

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 5 November 1986****The Council met at half-past Two o'clock****PRESENT**HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

SIR EDWARD YOUDE, G.C.M.G., G.C.V.O., M.B.E.

THE HONOURABLE THE CHIEF SECRETARY

SIR DAVID AKERS-JONES, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY

MR. PIERS JACOBS, O.B.E., J.P.

THE HONOURABLE THE ATTORNEY GENERAL

MR. MICHAEL DAVID THOMAS, C.M.G., Q.C.

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

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

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

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

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

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

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

SECRETARY FOR DISTRICT ADMINISTRATION

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

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

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

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

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

DR. THE HONOURABLE HENRIETTA IP MAN-HING, O.B.E., J.P.

THE HONOURABLE CHAN YING-LUN, J.P.

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI, J.P.

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

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

THE HONOURABLE JOHN WALTER CHAMBERS, J.P.

SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE JACKIE CHAN CHAI-KEUNG

THE HONOURABLE CHENG HON-KWAN

THE HONOURABLE HILTON CHEONG-LEEN, C.B.E., J.P.

DR. THE HONOURABLE CHIU HIN-KWONG

THE HONOURABLE CHUNG PUI-LUM

THE HONOURABLE HO SAI-CHU, M.B.E., J.P.

THE HONOURABLE HUI YIN-FAT

DR. THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.
THE HONOURABLE LEE YU-TAI
THE HONOURABLE DAVID LI KWOK-PO, J.P.
THE HONOURABLE LIU LIT-FOR, J.P.
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.
THE HONOURABLE POON CHI-FAI
PROF. THE HONOURABLE POON CHUNG-KWONG
THE HONOURABLE HELMUT SOHMEN
THE HONOURABLE SZETO WAH
THE HONOURABLE TAI CHIN-WAH
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING
THE HONOURABLE TAM YIU-CHUNG
DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.
THE HONOURABLE ANDREW WONG WANG-FAT
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.
THE HONOURABLE HARNAM SINGH GREWAL, E.D., J.P.
SECRETARY FOR TRANSPORT
THE HONOURABLE GRAHAM BARNES, J.P.
SECRETARY FOR LANDS AND WORKS
THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER
THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR SECURITY
THE HONOURABLE STEUART ALFRED WEBB-JOHNSON, J.P.
SECRETARY FOR TRADE AND INDUSTRY (*Acting*)

ABSENT

THE HONOURABLE HU FA-KUANG, O.B.E., J.P.
THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.
THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN, J.P.
THE HONOURABLE KIM CHAM YAU-SUM, J.P.
THE HONOURABLE THOMAS CLYDESDALE
THE HONOURABLE RICHARD LAI SUNG-LUNG
THE HONOURABLE PANG CHUN-HOI, M.B.E.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LAW KAM-SANG

Papers

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

Subject *L.N. No.*

Subsidiary Legislation:

Protected Places (Safety) Ordinance. Protected Places (Safety) (Authorised Guards) (Amendment) Order 1986.....	257
Banking Ordinance 1986. Banking Ordinance 1986 (Amendment of Fifth Schedule) (No. 2) Notice 1986.....	258
Legal Practitioners Ordinance. Practising Certificate (Solicitors) (Amendment) Rules 1986.....	259
Fatal Accidents Ordinance 1986. Fatal Accidents Ordinance 1986 (Commencement) Notice 1986	260
Kowloon-Canton Railway Corporation (Amendment) Ordinance 1986. Kowloon-Canton Railway Corporation (Amendment) Ordinance 1986 (Commencement) Notice 1986.....	261
Land Registration (Amendment) Ordinance 1986. Land Registration (Amendment) Ordinance 1986 (Commencement) Notice 1986.....	262

Government Business**Motion****MOTION OF THANKS**

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

MISS DUNN: Sir, I rise to support the Motion of Thanks to you, Sir, for your comprehensive address, in which you set out both for us and for the public at large a clear outline of the work that the Government and this Council have to tackle in the coming year. It would be a daunting list if we were not already used to being worked that hard.

There is no doubt that the 1986-87 programme of legislation and major debates is going to be a heavy one—even for Hong Kong.

This year, my colleagues have again divided themselves into five groups, in the same way as we did last year, to put various parts of your address under their collective microscopes. There will be 21 Members speaking today on the structure and machinery of Government, the implementation of the Joint Declaration, the public services, and the economic and financial situation; and 20 Members speaking tomorrow on education, health, and social programmes, the development of infrastructure, and law, order and security.

If we each spoke for half an hour we should need about six sessions plus who knows how many more for the official replies. This would endanger that legislative programme you promised us, Sir, before it had even got started. So we have agreed, as we did last year, to try and keep it short if not snappy. We intend to ride our hobbyhorses but only for a furlong or two.

You have said, Sir, that our first and foremost objective is to ensure that Hong Kong remains prosperous and stable, and that the dramatic progress that Hong Kong has made over the last two decades was built on a constant search for consensus.

‘Consensus’ has been one of our key words for a long time. Indeed the former Chief Secretary devoted the whole of one of his shorter long speeches to ‘The Decision Making Process—Consultation and Consensus in Hong Kong.’

Recently, this key word has been the subject of much analysis. Some people are questioning, now that we have elected Members and a more representative Council, whether it is right or feasible to try to proceed on the basis of consultation and consensus.

I believe that the search for consensus is as essential as ever to the successful Government of Hong Kong. I believe that it is not just compatible with representative government, it is the only way that a stable society can be maintained under any system of government. Stability both in government and society depends on the consent of the governed. How else can that consent be secured unless there is a general willingness to find an acceptable compromise between differing points of view? And that is what I mean by the search for consensus.

I believe there is no dispute that there is consensus among all of us on the fundamental principles that provide the framework for our society—dare I say, the pillars of our society. That framework has long been accepted throughout Hong Kong and was recently defined and guaranteed by the Governments of Britain and China. It has been enshrined in the Joint Declaration, which promises that the Hong Kong Special Administrative Region will be vested with executive, legislative and independent judicial power; that our existing rights and freedoms, including and I quote—‘those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice, of occupation, of academic research and of religious belief, will be ensured by law.’

I cannot believe that any of us will ever question the need to preserve the existing commitment to those and other fundamental principles. No free society can afford to tamper with that basic consensus on which both their institutions and their way of life are built. There will always be differences of opinion about how those principles should be applied in practice. But arguments about practical application must never be allowed to obscure the principles themselves, nor to become so heated or so personalised that compromise becomes impossible and the fundamental framework is put at risk.

For instance, it is part of the basic consensus that we accept our common law system. There is room for argument about the extent to which trial by jury should be a part of that system or about the way that Legal Aid should be administered. We can argue long and hard about these issues, but in the end we would have to seek a compromise between opposing views in order to reach a consensus. Such debate is healthy. Apart from anything else, it tends to expose the weaknesses and the strengths of differing points of view and reveals the common ground.

But it would be disastrous if we allowed our differences on these features of the common law to affect the basic consensus that our legal system should include the right to a fair trial before an impartial tribunal.

Consensus about fundamental principles has existed in Hong Kong for many years. Hong Kong has advanced and developed without instability because those in Government have been able to agree how to build on them. In the past it was relatively easy to do so because in our society, like many others, there was a greater readiness to accept without serious question or opposition what was proposed by those in authority. But even so there were from time to time issues on which Members of this Council saw it as their duty to oppose the Government that had appointed them to the Council.

Although the Government could in theory in those days have used its majority in this Council to impose its policies, the only sensible way to proceed was to seek a compromise that was acceptable to all the interests involved.

The search for consensus through debate and reasoned compromise is the only way in which we can in the long run preserve our stability and prosperity. On the way to that consensus, there is plenty of room for arguing different points of view. In the old days, Members of this Council did most of their protesting in private. In public meetings of the Council, they were heard to support the Government's proposals which by then had often been modified to meet their criticisms. It was never unthinking acquiescence; it was a willing acceptance of the outcome of practical politics, the best that could be achieved in a real world.

The arrival of elected colleagues and the opening up to public view of Finance Committee and other committee meetings have certainly livened up our

proceedings and led to much more public discussion. We now have a much higher profile Legislative Council than we ever had before. And a very good thing too.

In practice, however, these changes have not led to the abandonment of the search for consensus, though perhaps our recent debate on Daya Bay has diverted attention away from our successes in finding consensus on so many issues and in getting the business of the Council done from week to week.

In the 1985-86 session the Council passed 68 Bills. Many of those Bills were uncontroversial, that is to say that there was a consensus among us that they were well thought out, contained fair and reasonable proposals, and were worthy of our support. On others we disagreed. We discussed them, we argued about them, and in the end we found a consensus and we passed them. Those who accepted the Bills as they first came forward did not try to steamroller them through. Those who disagreed with some of the provisions did not insist that the Bills should therefore be rejected. We hammered out an agreement on the amended form in which they should be passed into law.

We in this Council represent a wide variety of interests and those interests must inevitably conflict at times. We shall continue to succeed only so long as we are willing to resolve those conflicts in our efforts to serve the wider interests of the community. In doing so the public must bear in mind that, even those who are elected representatives are not delegates required to speak and vote as directed by those they represent. Each one of us must be prepared to say, if necessary, to those to whom we owe our place in this Council that we cannot pursue a particular interest to the detriment of the common good.

I am confident that elected and appointed colleagues alike will in fact continue to work together in the same spirit as we did in the last session. We have demonstrated how well we can do that in the last session. Indeed the way we formed ourselves into ad hoc groups to examine bills and other matters in the early days of this session, as you have said, Sir, has done much to strengthen our system of government.

If I may try to sum up, I would say first that consensus is never imposed. It represents agreement freely entered into for the good of the whole community on the best available way forward.

Second, Hong Kong already has a basic consensus about those fundamentals that are essential to the maintenance of our free society and of the stability and prosperity of that society. We call in to question the elements of that consensus at our peril.

Thirdly, in our more open, more lively, more argumentative, more disputatious society it may well be more difficult to achieve consensus. Each Member is entitled to have his own views, and to argue his case as strongly as he likes. But at the same time we must recognise that when strong differences of

view are not resolved in a free society, there can be no movement, no solution, no advance. We may argue long and hard about which course our ship should set, but unless we agree on some course, the ship will drift at the mercy of wind and wave and never reach a port.

To put it another way, if we in this Council are to have any influence on the major issues that confront us, we must always strive to resolve our differences through a constant search for consensus. For it is still as true as when Abraham Lincoln repeated it, that 'A house divided against itself cannot stand.'

MR. MARTIN LEE: Sir, how many of us in this Council will still be in Hong Kong in 1997? Indeed, how many of us will be here in 1992? I wonder.

A recent survey by the BBC found that about 80 per cent of the people interviewed in Hong Kong said that they would still be here in 1997. And I was asked whether I found the figure to be reassuring, particularly when Hong Kong has been described as a 'jittery city' by the Far Eastern Economic Review. I replied that it was not encouraging at all because much less than 20 per cent of the people in Hong Kong are qualified to emigrate. And if the survey had meant that about 20 per cent of the people of Hong Kong will or are going to emigrate from Hong Kong before 1997, then it is very alarming indeed.

Before the Joint Declaration was signed, it did not surprise me that many people were then leaving, knowing as I did, that the great majority of the Chinese people in Hong Kong were here because they did not want to live and work under a communist regime or because their parents had taken them here for the same reason. And so it was only natural that they did not want to return to a communist society. But what is worrying is that this tide of emigration has not subsided at all when almost two years have elapsed since the signing of the Joint Declaration which promises (among other things) that we will continue to have a capitalist system, and the same life style, and with all our freedoms preserved, for 50 years after 1997. And what is even more worrying is that instead of the very rich and successful businessmen, professional people and entrepreneurs in the '40s and '50s who formed the great majority of our emigrants then, many younger people in their late '20s and early '30s are now joining the long queues of applicants for emigration. And many of these young applicants have shown great promise in their careers and would no doubt be the future pillars of our society if only they would stay here.

Sir, I am not an alarmist. But I always believe that it is much more constructive to accept that there is a problem and then try to solve it than to pretend that there is no problem at all. Of course, a tourist in Hong Kong may think that all is well with us, for he sees the Hang Seng Index recording one all-time high after another, he sees many new buildings under construction, as well as fully booked hotels and crowded shops and restaurants. But we know better. For we know that underneath the tip of the iceberg that sparkles in the sun lies a very strong but invisible undercurrent of uncertainty and fear for the future.

Until recently, the Hong Kong philosophy was to work as hard as possible so as to make as much money and in as short a time as possible and then get out of here because we were living in a 'borrowed place' on 'borrowed time'. But now, more and more people are adopting a new version of this philosophy, and that is, to make as much money and in as short a time as possible, by hook or by crook, and then get away because they are now living in a 'returned' place and at 'extra' time. And can we blame them for doing that? After all, what leadership are they getting from his Government and from this Council?

Sir, this unhappy state of affairs will continue so long as people here do not see any possibility of the future SAR Government being able to preserve our freedoms. Yes, I attach more importance to the preservation of our freedoms, than the preservation of our prosperity because not everyone in Hong Kong has a share or the same share of our prosperity—but we all cherish our freedoms, whether rich or poor.

Can anything be done about that? The answer is yes, though not easy. We must convince the people of Hong Kong, by action and not by words, that there is a future for them here in Hong Kong, and that their freedoms can and will be preserved. In practical terms, it means that we must ensure that what has been promised to us in the Joint Declaration will not be taken back from us in the Basic Law; we must ensure that all the important outstanding issues which have not been agreed upon in the Joint Declaration will be resolved in such a way that the final version of the Basic Law will not fall below what most people consider to be already the bottom line as contained in the Joint Declaration and will be acceptable to the people of Hong Kong. But most important of all, the people of Hong Kong must see that this Government has the will and the ability to govern without intervention from Beijing. And to achieve this, the Chinese and British Governments must learn to trust each other more; and there are encouraging signs that this is happening.

