

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 7th September 1966****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY
MR MICHAEL DAVID IRVING GASS, CMG
THE HONOURABLE THE ATTORNEY GENERAL
MR DENYS TUDOR EMIL ROBERTS, OBE, QC (*acting*)
THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS
MR JOHN CRICHTON McDOUALL, CMG
THE HONOURABLE THE FINANCIAL SECRETARY
MR JOHN JAMES COWPERTHWAITTE, CMG, OBE
DR THE HONOURABLE TENG PIN-HUI, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE DAVID RONALD HOLMES, CBE, MC, ED
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE JAMES TINKER WAKEFIELD
COMMISSIONER OF LABOUR
THE HONOURABLE GEOFFREY MARSH TINGLE
DIRECTOR OF URBAN SERVICES
THE HONOURABLE IAN MacDONALD LIGHTBODY
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE KENNETH JOHN ATTWELL
ACTING DIRECTOR OF EDUCATION
THE HONOURABLE JAMES JEAVONS ROBSON
ACTING DIRECTOR OF PUBLIC WORKS
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE
THE HONOURABLE KAN YUET-KEUNG, OBE
THE HONOURABLE LI FOOK-SHU, OBE
THE HONOURABLE FUNG HON-CHU, OBE
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE GEORGE RONALD ROSS
THE HONOURABLE SZETO WAI
THE HONOURABLE WILFRED WONG SIEN-BING
THE HONOURABLE JAMES DICKSON LEACH, OBE

ABSENT

THE HONOURABLE ALASTAIR TODD
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE TANG PING-YUAN
THE HONOURABLE ELLEN LI SHU-PUI, OBE

IN ATTENDANCE

THE DEPUTY CLERK OF COUNCILS
MR DONALD BARTON

MINUTES

The Minutes of the meeting of the Council held on 24th August 1966, were confirmed.

PAPERS

THE COLONIAL SECRETARY, by Command of His Excellency the Governor, laid upon the table the following papers: —

Subject

Sessional Paper 1966: —

No 10—Annual Report by the Registrar of Trade Unions for the year 1965-66.

No 11—Annual Report by the Commissioner of Labour for the year 1965-66.

SUPPLEMENTARY PROVISIONS FOR THE QUARTER ENDED 30TH JUNE 1966

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Supplementary Provisions for the Quarter ended 30th June 1966, as set out in Schedule No 1 of 1966-67, be approved.

He said: —The Schedule for the first quarter of this financial year covers supplementary provisions totalling \$4 million, including \$1.8 million for Public Works Non-Recurrent. Of this latter figure \$1 million was in respect of revotes; other revotes in the schedule account for \$1.4 million.

All the items in the Schedule have been approved by Finance Committee and the covering approval of this Council is now sought.

The COLONIAL SECRETARY seconded.

The question was put and agreed to.

HONG KONG TRADE DEVELOPMENT COUNCIL BILL 1966

MR D. R. HOLMES moved the First reading of a bill intituled "An Ordinance to provide for the establishment of the Hong Kong Trade Development Council, to define its powers and functions and to provide for matters connected therewith or incidental thereto."

He said: —Sir, I rise to move the first reading of a Bill shortly entitled the Hong Kong Trade Development Council Ordinance 1966.

This is the second of the two Ordinances needed to give effect to the recommendations made in the report of the Working Committee on Export Promotion. Members will recall that that report was tabled in this Council and published in February this year, after having received the approval in principle of the Executive Council.

Honourable Members will have studied that report and will also have read the statement of Objects and Reasons attached to this present Bill. This statement gives a very full account of the purposes of the Bill and of the methods by which it seeks to give effect to those purposes. I shall not cover the same ground again. I shall attempt simply to pick out and emphasize the two main proposals which the Committee made and which we intend to put into effect if this Bill is enacted together with the other connected legislation.

The first of these aims is to devote more resources to our export promotion measures. I am sure I need not repeat the arguments developed by the Committee in favour of this course, but I would like to make one or two points in this connection especially since they do have some relevance to the other Bill, of which I shall later this afternoon be moving the second and third readings.

