

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 5 October 1994

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 CHIEF SECRETARY

THE HONOURABLE MRS ANSON CHAN, C.B.E., J.P.

THE FINANCIAL SECRETARY

MR DONALD TSANG YAM-KUEN, O.B.E., J.P.

THE ATTORNEY GENERAL

THE HONOURABLE JEREMY FELL MATHEWS, C.M.G., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, 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.

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

THE HONOURABLE NGAI SHIU-KIT, O.B.E., 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 RONALD JOSEPH ARCULLI, 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.

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

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

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

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE VINCENT CHENG HOI-CHUEN, O.B.E., J.P.

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, O.B.E., 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, O.B.E., J.P.

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING, J.P.

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

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

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE STEVEN POON KWOK-LIM

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

THE HONOURABLE TIK CHI-YUEN

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

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

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE ANNA WU HUNG-YUK

THE HONOURABLE JAMES TIEN PEI-CHUN, O.B.E., J.P.

THE HONOURABLE ALFRED TSO SHIU-WAI

**ABSENT**

THE HONOURABLE FRED LI WAH-MING

THE HONOURABLE JAMES TO KUN-SUN

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL

MR RICKY FUNG CHOI-CHEUNG

PURSUANT TO STANDING ORDER 6(2), HIS EXCELLENCY THE GOVERNOR, THE RIGHT HONOURABLE CHRISTOPHER FRANCIS PATTEN, ATTENDED TO ADDRESS THE COUNCIL.

**PAPERS**

The following papers were laid on the table pursuant to Standing Order 14(2):

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## **OATH**

Mr Donald TSANG Yum-kuen took the Legislative Council Oath.

## **GOVERNOR'S ADDRESS**

PRESIDENT: Would Members please remain standing for the Governor?

CLERK: His Excellency the Governor.

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GOVERNOR: Mr President and Honourable Members,

## INTRODUCTION

This afternoon, I will present my third policy address, the third of the five which I shall, God willing, deliver to this Council during my Governorship. In my first two speeches, I set out a clear agenda for strengthening our economy, for developing our public services and for securing the freedoms and values which are guaranteed by the Joint Declaration and which are held so dear. Today, I want to set out our priorities for the last thousand days of British sovereign responsibility. These priorities must recognize that beyond the last thousand days of British rule, there follow countless more days in which we all want Hong Kong to continue to prosper in peace and good order.

2. This will also be a speech about accountability and commitment. These two words will occur in almost every section of my speech, just as I intend them to characterize every aspect of the Government's relationship with the community. I shall be reviewing the progress we have made in the transition to 1997. I will be describing Hong Kong's remarkable success in maintaining prosperity and stability since 1984. I will review the progress made in the Joint Liaison Group, where much, much remains to be done. In addition, I will explain what I think Hong Kong can do, without sacrificing our high degree of autonomy or our way of life, to build the co-operation we need for the final stage of the transition.

3. Members will recall that a key feature of my first two policy addresses was the announcement of a total of 221 specific initiatives, each designed to improve the quality and range of the Government's services to the community. On Monday, the Chief Secretary presented a detailed Progress Report setting out the present position on each of these 221 initiatives. It makes good reading for every consumer of our public services. Once again, we have met, or are on target to meet, virtually all of our objectives. But it also states frankly where and why we have fallen behind on 13 of our undertakings, important undertakings and what we are doing to get back on target.

## ACCOUNTABLE GOVERNMENT

4. The starting point for my policy address this year is our determination to make the Government more accountable to the people of Hong Kong. Accountable government is not just a political slogan. It is, quite simply, a fundamental safeguard for every section of the community, the most effective guarantee of the integrity and efficiency of an executive-led administration. Those who believe that with a community like ours, you could have good, clean, executive-led administration without accountability misunderstand the nature of Hong Kong today.

### *A Shared Responsibility*

5. Hong Kong is fortunate to have an efficient government machine and a smaller public sector than any other advanced economy. We have achieved this because, first and foremost, our civil service is dedicated and highly-professional. We have also made it a matter of principle to live within our means. We do not allow government expenditure to grow at a faster rate than the economy. As a result, public spending has remained below 20% of GDP. All of the proposals for government programmes which I shall be outlining this afternoon fall fully within this strict expenditure guideline. We are not departing one inch from the prudent approach to funding of community programmes that has been so successful in Hong Kong in recent years.

6. At the same time, we entrust very considerable powers to our administration which is and will remain executive-led. A single government decision can have an enormous influence over the life of the ordinary individual or the profits of a business. It is government officials who are responsible for developing policy, framing legislation and presenting taxation and spending proposals. There have to be checks and balances on the exercise of such powers, and that is the role of this Council. Honourable Members have the power to question officials and to approve or reject the Government's policies when presented to this Council in the form of legislative or financial proposals. For this reason, this Council has been, and will remain, central to the process by which the Government is accountable to the community.

### *First Class Administration*

7. Accountability must begin with the Government's own performance. We cannot expect Hong Kong's first-world economy to go on flourishing unless its Government has a record of performance to match. We have recognized the need to provide a more professional, more accountable, more responsive government. Let me give you a few examples of what this has meant in practice.

- We have established and expanded the role of the Commissioner for Administrative Complaints to provide the Government's clients and customers with an independent procedure for investigating and for redressing grievances.
- We have established specialized organizations, like the Hospital Authority and the Monetary Authority, to enable us to achieve new standards of professional excellence.
- We have developed new and comprehensive programmes to tackle pressing social problems. For example, in addressing the needs of the elderly, we have introduced integrated measures to meet their health, housing and financial needs.

- We have responded to growing community interest in the arts with proposals to turn the Hong Kong Arts Development Council into an independent statutory body, as well as with considerable financial support for the Hong Kong Academy for the Performing Arts and a wide range of cultural activities.
- In the past two years, every government department which serves the public directly has published "Performance Pledges" setting out exactly what standards of service the community has a right to expect.

### ***The Policy Commitments***

8. The next step in this process of making the Government more accountable is the publication today of 22 detailed Policy Commitments. All Policy Branches, together with the Judiciary, the Attorney General's Chambers and the Independent Commission Against Corruption, have prepared a statement explaining their goals, describing their principal responsibilities, outlining major initiatives for the years ahead and identifying the longer-term challenges. They contain a total of 337 initiatives, each of which will bring real benefits to the individuals and families who make up our community. Honourable Members will be relieved to hear that I do not intend to describe each and every one of these proposals in detail today. As a consequence, my speech this afternoon will be considerably shorter than last year. But the Policy Commitments are an integral part of the policy address, and I urge Honourable Members and the community to study them carefully.

9. They incorporate many suggestions by Members of this Council, proposals from political and professional groups, the district boards and advisory bodies, and ideas and initiatives suggested by individual members of the public. Although they cover the entire operations of the Government, the Policy Commitments are not intended to be an exhaustive list of the Government's activities. Rather, they are the key features of our current programmes. Next year, I shall be reporting to this Council on our progress in implementing each of these undertakings, as well as presenting the Policy Commitments for 1995.