As between China and Hong Kong, there must likewise be more trust for each other. The leaders of China must accept that for the policy of one country two systems to succeed, they must trust the people of Hong Kong to have the ability and courage to form and run our own Government; they must see to it that a high degree of autonomy is indeed given to the SAR Government in the Basic Law; and they must give us a system of government that will really enable those in power to exercise that high degree of autonomy. On our part, we must learn to accept that the future of Hong Kong lies with China. We love China because it is our motherland although we do not espouse communism. But in loving China, there is no reason why we cannot love Hong Kong more, because it is our home.

As for Members of this Council, we must learn to feel what our people feel, think as our people think and say what they dare not say; and if we cannot put the interest of the people above our own, then we do not deserve to be on this Council, whether elected or appointed. We must also cultivate a sense of

belonging, which is so far lacking. For without a sense of belonging, there can be no dedication; and without dedication from all of us, there can be no future for Hong Kong. We must learn not to treat Hong Kong as a mere stepping stone to get to the rest of the free world but as our permanent home. And above all, let us show the leaders of China that we have confidence in our own ability to administer Hong Kong.

But, alas, human nature being what it is, some of the people of Hong Kong are selfish and want to preserve their own vested interests. They claim that Hong Kong owes her success to them, because without their money and investments, the economy of Hong Kong will collapse. They do not believe in the concept of democracy. They do not trust other people; for they only trust themselves. They believe that money is everything, forgetting, alas, that they made their money in Hong Kong; forgetting too that without a stable government, good law and order, and favourable economic environments, and above all without the sweat from their many honest and hardworking employees, they would not have come to their riches. Now they want to run our government. They want to rule the rest of the people. They want to deny to their fellow citizens of Hong Kong their undoubted right to participate in the administration of their own affairs through a democratic electoral process. They claim unjustifiably that direct election will lead to social unrest which will in turn ruin our successful economy. They advocate for the rule of the elite, the oligarchy of the rich. They insist that the people of Hong Kong are not politically mature enough to choose their own chief executive or legislators. And so they have volunteered themselves to rule their fellow citizens. But have they asked themselves whether they are qualified to rule? What training or experience in politics do they have more than the common people? And if they do not trust the people of Hong Kong, why should the people of Hong Kong trust them?

Sir, we are brought up in a system of the rule of law which means that every person is equal in the eyes of the law. Perhaps this is the best part of a capitalist system, which China wants to preserve for 50 years beyond 1997. A very natural application of this principle is to give one vote to every adult citizen of Hong Kong, whether rich or poor. But how is it right that we should replace the present system of the rule of law by the rule of the elite?

Sir, it has been repeatedly asked why we should have democracy now when for over a hundred years we never have it and yet we have our freedoms. The answer is simple: we owe our freedoms not to the Hong Kong Government, but to the British Government which is a democratic one. If the Hong Kong Government should ever abuse its powers by locking people up without trial, questions will be asked in the British Parliament, and this could bring down the British Government. So we must realise that our freedoms are at present safeguarded in Hong Kong by a very democratic British Government. There is a further bond between Great Britain and Hong Kong: we both have the same capitalist system. But in 1997, when we sever our ties with Great Britain and

return to motherland, can we be sure that our freedoms will be safeguarded by the National People's Congress in China, which has a communist system, and where the Chinese Communist Party is in practice above the law? After all, there are still many people in China who are imprisoned without a trial, which is against the laws of China; and there are many prisoners of conscience in China including some old Catholic priests. And yet questions are never asked in the National People's Congress about such government abuses.

Some people have said, wrongly, I submit, that we do not need a democratic government to preserve our freedoms, and that all we need is to ensure that we will continue to have the rule of law and an independent judiciary. But the judiciary cannot remain independent if there are to be continual attempts by the executive to intervene in judicial matters. Our judges will either become martyrs or they will have to resign. And those who will agree to replace them are unlikely to be able to safeguard our freedoms. Sir, if the rule of law and our independent judiciary are to remain with us in the years ahead, then we must have an executive body that is accountable to the people, so that those in power have to abide by the law, knowing that they are there by the will of the people expressed through a democratic electoral process. And if they do not govern for the good of the people, they will lose their power at the next election. Sir, many people will say this is elementary. But I must repeat it in this Council because some people in Hong Kong, including some of my hon. colleagues, have been casting doubt on the value of democracy, although both the Chinese and British Governments have acknowledged its importance in the Joint Declaration. For both China and Great Britain realise that we need a democratic and representative government in the SAR, so that it can exercise that high degree of autonomy in order to keep our capitalist system separate from the communist system. For in such a system, those in power will have the wide mandate from and support of all the people they govern, and they can thus be confident in defending our freedoms and our interests in situations involving a conflict of interests between Mainland China and Hong Kong.

Sir, democracy is not the antithesis of prosperity as is suggested. Those who are opposed to democracy have proposed a future political structure for Hong Kong which will preserve their vested interests, by making it impossible for all the people of Hong Kong to have an equal opportunity to participate in the formation of the government, and by making sure that the selection of the chief executive and a substantial portion of legislators will remain in the hands of the rich people of Hong Kong.

Sir, there is something inherently dangerous about a political system which ensures that the rich people will control the government of the day, because those in power will then govern for their own benefit. It will be a government by the rich, of the rich and for the rich. Such a government is bound to be corrupt, for all over the world business deals are often transacted through 'Guanxi' 關係. And none more so than in China, where there is very little fair and open

competition because of 'guanxi', nepotism, and wheeling and dealing through the back doors of government institutions. This is bad for international trade; and China knows it and is therefore trying very hard to stop it. And if our self-acclaimed leaders of the future were to have their way, we will find all these corrupt practices in Hong Kong. This will kill our image as an international trade centre, and yet they claim that it will preserve our prosperity and stability. What naivety? What ignorance? Now if they were to have their way, all the good work done by the ICAC will come to nought overnight. Indeed, the ICAC and the Commercial Crime Bureau will surely be disbanded. Of course, there will be a short time when many businessmen can make a quick kill, but not for long. For overseas investors will lose confidence in such a system and our economy will certainly become chaotic before long. And that surely is the time when the tycoons will leave us for greener pastures across the seas.

Sir, such a system simply will not do. It does not enable those in power to defend the interests of the people of Hong Kong vis-a-vis the Central Government because they do not enjoy the mandate from and support of all the people of Hong Kong. It will make it impossible for the Government to exercise a high degree of autonomy. For a government that has the support of such a small minority of the people it governs is bound to seek support from the Central Government, and will thus become a mere puppet government. I do not believe that this is what China wants, because it makes it quite impossible to implement the principle of one country two systems and Hong Kong people ruling Hong Kong.

Sir, I am glad that such a proposal has only the support of very few people here in Hong Kong and they all belong to the same class of people: rich, self-interested, and not committed to Hong Kong. The rest of our people have voiced their strongest objection to such a proposal: political and professional groups, academics, university students and so on. It shows that the people of Hong Kong have already achieved some political maturity which this minority group has refused to acknowledge. Sir, the majority of the legal profession which elected me to this Council is against it. And I am proud to be their representative in this Council.

Sir, let it not be thought that I am against rich people entering politics. On the contrary, I welcome them to participate in the administration of Hong Kong because of their useful contribution in terms of experience and expertise. But they must, like their rich counterparts in the rest of the free world, be elected by their people, and so they have to work for it. They talk unjustifiably about their employees demanding 'free lunches' if there is to be direct election. But little do they know that in not wanting to compete in an equal election and yet insisting that they be allotted certain places in the legislature, they are demanding what has been called a 'political free lunch'.

Sir, in your annual address you repeatedly stressed the necessity of preserving the prosperity and stability of Hong Kong. No one will dispute that. But what

you have not said is how we can do it, even up to 1997. For many people believe that by 1992 or even earlier, our economy will be extremely weak due to the cessation of much investment in Hong Kong.

Sir, nobody wants to see the Joint Declaration fail. We all want to help to make the policy of one country two systems a success. Nobody wants to see our economy fail. We all want Hong Kong to remain stable and prosperous. But how do we stop the emigration tide of our *creme de la creme*? There is only one positive solution. We need to introduce direct election to this Council in 1988, starting with a small proportion of only 25 per cent; while keeping the present three types of membership to this Council from functional constituencies, electoral colleges and appointments of 25 per cent each. Again, I have the clear mandate of the legal functional constituency in this regard for that was my very platform during my election campaign. I suggest that after the 1988 election, we shall have another review in 1989 or 1990 to see how well direct election will have been received by the people of Hong Kong, including of course the rich people, before we decide on the percentages for the various modes of election in 1991. And after that, we shall need another review to see what the composition of this Council should be by 1994. Sir, I submit that such a gradual development in our political system is necessary in order to maintain confidence. And it is only fair that the people of Hong Kong should decide for themselves as to what types of election they want to have and to what extent. Sir, democracy is our goal. Let no one compromise it without the consent of the people of Hong Kong.

Sir, I am confident that once the people of Hong Kong have seen how direct election really works, they will be persuaded that it is a good thing. It will not lead to 'free lunches' being demanded by the working classes, or to increases in tax, but will lead to a peaceful transformation of the present colonial system of government into 'a system of government which is fair, responsible and responsive to the wishes of the people of Hong Kong'. Sir, these are not my words, but yours; and they can be found in paragraph 7 of your annual address.

Sir, once our people have seen direct election in action, they will feel much better as a result, as with the introduction of indirect elections last September. Many will see that there is hope in our future, because they see some reasonable prospects of the future democratic government being really able to exercise a high degree of autonomy, and thus safeguard our freedoms, and defend our interests. They may then choose to stay in Hong Kong.

Sir, this Council will have to decide, in about 12 months' time, as to whether we should introduce direct election in 1988. I suggest there are two ways of looking at it: the short-term view and the long-term view. If we are only looking at another five years or so as many rich people seem to be doing, then perhaps the best way is not to have it and just keep everything as it is for as long as possible so that they will be able to make more money during this time before they leave Hong Kong. But if we are looking at 11 years up to 1997, plus

another 50 years thereafter, then I suggest it must be in the interest of all of us, as well as the national interest of China, to introduce direct election in 1988. For the sooner we start the truly democratic process, the better our chances of evolving a successful political system for 50 years beyond 1997.

Sir, the demand for direct election in 1988 might have started off as just a few scattered voices crying in the wilderness. But it has gathered much momentum since, as was acknowledged by the Government in its White Paper published in November 1984; and in the light of the recent Daya Bay issue, many people are more convinced now than ever before that direct direction is our only hope. And before long, it will grow into the most powerful chorus people have ever heard; and people all over the world will hear it reverberating across our valleys, over our hills and beyond our seas. For this is the true voice of our people. For this is the voice of Hong Kong.

MR. SZETO (in Cantonese): Sir, you said in your policy address that 'the dramatic progress which Hong Kong has made over the last two decades was not built on conflict and turbulence, but on a constant search for consensus.'

I think, however, that we should also look at it from another angle: what had threatened Hong Kong's stability and prosperity over the past 20 years? The 1967 riot, the energy crisis, the stock market craze and the 1997 issue and so on, all were external factors which could not be controlled by ourselves.

Since the development of representative government, there has been a rare dissension of views within the government structure. During the recent Daya Bay debate in particular, not only was there no consensus, but views were actually sharply opposing. Our society has been in a state of peace during this one or two years. Last year's economy was much better than that during the year before last. A few days ago, the Financial Secretary, the hon. P. JACOBS, told us that our economy during the first half of this year, was even better than expected. Thus it could be seen and facts prove that the development of representative government has enabled the government structure to reflect, more truthfully, the various views which actually exist in society, without affecting stability and prosperity in any way or bringing about any conflicts and unrest.

You also said in your policy address that 'only with prosperity and stability can we maintain a strong, caring and cohesive society, confident in itself and its institutions; and continue to develop a system of government which is fair, responsible and responsive to the wishes of the people of Hong Kong.'

I also hold different views on these remarks. Hong Kong has now reached the following stage in history: only by developing a fair, responsible and responsive government before we can maintain social stability and prosperity, before we can maintain a strong, caring and cohesive society, and before the society can become confident in itself and its institutions. A fair, responsible and responsive

government is one with a democratic form of government. Only such a system of government and such a kind of society can group together the internal strength, unity and cohesion required to overcome the unfavourable external factors which cannot be controlled by ourselves.

To establish progressively a democratic system of government is as you have said, to continue to develop a fair, responsible and responsive government. The key issue now is whether there will be any directly elected seats in the Legislative Council by 1988.

The 1984 White Paper had made some definite conclusions on this matter: that most Hong Kong people agreed that there should be a certain number of directly elected members in the Legislative Council in 1988, building up to a significant number by 1997. But in your policy address, you said instead, 'at this point in time, there is a wide range of opinion and no clear consensus on many important issues.' In only two years' time, there has been an obvious change and signs of retrogradation in the stance of the Administration. What are the reasons? Is it really because there has been a change in public opinion or because there has been a change in the Government's position and attitude in assessing public opinion? Could there be some uncontrollable external factors?

You said you want this society to have confidence in itself. True enough, during this transitional period, what the people of Hong Kong need most is confidence. But a government which is without a firm stance, a government which will not 'put into practice what it says and see to it that results are achieved', as well as a government which is incoherent in its words, will certainly deal a serious blow to the confidence of the entire community. The undesirable effects on stability and prosperity are far and wide, as well as inestimable.

