation. We should not underestimate the strength of United States' concerns on these matters. I argued that it would be a mistake to link trade and politics. As Honourable Members will know, Mr Winston LORD has had an important round of meetings in Peking this week. We must all hope that these discussions have been successful.

Yesterday, Members passed a motion calling on the British Government to lobby the United States Government for renewal of MFN status for China. We will of course pass on Members' views to London. I would like to make it clear to you that the British Government has already been active on this issue on Hong Kong's behalf and will continue to be so. I received the full support and the encouragement of the British Ambassador in Washington and his staff in my own lobbying efforts last week. Her Majesty's Government will go on pressing our case but I believe that all of us must go on arguing for unconditional MFN renewal and explaining the impact here if MFN is not renewed or if it is qualified. I am grateful for those business missions which have carried this message from Hong Kong to the United States and particularly to the American Chamber of Commerce in Hong Kong for their tireless and effective work.

One particular point which I stressed during my visit was that it would not be at all helpful to Hong Kong if the resolution of the current discussions with China on constitutional matters was in some way attached as a condition of MFN renewal. I am glad to say that this point was accepted in particular by Representative PELOSI, the author of the draft House bill proposing the conditioning of MFN. As a result of our representations, she has announced that she will delete any reference to the outcome of Hong Kong's constitutional debate from her draft legislation.

I should add that there was a good deal of interest in this constitutional debate on the part of nearly everyone I met. Many questioned me closely about it. Given the number of Americans living in Hong Kong and the size of US investments and business operations here, it is understandable that they should maintain an interest in any matters affecting Hong Kong's future prosperity and stability. It was fully recognized and helpfully stated by the President himself that the resolution of these constitutional issues was a matter for the current and future sovereign powers. But many people expressed their firm and sincere hope, for which I was most grateful, that the present series of talks between Britain and China would end successfully. That is, I am sure, an aspiration shared by us all.

PRESIDENT: As agreed, the question time this afternoon will be devoted to the Governor's visit to the United States and trade matters.

Members may now put questions to the Governor. A Member may ask a supplementary question for the purpose of elucidation, but the supplementary should be a short, single question. Show of hands, please. Dr HUANG Chen-ya.

DR HUANG CHEN-YA: *Governor, there is widespread American concern about human rights, arms proliferation and trade access. Would you or the British Embassy be informing the Chinese Government of this observation so that the Chinese Government will take appropriate initiatives to deal with the conditions that might be applied so that China will in fact maintain its MFN status?*

GOVERNOR: I doubt whether there is any need for either the British Embassy or me to convey those thoughts to the government of the PRC since Mr LORD has presumably been conveying those concerns himself this week. I am sure that they are pretty well known both to the Chinese Embassy in Washington and to the Chinese Ministry of Foreign Affairs and to other senior Chinese officials.

I obviously argued when I was in Washington and New York that, if there were particular concerns on the part of the Administration and on the part of Congressional leaders on those matters, they should be pursued in ways that were appropriate rather than through creating trade problems and difficulties between China and the United States. There are particular channels, in my judgement, in which, if the United States is concerned about those matters, they can pursue them as other countries have done on appropriate occasions. That was a point that I put last week and it is a point that I will continue to put.

PRESIDENT: Mr LAU Wong-fat.

MR LAU WONG-FAT (in Cantonese): *Mr Governor, should there be an outbreak of a trade war between China and the United States, Hong Kong's economy will inevitably be affected. My question is: Does the Government have any contingency measures in store at the moment to help Hong Kong people to ride out the crisis that might arise? If so, could this Council be informed of the measures? If not, could an explanation be given why the Government is not making the necessary preparations?*

GOVERNOR: I have got no doubt at all that were there to be no renewal of MFN or were MFN renewal to be heavily conditioned so as to make a real impact on trade between China and the United States, there would be an impact on the Hong Kong economy. It seems to me impossible to design, for instance, heavy conditions on MFN without running that severe risk. I am also, I have to say, a little sceptical about precise economic modelling of what those effects would be and I do not mean to be disrespectful to economists in saying that. But Hong Kong has, over the years and decades, shown itself much more flexible in adjusting to changing economic circumstances than most other economies. We have done that in a number of ways over the years.