### ***Meeting the Challenge***

10. Today's Policy Commitments, the Performance Pledges which we introduced in 1992, the Progress Reports which we have published this year and last, all of these reflect a quality of performance by our civil servants which would be difficult to match anywhere else in the world. They have helped Hong Kong to cope with the challenges of the transition to 1997, and we must make sure that they can continue to do so.



- We will continue our efforts to develop the pool of talented local officers capable of filling the posts specified by the Joint Declaration at the level of Principal Official and immediately below. By the end of next year, no overseas administrative officers will hold posts at the Principal Official level.
- We will step up our training programmes in China Studies, Putonghua and written Chinese. Next year, we shall increase the annual number of participants from 7 000 to 45 000.
- We have drawn up a uniform set of employment conditions to remove, once and for all, the distinctions between local and overseas terms of service. We will, of course, need to consult the Chinese Government before they can be introduced.

11. We already have the men and women in the Civil Service of the calibre Hong Kong needs to deliver a first class administration. We look to their dedication and leadership to give us the high quality and highly-motivated Civil Service which Hong Kong will need after 1997. The loyalty, the integrity and the professionalism of these men and women should not be taken for granted, nor should it be thought that these qualities can be turned on or off, proffered or withdrawn, according to partisan calculation or selective whim. They must be nurtured and respected, and that means recognizing that they are in the service of Hong Kong and all the people of Hong Kong — before and after 1997.

### **THE ECONOMY COMES FIRST**

12. Hong Kong must continue to provide the best possible environment for business. Trade, investment and the business community remain, as always, at the top of the Government's agenda.

- Economic growth creates jobs and raises salaries and wages for our workforce. Full employment and decent earnings are the single most important factor in determining the welfare of our families.
- Only economic growth, maintained from one year to the next, as Hong Kong has achieved annually since 1961, creates the resources to pay for adequate facilities for the deprived, the disadvantaged and the disabled.

13. Our record of economic growth over the last decade has been outstanding, both in terms of profits and new business opportunities. We are confident that GDP growth this year will continue at a healthy level and should hit our forecast of a 5.7% real increase. But we cannot take this success for granted.

***Price Stability***

14. I have said in each of my previous addresses that I regard inflation as a major cause for concern. During the first half of this year, the Consumer Price Index (A) rose by 7.5%, a useful improvement from the average of 8.5% for 1993 as a whole. Pressure on food prices caused by flooding here and in Southern China during the summer pushed up the inflation rate in the third quarter. Nevertheless, we still expect inflation for 1994 to be no higher than last year's figure. This summer's experience is an unpleasant reminder that we must not relax our efforts to bring inflation under control.

15. The business community is our first line of defence in the battle against inflation. Its continuing search for lower costs and higher standards of productivity is vital to maintaining our competitiveness in the face of inflationary pressures. It is also important that, with the support of this Council, we continue to import, on a limited and strictly-controlled basis, the foreign workers needed to overcome the most acute bottlenecks in our labour market.

16. It is no less crucial that we maintain our efforts to stabilize the property market. We moved rapidly this summer to protect the genuine purchaser from speculative pressures on the price of domestic flats. We are already implementing the recommendations of the Task Force on Land Supply and Property Prices, as I shall explain later this afternoon. We shall not hesitate to introduce further measures if the market shows fresh signs of overheating.

17. We all recognize how difficult it is to achieve price stability under our special economic circumstances. It is, nevertheless, a goal which we must continue to pursue, year in and year out. I can assure Honourable Members that the Government will play its full part in tackling inflation. We will keep up our drive for maximum efficiency in the public sector. We will continue to be prudent housekeepers, not careless big spenders. Above all, we will maintain our strict financial discipline and our sound budgetary policies.

***Promoting Competition***

18. We must also look to competition in the fight to stabilize prices. Competition, promoted where necessary with government support, remains the biggest spur to business efficiency and the best guarantee of value for money for the consumer. The Government will do all in its power to promote fair and efficient markets, to defeat the speculator and to protect the consumer.

- We will continue to make business operations more efficient by increasing the level of competition in the telecommunications industry. For example, over a million potential customers stand to benefit next year when we issue six more mobile phone operator licences.

- We have responded promptly to the Consumer Council's recommendations on banking competition. Although liberalization must be balanced against the requirements of banking and monetary stability, the public stands to benefit from the phased removal of the interest cap on time deposits.
- We will provide the funds in 1995 for the Consumer Council to set up a new Trade Practices Division which will help to promote competition.
- We will respond promptly and constructively to the reports which the Consumer Council is preparing on the residential property market, on supermarkets, on telecommunications, on gas supply and on broadcasting.

19. Those who occasionally suggest that our promotion of competition amounts to socialist interference should read Adam SMITH. The *1994 World Competitiveness Report* rated Hong Kong fourth among the world's major economies, ahead of every European country. We have done much better than most of the world in promoting business efficiency and the full play of market forces. Nevertheless, faced with renewed inflationary pressures, we must improve on this performance.

#### ***Encouraging Initiative and Investment***

20. The Government can also promote Hong Kong's future economic success through practical programmes to encourage initiative and investment. As the Policy Commitments demonstrate, the Government will continue to make a substantial contribution to enhancing our business environment. Let me give you some examples.

- We will provide new incentives to upgrade technology standards in manufacturing. These measures include plans to provide, by 1996, 70 hectares of land for industries which cannot use multi-storey buildings, as well as more space for new technology-based businesses.
- We will expand Hong Kong's capacity for advanced research. This year, the University and Polytechnic Grants Committee has allocated \$260 million for research projects, 67% more than last year. Next year, we will provide \$50 million to establish an Applied Research Centre which will promote joint projects with China's leading research institutes.

- We will continue to upgrade the transport infrastructure. We plan to spend about \$30 billion over the next five years on creating the modern road system which we need. I shall not be saying much more about transport today because we are going to publish a wide-ranging discussion document on measures to deal with traffic congestion well before Christmas.
- Business will also be helped when we further simplify our immigration procedures to speed up the processing of visa applications and approvals. Anything which facilitates travel facilitates business.
- We will reduce the paperwork in our foreign trade. From 1996, the new Community Electronic Trading Service will enable businesses to complete key import and export procedures by computer.

### ***Business Participation***

21. I hope these examples illustrate the Government's commitment to supporting business to secure Hong Kong's success well into the next century. I am sure that every Member and every political group in this Council recognizes that the business community is the engine of Hong Kong's economic success. I think we all recognize the importance of the business sector continuing to play a full part in government policy-making and contributing no less fully to the wider process of political discussion and debate. We must ensure that the steady, promised development of democracy in Hong Kong does not lead to tension between those who create our wealth and those who vote for our taxes, our public spending and our laws. With understanding on both sides, there is no reason why it should.