The Government is now facing a stringent test. The 5 million population in Hong Kong, as well as people all over the world who are concerned about the future of Hong Kong, are waiting to see the outcome.

Sir, with these remarks, I support the motion.

MR. TAM (in Cantonese): Sir, I shall discuss issues concerning reform of the political system, economic affairs and labour policy.

Reform of the political system

On the matter of political reform, I think we should proceed towards the direction of democracy. At the same time, the political system of Hong Kong must also keep in line with Hong Kong's unique position. In future, Hong Kong will be a Special Administrative Region enjoying a high degree of autonomy under the sovereignty of China, such a unique position makes her different from a normal state and the actual situation will have to be determined by the Basic Law. Therefore, the first thing to consider regarding political reform is whether it converges with that part on the system of government in the Basic Law. Only

then can a smooth transition be ensured and both the Chinese and British Governments should be engaged in more active communication on this issue. Second, political reform should be implemented progressively, so that the stability and prosperity of the society would not be affected. Third, the merits of the existing system should be retained. Fourth, democracy has always been the hope of the grassroot people, but it could not be realised under the existing system. As a result, members of the public generally know little about the democratic system. Thus, while realising the ideal of democracy, we should also bear in mind the promotion of public education on democracy.

Economic affairs

It is undeniable that political reform will be an important task lying ahead for Hong Kong. But we must recognise that during this transitional period, the problems which Hong Kong has to solve will certainly not be restricted to this. There are still many areas in economic affairs and social programmes which required improvement. The Government should attach due importance to and undertake sufficient commitment in these areas.

As far as economic affairs are concerned, I intend to talk about industrial development and aviation service.

The economic structure of Hong Kong is now evolving. In recent years, the work of the Government in the field of economy has placed more emphasis on the financial sector while its efforts in promoting industrial development have been less active. But Hong Kong's financial business, the servicing industry and commercial development, are all closely related with industry and the export trade that goes along with it. Therefore, what role does industry play in the future economic development of Hong Kong? What are the relative advantages in developing Hong Kong's industry, financial business and the servicing industry? What are the inter-relations between them? The Government should establish and make known its analysis and views on these issues, so as to provide some planning basis for the Government's policy on economic services.

On the other hand, the formulation and enforcement of industrial and trade policies are now being entrusted to about 10 advisory committees and statutory bodies, for example the Trade Development Council, the Productivity Council, the Industrial Development Committee and soon. It is doubtful whether such a diversified situation would enable the best use and distribution of resources. Government should review the relationship of the various organisation mentioned above and consider whether it is necessary to set up a co-ordinating body to be responsible for formulating and enforcing long-term, comprehensive and balanced policies on industry and trade.

Another important factor which affects economic development is the satisfactory level of our social infrastructure. In the area of aviation service, you only mentioned in your policy address that the airport cargo terminal would be extended, but without mentioning the overall development of the airport.

However, according to available information, the Kai Tak Airport will not be able to handle the ever-growing demands in about five years' time. I think it is about time to seriously consider the question of constructing a second airport. This is because it might be too late to take remedial action when the airport becomes over-burdened.

The Government should draw up long-term plans on the above two areas, that is industrial development and the airport as soon as possible; otherwise our economy will be affected.

Labour policy

In the area of social development, the Government has likewise made no long-term planning, its performance in handling the labour problem serves to provide a good illustration.

In the section on 'Labour', you mentioned about the 'central provident fund' and the 'long service payment scheme'. Compared to last year's policy address, which mentioned nothing about labour problems, this is of course an improvement. But can we provide an all-embracing solution to the labour problems confronting us at this stage by means of the 'central provident fund' and 'long service payment scheme'? In talking about the establishment of the former, Government indicates that there have been calls for the establishment of a certain system 'whereby workers might contribute, during their working life, to provision for a stable income in their retirement'. Such a passive attitude shows that the Government has failed to consider the implementation of labour policy in the context of the problems faced by workers.

If there can be a more profound understanding and analysis of the present labour situation and its future development, so that preventive measures can be planned, we would not have to make hasty efforts at the eleventh hour. Take the livelihood of retired workers as an example. Even if we disregard this problem today, there is little effect on our present economic and social conditions. But as the number of retired workers gradually increases in future, the situation will be completely different.

I therefore hope that the Government can consider, seriously and soberly, my request for the formulation of a comprehensive labour policy which should include the following:—

- (a) A sound labour-employer relationship: a good labour-employer relationship should be concretely reflected in sufficient dialogues between the two parties, who should adopt an attitude of mutual understanding and mutual concession while communicating on an equal basis. Affirming the status of labour unions and the right of collective negotiation would be an effective means to promote a sound labour-employer relationship.

- (b) An overall review of the Employment Ordinance: since the Employment Ordinance has been enacted for almost 20 years by now, some of its provisions can no longer meet current practical requirements and an overall review is therefore necessary.
- (c) The safety of employees at work: this includes reviewing legislation concerning industrial safety.
- (d) Protection for employees after retirement: the importance of safeguarding the livelihood of employees after retirement should be affirmed by the Government and a central provident fund should be established as soon as possible.

As a member of the Labour Advisory Board, I just received a document from the Government concerning central provident fund. As to the content of the document, I think many of the points of the document deserved further consideration and some of the contents are misleading. The policy address mentioned that the Labour Advisory Board and Social Welfare Advisory Committee will be consulted. I feel that the central provident fund is a matter of great importance and I request the Government to make public this documents and to carry out extensive consultation.

Conclusion

In conclusion, I think the Government should undertake its responsibilities actively in solving problems arising from the development of our society. Many people oppose to the idea of asking the Government to undertake more responsibilities towards social problems. They think that additional responsibilities would mean an increase in administrative expenses. But in fact, Government's commitments can be reflected through different dimensions. Financial commitment can be one dimension while legislation or encouragement are some other forms. But the most basic commitment is to carry out comprehensive research and planning work.

Industrial development, aviation service and labour problems are only three of the many problems which our society has to face and tackle. Various departments like Medical and Health, Social Welfare, Housing, Information and Transport, are all in need of an overall review and the formulation of long-term policies. The positive attitude adopted by the Government in reviewing its education policy should be promoted. I hope that similar overall reviews can be conducted in the above-mentioned departments as soon as possible.

Sir, I believe that by adopting a developmental concept to formulate clear and readily acceptable administrative principles and objectives, as well as a set of comprehensive and more long-term policies, will help to better solve the various problems confronted by our society.

Sir, with these remarks, I support the motion.

MR. WONG PO-YAN (in Cantonese): Sir, you have delivered a comprehensive and well-balanced annual address at this very important moment which enabled the people of Hong Kong to obtain from among the various topical views, a clear and reassuring understanding of the general situation and our future. Furthermore, it also clarified the Government's responsibilities to provide assistance to those in need. All in all, it is most encouraging.

You stated clearly in paragraph 5 of your address that the first and foremost objective of the Government is to ensure that Hong Kong remains prosperous and stable. This means that the Government will provide an economic environment in which enterprises can flourish, sufficient employment opportunities are offered and hard work reaps awards. This, I believe, is the desire of the people of Hong Kong. Therefore, I would like to talk firstly about our industry and trade.

Industry and trade

It is my view that the present situation of Hong Kong's industry and trade on the whole is:

- (i) satisfactory with good export growth;
- (ii) capital investment is insufficient, so much so that unless there is a notable improvement in this area, the future will not be optimistic;
- (iii) competitors in our neighbouring territories have shown greater advancement, particularly on the technological front. If no remedy is sought, in the long term, our future will be depressing.

On the first point, this is due to the fact that the industry of Hong Kong has a good foundation and a high adaptability. The situation is further enhanced by the linked exchange rate system. Here, I would like to add that on 26 March this year, I raised five points in my Budget debate speech to support my request for a review of the linked exchange rate system. However, with the experience gained during the implementation of this system, I am now positive of its effectiveness.

As to the second point, throughout the past year, we have had to resist the pressure of protectionism exerted by foreign countries. Government officials and industrialists concerned have to travel abroad time and again for negotiations aimed at protecting Hong Kong's trade interests. The MFA negotiations, for instance, ensured that our textile and garment industries would not be seriously affected by protectionist measures. Given this, we can expect all those concerned to continue to do their best in future multi-lateral negotiations for the long term benefit of Hong Kong. On the other hand, however, our community is suffering from worries and impacts, particularly as a result of widespread opinions of doubt and speculations, which are quite irrelevant in actual fact, about the future of Hong Kong. We know that Hong Kong industrialists, especially those running medium and small-sized factories, are usually apathetic towards political matters. These opinions would therefore seriously influence their investment decisions and their daily state of mind. The result is that even under the fairly favourable situation at present, they are still hesitant to commit

further investments. This phenomenon is worrying. I believe the Government should endeavour to remove these unnecessary doubts by taking positive actions in conjunction with local industrial, social and business bodies. Apart from removing these psychological worries, investors should also be given positive encouragement. Take for example, at present when industrialists approach banks for credit or overdraft, the banks would handle the request in the same way as they would handle, say, property mortgage. The specific requirements of the industry are seldom given due consideration. Very often, industrialists have to obtain their credit or overdraft by mortgaging their factory premises and not on account of their business development potential. Obviously, that is not the best method. Strictly speaking, an industrial bank is the best solution. However, since the Government has yet no intention to set up an industrial bank, it is worth noting that certain banks in Hong Kong have already indicated their intentions to establish industrial groups to handle such matters. I hope there will soon be concrete developments in this area since the requests of some industrialists, especially those who operate medium and small-sized factories, may not seem appealing initially to the banks; but if these requests are carefully studied and analysed, and their projects professionally assessed, a more positive decision might be reached. If the Government could provide positive encouragement, I believe the result will be definite. Besides, the banks have at present a large holding of funds.

As regards the third point, many have already pointed out our weakness in the past. Except for a few individual cases, the products of some of our industries (for example, the electronics industry) have achieved a slower growth in comparison with those of our neighbouring regions. Judging from this, we can appreciate how serious this weakness is. Under the present structure, what the Government could do is to strengthen the Productivity Council as well as other related bodies and facilities, and allocate more resources to enable them to implement more large-scale and innovative programmes. What I mean by 'more resources' is not merely an increase by 30 per cent or 50 per cent on annual expenditure but one which would enable these bodies to concentrate on identifying and designing the required programmes without having to worry about the availability of resources. Although expenditure might have to increase considerably, the Government can always and should treat them as urgent and special cases.

On the subject of advanced technology, Hong Kong has already many qualified professionals returned from abroad. How to identify these hidden talents and to provide them with the opportunity to put what they learned into practice is what Government should do. I earnestly hope that the Industrial Development Committee can achieve some result in this aspect.

Finance and monetary affairs

Paragraph 28 to 35 in your address stated that in relation to the management of public finances and regulation of financial and commercial sectors, Hong

Kong has returned to a Budget surplus and public expenditure is kept under control at a reasonable level. Measures taken by the Government to handle banks which encountered problems have served to protect the benefits of the community at large. These measures, together with the steps introduced to correct past imperfections, are fundamental to the stability and prosperity of Hong Kong and are most welcome. Having paid such a heavy price, the Government should try its best to ensure that serious faults will not recur.

Infrastructure

With the menace of protectionism and the keen competition for export markets, priority should be given to infrastructure development programmes aimed at enhancing production and reducing production cost. For instance, priority consideration should be given to the construction of highways projects which will help to reduce traffic congestion. One obvious example is to resolve the worsening problem of insufficient parking facilities for container trucks.

Over the years, Hong Kong has devoted huge amount of resources on public housing programmes. However, the financial strength of the private sector is now tens of times stronger than what was 20 years ago. I am in full agreement with paragraph 90 of your address which disclosed Government's intention to work in conjunction with the private sector to resolve problems in connection with the redevelopment of some dilapidated areas. This is a step in the right direction. I would like to propose further that the private sector should be allowed to contribute more towards the supply of housing. In this way, private developers will find better business opportunities locally and will not have to look for developments elsewhere overseas. At the same time, the Government can divert more of its resources towards strengthening the local economy and improving the quality of life of the community.

Sir, with these remarks, I support the motion.

MR. LI: Sir, may I begin by paying tribute to Your Excellency for your leadership in maintaining the stability of Hong Kong at this challenging time. I agree with Your Excellency's statement that the first and foremost objective of the Government is to ensure that Hong Kong remains prosperous and stable. There is no doubt that Hong Kong's continuing success must be built on the basis of a sound and expanding economy.

It is therefore most heartening to see that after a year of slow growth, the Hong Kong economy is now making headway in an export-led recovery. The recent revival of domestic exports owes much to the linked exchange rate system, which has so far served us well. I wholeheartedly support the Government's determination not to change the prevailing linked rate system. Nevertheless, it seems that the mechanics of the present scheme are not working as well as was first envisaged.

Notwithstanding the link, the adjustment process in Hong Kong's money supply does not take place automatically since the arbitrage process does not function as planned. Therefore, may I suggest that the Government should consider how the linked exchange rate system could be further refined so that the arbitrage process could function more efficiently. I am not proposing that we should abandon a linked exchange rate system, only that the Government should be thinking about further refinements.