I do not therefore believe that it is possible, before we know precisely what the outcome of present deliberations is going to be, to design exact measures which we could put in place in order to help sustain our economic performance in circumstances of trade friction. But obviously were those circumstances to arise we would need to look at ways in which we could give greater assistance to our business and industrial sector, for example, through the help that we provide to retraining, but I dare say in other ways as well. But I do not think it is possible for us to have in the wings, as it were, to wheel onto stage at some appropriate moment, should that unfortunate circumstance arise, a perfectly designed set of measures to sustain our economy in those difficult circumstances.

PRESIDENT: Mrs Peggy LAM.

MRS PEGGY LAM (in Cantonese): *Mr Governor, actually Mr LAU Wong-fat has asked part of my question. You mentioned just now that 70 000 jobs might be lost. I would like to know which type of jobs would be affected and how the Government plans to help those people to tide over the difficulties?*

GOVERNOR: I do not want to repeat too much of what I have just said. I do not think that precision in talking about economic impact is possible. What the economic modelling has done is to give us a broad assessment of the gravity of

the situation that we would face. Clearly jobs would be lost principally in those sectors which depend on export or re-export and the whole Council will know some of the sectors I am talking about, for example, textiles; for example, manufacture of watches; for example, toys — if those were sectors that were hit. But it is quite difficult to know how or whether they would be. Let me give the honourable lady an example.

If conditionality was to lead in a year's time to the triggering of trade restrictions by the United States and if those restrictions were modelled on the provisions of the Pelosi and Mitchell bills, then the United States Treasury or those who work for it — and I think there would have to be many more of them — would have to make a decision about which Chinese products were from the public, the state sector, and which were from the private sector. The Council will know that that is an extremely difficult distinction to make. There are sectors of economic development in China which remain in the state sector, for example, energy and steel manufacture. Does that mean that products which require a large energy input or products which are made of steel are public sector products or private sector products? What is a bicycle made with steel but probably manufactured in the private sector? What is silk? Is silk public sector or is it private sector? I think that making these distinctions may well lead to a job creation programme for the civil service. I certainly think it would be very difficult, however well meaning they are, to police distinctions like that. So with that degree of uncertainty it is quite difficult for us to be precise about where the biggest effects on our own economy would be, but that there would be considerable effects I have no doubt.

PRESIDENT: Rev FUNG Chi-wood.

REV FUNG CHI-WOOD (in Cantonese): *Mr Governor, my question is slightly relevant to your reply just now. The United States Administration might attach conditions when renewing China's MFN status. Yet these conditions might be directed only at China's state-run enterprises. According to the statistics of the Trade Department, if China's MFN status is to be entirely withdrawn, the growth rate of Hong Kong's GDP will drop by three percentage points. Has the Administration made any estimate how Hong Kong's economy will be affected if the United States withdraws China's MFN status with China's state-run enterprises as the only target, and how will Hong Kong be affected? And does the Administration have any contingency measures to cope with such a scenario?*

GOVERNOR: I think this is the first opportunity I have had to congratulate the Honourable Member, which I do with great enthusiasm, and I hope that he is as happy as all the other married Members of the Council. (*Laughter*)

REV FUNG CHI-WOOD: *Thank you, Governor.*

GOVERNOR: I hope that has not given journalists too considerable a field day. It is obviously the case that more partial measures lead to a less considerable impact on our economy and, if I may make the point, on the economies of the United States and China as well. It is not for me to make a pitch on behalf of the American economy or on behalf of the economy of China, but they will obviously be the principal economies affected. But I do not think that one can make accurate assessments of gradations of measure by the United States Administration. I do not think that sort of precise calibration is possible, though it might provide more or less useful employment for economists.

But I repeat the point that in the event of any substantial conditionality or, certainly, non-renewal of MFN in a year's time in circumstances in which China had not met conditions laid down by the United States or in circumstances in which China had reacted against the whole concept of conditionality, the sort of consequences of either of those developments would have some effect on our economy and we do not want to have to face those sorts of problems. Nor does the region, in my judgment.