### ***Our Social Strengths***

22. One of Hong Kong's great strengths is that we have never lost sight of economic realities: of the need to generate wealth before we spend it, of the need to keep taxes low and government small. As a consequence, we have been able to avoid the welfare crises which have afflicted so many other developed economies. We have also been blessed with virtually unbroken full employment for three decades. A whole Hong Kong generation has grown up, knowing nothing but full employment, an almost unique phenomenon for an advanced economy. This has meant:

- that our social services have not been overwhelmed by mass unemployment;
- that we have escaped the emergence of a large underclass of underprivileged and demoralized men and women whose families depend on welfare handouts.

23. Full employment, in short, has kept our welfare costs manageable, and economic growth has enabled us to go on raising the standards of care for those in need or at risk.

### THE CLAIMS OF THE ELDERLY

24. At the top of our social priorities come the elderly. Let me explain why.

- These men and women helped to create our present prosperity. They did so at a time when wages were low and working conditions were poor.
- These men and women scrimped and saved to give their children a better chance in life. Their savings were spent on educating today's labour force instead of being kept for their own retirement. They invested not only in their children's future but also in the future of Hong Kong.

#### *A Comprehensive Programme*

25. We already have in place extensive programmes to protect the health and welfare of our elderly men and women. This year, for example:

- we are spending \$6.8 billion on services for the elderly;
- we are providing an extra 1150 places in care and attention homes, including 200 places under the Bought Place Scheme; and
- we are giving the elderly priority access to public housing. The waiting time for families who are caring for their elderly members has been slashed by three years. By 1997, we will have accommodated all 4 000 elderly single people who were on the waiting list for public housing at the end of last year.

26. Nevertheless, there is still, rightly, considerable concern about their well-being. In my last policy address, I informed this Council that I was establishing a working group to review urgently our existing services for the elderly and to consider what more was required. I am very grateful to the working group for the speed with which they have come up with practical proposals. In the Secretary for Health and Welfare's Policy Commitments, Honourable Members will find 12 specific initiatives to improve our services for the elderly based on the working group's recommendations. Our proposals include the following pledges.

- We will improve the standards of safety and care for the 17 600 old people living in private homes for the elderly by offering financial assistance to cover the cost of more stringent safety requirements and by training an additional 400 health workers.
- We will continue to expand our health services for the elderly. Next year, we will establish four new teams to provide medical and psychiatric care for 9 500 elderly people each year in residential institutions. We will also restore the eyesight of an extra 850 elderly cataract patients each year by reducing the average waiting time for surgery from 15 months to less than nine months.
- We will set up a \$200 million Elderly Services Development Fund to help non-governmental organizations establish self-financing welfare projects for the elderly.

### *Financial Peace of Mind*

27. I think these measures are a clear demonstration of our determination to provide greater support and protection for the elderly. But there is one vital area of uncertainty still hanging over them: how best to relieve the financial anxieties of old age.

28. Hong Kong has been debating this issue for 30 years. Yet there are still some who want to postpone a final decision on financing a secure old age. They seem to hope that, in the meantime, some cheap solution will turn up. Others say: why tackle such a difficult issue so close to 1997? Why not wait a few more years? But the statistics give us no choice. By the year 2000, we will have almost 700 000 men and women aged 65 or over, 22% more than today. Sheer demography precludes further procrastination. The elderly population is already so large, and growing so rapidly, that there can be no good excuse for further delays in setting up a scheme to meet their needs.

29. The Government has presented proposals for an Old Age Pension Scheme, to be financed by modest contributions from both employers and their workforce, together with a significant commitment of public funds. There is overwhelming public support for our proposals. Nevertheless, the scheme still has its critics.

- It has been argued that we should scrap the low level of contributions we have proposed and finance old age pensions out of General Revenue. If we followed this course, the burden on the taxpayer would be very substantial. For example, we would have to raise the rate of corporate profits tax to 20.5% and the standard rate of salaries tax to 19%, simply to achieve the same level of support for the elderly which our proposed Old Age Pension Scheme would provide.

- It has also been argued that a Central Provident Fund, or some other form of compulsory retirement scheme, would be a better option. But such schemes would not help those most in need and would not provide significant benefits for anyone for 20 to 30 years. Let there be no doubt. We have ruled out the introduction of a Central Provident Fund.

30. Our consultation period on the Old Age Pension Scheme ends this month. The comments and criticisms we have already received have identified a number of issues on which we need further research and analysis. I want to make it clear again that we are listening to other views from business organizations, from academics, from this Council and elsewhere. We do not have a closed mind. But we do want to go forward. We will also need, of course, to give further briefings to the Chinese Government on our proposals and to be prepared to respond promptly on any issues where it requests more detailed explanations. There is clearly much to be done, and we will have to make additional resources available to give this work the priority it deserves. We will, therefore, shortly establish a small task force to provide the expertise we need to research the complex technical issues involved, with a minimum of delay. Hong Kong plainly needs to set up as soon as possible a practical scheme which will secure financial peace of mind for the present generation of elderly men and women and ensure the financial security of the elderly generations to come. Nothing less will do. If we do not take a decision now, it will not be any easier to take one in 1997 or 1998. I hope we can reach an understanding within the community and with China, which naturally has a close and proper interest in this issue.

#### **SUPPORT FOR THOSE IN NEED**

31. In addition to providing financial security for the elderly, the community also expects the Government to help the disadvantaged to maintain an acceptable standard of living. At present, 130 000 people are unable to support themselves and depend on the Comprehensive Social Security Assistance Scheme. The level of benefits offered by this Scheme has increased significantly over the years.

- Social security benefits have gone up substantially in real terms since 1985: by 62% for a single person and by 104% for a family of four.
- The Scheme today provides an average monthly payment equal to 30% of the median wage for a single person and 83% of the median wage for a family of four.
- Benefits are, of course, increased regularly to keep pace with inflation and to maintain their purchasing power.

*Parents and Children*

32. These are impressive improvements, and they have enabled our social security clients to benefit from the growing prosperity which the community as a whole has enjoyed. At the same time, we are all aware that, despite our economic and social progress, there are still highly vulnerable groups in our society with special claims to our support. Particular concern has been expressed by Honourable Members of this Council, as well as by professional groups, about the particular difficulties of single parents and children who depend on the social security system. I share these concerns. I propose, therefore, to increase their benefit levels from 1 April next year.

- We will provide each single-parent family with a new supplement of \$200 a month to help offset the special difficulties which single parents face in bringing up a family.
- We will increase the standard rates for children by \$205 a month, on top of the \$100 increase we implemented from 1 April this year. This will give them more money to take part in the social and extracurricular activities essential to their healthy development. It also means that children will receive the same standard rates as the elderly which I believe is wholly right.
- We will extend the age at which the standard rates for children are paid to full-time students from 18 to 21. As a result, their monthly benefits will increase by between \$420 and \$555 a month.