In recent years the Government has moved decisively to preserve the stability of Hong Kong's financial system through the swift rescue of problem banks and the effective weeding out of unsound deposit-taking companies. Our financial community therefore welcomes the rationale behind the Banking Ordinance 1986, which reflects the Government's determination to improve the prudential supervision of the financial industry. However, as the new Banking Ordinance imposes considerable additional restrictions on the operations of our financial institutions, there are some issues deserving special attention. One of these issues is the capital to risk assets ratio. In Hong Kong, there are a number of foreign deposit-taking companies having difficulties in complying with the statutory ratio of 5 per cent. These companies play a limited role, mainly acting for their parent banks as issuers of bonds and in booking offshore loans in the Asian region. Should the Government fail to provide these institutions with some workable arrangements, some, if not all, of these types of activities are likely to be shifted to other centres. Such a shift may have a detrimental effect on Hong Kong as an international financial centre catering for all financial services. I believe the implementation of the new Banking Ordinance should be flexible so as not to discourage or drive away reputable foreign institutions which have added strength to our financial community. The Government should take whatever steps are necessary to maintain Hong Kong's attractiveness as an international financial centre. These steps could include more flexibility in our banking regulations, such as having restricted licences for institutions with restricted functions.

In a rapidly changing environment which is leading to the consolidation of our financial sector, a gradual transformation of small independent registered deposit-taking companies (DTCs) is both natural and desirable. However, because of the restrictive rules, many registered deposit-taking companies have difficulty in changing the form of their business from registered deposit-taking company to licensed money lender. Money lenders are licensed by the Registrar General under the Monetary Affairs Branch, which takes up few supervisory responsibilities over the money lenders' business. In spite of the restrictive rules imposed on money lenders, they are not regulated under a comprehensive supervisory framework. The police are responsible for investigating licence applications and monitoring the activities of the many money lenders. Such a fragmentary arrangement for licensing and supervisory responsibilities of money lenders is far from satisfactory. May I suggest, Sir, that the Government should consider combining all the responsibilities under the umbrella of the

Monetary Affairs Branch. At the same time the Money Lenders Ordinance must be reviewed as it is not designed for lenders operating in today's sophisticated financial markets.

A sound prudential supervisory practice is good for all financial institutions. Nevertheless, regulators should not be mistaken as substitutes for bankers, who ultimately bear the responsibility for making sound commercial decisions. I believe over-restrictive financial regulations and cumbersome reporting requirements will eventually weaken the position of our financial institutions and, at the same time, unrealistically restrict their normal activities. These effects have already been seen in some of our neighbouring Asian countries.

I consider, Sir, the recent increase in the size criterion for foreign banks applying for banking licences in Hong Kong as a retrograde step in terms of the further development of Hong Kong as an international financial centre. I am disappointed that the decision was made without formal consultation with the Banking Advisory Committee. The total assets of a bank should not be used as a hurdle to halt the influx of the largest banks of small countries. Some important banks incorporated in other countries, which have effective prudential supervision and provide reciprocity to Hong Kong banks, may not be able to meet the US\$14 billion asset requirement. By denying these institutions the opportunity to establish themselves here, Hong Kong's best interests are not served. Furthermore, the use of a US dollar criterion, in particular at this time, places an application at the mercy of the volatile exchange rates.

The securitisation of corporate debts and the introduction of money market funds in Hong Kong point to a growing integration of banking and securities business. Our regulatory authorities are now inevitably faced with new challenges arising from closer links developing between banks, security houses and other financial institutions. I am happy to see that, effective from 1 September 1986, as I have long advocated, the Government has put the offices of the Commissioner of Banking and the Commissioner for Securities under the supervision of the Monetary Affairs Branch. Better co-operation between and co-ordination of these two commissions are a matter of priority. Furthermore, I believe the Government should establish a single financial industry think-tank to advise the Government on how best to keep abreast of the rapidly changing financial arena and to co-ordinate the activities of the numerous existing advisory bodies.

Despite the increase in our domestic exports, the long-term outlook for our economy remains clouded, not only by mounting protectionism in international trade, but also by the depressed levels of new capital investment and reinvestment. There is mounting concern over the sluggishness of fixed capital formation in Hong Kong during the past five years. Moreover, judging from the continued decrease in retained imports of capital goods during the past 30 months, it appears that Hong Kong's existing low tax environment alone is

insufficient to induce capital investments. Interest rates in Hong Kong are very low and money market is highly liquid. Although the banking sector is willing to finance capital investment, the manufacturing industry appears to be reluctant to expand or to reinvest. Hong Kong has been, and will continue to be, an export-orientated economy, depending very much upon the manufacturing sector, whose long-term prospect hinges on its capital investment. Therefore, Sir, I think we should look at ways and means of encouraging investment so as to maintain the momentum of our economic growth.

In neighbouring countries, tax holidays are used mainly for promoting new investment in industries or for encouraging existing companies to upgrade through mechanisation and automation. Such policies may not necessarily be applicable to Hong Kong. However, the Government should consider some fiscal incentives to stimulate our long term capital expenditure. As the last changes to the depreciation allowance schedule were made in 1982, it is time for the Government to review its policy towards both depreciation and investment allowances. May I take this opportunity to suggest that the Government should consider a more liberal depreciation and investment allowance scheme for the purpose of encouraging real investment in plant and new equipment.

For budgetary reasons, the Government increased both the standard tax rate and profits tax rate by 2 per cent in the 1984-85 fiscal Budget. At that time, the tax increases were regarded as undesirable, but inevitable. I believe the much improved state of Hong Kong's public finances should now enable the Government to consider a tax reduction across the board. Hong Kong's low tax environment has long been and will continue to be an important incentive for people to work hard and to invest their money back in Hong Kong.

I strongly believe the Government should exploit every possibility to promote more industrial investment. Sir, you yourself have led many successful overseas trade missions to promote trade and investment for Hong Kong. I am in favour of more high-level and widely-representative economic missions to generate more direct foreign investment for Hong Kong. We should aim to upgrade and enhance our economic profile in this area, so as to better promote Hong Kong internationally.

Turning to the subject of industrial land, the lease conditions of our industrial estates have been criticised as inflexible. So far, the industrial estates are the only special incentives provided by the Government to attract high-technology manufacturing industries. If this sole inducement loses its attractiveness, Hong Kong will fall still further behind our Asian neighbours in the development of high-technology industries. Although the current prices of industrial land are relatively low, our industrialists seem unwilling to expand their plants. Again, I urge the Government to adopt a more flexible approach to our industrial land policy so as to provide manufacturers and foreign investors with a sufficiently attractive incentive to invest and provide employment.

Education and training are vitally important to our society. Many foreign financial institutions and industrial companies established here are attracted by the quality and adaptability of our labour force. Faced with intensified international competition, technological advancement, and product innovation, Hong Kong demands more from our human resources. Our future depends essentially on the capability and skills of our labour force whose performance can only be improved through continued education and training within their working environment. Sir, I strongly urge the Government to expand the existing programmes of day-release and evening courses of our two polytechnics, technical colleges and other similar institutions, so as to meet the challenges posed by our competitors in the world market.

Sir, with these remarks, I support the motion.

MISS TAM: Sir, in your policy speech, you have laid out no less than 54 topics for our debates and this reflects the complexity of the development in Hong Kong in the last 12 months, from education, medical services and infrastructure at home; to implementation of the Sino-British Joint Declaration over the future of Hong Kong; to trade and industrial developments in the international front. The significant achievement that has been attained since your last policy speech should not be overlooked by any of us.

New town: an extension of the urban area

Last year I spoke on the issue of internal migration of nearly 3 million people in Hong Kong from the urban areas to the rural areas of this territory; and the need for planning our new towns in two stages: 'first we provide an efficient transportation structure for easy movement of its residents to the urban areas and wait for favourable market factor to foster local business and industrial activities, so that it can reach the second stage and develop into a truly self-contained community'. I regret to say that the 'favourable market factor' still remains absent. The Kowloon Motor Bus Company Ltd., in working out the journey requirement of the housing estate dwellers in the New Territories, in the next five years' route development programme, cannot foresee any significant improvement in job availability locally in these new towns. Although in the next three years we can expect 15 hotel projects to be completed, they are all located on Hong Kong Island and the Kowloon Peninsula. There was one hotel project with 896 rooms planned for Tsuen Wan since 1985, but it has shown no sign of movement. Likewise, commercial building developments will be confined to the urban area. And only in Tai Po do we find any expansion of industrial investment in the New Territories. I believe that the 'self-contained community' may not be a very realistic option as we had hoped, and we should be thinking of developing our new towns as an extension of the urban area and make them accessible by mass transport or fixed track systems for the regular commuters. However, we have to invest wisely.

'The Fixed Tracks' system

Last year I held the view that 'the success of the Junk Bay project depends more on the completion of the East Kowloon Tunnel than the speed we produce empty housing units in that area'. May I therefore, pay tribute to Mr. Oswald CHEUNG, who was the convener of the lands and works panel, for his staunch support for the decision that the construction of both tubes of the East Kowloon Tunnel should go ahead now. This will go a long way to boosting the chance of success of phase one of the Junk Bay development. I read from the press that the Mass Transit Railway Corporation is considering an extension into Junk Bay if the phase II development goes ahead. In my view, the MTR is a capital intensive investment and an extension to Junk Bay may cost HK\$ 1.5 billion or more. The phase II land formation cost may take another HK\$ 1 billion. There is no additional benefit in yielding new land development along the route of such an extension. Since the resources of the MTRC is not unlimited, we must not rush into constructing an expensive fixed track system to serve one population centre at the end of the tracks, especially when the road transportation will be served by a two-tube tunnel.

However, investing on a fixed track system would be a viable option if we can develop the land along the route. Last year, I raised my doubt on the potential of the Tin Shui Wai development because the LRT is not connected to Tsuen Wan. I am pleased to hear that both the KCRC and MTRC are carrying out studies on the feasibility of introducing a railway link between Tsuen Wan and the western New Territories. Bearing in mind the high cost of land and site formation, the inland route via Kam Tin would possibly yield more benefit to the community if the flat land along the route could be developed into new towns. I await with great interest the result of these studies. But I do wish to make the point that with a two-tube tunnel to Junk Bay, the economic cost to the community, which must be a major consideration in the allocation of our limited resources, in terms of travelling time will be affordable. But for the Tin Shui Wai project, we must ensure that travelling time for the commuters must not be unreasonable, or the project may fail.

Overseas contractors in Hong Kong

Sir, I agree with you that the Eastern Harbour Tunnel project, being an international joint-venture is a shining example of allowing private enterprise to invest in Hong Kong. And it is definitely worth repeating the exercise for other road tunnels so as to save capital cost investments by the Government. In fact, Hong Kong has become a fierce competing ground for construction work by overseas contractors who are listed on the second list of contractors in Hong Kong, meaning that their main office is located overseas. They are contractors from Japan, South Korea and Australia; and China has now also joined in to bid for works here.

On the other hand, a group of local contractors have compiled a chart showing the growing share of building work carried out by overseas contractors in the years 1983 to 1985 as follows:

The Housing Authority projects: overseas contractors' share increase from 6 per cent in 83 to 37 per cent in 85 and the local contractors' share diminish from 94 per cent in 83 and 63 per cent in 85. Another example, Building Development Department projects: overseas contractors' share increase from 14 per cent to 19 per cent in those three years and the local contractors' share diminish from 86 per cent to 81 per cent in those years.

They pointed out that in 1985 seven out of the ten largest civil engineering contracts went to foreign contractors. While only one of the five major non-public housing contracts went to a foreign contractor—yet it constituted 47 per cent of the total value of these contracts. Figures for the first three months of 1986 show that overseas contractors have secured 54 per cent of the Housing Authority contracts and are clearly intending to make a strong bid to increase their share. Another problem is that these overseas contractors are bringing in their own engineers although we have such talents in Hong Kong. In my professional work I had applied for work visas on behalf of employees from overseas. The Government has a policy of not issuing a visa to permit entry for employment to an overseas applicant (that is the individual, rather than a company) unless he has a special skill or experience of value which is not readily available in Hong Kong. There is in fact, no lack of engineers in Hong Kong. In 1985, there were 159 applicants for one post in the Housing Department; 118 applicants for one post in the Agricultural and Fisheries Department; 228 applicants for 10 posts for the Civil Engineering Services Department, and 157 applicants for 10 posts in the Water Supplies Department. All the applicants have a recognised civil engineering qualifications. In terms of the number of qualified applicants for the post of civil engineering graduates, 382 applied for 32 posts in 1985, and 364 applied for 29 posts in 1986.

In fact, 193 visas had been approved in the last 12 months to permit overseas engineers to work in Hong Kong. It is not possible to say at this stage how many more are working on extension of their visas. In any case, it seems that we have not adhered to our immigration policy in issuing our 'work visa'. As a result of this, our local engineers may be deprived of the experience of working in large projects and the benefit of our policy in the control on issuing 'employment permits'. If we insist on a free trade policy on accepting investments which I support and which I said is a good way of developing our infrastructure, we should also insist on our immigration policy so that we can enjoy the best of both policies.

Control of Publications Ordinance (Cap. 268)

Finally, a brief discussion on the control of Publications Ordinance (Cap. 268). Sir, you have raised the question of the control on pornographic publications of the media and the question of press freedom has raised some concern in the community. I understand that consultation is taking place between the Government and the Hong Kong Newspapers Association on the possible need to amend the control of Publications Ordinance. As I have the privilege of preparing the discussion paper for the association and personally feel strongly

that, as far as policy goes, press freedom should be protected by common law rather than statutory legislation I shall briefly raise three points and table the rest of my comments in the speech with your permission.

The Ordinance was enacted in 1951, and a product of the historical and political realities of the '50s. The drafting of this Ordinance is now out of date.

Since this law is unique in the sense that it has no parallel legislation in the United Kingdom and other Commonwealth countries, one should therefore state the basic principles of freedom of the press so as to lay the ground for suggesting any amendment to this Ordinance.