The main arguments, and the simplest arguments, are I think these: that Hong Kong's well-being is uniquely dependent on our international trade and that it is becoming harder to continue the development and expansion of that trade. Hong Kong is the twenty-sixth trading country of the world. This statement is based on the latest available United Nations statistics. Considering our relatively small size this might be thought to represent a surprisingly prominent position in world trade; but it is not really surprising when it is remembered that in Hong Kong we have practically no material resources, or raw materials, and that virtually the whole of our spectacular economic progress over the last fifteen years has been achieved by selling goods made in Hong Kong in the markets of the world. I believe we can continue this advance, but we can do it only by continuing to sell more of our products abroad, and this is not becoming any easier. Our very success has, as Members are aware, led to artificial restrictions upon some of our main products in some of our main markets; our competitors, all of whom have substantial advantages over us at least in terms of material resources, are making strenuous efforts to overtake us; and the pace of our expansion, measured by the value of our exports, has, so far this year, slowed down to an extent which I do not regard as alarming but which is certainly significant. I hope Members will agree that these are circumstances in which an increase in our efforts is what is called for, and this is, as I have said, the first of the objectives we are now aiming at in this field of trade promotion.

The second main objective is to ensure that such public resources as are made available for trade promotion should be used as

economically and effectively as possible. It is to this end that the new organization envisaged in the present Bill is devised. Trade promotion work demands a very high degree of joint effort and co-operation between the Government and the business community, and the Committee unanimously concluded that in this field normal consultative and co-ordinating machinery do not suffice. They therefore advised that a public corporation should be set up with executive authority to plan and carry out all the trade promotion work that is financed from public funds. This is what this Bill seeks to do.

The public corporation, as an instrument for disbursing the taxpayers' money through channels other than a Government's normal departmental organization, is not an institution which has escaped all criticism in the course of its development. Although it is supposed to combine the virtues of public ownership with the benefits of free enterprise, it has for example in the United Kingdom been said that normal economic disciplines do not seem to apply, that financial deficits sometimes tend to run wild and that in the absence of direct day-to-day responsibility to the Legislature no-one can say exactly where accountability lies.

I mention these criticisms in order that I may assure Members, if the text of the Bill itself does not already sufficiently reassure them, that these considerations have been borne very much in mind in the preparation of this legislation. Part VI of the Bill makes provision for the drawing up of annual estimates and for many other connected matters, including the tabling each year in this Council of reports on the work carried out and of statements of account. In the working out of these statutory provisions, and of the connected administrative arrangements related to the financing of the Council's work, we have aimed, Sir, at three things; first, that the new organization should be free to make quick and business-like decisions in the course of its work; second, that there should be some reasonable assurance of continuity in its operations from year to year; third, and most important, that the overriding responsibility of this Council for the control of public expenditure should be in no way impaired.

Finally, Sir, I think that Members are aware that the Committee on Export Promotion, which I have already mentioned, is still functioning, having been kept in being to advise on current trade promotion work and transitional problems. It has thus been possible to consult the Committee at all stages of the drafting of this legislation, and I am glad to be able to say that the members of that Committee are unanimously in favour of the enactment of the Bill now before Council.

Sir, I beg to move.

The COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

The "Objects and Reasons" for the Bill were stated as follows: —

In March 1965, the Working Committee on Export Promotion Organization was appointed by the Governor to review the existing structure for trade promotion, and to consider whether there was a need for a new organization to direct Hong Kong's export-promotion programme. The Committee was required to suggest the composition, functions, powers and legislative and financial framework of such an organization. The Working Committee made its report in December 1965, and this was considered by the Governor in Council, approved in principle and subsequently published in February 1966. In their report the Working Committee recommended the establishment of a policy making council widely representative of all agencies interested in trade promotion. It further recommended that the proposed council should be a corporate body, responsible for activities designed to assist promotion of Hong Kong's exports and that the Council should be supported by an executive secretariat under an executive director.

2. The object of this Bill is to provide for the establishment of a council as proposed, and to define its powers and functions, membership and procedure, and to make financial provision.

3. Clause 3 provides for the establishment and incorporation of the Hong Kong Trade Development Council, and clause 4 sets out its functions. Clause 5 sets out the general powers of the Council, and these include the power to hold real and personal property, including offices overseas, to enter into contracts, to engage an executive director and other staff, and to borrow money, (in prescribed circumstances the approval of the Financial Secretary is required). The Council may also appoint Committees to which persons may be appointed who are not members of the Council.