33. I believe that a community as prosperous and successful as ours must regularly examine how effectively social security benefits meet the needs of disadvantaged individuals and their families. Following the recent academic study of the Comprehensive Social Security Assistance Scheme sponsored by the Hong Kong Council of Social Service, I have asked the Secretary for Health and Welfare to make a detailed examination of our current social security arrangements. These arrangements have developed over more than two decades. They have evolved from providing for basic subsistence to a scheme which meets not only the needs of the average client but the special circumstances of individuals as well. There are now 24 broad categories of special grants which cover, for example, rent, most school-related expenses and special diets. Critics rarely take these special grants into account when attacking the present social security scheme. In fact, 90% of our clients receive special grants. We obviously need to look again, very carefully, at both the social security system and the benefits it provides, to assess how well they are meeting the needs of their clients. I expect to start to receive proposals resulting from this exercise by the end of 1995.



***The Right to Respect***

34. I referred just now to our efforts to help the disadvantaged. In the case of the disabled, this commitment must go beyond providing them with financial support. It includes training, rehabilitation, transport, employment and all the other services which will help those with special needs to lead as full and rewarding lives as possible within the community.

35. We estimate that Hong Kong has 286 000 individuals with some form of disability. We will spend nearly \$6 billion this year on programmes to help people with a disability. We are determined to break down the barriers that isolate those with disabilities and restrict their opportunities in life.

- We will fight prejudice against people with a disability through a major public education campaign.
- Over the next four years, we will improve the quality of training in 109 sheltered workshops and day activity centres. We will also provide 737 additional places in pre-school centres to help meet increased demand. And we shall expand our programmes for both children and adults with autism.
- Next year, we will be better able to identify how to improve the job prospects of the disabled when a joint working group completes a comprehensive review of the training and employment services we provide for them.
- In 1995-96, we will support a further expansion of the Rehabus service. As a result, it will be able to provide over 300,000 passenger trips a year, an increase of 26%.
- In addition, as I shall explain later this afternoon, we will propose legislation to protect the disabled against discrimination and harassment.

36. When we talk about the rights of the individual, we mean everyone: the poor as well as the rich, the disabled as well as the able-bodied. And it is the rights of the most vulnerable groups in our society which should have first claim on our attention. I believe that, throughout Hong Kong, there is a strong consensus that all those with a disability have a right to our special consideration and support. This Government will ensure that they get it.

**BETTER CARE FOR THE SICK**

37. As the community ages, the quality of life comes to depend more and more on the availability and quality of health care. As the community becomes more affluent, the public comes to expect prompt access to the best of modern

medical technology. The community's rising expectations already put heavy pressure on our health facilities. This year:

- our hospitals will treat 770 000 in-patients;
- our general out-patient clinics will provide 3.9 million consultations; and
- our specialist clinics will provide some 5.8 million consultations for out-patients.

### ***Providing the Facilities***

38. The paradox is that as our living standards rise and our health improves, we make greater demands on our facilities. To meet the community's demand for excellence in health care, we have to increase our hospital facilities, increase the number of nurses and provide them with better training.

- This year, we are adding an extra 950 hospital beds at an annual recurrent cost of \$619 million.
- Next year, we will put forward a proposal for a new 400-bed hospital at Tseung Kwan O. This will enable us to provide higher standards of care for residents of the rapidly-developing Southeast New Territories.
- Next year, we expect to provide an extra 500 nurses for our hospitals and clinics (in addition to replacing those who leave). We will continue to seek ways to increase the attention they can devote to their patients by relieving them of non-professional duties.
- We will also improve the professional training provided for 2 400 Student Nurses. Their work schedules will be reorganized to give them 22% more time for their professional studies.

### ***The Quality of Care***

39. Excellence in health care means going beyond the provision of hospital beds and highly-qualified staff. It also involves developing new programmes for the groups who need special care to reduce their suffering and to cope with their illnesses. Next year, we will give a new priority to the critically-ill, the chronically-ill and the terminally-ill. The 1994 Policy Commitments set out seven specific undertakings to improve both the standard of medical treatment they receive and their quality of life.

- Next year, we will expand our dialysis facilities to treat an extra 100 patients a year. As a result, the combined services of the Hospital Authority, voluntary organizations and the private sector will be sufficient to meet in full the current projected demand.
- We plan to reduce the mortality rate of the largest group of heart patients by 20%. To achieve this goal, we will provide improved methods of treatment over the next two years for 200 additional patients a year with ischaemic heart disease.
- We plan to reduce the mortality rate of diabetic patients by 10% over the next five years. To achieve this goal, we will set up four diabetic care centres next year to provide treatment and advice to 8 000 patients a year.
- We will expand our hospice services over the next four years. As a result, by 1998-99, an extra 1 000 patients a year will be able to live out their terminal illnesses in comfort and dignity.

40. Hong Kong offers virtually free access to hospital services and health care which compares well with what is provided anywhere in the advanced world. But we must continue the drive to raise our standards from the acceptable to the excellent. Our planned improvements will make a real difference to thousands of people who suffer chronic illness or disability. There is still ample scope for further improvement, however, and we will not rest here.

### **THE HOMES HONG KONG NEEDS**

41. If a decent job is the best guarantee of a Hong Kong family's well-being, a decent home is what determines the Hong Kong family's quality of life. Over the last 40 years, the Government has made a relentless effort to provide our people with a safe, affordable and increasingly comfortable and well-designed alternative to the slum tenements and the squatter colonies of the 1950s and 1960s. Hong Kong has built a total of 1.2 million public and private flats over the last 20 years. This year, we are spending \$15.4 billion on our housing programmes, about 400% more in real terms than we spent 10 years ago. I would like to take this opportunity to acknowledge the enormous contribution which the Housing Authority has made to providing Hong Kongs people with the homes that are needed.

42. Our continuous investment in new housing means that we have been able to afford to raise our sights well above the mass resettlement programmes of the past.

- Public housing estates are being made safer and more pleasant. This year, we are proposing to spend \$3.3 billion to improve and maintain our public housing estates, including \$433 million to

refurbish and renovate the older public housing estates. We will spend \$650 million over the next three years on the staff and technology to try to keep crime away from public housing estates.

- We are starting to get rid of Temporary Housing Areas and squatter settlements. By 1997, everyone living in a Temporary Housing Area at the end of last year will have had at least one offer of rehousing. By March 1996, all urban squatters on government land will have been offered rehousing.

### ***Stable Prices, Increased Supply***

43. Earlier this year, this Council and the whole community became alarmed that ordinary families might lose all hope of being able to buy their own home. There were also fears that the property sector was becoming perilously overheated. I shared these concerns, especially after our experience in 1993 when the average price of flats in the more popular private estates rose by 21%. As Honourable Members know, a Task Force on Land Supply and Property Prices was set up to identify how we could assist the property sector to return to more stable prices and more orderly trading conditions. It produced a package of measures designed to curb speculation, to eliminate bottlenecks, to reduce bureaucracy and, generally, to improve the production of new flats in both the private and the public sectors. We have accepted its recommendations for immediate action.

- We have taken vigorous steps to discourage the speculator, for example, by reducing the quota for the private sale of uncompleted flats.
- We will provide an extra 70 hectares of land for housing before 1997-98, subject of course to the agreement of the Land Commission.
- We will continue to provide sufficient land to the Housing Authority for the development of public housing.
- We have established a project action team specially charged with overcoming problems in the processing of new housing projects in order to speed up the supply of new flats.
- We will create a new Policy Branch to be responsible for housing matters.