1. *The common law versus statutory law*

The meaning of freedom of the press in English law, as laid down by Blackstone, was defined as 'Consisting in laying no previous restraints upon publications and not in freedom from censure for criminal matter when published.' A modern definition of freedom of the press can be found in the Constitution of Sweden which says: 'the right of every (Swedish) Citizen to publish matter, without previous hindrance by any authority, which subsequently is only punishable before a court of law.'

So the essence of freedom of the press consists of two principles:

- (i) no previous hindrance before publication; and
- (ii) any sanction by the authority must be through a judicial body, that is, a court of law.

With this basic principle I would briefly comment on two sections of this Ordinance.

Sections 3 and 6

These two provisions are the main charging provisions of the Ordinance, that is, the provisions defining the offences. Since the Ordinance, as I said, has no counterpart legislation in other Commonwealth countries, coupled with the fact that the Ordinance was rarely enforced in the past (only one reported case in 1952), the scope of these provisions is not clear. Nevertheless, the English position on the common law offence of sedition may provide a basis for consideration.

- (a) The offence of sedition, as interpreted by case-law, is defined to include all conduct whether by work, deed or writing which directly tends:
 - (i) to raise discontent and dissatisfaction among, or promote ill-will between, the (Sovereign's subjects).
 - (ii) to incite persons to use or attempt to use any unlawful means and in particular physical force in any public matter connected with the state.
 - (iii) to bring into hatred or contempt the (Sovereign), the government, the laws or constitution.

The word 'Sovereign' or 'Sovereign Subject', I trust, may need some amendments.

- (b) Indeed, section 9 to section 14 of the Crimes Ordinance clearly states the limits within which we may constructively and lawfully criticise the Hong Kong Administration or report on issues with a political content. The offence of seditious intention is well understood in this community and covers part of the underlying concerns in sections 3 and 4 of this Ordinance.

My suggestion is that these sections 3 and 6 should be deleted so that we can stick to the common law offences instead of using statutory control.

2. *Self-discipline versus legislative control on publication of false news*

However, section 6 goes further by enabling the prosecution to take action against a newspaper which publishes false news. It is in such a case that malice must be presumed so that the newspaper will have to prove its good will in publishing such false news. Hong Kong people are quick to respond to information and the mass media do enjoy our confidence, therefore, 'false news' can affect economic and financial stability. As a member of the public, I believe that some control is necessary. It is difficult to strike a balance between freedom on the one hand and hindrance and intervention on the other. Such balance is maintained by the integrity and self-control on the part of the mass media, and a sensible law enforcer (in the case here, the Attorney General) on the other. However, I believe that the publishers should be given a defence in section 6(2) to the effect that it shall be a defence that he reasonably believes the news to be true.

The following 3 pages of my speech I will merely table: (See Appendix)

In short, I believe that, as a matter of policy, press freedom must be firmly anchored onto and protected by the common law, and likewise 'controlled' by the disciplines of the common law rather than by complicated statutory legislations. This must continue to be the practice even after 1997.

Sir, with these observations, I have pleasure to support the motion.

APPENDIX

Section 4(1)

The words 'or any other offence of a nature prejudicial to the security of the Colony or to the maintenance within the Colony of Public order, safety, health or moral' should be deleted. The words 'safety, health or moral' are obviously too wide in its meaning to be acceptable to any lawyer or legislator.

If S. 3(a) has been amended to provide only for 'arrestable offences', references to the other offences in S. 4(1) (except S. 3 and S. 6) may be deleted.

Section 4(2), 4(3), 4(6)

Can be retained but needs redrafting.

Section 4(4), 4(5)

Should fall in line with similar provisions of the Objectionable Publications Ordinance.

Section 5(1)

Power to prohibit importation of publication should be amended in line with S. 3 and S. 4.

Section 5(2), 5(3)

Retained but to be redrafted.

Section 6

Already discussed.

Section 7(1)

The purpose of S. 7 is unclear. A \$10,000 deposit is definitely insufficient to deter poor quality publication or to repay an average award of damages. S. 15 already caught the proprietors, printer, publisher and editor personally and they can pay/or be forced to pay the fines. There seems to be no need for this section.

Section 7(2), (3), (4), (6), (8)

Can be deleted.

Section 7(5)

Can be retained to allow a publisher to notify that he has ceased publication.

Section 8

Can be retained.

Section 9(1), (2)

Can be retained.

Section 10(3)

The public officer should be authorised by the commissioner of the two departments.

Section 10(4),(5)

Can be retained. Needs redrafting.

Section 11

Can be retained. Needs redrafting.

Section 12(a)(b)

Can be retained. Needs redrafting.

Section 13(1), 13(2)(a) to (d)

Probably a necessary evil.

Section 14(1), (2), (3), (4), (5), (6), (7)

OK. But should be compatible with Objectionable Publication Ordinance.

Section 15 to section 19

Can be retained. Needs redrafting.

Section 20

Penalties should fall in line with offences in the Objectional Publication Ordinance.

MR. LAU (in Cantonese): Sir, the development of Hong Kong's political system has become the subject of public concern and daily media reports. Since the signing of the Sino-British Joint Declaration, Hong Kong has entered the transition period. Section 4 of the Joint Declaration states that '... during the transition period ..., the Government of the United Kingdom will be responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability ...'. Thus we must pay close attention to preserving social stability and economic prosperity as the guiding principle for the future development of our political system. The present government structure in general, having been reviewed and practised in the past years, has proved to be sound and successful. As a result, Hong Kong has become an international financial and trade centre, accepted by many people who are willing to invest here. If the existing structure functions properly and has proved to be successful, we must seriously consider whether it is necessary to introduce major changes to our political structure or establish another new structure because by so doing, we are in fact putting our existing 'stability and prosperity' as stakes. I believe we all understand that during the transition period, there should not be any unnecessary disturbances. As the Joint Declaration is accepted by all sectors, the prerequisite of any political reform should be in accordance with the spirit of the Joint Declaration, that is, with the maintenance and preservation of economic prosperity and social stability as the objective.

The second point I would like to make is the development of the two new towns, Junk Bay and Tin Shui Wai. Geographically, these two new towns have one thing in common, that is, both are located at a rather isolated spot, in particular, Tin Shui Wai which is connected to Hau Hoi Wan (Deep Bay) and far away from other new towns like Yuen Long and Tuen Mun. Junk Bay's main traffic link to the outside relies entirely on a tunnel yet to be built. In other words, at the early stage of development, these two new towns have to be self-sufficient. In paragraph 88 of your policy address, Sir, we learn that the first public housing intake is expected in early 1987 but work on the Junk Bay tunnel will not start until later this year. Before the tunnel is completed, it is obvious

that the first batch of public housing tenants will have difficulties when travelling to places outside Junk Bay. Similar problems are expected in other services and facilities. From lessons learnt in the development of other new towns, we know that if there are no proper arrangements for and distribution of services and facilities, especially in transport and education, not only are people greatly inconvenienced but many problems will be caused and the future development of new towns will also be affected. I therefore call on Government, when planning new town development, to provide adequate services and facilities to meet the needs of the growing population in order to prevent any unnecessary social unrest indirectly caused.

Thirdly, I would like to mention the transport services and future development of Yuen Long and Tuen Mun districts. Undeniably, the LRT will greatly improve the traffic link between Yuen Long and Tuen Mun and provide a better service to the north-western New Territories. However, taking the New Territories as a whole, the LRT is but an internal transport system in the north-western New Territories. It neither links with the urban area nor the east New Territories and apparently it cannot satisfy public needs. Although the LRT will be operational in 1988, people living in the north-western New Territories still have to rely on other modes of public transport when they travel to and from the urban areas or the east New Territories. For them, it is still very inconvenient. In fact it is not difficult to link up the north-western New Territories with the urban areas and the east New Territories, simply by extending the LRT southwards to join with the MTR at Tsuen Wan or eastwards to connect with the KCR. Another alternative is for the MTR and KCR Corporations to extend their service area to link with the LRT. In this way, people living in the north-western New Territories can travel conveniently and the whole transport network in the New Territories will be more complete when it links up every part of the New Territories with all other areas. However, in your policy address, there is no clear indication of the future development of transport for the north-western New Territories making us feel that Government is still hesitant in improving the transport services in the New Territories. I consider it necessary for Government to put forth a definite development plan promptly.

Lastly, I am a little disappointed that there is no mention in your policy address of any plans for areas and villages outside the perimeter of the new towns. These areas do not have sufficient facilities and I have asked Government for improvement in my Budget speech. I hope in future, Government will pay more attention in this respect so as to raise the standard of living for the people living in these areas.

Sir, with these remarks, I support the motion.

4.19 p.m.

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

4.39 p.m.

HIS EXCELLENCY THE PRESIDENT: Council will resumed.

MR. CHEONG: Sir, up to this date in this Council, I may be the only one who has had the honour of serving Hong Kong under different capacities. I was an appointed Member from 1980 to 1985 and I currently serve as an elected Member of the industrial functional constituency. This unique experience definitely has given me an opportunity to have a truer and deeper insight into the working of this Council during the start of the transitional phase from a totally appointed legislature to a totally elected legislature in accordance with the spirit of the Sino-British agreement.

In view of the fact that Hong Kong will never have the luxury to err, to flourish or even to perish, as an independent nation, the problems we face in our transitional period will be very much different from those of any former British colonies.

The magnitude of these problems would be complex and multi-faceted and many a times, the solution to such problems may need to involve diplomatic channels from one sovereign state to another. Pragmatically speaking, these problems can never hope to be resolved through just the employment of eloquence and mass appealing rhetorics. We should refrain from falling into the trap of allowing our hot-blooded emotions to blind us into taking a path of action that would irreversibly damage the very chances of survival of the majority of our residents.

Sir, in Hong Kong we have not been fortunate enough to have been endowed with rich natural resources. We have to pay for our food, water and our shelter and it is for that pragmatic reason that in spite of our colonial status, the Government in Hong Kong in the past and now has consciously worked to provide an environment that encourages economic development whilst at the same time providing within our means and without resort to long-term deficit financing essential and improved infrastructures for our citizens. Our Government has successfully developed a wide net of consultative bodies whose significant contributions to all areas of development in Hong Kong cannot be denied. Likewise, the Legislative Council of Hong Kong, as the pinnacle of the governmental consultative system, had discharged its duty to the people of Hong Kong, in my view, and my view only, admirably. Councillors generally listened attentively to differing views, reflected faithfully public views to the Administration and fought hard over areas where Administration was less than forthcoming. All councillors had the noble spirit to try their best to serve Hong Kong well. There were many incidences where councillors had major differences of opinions not only between themselves but also between councillors and the Administration. However, we all tried to see the others' points of view and would not employ pressurising tactics in forcing one's viewpoint onto the others. When problems were identified, our goal was to solve them rather than

aggravate the magnitude of these problems. We fully recognised the importance of stability within such a closely packed community and Hong Kong had the good fortune to be left alone to develop at her own pace without political turmoil, from a barren rock that accepted hundreds and thousands of refugees in the last 40 years and all the various problems associated with it, to what we are today.

The progress we made throughout the years is no mean feat and the hon. Oswald CHEUNG vividly described it in his recent welcome speech to Her Majesty the Queen, 'Since Your Majesty was here 11 years ago, the people of Hong Kong have benefited in many ways: they can expect to live longer, to be better off, to work shorter hours and to be better educated and housed, and to have greater opportunities for leisure. The energy and industry of our people, in partnership with a stable and responsive Government, has continued to enhance the way of life, which we treasure and pride, and which we seek to preserve.'

Sir, you had in your address, tried to steer us to a soul searching thought process. We should reflect on the reasons why we were successful and we need to draw on lessons learnt from experience when we ponder on our future. Unfortunately, in the current environment of craze for political reform, your message seemed to have fallen generally on deaf ears. It is sad indeed for Hong Kong that some commentators seem to have been blinded by ideals to such an extent that they continuously fail to comprehend those elements that are essential to our future survival. Not only was the word consensus in your address taken completely out of context, it also seem that in their push for a future structure that will be made up of largely directly elected Members in this Council, quite a number of such idealists and intellectuals have seen the need to blatantly make unfair attacks on the appointed Members of this Council. They try to propagate the message that because appointed Members serve this Council at the wish of the Governor and that in order to retain the chance of being appointed again, they will all toe the Government line without regard to the interest of the people of Hong Kong. On the other hand, they argue, elected Members will be responsible to the people. They will follow the wishes of the people and therefore will better serve the people than appointed Members.

Such attacks, Sir, are not only grossly over-generalised and unfair, but in fact, an oversimplification. They even border on a wholesale questioning of the integrity of appointed Members. Are these attacks necessary? Must Hong Kong be turned upside down just to suit ideals? Are these constant unfair criticisms aimed at dividing the community really good for the stability of Hong Kong? Must the people of Hong Kong be led down a path of confrontational turmoil in order to satisfy the idealistic thirst of those people who, despite the camouflage of eloquence in expounding simple mass appeal logics, basically are championing the cause of 'democracy against communism'?

Sir, prior to the 1985 session there was no elected element in this Council and yet Hong Kong was undisputedly regarded as an envied city of the world. We may not have the form of western style democracy but our citizens valued what we have. The amount of freedom we have in Hong Kong and our respect for human rights must rank second to none in Asia. All these were achieved whilst economic progress and prosperity have been phenomenal. Such achievements are not just the efforts of an efficient administration, they are also the fruits of the conscientious work put in by the appointed Members not only in this legislature, but also in boards and committees, and in a whole host in district boards and Urban and Regional Councils and in a whole host of other bodies. Can these commentators honestly say that the spirit of public service for the common good did not generally prevail over any personal interests? The public may not have noticed the sweat and toil of Members because we operated under true democratic principles. Any differences in view was given a good thrashing out, yet in the end, when a decision is made, the majority view prevailed. The minority, not wishing to create turmoil or to foster any rebellious spirit within the community, accepted the majority view with grace.