When one looks around the world, when one looks at the situation in Europe and the first signs of rather limited recovery in North America, it is perfectly plain that the world needs the economy in Asia to keep on growing in order to sustain economic development elsewhere. So I am not in favour of anything which interferes with the dynamo of growth in this part of the world. I think that is bad not only for this part of the world but bad for everywhere else too.

PRESIDENT: Could I have a fresh show of hands, please? Mr Allen LEE.

MR ALLEN LEE: *Governor, we know Hong Kong will be a casualty of trade hostilities between China and America. One of the best assurances for us would be for China to rejoin the GATT. Did the Clinton Administration indicate to you whether it now supports China's bid to become a member of the GATT?*

GOVERNOR: No, they did not, but they know our position on both China's application and on Taiwan's application as well, and they know the position of the United Kingdom. I think that major trading nations should be members of that club and that is a point of view we have put, I think, fairly forcefully in Washington and elsewhere.

If I may build on the Honourable Member's question because I know it is also a point that he is concerned about, we also of course expressed our concern that there should be an early conclusion of the GATT Uruguay round. It is very important for us that the world agrees new rules which mean more free trade, and we are the best possible exponent of that case. I doubt whether there is any other community which has been so committed to the principles of free

trade as we have been, and I think those principles offer more hope to humanity than most other likely economic developments.

A point I made again and again in the United States and a point I made in a speech when I visited Europe last month is that free trade is, in my judgment, like riding a bicycle. When you are riding a bicycle, once you stop turning the pedals you fall off. With free trade, once you move away from the principles of free trade there is a terrible danger of falling into protectionist puddles. Unless you are committed to the principles, you are all too likely to court protectionism. And protectionism, as sure as night follows day, means higher prices for consumers, lower jobs and less economic growth.

PRESIDENT: Mr Albert CHAN.

MR ALBERT CHAN (in Cantonese): *Mr Governor, during your visit to the United States, you were warmly received by the United States's top political leaders. However, some Chinese overseas students levelled a broadside at what you said and what you did in the United States, saying that you did not care too much about human rights in China. And the Chinese Government was also displeased with your visit and criticized you for internationalizing the Hong Kong issue. It seemed that you did not find favour in the eyes of both sides. Mr Governor, as you see it, in what ways is the trip contributory to the unconditional renewal of China's MFN status? Have you secured any commitment from the United States Administration to ensure that Hong Kong's economy will not be seriously affected by any changes in Sino-American relationship?*

GOVERNOR: Let me deal with those questions in order: human rights, internationalizing — which has turned into a curious mortal sin — and MFN and the impact that I might have had on the debate in Washington.

No community is going to be more concerned about human rights and the preservation of human rights and the preservation of the rule of law than this one, and I do not think we need reminding of the importance of human rights. But I think that many members of this community share my view that the use of trade weapons is not the right way to promote and protect human rights. A number of other communities, I think, take the same view. They have established a dialogue on human rights with the PRC, for example, that is what has been done by Australia, it is what has been done by France, it is what has been done by the United Kingdom. I think, myself, that dialogue rather than using a double-edged trade weapon is the right way to proceed. Because I say that and because I think that does not mean that I have any less regard for human rights than some of those students to whom the Honourable Member referred. But I take a different view about the best way of arguing for human rights.

Let me add one other point. I think it was JEFFERSON who referred — I think it is carved on his monument — to the consequences of human development for political structures. I do not doubt at all that economic growth and free trade and more open economies improve the quality of living of individuals defined in the broadest way, and that is why I am in favour of promoting economic growth and free trade rather than limiting them.

Secondly, internationalization. I think that it would be astonishing if the Governor or Chief Executive of the tenth largest trading community in the world did not wish to visit from time to time the main trading partners of that enormously important trading community. I shall continue to do that, I shall continue to argue the case for Hong Kong in other countries and I place this bet now with complete confidence. The Chief Executive of the SAR will in due course do exactly the same if she or he is doing her or his job properly. That is part of my responsibility and I shall continue to carry it out. I thought that there was a marked difference between some of the rather routine propaganda attacks on my visit and the sensible and accurate remarks made by Vice Premier ZHU Rongji who said I had been lobbying on MFN in Washington in Hong Kong's interest, a remark which is accurate and precise.