44. The announcement that we intended to implement these recommendations encouraged a welcome slackening of the price spiral. The best long-term contribution the Government can make to ensuring that our people have access to affordable housing is to boost the supply of new flats to match demand. We shall achieve our goal through pursuing well-managed investment and

construction programmes, to which the private sector will continue to make a major contribution. Before April 2001, we plan:

- to help the private sector to produce 195 000 new flats (an increase of 15 000 over the previous target); by accelerating the formation of sites and the development of our infrastructure;
- We intend to help an additional 180 000 families to buy their own homes by providing subsidized housing or financial assistance; and
- to produce at least 310 000 new flats in the public sector (an increase of 30 000 over the previous target).

45. I want to assure this Council that the Government has no higher priority than meeting the community's housing needs. We have set ambitious goals for both the Housing Authority and the private sector. I believe that the programme I have just outlined to this Council offers our best chance over the long run of stabilizing the price cycle and enabling more families to find the modern, comfortable homes they expect, at prices and rents they can afford.

### **THE QUALITY OF DAILY LIFE**

46. So far I have dealt with some of the largest issues which currently arouse community concern. But there are other policy areas, also vital to the community's well-being, to which the Government allocates a high priority as well as very substantial resources. Let me use the 1994 Policy Commitments to highlight very briefly what we are doing through our other programmes — for example, education, the environment and law and order — to provide for the improvements in the quality of life the community demands.

#### ***Education***

47. The future success of this community depends very much on what our schools offer our children. Our recurrent expenditure this year on education will be almost \$24 billion. Next year, it will rise by 4.5% in real terms. We have a comprehensive system of education at all levels; and standards are rising. We now need to focus on the needs of special groups. The Secretary for Education and Manpower is presenting 11 new education initiatives in his 1994 Policy Commitments.

- We will offer better quality for the very youngest children. We will spend \$163 million over the next four years to improve the training of kindergarten teachers. We will raise minimum qualifications, and we will provide additional training courses for 1 130 serving kindergarten teachers.

- We will offer more help to students with severe learning problems or who lack motivation. We will spend \$340 million over the next five years to build the special schools they need.
- We will do more to help students with limited family means to continue their education. We will provide an extra \$325 million in loans and grants over the next four years, which will benefit over 6 000 students in our universities, polytechnics and colleges.

### ***The Environment***

48. We have ambitious programmes to end the damage done to our environment by past neglect and to prevent future abuse. Our recurrent expenditure on the environment this year will be \$1.7 billion. Next year, it will rise by 18% in real terms. The 1994 Policy Commitments include 17 new initiatives to protect the environment.

- We will tackle the biggest source of harmful air pollution in the urban areas, diesel vehicles. We shall require the use of cleaner fuel, step up enforcement action against smoky vehicles and devise schemes to encourage a switch to unleaded petrol. We expect to cut vehicle pollution by 20% over the next two years.
- We will also tackle noise pollution. From next year, there will be new restrictions on piling equipment and powered mechanical equipment on construction sites. We will also introduce legislation to reduce the nuisance caused by noisy vehicles and burglar alarms on cars.
- To prevent future damage to the environment, we will prepare legislation to make environmental impact studies a statutory requirement for development projects.

### ***Law and Order***

49. For the third year running, the rate of violent crime has fallen. This is a remarkable achievement by our police force and reflects the greatest credit on their professionalism. We will maintain the pressure on the criminals who menace our security.

- Next year, we will put an extra 400 police officers on the streets.
- We will provide an extra 80 officers to combat triads and the trade in narcotics.

- We will prosecute criminals more efficiently. To achieve this goal, we will expand the staff of the Legal Departments Prosecution Division by 25% next year.

50. We must also continue our battle against corruption. As Honourable Members know, I have set up an Independent Review Committee to consider whether the special powers of the Independent Commission Against Corruption are still appropriate, necessary and sufficient, and whether its systems of accountability are adequate. The Committee will present its report by the end of the year. As with any other law enforcement agency, the Commission can achieve its goals only if the community retains the highest trust in the Commission's work. In considering the Committee's recommendations, there can be no question of relaxing Hong Kong's long-standing insistence that high ethical standards must apply to both the public sector and the business world.

### DECENCY AND FAIRNESS

51. Individuality and enterprise are at the very centre of our Hong Kong way of life. But, equally, this community has a deep-seated commitment to fairness. We insist that respect for individual rights should extend to everyone. There can be no exception to this rule, no matter how inconvenient, socially or administratively, some may find it. We, in the Government, take these obligations very seriously. Over the next twelve months, we will introduce a comprehensive package to strengthen the rights of the individual and to eliminate discrimination.

- We will implement the United Nations Convention on the Rights of the Child.
- After consultation with the Chinese Government, we plan to extend to Hong Kong the United Nations Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW).
- We will introduce legislation to prohibit sex discrimination in areas such as employment, education and the provision of goods and services. We will also introduce legislation to prohibit discrimination on the grounds of disability.
- We will establish an Equal Opportunities Commission to oversee the implementation of our anti-discrimination legislation.
- We will introduce a Code on Access to Information which will cover the whole of the Government by the end of 1996. The Commissioner for Administrative Complaints will investigate allegations of failure by officials to honour this code.

- We will introduce legislation based on established international principles to safeguard the individual's right to the privacy of personal data, to be enforced by an independent data protection agency.
- We shall be making more funds available to enable the Judiciary to reduce court waiting times and to improve access to legal aid.

52. I hope I have made it clear that the Government is committed to updating Hong Kong's legislative framework for defending the rights of the individual. This is a comprehensive and an ambitious programme. It will cost \$235 million in annual recurrent expenditure. But we can make no better investment in Hong Kong's future.

53. Hong Kong is blessed with a free, inquisitive and vigorous press. This sometimes makes life uncomfortable for us in the Government. But that is how it should be. We will therefore continue our programme to remove the legal restrictions on press freedom. We have examined 53 separate provisions in 27 ordinances. Of these, we will have taken action to amend 37 provisions by the end of the new legislative session. This leaves 16 provisions which we do not propose to amend because they exist to protect the individual's right to privacy or the public interest.

54. The rule of law is essential for Hong Kong's future. It begins with individuals and their right to seek the protection of the courts, in which justice is administered by impartial judges. It protects the freedom of individuals to manage their affairs without fear of arbitrary interference by the Government or the improper influence of the rich and powerful. Its starting point is the individual but it encompasses the whole of society. For the business community in particular, the rule of law is crucial. Without it, there is no protection against corruption, nepotism or expropriation. Only under the rule of law are businessmen guaranteed the level playing field and the competitive environment which they need.

### **THE LEGISLATIVE COUNCIL**

55. Let me now turn to the role of the Legislative Council and its place in our unique constitution.

56. Hong Kong has been provided by history, by design and by chance, with a constitution which, without goodwill and common sense on all sides, could be a recipe for political and administrative gridlock. Where else in the world is there a permanent government which does not have a party in the legislature to push through its policy proposals? Under the Hong Kong system, it is the Government's role to put its legislative and expenditure proposals to the Legislative Council, but the Legislative Council alone has the power to decide whether these proposals will become law or receive funding. If I may



paraphrase Thomas à KEMPIS, or perhaps frequently referred to in this Chamber, the Administration proposes and the legislature disposes.