Now, ever since Hong Kong people ruling Hong Kong has been promised, it is sad to hear and read that the integrity of appointed Members has been so unfairly pushed to the gutter by people who only have their blinkers on ideals and use such pressurising tactics to try to demoralise the spirit of the appointed Members in order to promote their own version of western democracy. These critics just conveniently shut their minds off to the progress Hong Kong has made for the past 30 years and have conveniently in their push for their idealism, discounted the solid work not only of this Council, but also of the Administration and its dedicated civil servants, and of the work of hundreds of Hong Kong citizens who give their time and effort willingly without seeking publicity or public recognition.

In any case, if appointed Members were really as bad as they claimed and have acted with total insensitivity to the interest of the people of Hong Kong, one question that needs to be asked is that why were the people of Hong Kong so keen to have Hong Kong remained in status quo when the issue of our future comes up? Indeed, why do these commentators only speak up now? The answer is simple: the silent majority of the people of Hong Kong recognise that the governing of Hong Kong has been in good hands. They further recognise that an adversarial political environment breeds instability and that instability is certainly not conducive to the maintenance of an environment for economic progress without which there is certainly no future for Hong Kong.

Sir, up to now our appointed colleagues, in my view, have generally swallowed gracefully whatever that has been thrown at them. In a way, they may have become victims of their own decency and their instinctive dislike of adversarial politics. Yet, if the present trend of unjustified and unfair dirt slinging continue unabated and unchallenged, I fear their willingness to serve on public bodies in future will be adversely affected. This would definitely be

detrimental to all in Hong Kong. For their quiet dedication, knowledge and experience are more crucially needed than ever before in guiding Hong Kong through the year of transition. For the stable and prosperous future of some 5 million people who will not leave Hong Kong, I urge that our appointed Members should consider shaking off the shackles of being gagged or demoralised by the pseudo-non-representative image the idealist tried to chain onto you. Please continue to brave unfair criticism and continue to work with your usual dedication for the good of Hong Kong as you have done so in the past according to your conscience. Your strength of not being puppets of idealists and activists must not be lost in helping to contribute towards the difficult years ahead. Hong Kong will not survive economically if Members of this Council only know how to play to the gallery and to appease the activists and idealists. Hong Kong has come a long way to be what we are today. We must never allow idealism to blind us into threatening the very reason for the survival of Hong Kong.

I appeal therefore, Sir, with utmost frankness and sincerity, to both appointed and elected Members to play tune to your conscience, your good sense, and your sound sense of duty. After all, most of us whether appointed or elected, must always work for the common interest of Hong Kong and not for the next tenure of office.

Sir, I have pleasure in supporting the motion.

MR. CHEUNG (in Cantonese): Sir, last year was a year that Hong Kong started its transitional stride towards 1997. We witnessed a gradual pick up in the figures of production, export and entreport trade and also we witnessed rates of unemployment and inflation that remained moderate. All these show us that Hong Kong's economic foundation is solid once again and that as the political future is clearer, the Hong Kong people have regained the confidence in making investments and are now continuing to work for the prosperity and stability of Hong Kong. I find all these signs most encouraging. In the past one year, the Hong Kong Government has, in accordance with the Sino-British Joint Declaration, satisfactorily resolved the issues on nationality, passport, civil aid, shipping register and land. While all these difficult and important tasks were being carried out, the Government had not slowed down the pace of development in other areas such as the consideration of ways to improve the education system and medical system, the review of various social services, the setting up of the long service payment, central provident fund, and the improvement of our environment. Within the scope of infrastructure, the Government has also shown determination and pursuing progress in various public works programme, transport improvement plans and the maintenance of a sufficient supply of public housing. One the whole, one can see that there has been reasonable improvement to various public facilities and social services programmes in accordance with the society's demand and the manpower and financial resources of the Government.

I am also very glad that in the past one year, the citizens have shown greater maturity when they express their views concerning all public policies. When we have elections, whether they be elections to the Legislative Council, the Urban Council, the Regional Council or the district board, we saw more participation. And during consultation period on important policies, the citizens were very active in expressing their views in the hope that the policies will suit the public needs more.

As you, Sir, have mentioned, one of the most important tasks in the coming year is to review the political system. This review has close relationship with the prosperity and stability in Hong Kong and it has significant bearings on the convergence between the political system and the Basic Law, and this warrants the careful deliberation and expression of views of all the citizens in Hong Kong.

Personally, I believe that, during the consultative period, the biggest debate will be on the question of whether we should have direct election in 1988. In this respect, the White Paper on representative government recommended that in implementing political reforms, we must retain the merits of the present political system which will form the basis of a system of government which is directly responsible to the people of Hong Kong and which will not affect Hong Kong's prosperity and stability. This recommendation is a result of the public's demand. Most of the Hong Kong people expressed their wish to retain the merits of the political system when Britain and China discussed the future of Hong Kong. Some three years ago, the White Paper had mentioned about the gradual building up of a political system which would be directly accountable to the Hong Kong people. Does this still apply to us? Well, first of all, I must say that such a target does not exclude the possibility of having restricted direct election in 1988. The principle is that we should have a gradual implementation of direct election to make sure that the common interest of the Hong Kong people will not be affected.

I am not against direct election, I am just afraid that if we are going too fast, it will not only create problems in convergence with the Basic Law, but it may also worry some more conservative members of the industrial and commercial sectors. They may get the impression that the merit of the political system will no longer exist and this will in turn undermine their confidence in making further investments. So I think that, while we are moving towards democracy, we should move gradually; we should enlarge the base of the functional constituencies and electoral college; we should implement direct election and in addition we should also reserve the appointment system so that the interest of all classes will be taken into account. I think the so-called quarter system will be giving us the best combination. I am sure that, in the coming months, there will be more active discussion on the question of direct election. I hope that everyone concerned will have the common interest of the Hong Kong people in mind. I hope that they will not insist on their views without listening to other suggestions. Only such an approach will be beneficial to Hong Kong.

Another topic that I would like to take up today is the issue of the transport facilities in new towns. New towns are developed along the north-eastern and western part of the New Territories. Developments in the eastern and northern New Territories are near completion. As far as transport is concerned, Fanling, Tai Po and Sha Tin have direct links with the urban areas because of the train system and the circular highway. Citizens find these facilities most convenient. Junk Bay, as we know, is also linked with the urban areas. Thus, I think transport facilities in eastern New Territories are quite satisfactory.

North and north-western New Territories, on the other hand, only has the light rail system linking Yuen Long and Tuen Mun. And one of the disadvantages of the LRT system is that it is not connected to other major transport system and this has adversely affected the development of northwestern New Territories. I am particularly concerned about the problems to be faced by the 10 000 odd citizens to be moved into Tin Shui Wei at the end of the '90s. If we do not develop an advanced transport system for them, I am sure that the people would suffer from a lot of inconvenience and I am sure that the pace of development will also be affected.

So I hope that the Government will give priority to the consideration of developing an advanced transport network for north-western New Territories. We hope that we can have an eastward link with the KCRC trains or a southern link with the Tuen Wan MTR, or perhaps we can have both. We hope that we would not have the same situation as we have in Sha Tin, that is the Government would only consider developing another tunnel when the Lion Rock tunnel is unable to cope with the traffic.

Now I would like to talk about another topic and that is protection of our environment. I think we are already more than a decade backward in protecting our environment. Fortunately, the Government has already set up the Environmental Protection Department to tackle the serious problem of pollution. I hope that the Government will engage overseas consultant to review the situation and to consult the citizens on ways of improving our environment. I am sure this will help the EPD in its work and also it would educate the public on the importance of protecting our environment.

When the Government shows her determination to improve the environment, having more laws is only natural. I would however like to remind the Government that when passing legislation concerning environmental protection, we must also take into consideration the actual difficulties faced by our industrial and commercial sectors. We must reduce inconvenience caused to them by new legislation and we must make sure that the regulations and the laws would not affect their livelihood. We know that Hong Kong is a very unique place. We have great number of people crowded in limited space; a shortage of resources and highly developed occupations in Hong Kong. Under such circumstances, the new laws cannot simply use international standard as yardstick. I would

like to comment on the Water Pollution Ordinance. I think the Government has done a very good job in consulting the public and I think we should follow this good example.

I think if we are talking about protection of environment who have to rely on the expert views, good town planning and also sensible projects, I suggest that the EPD should be under the Lands and Works Branch so that there would be better co-ordination and higher efficiency. We know that if we want to improve our environment, we need not only time but also financial support. I hope that the Government will give a free ring to the department to give it sufficient financial support so that our citizens can live happily and safely because we all know that health, by itself, is fortune.

Finally, I would like to thank the Hong Kong Government which devotes her efforts to the stability and prosperity of Hong Kong.

Sir, with these remarks I support the motion.

MRS. FAN: Sir, I share your view that 'Politics may provide the more exciting fare. It is economics, trade and finance that have been the base on which Hong Kong's success has been built. It will continue to be so.' Hong Kong has achieved an outstanding track record in economic development. It is this record that convinced others that our systems, way of life, and freedom is worth preserving. The maintenance of our economic prosperity is by far the best guarantee for carrying on with our way of life. Political developments, no matter how high sounding and attractive, must be compatible with the basic objectives of economic prosperity and social stability, which remains the common aim of our people.

The further development of representative government is a matter of wide concern. I have no doubt that the Government will take into full account the general aspiration of the community. However, it is only fair that our citizens should understand the essence of our present situation before they can be expected to decide on what changes and which format are better and more suitable for our society. Therefore, it is necessary that the people, in particular, the silent majority, should be informed about the pros and cons of the present system, the different types of western democracy, and of other alternatives, in a balanced and objective manner. On the matter of direct election, if the people decided in favour of it for 1988, they should do so with full appreciation of the possible pitfalls so that they are prepared and can try to avoid these pitfalls. If the people decided against its implementation in 1988, they should also do so with full understanding of the implications of this action.

We live in a transitional period which is sure to make history. Changes must be made to suit the circumstances and the 'wishes' of the Hong Kong people. What we must ensure is changes are for the better and that they will strengthen prosperity and stability. As such, they should satisfy two basic criteria. Firstly, the next stage of constitutional development must have the right mix of

ingredients to maintain the efficiency and effectiveness of the Government. We can hardly afford to get it wrong. Secondly, the people must support the changes and have confidence in it. Only with this sense of total commitment can the changes work. The Government should provide people with the information, stimulate them to think about the issue, and give explanation whenever necessary. I have confidence in the good sense of the Hong Kong people. Given the two sides of the coin, I believe they will make the right choice for themselves and for Hong Kong. However, it is important that the Government take the initiative to consult and gather the opinion of the silent majority. They have a right to have their views considered as much as, if not more, than those of us who are vocal and know how to use various channels, not the least the mass media, to press home our opinions.

Turning now to education, Sir, you have once again reiterated the firm commitment of the Government to improve the quality and range of opportunities offered by our education system. This commitment is evidently reflected by the considerable increase in places provided by technical institutes and training centres, the establishment and growth of the City Polytechnic, the advancement of the secondary school building programme with three more schools to be completed in 1987 over original target, and the commencement of the planning of the third university. While the expansion of post-Form III places to cater for 95 per cent of Form III leavers by 1991, and the provision of one Form VI place for every three Form IV intake extends education opportunity to a larger number of young people, one must be mindful of the fact that only a minority of the sixth form graduates can continue with full-time studies in the five UPGC institutions in the early 1990s. The Education Commission is therefore absolutely correct in their aim to design sixth form as a self-contained educational experience which is of benefit to all students who participate in it, and that it should have real value for the majority of students who do not proceed to higher education.

Doubts have been expressed about the practicability of the commission's proposal on Form VI, especially in view of the students' and their parents' aspiration for a degree course. If the I level subjects failed to facilitate entrance into full-time degree courses, then students would still go for the academic orientated subjects, which in turn would defeat the objective of the commission to allow more choice in subjects of a practical nature for students to study and thereby be better prepared for work.

The question 'Why is there such a strong preference for the attainment of a degree in this community' must be asked. The answer includes a combination of reasons, desire for more knowledge, a wish to remain as a full-time student, social status of degree holders, better pay and career prospect. Of these, the latter probably exerts the strongest pull on the students and their parents. Teachers who went through a university degree course and recalled with pleasure their student days are none the wiser as they pass on their enthusiasm to their students. But is degree course the best option for every sixth-form

student at that point of their development? Do we really believe that students who did not gain admission into degree courses are failures and cannot compare in ability with their counterparts who managed to get in? Those who have given more thoughts to these questions will respond in the negative. Then why are we allowing such misconceptions to continue? Surely there is a case for making a concerted effort to assist every student to know about all possible alternatives and choose the option most suitable for him. There is also a need to help the community, especially parents, to understand that some are late developers and others are comparatively early developers, some are academically orientated and others are more practically orientated, some possess fantastic memories while others have a more inquiring mind. In short, individual differences do exist, and as such, each should choose routes which are best suited to their own interest and capability at that stage of their development.