Thirdly, I would, I guess, need all the silver-tongued eloquence of the Honourable Member to persuade that majority of the United States Congress which believes in conditionality to come to some other conclusion. But whatever I may have failed to do or whoever I may have failed to convince, I am pretty certain that I was able last week to ensure that the impact on Hong Kong of non-renewal of MFN or heavy conditionality on MFN will be a considerable factor when the United States Administration and Congressional leaders make up their minds on the way forward. And I note that after my visit, some of those I spoke to, including, for example, Representative PELOSI, made that point very openly. I do think that we have had some success in ensuring that our position is on the agenda. But I cannot, hand on heart, tell the Honourable Member that I was able to convince all those American Congressmen and Senators who are worried about weapons proliferation and human rights and access to China's market that they should pursue those interests in other ways than through the MFN channel.

PRESIDENT: Mr CHIM Pui-chung.

MR CHIM PUI-CHUNG (in Cantonese): *Mr Governor, Hong Kong people are now most concerned about two issues: firstly the results of the Sino-British talks on the 1994-95 electoral arrangements and secondly the renewal of MFN status for China by the United States. During your recent visit to the United States, you did raise these two issues. We are, however, still yet to see the end to the uncertainty surrounding the renewal of China's MFN status. You also brought Hong Kong's political reforms to the attention of the United States officials. Will this move undermine the coming round of the Sino-British talks?*

*Although you stated that it would definitely not be the case, the fact is that it has provoked Hong Kong people's anxiety. As the Governor of Hong Kong, do you think it would be better to provoke public anxiety or to reassure them that there is a good chance of a smooth transition?*

GOVERNOR: I do not think that answering questions on the disagreement that we have had about political development in the United States or here increases people's worries. I think that to address the issues that people talk about in their own homes around the television set every evening is to confront reality, not to provoke anxiety.

I expressed to United States officials my sincere hope that the talks which have begun, of which there have been two rounds so far with the third round commencing next week, would resolve the disagreements that we have had about political development and do so as rapidly as is reasonably possible, because I do not think that people want the issue to be hanging about indefinitely. Though it is difficult to tackle it successfully, we all wish the negotiators the best of good fortune. I expressed my enthusiasm for a satisfactory outcome. I do so again today and I am sure that is one of the many issues on which the honourable gentleman and I find ourselves in wholehearted agreement.

PRESIDENT: Miss Christine LOH.

MISS CHRISTINE LOH: *Governor, it has obviously been very useful for you to go and explain Hong Kong's cause to the United States. But since the issue is really to do with Sino-American relations, what do you think could be done as far as China is concerned?*

GOVERNOR: I think it is for United States officials principally to express to Chinese officials the concerns which are — "encouraging" is perhaps the wrong verb — prompting a new administration towards a change of policy on MFN. But I am also sure that, for example, those who have been chosen to advise the Hong Kong and Macau Affairs Office on Hong Kong affairs will themselves want at suitable moments to express to Chinese officials their worries about the impact of non-resolution of these arguments between China and United States on Hong Kong. I am sure that those advisers will express their views on those matters and their hope that worries about issues like weapons proliferation and human rights can be constructively dealt with and that seems to me to be an important message for advisers to take, and I am sure that in discharging their responsibilities they will do precisely that.

PRESIDENT: Mrs Selina CHOW.

MRS SELINA CHOW (in Cantonese): *Mr Governor, as your visit in the United States last week has attracted a lot of media attention, many journalists from Hong Kong have travelled with you in order to report your activities. In connection with this visit, there have been reports that some Hong Kong journalists were treated unfairly, and they have lodged formal complaints. Mr Governor, how do you look at these complaints and what measures should be adopted to avoid a repeat of such incidents or complaints? As far as I know, this is not the first time that such complaints were made.*

GOVERNOR: There was one complaint by one journalist from a commercial radio station. The complaint was wholly unfounded and it has been rejected with considerable force by the Administration. The particular incident was one which was witnessed by many Hong Kong journalists and I doubt whether they would disagree from the arguments that we have put forward.