### ***Constructive Partnership***

57. Given this background, it is remarkable to note how well the system has worked in practice. Over the last 10 years:

- the number of bills approved by the Legislative Council has increased by 17%;
- the number of questions raised by Members has increased by 200%; and
- the number of Legislative Council sessions to handle the additional work has increased by 44%.

58. Practice has shown that accountability oils the wheels of our constitution. Hong Kong gets the legislation it needs, and the Government is given the resources it requires to deliver the services which the community wants. The system works, and there is no conflict between the concept of accountable government and that of executive-led government.

### ***The Legislative Programme***

59. I believe that we can strengthen practical co-operation between the administration and the Legislative Council by presenting Members with a statement outlining the main items of legislation on which we will be seeking the support of the Council.

60. Together with my speech, we will be publishing this afternoon a summary of the principal legislative proposals which the Government plans to introduce in the current Session. I want to emphasize that this legislative programme is not an exhaustive list, and it will, of course, be subject to adjustment. Members will find that the Legislative Council has another year of challenging legislative work ahead.

### ***Constitutional Development***

61. I will be reviewing progress on the transition later. But there is one transitional matter which needs to be addressed here. Earlier this year, we settled our electoral arrangements, though, alas, not by agreement with China. The community decided that it wanted fair and open elections and credible institutions of representative government. This Council passed into law the Government's proposals to meet the community's expectations. Last month's district board elections were clear evidence that the community does value its vigorous and credible political institutions. A record number of candidates stood for election, a record number of voters registered, and a record number

for these elections turned out to vote on the day. So much for the view that Hong Kong people care only about making money and have no interest in how their community is governed. The elections were held in an orderly and responsible fashion. They did no damage to Hong Kong's stability. Quite the reverse.

62. As for the arrangements for next year's Legislative Council elections, Hong Kong has made its decision. I believe a decisive majority in this Council and the community would like to see the Legislative Council to be elected in September 1995 serve its full term through to 1999. The Chinese Government has stated that that Legislative Council cannot continue beyond 30 June 1997 and that there will have to be new elections. We have never disputed China's power to dissolve and then reconstitute the Legislative Council in 1997. But we have made clear that we do not think there is any good reason to do so. As I say, we regret that an agreement with China on this issue was not possible but the time has come to draw a line under the debate.

### ***The Electoral Task***

63. The immediate task now is to make a success of next year's elections. The Government will play its part.

- We have already registered a record number of voters, 2.45 million.
- We plan to spend \$102 million on next year's registration exercise.
- We also plan to spend \$31 million on promoting next year's elections.

64. In the last resort, the success or failure of the elections will not depend on the Government or the amount of public money it spends on them. The elections can only be counted a success if we end up with a Legislative Council whose Members command the community's respect. Hong Kong will achieve this goal only if we have public-spirited men and women of the right calibre to stand for election and if the political parties offer a genuine choice of both individual candidates and party programmes. If Hong Kong people wish the institutions of a free and plural society to survive, I have no doubt that whatever the occasional threats of turbulence, they will do so. Civic consciousness and responsibility, and public participation in running the community's affairs, are here to stay.

## **THE FIRST DECADE OF THE JOINT DECLARATION**

65. Let me turn now to the transition to 1997. Ten years have passed since the British and Chinese Governments reached agreement on Hong Kong's future

and accepted the solemn undertakings described in the Joint Declaration. Exactly 1 000 days remain of British responsibility for the administration of Hong Kong. We are thus three-quarters of the way through the transition, a good moment to take stock of what has been achieved and of what still remains to be done.

### *Prosperity and Stability*

66. Our first duty, to quote from the Joint Declaration, has been "maintaining and preserving the economic prosperity and social stability of Hong Kong." This phrase has been quoted so often in the past 10 years that it is in danger of becoming a cliché. But back in 1984, the maintenance of Hong Kong's prosperity and stability looked to some like a pretty tall order. There were many who doubted our ability to discharge this responsibility. There were dire predictions of economic disruption and even of social disorder. There was no shortage of commentators who looked on the Joint Declaration as a dead-end, who refused to recognize the resilience of the people of Hong Kong and their determination to seize the opportunities created by the Joint Declaration. Well, those who prophesied nothing but trouble ahead, and those who predicted the painful decline of Hong Kong's way of life, have been proved wrong.

67. Whatever indicators we look at, Hong Kong's performance in the past decade has been extremely impressive. By the standards of most of the developed world, it has been spectacular. Let us start with the economy. Since 1984:

- living standards for the whole community have improved dramatically. Total GDP has grown by 79% in real terms, and in terms of GDP per person, we now rank 17th in the world instead of 28th, as we were in 1984;
- the value of our foreign trade has increased by about 350% in real terms. In 1984, Hong Kong was the 13th largest trading economy in the world; we are now eighth and rising;
- we have made the transition from a manufacturing base to an international business centre, with labour productivity rising 54% in the process. The service sector now generates about 75% of our GDP and provides 70% of total employment.

68. The indices of social stability are just as impressive as the economic statistics. Since 1984:

- real earnings have risen by 66%, while unemployment has fallen from almost 4% to under 2%.
- the overall crime rate has fallen by 10% and the rate of violent crime by 7%;

- the proportion of flats which are owner-occupied has increased from 31% to 48%;
- the proportion of young people in the relevant age group able to study for a degree has increased from 3% to 18%.

69. I could reel off a great many more statistics, but I would only be telling Honourable Members what they know already. The past decade has been one of astonishing economic and social achievement for Hong Kong. Hong Kong is a winner.

### *Partners in Prosperity*

70. Our prosperity during the first decade of the transition to 1997 has been buoyed by the dramatic changes which have been taking place in China, where economic modernization has created a wealth of business opportunities for Hong Kong.

- Our trade with China has grown by an astounding rate of over 500% in real terms.
- China is now our largest trading partner, the largest market for our exports and the biggest supplier of our imports.
- China is now the biggest investor in Hong Kong, and Hong Kong is the biggest investor in China.

71. The main threat to this vital relationship has been external, the threat of sanctions or other restrictions being imposed on China. I do not need to remind this Council that President CLINTON's brave decision earlier this year to separate renewal of China's Most Favoured Nation trading status from non-trade issues was of vital importance to Hong Kong. Anything which disrupts the trading relationship between our two largest trading partners would be bad news for Hong Kong. As a matter of principle, Hong Kong believes that trade issues should be tackled strictly on their own merits and that there are other, more effective avenues to discuss issues such as human rights. We shall go on developing our trading links with China in the remaining years of the transition and Hong Kong, together with Britain, will go on supporting China's re-entry to the General Agreement on Tariffs and Trade (GATT) and its right to founder membership in the GATT's successor body, the World Trade Organization.