4. Clause 7 provides that the Council may delegate to the Executive Director or to a Committee, but certain powers are specifically excluded.

5. Clause 8 imposes restrictions as to future financial commitments.

6. Clauses 9 and 10 provide for the seal of the Council, and for the Council to enter into certain contracts without fixing the seal.

7. Clause 11 provides for the membership of the Council, comprising a Chairman appointed by the Governor and fourteen other members. The members will consist of—

seven *ex officio* members as follows—

- the Chairman of the Hong Kong General Chamber of Commerce;
- the Chairman of the Federation of Hong Kong Industries;
- the President of the Chinese Manufacturers' Association;
- the Chairman of the Hong Kong Tourist Association;
- the Chairman of the Exchange Banks Association;
- the Director of Commerce and Industry;
- the Director of Information Services;

three nominated members nominated by the following associations—

- the Hong Kong General Chamber of Commerce;
- the Federation of Hong Kong Industries;
- the Chinese Manufacturers' Association; and

four members appointed by the Governor.

The clause also provides for substitutes in the case of absence or illness, for the term of office of members and for resignations and filling of vacancies.

8. Clause 12 provides for a vice-chairman and clauses 13 and 14 provide for the duties and powers of the Chairman. Clause 14 also provides for the convening and procedure of meetings and for the Council to make rules for meetings and clause 17 makes similar provision with regard to Committees. Clause 15 provides for the transaction of business by the Council by the circulation of papers and for the approval of resolutions approved by a majority of members. Clause 16 provides that the validity of meetings shall not be affected by technical defects in the appointments of members and clause 18 makes similar provision for Committees.

9. Clause 19 requires the appointment and terms of service of the Executive Director to be subject to the approval of the Governor, and clause 20 provides for the termination of all contracts of service by not more than three months' notice, except with the approval of the Financial Secretary. Clause 6 provides powers for the establishment of a provident fund scheme.

10. Clause 21 makes provision for a grant each financial year to the Council out of funds provided by Legislative Council. Clause 22 provides for the Council's annual estimates of expenditure and revenue to be forwarded for the approval of the Governor. The estimates are

to be under four major heads, and each head must be itemized and show such particulars as may be required. The Council may alter the pattern of expenditure set out in the estimates, but if expenditure under any of the major heads is to be increased by more than twenty *per cent*, the approval of the Governor is required.

11. Clause 23 provides for the keeping of proper accounts and clause 24 provides for the accounts to be audited. Under clause 25, after each financial year, a report of the Council's activities and a copy of the accounts are to be forwarded to the Governor for laying on the table of Legislative Council, and are to be published. Clause 26 provides that all funds not immediately required must be placed on fixed deposit or invested.

IMPORTATION AND EXPORTATION (AMENDMENT) BILL 1966

MR D. R. HOLMES moved the Second reading of a Bill intituled "An Ordinance further to amend the Importation and Exportation Ordinance."

The COLONIAL SECRETARY seconded.

MR DHUN J. RUTTONJEE addressed the Council: —

He said: —Your Excellency, I support the motion before Council and I would, with your permission, like to explain briefly my reasons for so doing.

The purpose of the levy is to raise revenue to finance Hong Kong's trade promotion. Some people will argue that we are being merely euphemistic by saying that our objective is "trade promotion" whereas it is, according to these people, really "export promotion". Such protestations stem, in my opinion, from an inability to appreciate total perspectives, for in the circumstances of Hong Kong there can be little export trade without imports and conversely, little import trade without exports. The two are inextricably interdependent.

Because we must import all of our raw materials for our industries, if we promote our export trade we are automatically promoting our import trade. The only possible exception might be to a limited extent, our foodstuffs, but these are exempted from the provisions of the Bill. Even before our imports to supply our tourist and domestic markets are determined by the volume of domestically manufactured exports inasmuch as these exports provide employment for our people and therefore create the social stability which is a pre-requisite for tourism, and personal incomes, either directly or indirectly, for the people to purchase goods, imported and otherwise.