PRESIDENT: Mr Martin BARROW.

MR MARTIN BARROW: *Governor, during your visit were you able to raise the normalization of the United States/Vietnam relations which could be so helpful to Hong Kong in resolving the issue of Vietnamese migrants stranded here?*

GOVERNOR: I did raise that issue with the Administration. It is an issue about which I know this community feels strongly and I think we feel strongly for two reasons. First of all, it is because we believe that normalization of relations, the unblocking, for example, of development bank assistance and loans, would help the Vietnamese economy and might encourage those who are in camps in Hong Kong to return to Vietnam. I doubt whether any families in the charge of the UNHCR anywhere in the world are being offered more generous terms of resettlement, are being offered more assistance to return home. More might be encouraged to return home if the Vietnamese economy was looking in better shape, though I have to say that, from all I hear, it is improving rapidly.

Secondly, obviously normalization of trade between the United States and Vietnam would help to add another economic dynamo to this region, good for the region and good for the world.

PRESIDENT: Mrs Miriam LAU.

MRS MIRIAM LAU: *Governor, in your main address you have told us that you told the United States government officials that heavily qualified renewal of China's MFN status would be detrimental to Hong Kong. I believe that the words "heavily qualified", or similar words such as "heavily conditioned" or "heavy conditionality", have been carefully chosen and you have repeated them time and time again during your main address as well as in answer to Members today. Are you not suggesting, by using those words, that some kind of qualification, some kind of condition would be acceptable? If that is so, then are you not sending the wrong message to the United States government officials since, I am sure you are aware, that this Council has time and time again called for unconditioned renewal of MFN status?*

GOVERNOR: Well, I actually referred in my statement today to the case for unconditional MFN renewal, and I said that was a case that Her Majesty's Government had put and that I had put; and that was the case that I put to President CLINTON; it was the case that I put to other members of the Administration. And if I was to say that the only case I had put was for unconditional MFN renewal, the Honourable Member might say to me that I was perhaps being a little unrealistic since it did not look to the outside observer as though unconditional renewal was likely this year.

So I have always added the argument against heavily qualified MFN renewal, but I want to make it clear to the honourable lady, as I said in my statement, that I argued the case for unconditional MFN renewal. I did that when I spoke at the American Chamber of Commerce a couple of weeks before my visit to Washington and I made that case again in Washington and New York.

PRESIDENT: Follow through, Mrs LAU?

MRS MIRIAM LAU: *Perhaps the Governor can clarify exactly what he means by "heavily qualified".*

GOVERNOR: Well, first of all, I take it that the honourable lady is accepting that I said in my statement that I had argued, we had argued, for unconditional MFN renewal. That is point one. Right?

MRS MIRIAM LAU: *Notwithstanding that, Governor, you have repeatedly used the word "heavily qualified" which gives me a great deal of concern.*

GOVERNOR: Well, I have used that phrase because it looks as though the United States Administration is going to change United States policy and is going to introduce conditions, and heavily conditional renewal would be the sort of renewal so hung about with conditions as to have a serious impact on China/United States trade and therefore an impact on us. But in order to satisfy the honourable lady beyond any doubt whatsoever, I repeat once again that I have argued the case in public and in private for unconditional MFN renewal. Full stop, period, end of sentence, end of paragraph.

PRESIDENT: Ms Anna WU.

MS ANNA WU: *Governor, I wonder if, on your trip to the United States, you have suggested to any of those that you met to come to this part of the world and to address the Legislative Councillors collectively. If not, would you be willing to do so in the immediate future?*

GOVERNOR: That is not an invitation that I have made on the Legislative Council's behalf to any of the leaders that I have met on any of my trips. I think I would want to have the advice and guidance of the Legislative Council before I offered such an invitation on its behalf. I think that it might be a shade controversial were I to extend an invitation to a party without first of all enquiring of the host whether the host actually wanted to have guests that evening and foot the bill. So if this Council in due course wishes to be addressed by some of those whom I have met, I will look forward to hearing from the Council. I am sure that in due course it will, as an important assembly.