The availability of information and guidance are the two services which can assist the student to make the right choice for himself and feel satisfied and confident about his choice. Information should not come in bits and pieces, instead it should be available in a systematic manner so that the student can work through it step by step. There are currently three inter-related systems called, ECCTIS, PICK-UP and CACGS being developed in the United Kingdom. By the use of modern information technology, these systems strengthen the provision of information and guidance and will bring a new dimension to education when they come into full operation. The value of these three systems is worth considering in the Hong Kong context. Through the use of on-line service connected to the national viewdata, users will be able to interact with the first two systems and obtain information on courses available in a certain region, their level, contents, modes of study, length, and other relevant data, such as the contact person. This enables the intending student and employers with a training need to search for suitable courses. The third system, CACGS, is a computer-aided careers guidance system, which helps users to assess their personal quality and qualifications and make their career decisions and plans accordingly. It can be used by teachers and counsellors to help students, and it can also be used by adults and students to help themselves.

In Hong Kong, with the advent of open education, the numerous adult education courses offered by various organisations, and the range of vocational, professional, and academically orientated courses offered by technical institutes and post-secondary institutions, there is clearly advantage for the Government to consider the use of similar systems, though of a size and design appropriate to our needs, to help students and adults in making well informed choices at every stage, and to provide support for the teachers and counsellors who play a vital role in facilitating these choices. Moreover, the systematic presentation and availability of comprehensive information will enable parents to appreciate the multiplicity of educational routes open to their children. These routes, which are often inter-related, can be seen as building blocks that one can build upon to reach higher level of expertise. This understanding can help to reduce the

pressure of keen competition to enter a particular course at a particular time. The Education Commission's proposal to develop open education at post-secondary level in Hong Kong is effectively offering a second chance to those who aspire to a degree qualification. This development together with a comprehensive information system and strengthened counselling service, can gradually modify the present prevailing attitude of preferring full-time degree courses.

Sir, it is essential for people to have the relevant information in a systematic manner if they are to make the right decision, be it politics or education. I urge the Government to take the initiative to ensure that such information is presented and communicated to the people in a balanced and objective manner.

Sir, if not for a news report last Wednesday, I would have stopped here. Yet, the timing of that issue is such that I feel obliged to express my views publicly at this meeting least it becomes too late. If I speak longer than I should, I ask my hon. colleagues for their understanding and thank them for their forbearance.

The issue is Vietnamese refugees. I shall not go into the history of this problem since it is well-known. The prospect of resettlement for the 8 300 refugees in Hong Kong now is dismal, unless Britain is prepared to reopen its door to some of them, like it did during November 1985 to September 1986 when it took in nearly 500 refugees. The latter gesture, though small, has encouraged the other major resettlement countries to continue their intake of refugees from Hong Kong last year, with the result that the resettlement in 1985 was actually 20 per cent higher than 1984. But in September 1986, Britain stopped its intake, and all the resettlement countries are now waiting to see what Britain decides to do. The implications are clear. If Britain reverts back to its 1984 position, that is no commitment to take any refugees, the other countries will have every reason to reduce their intake or even stop their intake. After all, Britain, by its own acclaim, has special responsibility towards Hong Kong, and its leaders have repeatedly assured Hong Kong people that they will discharge this responsibility. The British Government is now presented with the unique opportunity to prove that they mean what they said, take 500 or more refugees from Hong Kong per year, show the Hong Kong people and the resettlement countries that Britain is prepared to shoulder part of the responsibility. The fact is Britain has a population of about 57 million, and I cannot imagine what insurmountable difficulties there are to absorb 500 refugees per annum. I understand that the British Government is very likely to come to a decision this month, therefore, I urge the Government to impress upon HMG in the strongest possible terms the implications of their decision and how it will be viewed in Hong Kong.

Mr. WADDINGTON, Minister of State for Home Affairs, told us when visiting Hong Kong this September that the solution for Vietnamese refugees is to repatriate those who do not satisfy the refugee criteria back to Vietnam. I agree with his views. Most of the refugees arriving Hong Kong this year claimed they

were leaving because of the poor state of the economy. About 55 per cent came from North Vietnam. It is therefore not surprising that resettlement countries considered many to be 'economic' refugees and rejected their applications. Nearly 5 000 out of the 8 300 refugees have been here for more than five years. The future is bleak for them. It is cruel to allow more Vietnamese to brave the open sea in fragile junks in the hope of settlement in western countries and found themselves stranded in Hong Kong indefinitely. It is not fair to the Hong Kong community that has to bear the cost of looking after the problem which is not of our creation nor within our control. It is indefensible for the Hong Kong Government to return the illegal travellers to their country of origin, about 50 per day across the Chinese border, on the one hand and accept Vietnamese refugees on the other, knowing full well that they are both driven by the same incentive—desire for a better life style. Has the HMG pursued the possibility of involuntary repatriation with the Vietnamese Government? In February 1985, this Council was already aware of the possibility, and presumably HMG was requested to take appropriate action. What progress, if any, has been achieved? The Government should extract the answers to these questions from HMG and inform this Council and the people of Hong Kong. If no solution to the root of this problem is forthcoming, then the existing policy should be reviewed with a view to containing the problem with our own means.

Sir, with these remarks, I support the motion.

MR. CHEONG-LEEN: Sir, between now and 1997, there will be quite a few Hong Kong residents emigrating to other countries for a variety of reasons.

A certain number will be returning after they have acquired another nationality. As far as I am concerned, they will be very welcome to come back so that they can contribute to Hong Kong's economic growth and prosperity.

It is pointless to deny that this annual exodus of Hong Kong residents, many of whom are professionals, middle-class entrepreneurs and other productive individuals, is not a matter of concern to all of us who want Hong Kong to remain a stable, prosperous and successful international city before and after 1997.

Perhaps little can be done at this time to deter or discourage these residents from leaving Hong Kong. Nor should we even think of preventing them from leaving, either now or in the future, for after all, Hong Kong is a free international city with freedom of entry and exit for all its residents.

But what we can and should say to these Hong Kong emigrants and those Hong Kong students studying overseas who do not wish to return ought to be something like this:

'You have the right to freely travel in and out of Hong Kong at all times, before and after 1997—and whenever you wish to come back here you will always be welcome.'

I am heartened to learn from Your Excellency's address of the expansion plans for higher education and the third university, and also in the areas of technical education and industrial training.

For without sufficient qualified and experienced people at all levels of our economic and social fabric, we can only become an unproductive land of 5.5 million people.

The preparation of the Green Paper on the development of representative government which will be issued next year for public consultation will be a matter of utmost significance to our future.

One key issue on which there is much controversy is whether there should be directly elected members of the Legislative Council in 1988.

I am in favour of having 12 directly elected members in 1988 from four multi-member regional constituencies:—

three from Hong Kong Island
three from Kowloon East
three from Kowloon West
three from the New Territories

A fundamental reason why there should be a proportion of directly elected Legislative councillors is the need to give the small man, the average individual, the man in the street, the opportunity to feel and believe that his views are listened to and will be reflected within these Council walls.

He must be convinced that the Legislative Council is his Council and that he can have some say—even though very limited—in what is happening by electing his representative to this Council to speak up for him.

A system of partial direct election to the Legislature will give him a greater sense of commitment to and more confidence in Hong Kong's future, and in the implementation of the Joint Declaration under the 'one country—two systems' principle.

There could be an influential section of the community which is not in favour of even a limited proportion of the legislature being directly elected for fear that the stability and prosperity would be affected.

I believe that in the run-up to 1997 and beyond, so long as the total number of directly elected seats does not exceed one third by 1997, Hong Kong will have much to gain in the long run by thus creating its own unique system of democratically elected and broadly representative SAR Government suited to the Hong Kong environment.

Confidence has to be retained at two levels: firstly, within a stable economic environment where local and overseas investment can thrive; secondly, within an equally stable political environment where the ordinary citizen who repre-

sents 90 per cent of our population and who cannot emigrate from Hong Kong even if he wishes to, can fervently believe that Hong Kong is still the best and only place for him and his family to live in.

There has also been public discussion on whether the Legislative Council should have a President other than Your Excellency, elected from among the Members of this Council and appointed by Your Excellency in 1988. I believe that this has to happen sooner or later, and that 1988 is the best time to do so.

I would be in favour of Your Excellency withdrawing as President of Legislative Council in 1988, and having your place taken up by someone with the experience and background elected by the Council and appointed by Your Excellency.

I would take this opportunity to stress that to maintain confidence in Hong Kong, it is vital that the right of freedom of speech within the law as already existing should be enshrined in the future Basic Law.

Furthermore, the right of freedom of the media within the law should equally be enshrined in the Basic Law.

Nevertheless, freedom of speech and expression of views should be tempered with self-restraint and responsibility, especially on the part of those of us in positions of influence in government bodies, or opinion leaders in the community and the media as well.

Hong Kong's social, political and economic survival and future rest more than anything else on 'confidence' both on the part of residents themselves, and on those outside who have trading, economic, financial and other ties with Hong Kong.

It is a positive sign for the future that there is increased understanding and restraint now being manifested by the leaders of China towards the more visible political awareness that is happening in Hong Kong.

The majority of the Hong Kong people are naturally much disappointed that China did not see fit to build the nuclear power plant further away from Hong Kong. But the decision has been taken to build the plant at Daya Bay, and we in Hong Kong will have to live with this reality and work closely with the relevant authorities to ensure that our people will be safeguarded to the maximum against radiation and other hazards arising from the operation of the Daya Bay nuclear power plant.

As we enter the second year of the transition period, we will have to focus our thoughts and energies on keeping Hong Kong politically stable and economically prosperous, on strengthening whatever personal freedoms and democratic processes we already enjoy, and on building a strong and binding relationship with the Chinese leadership that will stand the Hong Kong people in good stead by 1997 and thereafter.

On the economic front, I urge Government to step up its promotion efforts to encourage more overseas investments, whether industrial, high-tech, or in the service or other types of industries, to be located in Hong Kong.

This should help to partially alleviate the current lack of interest shown by local entrepreneurs in re-investment in industry in Hong Kong.

It is likely that local residents are remitting more funds abroad than foreigners are investing in Hong Kong, I would therefore urge that Government embark on a programme to reach out to the several hundred thousands ex-Hong Kong residents who have settled down in North America, and encourage them to come back to Hong Kong in search of new opportunities for local investment and economic growth.

I have just returned from a visit to Canada, and I have been immensely impressed by the remarkable way in which Hong Kong Chinese have contributed—and are still contributing—to the growth and prosperity of cities such as Vancouver and Toronto.

One last word on the economic front, and that has to do with tourism. We are approaching the 4-million annual mark on the inbound flow of tourist traffic, and this is a remarkable achievement for Hong Kong. There could be also 750 000 or more Hong Kong residents travelling annually outbound (not taking into account those who travel to China mainland), and this too is remarkable bearing in mind that we have only 5.5 million people. It is a tribute to the diligence, dynamic nature and the aspiration towards a higher standard of living and leisure and indeed of excellence which motivate Hong Kong people.

I think the time has come for the Economic Services Branch to monitor more exhaustively and to look ahead for the tourist industry, and if called upon to do so, to co-ordinate and give support wherever necessary for further expansion and improvement in the quality of the industry.

In talking recently to Canadian officials involved in the tourist industry at the federal, provincial and city levels I have been impressed by the keenness and enthusiasm they have displayed on this subject. We in Hong Kong should avoid being over-complacent, and I shall be glad to take this matter up further within Government.

Recreation and sports

Hong Kong may be small in territory, but through the co-operative efforts of the Government, the Urban and Regional Councils, the governing sports bodies and voluntary associations, a great deal is being done to provide a wide range of recreational activities for our population, young and old.

The country parks and the parks in the urban areas are an irreplaceable boon on weekends and holidays for families living in cooped-up homes.

I would like to see the Recreation and Sports Service Division of the Municipal Services Branch doing more during the coming year to encourage and co-ordinate recreation and sports activities for 'special groups', particularly the disabled, the elderly and the underprivileged.

As the Ocean Park will soon be reorganised under a board separated from the Jockey Club, I hope that its future expansion programme will continue along sound recreational, entertainment and commercial lines. On the one hand, it has to be a place for fun and relaxation for a large number of Hong Kong families throughout the year. On the other hand, it has to be managed with imagination, flair and fiscal prudence, without any government subsidy if at all possible in the future.

The Jubilee Sports Centre at Sha Tin is the equivalent to a sports college and should hopefully from now on be in a position to identify and give talented young Hong Kong sportsmen and sportswomen suitable training to achieve outstanding results locally, regionally and even internationally.

Culture

The Urban Council has played a predominant role in developing cultural activities for many years. I have no doubt that this will continue, especially with the planned opening in 1989 of the magnificent cultural centre in Tsim Sha Tsui.

The Sha Tin Concert Hall complex which has a capacity equal to that of the one at City Hall is also slated to open early next year under the management of the Regional Council. It will be a major new cultural venue not only for New Territories residents, but also for urban residents in Kowloon and even Hong Kong Island as well.

In the fine arts field, the Urban Council is studying plans to have a fine arts workshop in the Victoria Barracks where painters and sculptors can rent space to practice their art and hone down their creative potential. This will be a very welcome cultural facility as and when realised.

The Academy of Performing Arts is off to a good start, and we look forward to more opportunities being given to talented local artists to be trained and to realise their artistic capabilities and perhaps even make their mark internationally.

I would very much like to see a stronger trend towards culture in Hong Kong becoming a closer partnership between government or government-supported bodies and the private sector, which would include companies and individuals.

There is room for further expansion of Matching Grant Programmes whereby funds from government or semi-government sources will be made available to the development of arts or sports provided that similar sums are made available from the private sector. Perhaps some co-ordinated effort should be made whereby every company listed on the Hong Kong Stock Exchange is approached for support of the arts and sports development.

Sir, I support the motion.