Since increased trade will mean increased revenue, the proposed contribution from the public purse towards trade promotion is but a small investment for future prosperity. If I have any quarrels with the provisions of the Bill it is that the contribution from Government is too small, particularly when we remember that the Trade Promotion Council will be taking over from the Department of Commerce and Industry and the Government Information Services, the responsibilities for trade promotion which were previously carried out by these two departments. The truth of the matter is that the Government contribution is no contribution at all but a juggling of figures from one head to another. In the circumstances therefore the provision for a review of the situation in two years' time is a correct approach.

With these comments, Sir, I have pleasure in supporting the Motion before Council.

MR FUNG HON-CHU addressed the Council: —

He said: —Your Excellency, I rise to support the Bill before Council. But I must say, however, I would have preferred Government subvention from general revenue to the proposed levy as a means of raising money for trade expansion.

The proposed ad valorem duty of 0.05% on all exports, re-exports and imports was accepted by the trade organizations only with reluctance and therefore it should not be construed that they favour this method of financing trade expansion. Their agreement stems from the realization that it is impossible to meet the extra cost of trade expansion from general revenue, as Government has said so in no uncertain terms; and that, for the time being at least, the proposed levy is not likely to impose a serious burden on the trade community.

Since the extra 6.5 millions represent only a fraction of one per cent of the total annual Government expenditure it can hardly be argued that this extra sum, if paid from general revenue, will make any significant difference to the state of the Colony's balance of payments. In view of Hong Kong's dependence on exports for her stability, and indeed her survival, Government appears to me to be rather discriminating in calling on one section of the community to pay for the cost of trade expansion when there is no doubt the benefits will accrue to the whole community rather than to any particular sector alone.

The argument that the present rate of levy is not intolerable is accepted, but we should also accept the fact that as competition from other countries becomes increasingly stronger and the standard of living of our people rises higher, what appears to be a harmless levy to-day may make all the difference between staying in business and being priced out of our markets tomorrow. The most undesirable feature about the levy is that it may set a precedent for tapping this source for any additional

funds that Government may need in future in the name of trade promotion either by raising the rate of levy or by another form of taxation on the commercial and industrial sector of the economy. The safeguards as provided in the Bill and emphasized by my honourable Friend Mr HOLMES are to all appearances most reassuring but it seems to me that the effect may well be the opposite because the reference to prior Council approval does nothing to rule out, but actually implies, the possibility of future proposals for further increases in the rate of levy. While the machinery is undoubtedly adequate to ensure that no increases or new levies of a damaging character will be passed in the future, the trading community nevertheless views with concern the implied possibility of having to pay more at some future date.

Government works on the hypothesis that the section that directly reaps the benefit should pay for the cost of any programme designed to produce that benefit. Plausible as this reasoning may be, in Hong Kong's present circumstances where our very survival depends on our ability to sell, I personally feel the trading community should not be saddled with a burden of this kind.

As a stop-gap measure, I do not find the proposed levy objectionable but, for future financing, Government would do well to look entirely to general revenue for carrying through all trade promotion programmes, recognizing the distinction between strictly sectional interests and those serving the community as a whole.

MR G. R. ROSS addressed the Council: —

He said: —Your Excellency, as a member of the Working Party on Export Promotion I shall certainly support the Bill before Council. At the same time I endorse much of what has been said by my unofficial colleagues here today. The representatives of the commercial and industrial agencies argued, and continue to hold the view, that trade promotion should be financed out of general revenue. When told that Government would not do so, they argued that at least half the cost should be met from general revenue. The final outcome is somewhere in the region of \$5 million from general revenue and \$6½ million from the proposed levy on exports and imports.

The launching of the new Trade Development Council has come at a time when our purse strings are exceptionally tight. This is in fact the very time when we should be spending more to promote more. This is only the beginning and we must promote more if we are to earn more. If the general pool of revenue increased the trade council should get its share; but should revenue fall off or the levy fall short of expectations there must be no cutting back on this vital service to our economy. I trust there will be an opportunity to review the present division of costs in two years time; and with these remarks I have pleasure in supporting the Bill before Council.

The question was put and agreed to.

The Bill was read a Second time.

Council then went into Committee to consider the Bill clause by clause.

Clauses 1 and 2 were agreed to.

Council then resumed.

MR D. R. HOLMES reported that the Bill before Council has passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

NEXT MEETING

HIS EXCELLENCY THE GOVERNOR: —That concludes the business for today. The next meeting of Council will be held on 28th September.