MS ANNA WU: *May I just ask one follow-up question, Governor? Has anybody that you met given you any indication of interest to speak to the Legislative Councillors collectively?*

GOVERNOR: I must be careful how I reply to that because I do not want to sound as though those I have spoken to have in any way been careless of the interests of the Council or have insulted the Council. I think I can honestly say that I have met a number of leaders in countries around the world who have expressed an interest in visiting Hong Kong, speaking to political leaders in Hong Kong, like the Members of this Council. But I have not yet had a specific request from the leader of another community to come and address this Council as a body. If I get such a request I will of course put it to Honourable Members.

And if I may say so, I wholly take the honourable lady's point that it is important that this Council establishes relations outside Hong Kong and I am sure that it will do over the many generations of fruitful debate and activity which lie ahead of it.

PRESIDENT: Mrs Elsie TU.

MRS ELSIE TU: *Mr President, may I ask the Governor through you a question related to the one asked by Mrs Miriam LAU. Like Mrs LAU, I am also concerned about the Governor's continued use of "qualified renewal" or "conditional MFN" and so on, whatever term was used today. Did the Governor at any time during speeches or conversations with American Senators or whatever use any term except "unconditional renewal" because this is the term we have been using in the Legislative Council and we have always had solid support and I presume the Governor was representing Hong Kong?*

GOVERNOR: Of course, I argued the case — and I repeat what I said earlier — for unconditional MFN renewal. I also said — and I am sure that the honourable lady would agree with me on this — that were there to be circumstances, which I would be against — repeat, which I would be against — in which there was conditional MFN renewal, I very much hoped that Hong Kong's position would first of all be taken into account, and secondly, that it would not become one of the conditions. That seems to me to be a point which the honourable lady would herself approve of. I do not imagine that when I was talking to Representative PELOSI, for example, the honourable lady would have had much to disagree with me about.

MRS ELSIE TU: *Mr President, could I just have clarification on whether the Governor at any time used that kind of qualification which he used this afternoon, while he was talking to Americans?*

GOVERNOR: I have just answered the honourable lady and I have answered her very precisely. I argued the case in public and in private for unconditional MFN renewal. I also said that were the United States to introduce conditions, those conditions should take account of the impact on Hong Kong and that those conditions should not refer to Hong Kong. Example: the Mitchell-Pelosi Bill, which is at present the only existing statement of a policy on conditionality, refers to our own political development in the conditions, and I said to Representative PELOSI that that was extremely unhelpful and should be dropped from the Bill. I would be surprised if the honourable lady thought that was the wrong thing for me to do.

PRESIDENT: Mr Simon IP.

MR SIMON IP: *Governor, you of course know that there was a debate in this Council yesterday on the question of unconditional renewal of MFN. Many opinions were expressed yesterday, all of which were very valid and respectable but they were different. So, clearly a message will be sent to our friends in the United States and to China and they may receive mixed messages in relation to that debate. What do you intend to do about it, if anything?*

GOVERNOR: Well, I cannot obliterate one of the consequences of a plural society, namely, that people, even legislators, disagree from time to time. As I understand it — but I must be careful not to attempt to interpret the controversies that occasionally make this an even livelier and friendlier and more amicable place to live than it otherwise would be — the main disagreement was about the extent to which the issue of human rights should feature in any discussion of trade matters. Perhaps I am telegramming what was at the heart of the argument; if so, I apologize to Honourable Members. But that is what it seemed to a humble reader.

It is not very surprising that there should be differences about that; I think there are probably differences in the community. But I think where the community and where this Legislative Council is wholly at one is in its belief that trade should not be politicized, that economics and politics should be kept apart. There may be some Honourable Members who think that it would be easier to put that argument if it was always apparent that the PRC wished to keep economics and trade on the one hand and politics on the other apart. But I think that most of us believe that is the case, just as most of us believe that improved human rights everywhere are important.

PRESIDENT: Dr K C LAM.