72. Let me say again what I have said many times before. An increasingly prosperous and successful China is good news for Hong Kong, good news for the region, and very good news for the world.

## THE CHINA RELATIONSHIP

73. But what of the transition in terms of relations with China, Hong Kong's future sovereign power? The Government attaches the highest importance to the task of building up the relationships of our Policy Branches and Government departments with their Chinese counterparts. By now, virtually every part of the Administration has developed ties with their colleagues in China at both the central and the local levels.

### *Practical Co-operation*

74. At the formal level, the continuing contacts are by now far too extensive for me to report in detail to this Council. Let me offer some examples of the main categories into which they fall.

- There is a wide range of contacts between police, immigration and customs officials to deal with cross-border crime and to strengthen our security.
- We operate closely on border-related trade and transport matters, including aviation, rail and road traffic, postal services, water supplies and the safety of food imports — all essential to the well-being and convenience of the community.
- We have established bilateral co-operation between the regulatory authorities responsible for the securities markets to reinforce the stability and integrity of our financial system. In addition, there are regular contacts between our banking authorities.
- There is a host of training programmes, seminars and briefing visits to allow both Hong Kong and Chinese Government officials to exchange experience and expertise on a vast variety of topics, ranging from audit work to fire-fighting.

75. There are literally hundreds of these working-level meetings and contacts every year. These have given our own officials experience of working with their Chinese colleagues to tackle problems of common concern. This is of great importance to a smooth transition. These ties will continue to develop. They have the great merit of being a tried and tested approach, with officials from both sides working together to find practical solutions to shared problems. The next stage must be to discuss with the Chinese Government further measures to expand contacts between our civil services in preparation for 1997.

76. Our Hong Kong civil servants also have contacts, not only with Chinese Government officials but also with members of official bodies like the National People's Congress, with Hong Kong Affairs Advisers and with members of the Preliminary Working Committee.

77. Let me say a word about contacts with the Preliminary Working Committee. That body is distinct from the Preparatory Committee. It is not one of the institutions established by the Joint Declaration or the Basic Law; it is an advisory body of the National People's Congress. There is therefore no formal relationship between the Administration and the Preliminary Working Committee. But, as I have said to this Council before, that does not mean there can be no contact. There is no ban on contacts with Preliminary Working Committee members. That would not be sensible or realistic. Hong Kong Government officials already provide information to Hong Kong members of the Preliminary Working Committee. I very much hope that contacts will continue and will be helpful to these members in preparing themselves for their meetings. I do not believe it would be right for Hong Kong civil servants to attend formal meetings of the Preliminary Working Committee or its subgroups. There can be no substitute for the work which can only take place between the two sovereign governments in the Joint Liaison Group. But contacts with the Preliminary Working Committee along the lines I have described are useful and I am happy for them to take place.

### ***The JLG's Contribution***

78. The Joint Liaison Group is the forum established under the Joint Declaration in which the British and Chinese sides were meant to work together to implement the Joint Declaration and to promote the smooth transfer of government. It concerns itself with matters which are the foundation of our economic and social success. Over the past 10 years, the British and Chinese sides have held 30 plenary meetings of the JLG and listerally hundreds of meetings at the level of experts. I do not think anyone doubts the importance of this work, and there have been considerable successes in the past decade. For example, we have reached agreement only recently:

- on defence lands, under which 140 hectares of land worth up to \$65 billion will be released to the Government to provide more housing, schools, parks and community facilities;
- We have reached agreement on a common approach to eight important franchises, contracts and licences which will continue beyond 1997, including the Scheme of Control Agreements for our two power companies;
- We have renched agreement on Hong Kong's continued participation in 29 international organizations, including the GATT;
- on the continued application to Hong Kong of 161 multilateral treaties;
- on localizing 56 United Kingdom enactments covering such topics as shipping and aviation; and

- on nine investment promotion and protection agreements.

79. I think this partial catalogue of what has been achieved demonstrates that we already have the necessary diplomatic machinery to handle complex and sometimes controversial issues. The examples I have quoted also show that it is possible to develop the mutual understanding necessary to cement in place the building blocks for Hong Kong's continued stability and prosperity after 1997.

### *The JLG's Unfinished Business*

80. But, of course, I would be less than frank with Honourable Members if I left my remarks on the JLG at that. There have been successes, but much, much more remains to be done. The examples will be familiar to all of you.

- After more than three years of discussions on our new airport since the signing of the 1991 Memorandum of Understanding, we have still not been able to conclude an agreement on the financing arrangements. With the support of this Council, we have nevertheless rolled our sleeves up and got on with the job of building an airport for the 21st century.
- Despite years of talks, the JLG has made only limited progress on the remaining air services agreements which will allow the world's airlines to fly to Hong Kong after 1997.
- We need to ease concerns in the community by reaching agreements on the right of abode. We also need to ensure that we maximize the ease and freedom of travel of Hong Kong people in the future.
- We have still not been able to reach an agreement on the development of Container Terminal 9 for reasons which have worrying implications for the territory's future as an international centre for business. While we mark time on this project, the shipping business goes elsewhere.
- We have made only slow progress on the vital issues of the localization and adaptation of laws. The localization of some 89 United Kingdom enactments still needs to be agreed, and we will have to work through the 600 local Ordinances and 1 000 pieces of subsidiary legislation in the adaptation exercise. And of course we have to take forward the establishment of the Court of Final Appeal.

81. The volume of work which remains to be done in the JLG in the 1 000 days before 1997 is, therefore, formidable. We will continue to impress on our Chinese colleagues the urgency of the task and our willingness to co-operate fully with China to accomplish that task. The new British Ambassador to China, Sir Leonard APPLEYARD, carried with him just such a message from the British Government when he took up his post in Peking last month. The

Foreign Secretary, Douglas HURD, has also stressed the importance of finding new ways to give impetus to the work of the during his meeting with Vice Premier Qian Qichen, in New York last week. We have indicated to the Chinese side our willingness to explore further with them whether there are informal ways in which this can be achieved, perhaps by expanding the pool of expertise on which the JLG can draw. Members of the Preliminary Working Committee, for example, may be able to contribute to this process. We would welcome that. What is clear is that failure to settle the outstanding issues before 1997 will compromise Hong Kong's future stability and prosperity. This is exactly what the JLG was established to prevent.

82. There is precious little to be said for wasting time and breath on public recrimination about who is most to blame for the snail's pace of JLG work. What is important is Hong Kong's future. And it is that which is threatened by the sluggish progress in the Joint Liaison Group.

83. Let me remind Honourable Members that it is the people of Hong Kong who will pay for a failure to complete the JLG's agenda by 1997. To leave uncertainty about Hong Kong's laws, uncertainty about rights of residence and about travel documents, uncertainty about air services agreements and uncertainty about arrangements for the return of fugitive offenders will do nothing to inspire confidence in Hong Kong's future. If Hong Kong is to get off to the best possible start as a Special Administrative Region and to continue to make a full contribution to China's economic development, we must remove these uncertainties.