DR LAM KUI-CHUN: *Mr President, in order to allow this Council to gauge for itself the missions accomplished in the Governor's recent visit to the United States, would the Governor give us an idea roughly of what proportion of the personalities he called on there was really politicians and journalists; what proportion was really economic personalities; and whether, overall, the questions he drew were more commonly on politics or on trade?*

GOVERNOR: I find it difficult to understand the distinction the honourable gentleman is making. Does he regard the President of the United States as a politician in the one category or somebody who can affect the outcome of the American economy in the other? I would have thought that the President of the United States put himself in both categories. To look at things the other way

round, the Treasury Secretary and the President's Chief Economic Adviser wear economic hats but also have political interests as well; indeed the Treasury Secretary was until recently a most distinguished Senator and Chairman of the Finance Committee. So I do not think it is possible to make the sort of hard and fast distinction that the Honourable Member himself makes. But the majority of my conversations and the majority of my speeches focussed solely on trade and economic matters.

PRESIDENT: Dr Philip WONG.

DR PHILIP WONG: *Thank you, Mr President. Governor, would you tell this Council whether in your mind, with reference to the renewal of MFN, there is any condition which is not likely to hurt Hong Kong at all?*

GOVERNOR: I imagine you could attach conditions to MFN renewal which were so general or so rhetorical that they would be unlikely to have any economic effect. There might then be an argument about whether there was any point in attaching them at all. But there are of course gradations of condition. Equally, there are gradations of PRC reaction to any set of conditions. It is not for me to speculate about how Chinese officials would react to particular sorts of condition, but obviously that would have some effect as well. So I think the answer to the honourable gentleman's question is that there probably are sorts of condition which would not have any effect, but best of all is to have no conditions at all.

I think that it is worth remembering that the term "Most Favoured Nation" is a slight misnomer. What "Most Favoured Nation" status means is a normal trading relationship. It does not somehow put a nation which enjoys that status in a special category, except that having a normal trading relationship may be regarded by some in an increasingly protectionist world as special. But I think that it may be the case that in conveying the argument for MFN renewal to American public opinion, the words "Most Favoured Nation" do make it more difficult for those who, like me, advocate free trade.

PRESIDENT: Miss Emily LAU.

MISS EMILY LAU: *Thank you, Mr President. I want to ask the Governor whether, in his meeting with President CLINTON, apart from talking about trade, there was anything else he told the American President that America could do to help Hong Kong in this very difficult transition period, for example, passports, an area in which Britain is so reluctant to help.*

GOVERNOR: I did not talk about passports to President CLINTON and I will pass by the addendum to the honourable lady's question in order to ensure that this session ends as harmoniously as possible. I was asked by the President about political developments in Hong Kong, just as he had been asked about his views on them by journalists who came in to take our photograph at the beginning of our discussion, and I answered in terms which would be familiar to the Legislative Council. Equally, as the honourable lady will know, the President himself made it plain that while he was interested in the successful outcome for Hong Kong, he recognized that the matters under discussion were for the present and future sovereign powers.

MISS EMILY LAU: *Mr President, just a short follow-up. What I want to ask the Governor is whether, apart from trade, there are other areas in which America can assist Hong Kong. Maybe, the Governor mentioned political reforms, maybe that is an area he thinks America can assist in; maybe, there are other things that America can do for us. I just asked whether the Governor took the opportunity to put it to the President and say, "Maybe, apart from trade, can you do this to help Hong Kong as well?"*

GOVERNOR: I do not think that I would disagree with the President in his analysis of the political reform issue, that is, that a successful resolution of our disagreement with China is a matter for Britain and China in which others do not have a role. But there were other matters that I raised with the President and his Administration. One of them I have referred to already in my remarks to one Honourable Member and that is the normalization of relations between Vietnam and the United States. That is clearly an issue which, given action by the United States, is in the interests of Hong Kong. I think, overall, that the most important aspect of our relationship today and in the future with the United States is our economic and trading relationship, though that of course has human and social connotations. I said before I left Hong Kong, and I said when I was in the United States, that in my judgment the most important guarantee of Hong Kong's future prosperity and stability and way of life was a good and constructive relationship between China and the United States. And that is a more broad point than the honourable lady mentioned, but it is one I feel extremely strongly.

### **Adjournment and next sitting**

PRESIDENT: In accordance with Standing Orders I now adjourn the sitting until Wednesday, 19 May 1993.

*Adjourned accordingly at Twenty-Nine minutes past Three o'clock*