### COMMITMENTS TO CO-OPERATION

84. In our efforts to secure closer co-operation, I know that this Council, and the entire community, hope that we will be able to look beyond the agenda of the JLG. I approach the search for greater co-operation with the same practical attitude. Our experience during the 10 years since 1984 plainly shows that whenever Hong Kong has been able to get on with the job, we have achieved outstanding results, as I have already described in some detail this afternoon. Hong Kong's performance has only been less impressive when there have been protracted discussions on straightforward issues which ought to have been decided promptly on their financial and economic merits.

85. So what more can we do to achieve the rate of progress we need to make a success of the transition? For its part, the Hong Kong Government will make available whatever resources are needed to support and speed up the work of the JLG. Nevertheless, the truth is that neither the Hong Kong nor the British Governments by themselves can ensure completion of the JLG's formidable agenda. We alone cannot ensure a smooth transition. This will require the full co-operation of the Chinese Government. What I want to do this afternoon is to outline to this Council what seems to us a sensible and reasonable framework for mutual co-operation over the 1 000 days ahead. How we might enhance co-



operation was a major source of discussion between the Foreign Secretary and Vice Premier QIAN in New York last week.

### *The Preparatory Committee*

86. The practical approach we have adopted seeks to create the most constructive basis for a smooth transfer of government and for securing Hong Kong's continued success. It is a Hong Kong approach to a Hong Kong problem.

- First, when the National People's Congress establishes the Preparatory Committee in 1996, we will want to be in a position to give, in an agreed way, the immediate and practical help that the Committee may require in its work of preparing for the Special Administrative Region's future government.
- When the Chief Executive designate is chosen, the Hong Kong Government is ready to provide every possible support to this official in preparing to take up responsibility for Hong Kong's administration in 1997.
- The Hong Kong Government will also offer whatever assistance is needed to the men and women who may be designated as future members of the Executive Council or as Principal Officials of the future Special Administrative Region Government.
- In 1997, the People's Liberation Army will assume responsibility for Hong Kong's defence. In the meantime, the outgoing British garrison will offer its full co-operation to the Chinese military authorities to ensure a smooth handover of defence responsibilities.
- We shall also be happy to begin discussions whenever China wishes to do so on the arrangements for the ceremonies to mark in an appropriately dignified way the transfer of sovereignty in 1997.

87. These measures are a firm commitment to doing everything we can to give the new administration the best possible start.

### *Resources for the Future*

88. In financial terms, the Special Administrative Region Government is already assured of a good start.

- We forecast in the last Budget that the fiscal reserves will be \$120 billion at the end of 1996-97. The fiscal reserves, together with the Exchange Funds assets, will of course be handed over in 1997.

- We are prepared to co-operate fully with the Chinese Government in identifying the practical arrangements under which these assets will be transferred in 1997. In addition, we will prepare a list of the Hong Kong Government's property assets for the Chinese Government.

89. We also want to lay firm foundations for the future administration in framing our current infrastructural plans. It makes no sense to draft plans for Hong Kong's infrastructure and development in isolation from Guangdong and the rest of China. We will be responding to valuable suggestions from Chinese officials to improve the arrangements already in place for co-operation on these matters. We entirely agree that strengthening cross-border co-operation on infrastructure is sensible and beneficial to both Hong Kong and China.

90. We will also need to have consultations on the 1997-98 Budget. In this process, we will offer every co-operation to the Chinese Government and the Preparatory Committee in order to avoid disruption and confusion on 1 July 1997. To do otherwise would not be in the best interests of Hong Kong's people.

91. The closer we get to the 1 July 1997, the closer our mutual interest in securing the good government of the territory. We cannot simply say, "From now until midnight on 30 June 1997, we take the decisions, and after that, it is up to the Special Administrative Region Government". We are not handing over a baton; we are handing over responsibility for the lives and welfare of Hong Kong's people. We are handing over the government of a growing, bustling, thriving community. It is a matter of common sense and good order for us to try to ensure that the Chief Executive designate and the Preparatory Committee have all the help they need to handle a difficult job with the skill and competence which I am sure they will display. We will be pleased to give them every possible assistance. After all, though it is the last 1 000 days of British administration of Hong Kong, it is far from being the last 1 000 days of Hong Kong. The sun sets, and the sun rises.

## CONCLUSION

92. This afternoon, I have tried to provide a candid assessment not only of our successes but also of the serious problems which will result from not completing the Joint Liaison Group's agenda by 1997 and from failing to press on with the projects and programmes that will meet the needs of Hong Kong beyond 1997. It will be in no one's interests if these problems are not resolved, not in Britain's, not in Hong Kong's, not if I may say so in China's.

93. We are not arrogant about Hong Kong's role in China or the region. No one should imagine that Hong Kong is indispensable to the well-being of a vast nation like China. Nor is Hong Kong indispensable to China's economic development, despite the important part played by Hong Kong trade and

investment in the modernization process. But we cannot forget that this remarkable territory, with a dynamic population of only 6 million, does represent about a quarter of China's GDP. Given the chance, Hong Kong has a significant contribution to make, both before and after 1997. It is, the earnest hope of the people of Hong Kong that they be allowed to make that contribution. As the representative of the departing sovereign power, I am well aware that we will be judged in part by whether that ambition, that hope, is satisfied.

94. So we will do everything that is honourable and sensible to co-operate with China for the remaining thousand days of British rule. Co-operation, however, is not a one-way street; nor is sincerity to be judged by whether one party always agrees with the other. That is not what the real world is like. Co-operation must mean exactly what it says, working together: in this case, working together in Hong Kong's interests, putting behind us past differences and focusing, instead, on how to build a better future for the men and women of Hong Kong.

95. I have heard Chinese officials say that ensuring the prosperity and future well-being of Hong Kong is for them a tremendous and historic task. I fully understand their commitment, not least for reasons of history and patriotism, to the success of that task. Whatever our disagreements, whatever our differences of perception and background, whatever the misunderstandings and the mistrust, I urge them to understand that we, too, are similarly committed.

96. No one seriously argues that we have governed Hong Kong badly. Why have so many people come? And how have so many prospered? We have not carried out our duty in the past only to destroy at the eleventh hour all that has been created. That would be an act of sublime and self-defeating folly. We have a stake here — yes, a stake in the commercial sense, but also a stake in people and a stake in honour. This is part of our history, too.

97. So the task is momentous for China and for Britain. That is part of our shared interest — the Foreign Secretary's words — our shared interest in a successful transition. What we are attempting (we cannot forget this) is hugely difficult. The world watches to see whether we succeed or fail. We will both be judged by the outcome. Above all, we will be judged by the people of Hong Kong, by the men and women whose destiny we now hold in our hands. They will not forgive us — Britain or China — if we fail. I hope for success. I pray for success. I will work for success with all who share my belief and my confidence in the future of Hong Kong.

#### **SUSPENSION OF SITTING**

PRESIDENT: In accordance with Standing Orders, I now suspend the sitting until 2.30 pm tomorrow afternoon 6 October 1994.

*Suspended accordingly at four minutes past Four o'clock.*