MR. HO (in Cantonese): Sir, you have once again demonstrated with great clarity in your address to this Council, the commitment of the Government to maintain the prosperity and stability of Hong Kong. I therefore note with pleasure the steady progress which had been made over the past year and in particular, the faithful implementation of the Sino-British Joint Declaration which is so essential to the future well-being of Hong Kong if it is to remain prosperous and stable. I am also glad to hear that the task of implementing the Sino-British Joint Declaration has not deflected the Government from pressing ahead with its many programmes nor from continuing to improve the quality and efficiency of its services.

As to the future development of representative government, I would like to draw attention to the remarks which I made in this Council last year that 'any political reforms during the present transitional period should be introduced cautiously and linked to the future constitution of Hong Kong— in other words—political reforms should only be made in tandem with the Basic Law which is to be drafted and passed by the National People's Congress'.

It should be appreciated that although the Basic Law has not yet been finalised, it is now possible to see some light at the end of the tunnel. The Basic Law Drafting Committee established by the National People's Congress of the People's Republic of China and its various specialist groups, have already discussed a variety of issues, some of which are still under deliberation and which will eventually form the key to the future political structure of the Hong Kong Special Administrative Region. We must therefore consider carefully the direction and course which we should take and in view of the short operational experience of our political structure in its present format, I do not think it would be appropriate to introduce any radical political reforms in the 1987 Review when considering the future development of representative government. We should not at the present stage of our development have any major political overhaul of our system and should concentrate on the broadening of its composition, method of electing and the numbers of functional constituent seats in the Legislative Council to ensure that all major sectors of the community are included and on refinements of the method of electing representatives from electoral colleges. For what it is worth, I suggest that the system should remain very much the same as it is with certain fundamental exceptions. I cannot help but point out that although Hong Kong has no real democracy, we certainly have freedom within the law and the system works.

I would like to say that I do not agree with certain people who say that our system is based on the British democratic system. I feel that the reason why our system is working is because there is confidence and trust (between the people and the Government in Hong Kong), and that is the most important thing. As we look at the success of our existing political system and the fact that Hong Kong is now considered to be a very outstanding city in the world, I feel that the most important thing is that we should have confidence in ourselves and in our

Government; in this way I am sure that when we try and make our political reform, and when democracy continues to develop, I think we have a very bright future.

Mention has also been made that much thought had been given to ways of increasing the proportion of local officers at command levels in the police force and that after consultation within the force, it has been agreed that promotion on merit alone will continue to be given first priority. I do not think that anyone will wish to argue with the criterion that has been adopted but I fail to understand the need for not renewing the contracts of overseas officers on agreement terms and especially for the early retirement of those on pensionable terms to make way for the promotion of local officers. In our pursuit of localisation, we must not discriminate against serving overseas officers whose contributions have indeed been substantial, not only in the police force but also throughout the Civil Service. We should, therefore, not put our future at risk by pushing localisation too far as much of our present achievements have been accomplished not only through the efforts of local civil servants but also through the efforts of their expatriate colleagues. Apart from a reservation in respect of the most senior posts in the public service, there is nothing in the Sino-British Joint Declaration that stipulates that the public service should be the exclusive domain of local officers. On the contrary, the Sino-British Joint Declaration states quite categorically that 'foreign nationals previously working in the public and police services in the government departments of Hong Kong may remain in employment' and that 'British and other foreign nationals may also be employed to serve as advisers or hold certain public posts in government departments of the Hong Kong Special Administrative Region'. There is, therefore, a place for expatriate officers not only during the transitional period but also after 1997. I venture to suggest that we should continue to welcome anyone who is prepared to accept our system and to work within it and, to open our doors to all who have made Hong Kong their home. There are already visible signs that expatriates are preparing to leave and this should be avoided as far as possible.

In conclusion, I note with pleasure the Government's intention to invest heavily in capital works in order to provide a modern infrastructure for Hong Kong's future development. But before proceeding further, I wish to declare an interest in the matter because of my position as a local contractor.

There is, however, one matter which I would like to bring to the attention of the authorities and that is the plight of the local construction industry as a result of the policy of allowing overseas contractors to engage in work requiring techniques which are readily available in Hong Kong. I would like to thank Miss Maria TAM who had also spoken on this subject and I agree with her remarks.

I understand that my colleague, Mr. CHENG Hon-kwan will be addressing the Council in greater detail in relation to this matter and he has my full

support. It seems to me that it cannot be good for the stability and prosperity of Hong Kong to allow a situation to evolve in which the local contracting industry disappears.

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

DR. LAM (in Cantonese): Sir, although I have no experience of being an appointed and elected member at the same time in the Legislative Council, yet in the district board where I get in touch with a lot of people, I have the experience of being an appointed and elected member. I have daily contacts with professionals and after I was elected to the Legislative Council, I came to know a lot of elite in various fields and I have a lot of contact within and outside the Council. This enables me to understand the wishes of the majority and their expectations of this Council.

Why is the Hong Kong dollar still pegged with the US dollar?

Why does the capital and brain drain arising from the emigration of Hong Kong people still continue?

Is the re-investment in plant and machinery in the industrial sector satisfactory?

Are these problems connected with the confidence crisis in Hong Kong?

Sir, it is stated in paragraph 5 of your address that 'first and foremost is the objective of ensuring that Hong Kong remains prosperous and stable.' The Hong Kong Government, this Council, the citizen and the Chinese Government have been working hard to uphold the common goal of maintaining the stability and prosperity of Hong Kong. But why do people still lack confidence in the future of Hong Kong? If we cannot find the right answer and make the right prescription, our common goal of maintaining the stability and prosperity of Hong Kong will not be achieved. If we cannot remove people's worry, it will not only be regrettable but also cause a tragic ending of Hong Kong.

'Only with prosperity and stability can we maintain a strong, caring and cohesive society, confident in itself and its institution; and continue to develop a system of government which is fair, responsible and responsive to the wishes of the people of Hong Kong.' This is what you said in paragraph 7 of your address. By saying so I am afraid this is putting the cart before the horse. In fact, it is only with a system of government which is fair, responsible and responsive to the wishes of its people, a complete and dependable system, and a strong, caring and cohesive society, will the stability and prosperity of the society be maintained. What have the government and Legislative Council done in the aspect of being responsive to the wishes of the people? Have we been really receptive and responsive to the wishes of the people in the Daya Bay issue? A committed and sincere Government and Legislative Council will win the support and understanding of its people even if they may not be able to

accede to people's demands. This is what a truly cohesive and caring society should be.

Paragraph 11 of your address mentioned that 'both Her Majesty's Government and the Chinese Government will be alive, at all times, to the concerns and views of the other, as well as to the views expressed by the people of Hong Kong. This is the best formula for maintaining confidence and ensuring a smooth transfer of government in 1997'. This is, however, inadequate.

What we need is action not empty words. Other than being alive to the views expressed by the people, it is more important that such views are well respected. And to see that it is the general, and not individual interest, that is being protected and taken care of. Only this will put the public at ease, rebuild their confidence and calm them down to work devotedly for the prosperity of Hong Kong.

Government's attitude towards constitutional development in Hong Kong has been most disappointing in the last two years. It was explicitly pointed out in paragraph 25 of the White Paper on the Further Development of Representative Government in Hong Kong that the introduction of direct election in 1988 has received wide public support. However, in the official replies to the 1985-86 policy debate, the Administration only reiterated certain principles for constitutional development such as steady moves and consolidation of the existing system and so on. All essentials that required further discussion were deferred to the 1987 review. The situation took a turn for the worse when Mr. XU Jia-tun, President of the Hong Kong Branch of the New China News Agency remarked that 'someone is not complying with the Text'. Subsequently Mr. Timothy RENTON, the Minister of State at the Foreign and Commonwealth Affairs Office and Sir Geoffrey HOWE spoke on 'convergence'. The view you gave in your address on the political system in Hong Kong is somewhat obscure and regressive. It gives us the feeling that 'the present Government is a lame-duck Administration', lacking the courage to fulfil its moral obligation. Furthermore, it even makes one doubt Government's willingness to administer through the running-up period to 1997.

Sir, I have gone into considerable details the history and present development of the political system. My point is: the only way to allay the confidence crisis is to take the initial step of introducing direct election to the Legislative Council so that a quarter of the total membership of the Council may be returned by direct election.

There are people who worry that direct election may affect the prosperity and stability of Hong Kong. Sir, I wish to point out clearly that social stability is an evolutionary process made possible by minimising the clash of interests and social conflicts. It is necessary to have wide 'participating democracy' can the interests of different social strata can be well adjusted. To elaborate further, it can be said that only by allowing for more democratic participation can the

economic development of society be guaranteed. By practising direct election, the people of Hong Kong may be able to develop a sense of belonging, thus withholding the exodus caused by uncertainty of the future and the Daya Bay issue. The middle class people—the mainstay of production and consumption of society—will then be at ease to carry on with their economic activities. Those who reject direct election may be over-conscious about protecting their own interests or they may have some misunderstanding about the intention of the pressure groups. Nevertheless, should there be more communication and better understanding between the commercial sector and the political groups or pressure groups, the stability and prosperity of Hong Kong would certainly be enhanced.

Sir, we should give consideration to the future position of the Hong Kong SAR after 1997 when we conduct our 1987 Review of the further development of representative government. I believe there will be heated debates in this Council on the Review. Such debates will not bring about conflicts or crisis as you have indicated in your address. Instead, they will be effective and healthy debates that successfully enlighten all sectors of the community of their own rights and duties. Through dialogues, debates and hearings, mutual understanding between different groups may be enhanced and hence ‘consensus’. Members of this Council, because of their different source of power, inevitably hold diverse views to a certain degree. Yet we all uphold the principle of maintaining stability and prosperity in Hong Kong. I believe it would not be too difficult to reach ‘consensus’ if we have mutual trust and respect.

As to implementing Basic Law after 1997, the formulating and the drafting of the Basic Law would certainly be the subject of heated debate. Yesterday, 71 Basic Law Consultative Committee members suggested that the administrative head should be nominated by among 20 super political figures. I do not rule out the practicability of this formula after 1997, but it is undemocratic. Sir, they did not mention also how the 600 electoral college members are to be elected, whether it is through election, consultation or appointment. I am afraid that the views of these 71 people will further bring about a greater confidence crisis in the people of Hong Kong. As we move closer to ‘1987’, we have to face the problem of ‘1997’ as well. The question is, in the event of conflicts between the Basic Law and current public opinions in Hong Kong (e.g. with regard to the timing of the introduction of directly-elected members to this Council, the number of such seats, or methods or details of the making of the chief executive), is Government still prepared to honour its obligations under paragraph 4 of the Sino-British Joint Declaration, namely, ‘during the transitional period..., the Government of the United Kingdom will be responsible for the administration of Hong Kong’? Or world public opinion be suppressed to suit the future Basic Law? Whilst it is recognised that political development in Hong Kong should best be made compatible with the Basic Law to ensure continuity, convergence must not be over-emphasised to the neglect of present

circumstance or even at its expense. Otherwise, the public might well ask themselves who actually rules Hong Kong and doubt whether the Sino-British Declaration will really carry out its promise to the people of Hong Kong. We must therefore be very cautious not to undermine public confidence on the 'convergence' issue. Here, I wish to make the following proposals to the Administration:

- (1) By 1988, at least one quarter of the Members of this Council should be directly elected;
- (2) By 1988, a proportion of the Executive Council seats should be filled by Members of this Council. They should include members from functional constituencies, the electoral college and representatives returned by direct election. At least one quarter of these seats should be filled by elected members;
- (3) By 1988, the President of this Council should be chosen from among our members by consensus. This will avoid unnecessary conflicts arising from the dual role of the President, who presently also presides over the Executive Council;
- (4) With regard to the gathering of public opinions, the Administration should maintain neutrality and actively explain the salient features of the Green Paper. The Office of the Deputy Chief Secretary should reach out to civic bodies and organisations concerned (such as district boards, Urban Council, political groups, interest groups and so on) for the collection of public opinion. In order to ensure a fair reflection of public opinion, the Administration should make public the assessment criteria of public opinions and all the collected data. To ensure that these principles are implemented, the setting up of an 'independent' public opinion assessment office is also a possible and probable method.

Sir, I must stress that the stability and prosperity of Hong Kong do not depend on the corporate interests of entrepreneur alone. It is through active participation by and whole-hearted co-operation among all members of the community can we ensure that Hong Kong will remain stable.

MR. LEE YU-TAI: Sir, when the Queen arrived here about two weeks ago, you said, 'Much has changed in Hong Kong in the last 11 years'. The visit has passed and we must now look to the future. The people of Hong Kong would be interested to know what will transpire in the next 11 years. In education, both the third university and the 'Hong Kong Council for Academic Awards' will have come into operation. To make the best use out of available resources, I would suggest that the new university should place an emphasis on second chance programmes such as part-time degrees and open education. The choice of the site should be determined having regard to convenient access by working adults.

The original concept of the Hong Kong Council for Academic Awards is that it should validate degree courses of the two polytechnics and the Hong Kong

Baptist College. It is not certain whether or not the two post-secondary colleges, namely Lingnan and Shue Yan, will be included. As these colleges are recognised for registration under the Post-secondary Colleges Ordinance, it will be unfair to exclude them from validation and assessment. Moreover, Hong Kong is not self-sufficient in the training of professional and degree holders. It is therefore desirable to improve the status of these two colleges.

In the speech at the Welcoming Ceremony on 21 October 1986, the Queen referred to Hong Kong as a cosmopolitan community. The presence of ethnic minorities is a distinct feature which characterises this cosmopolitan nature. Whether or not they are going to stay in Hong Kong will be of crucial importance to public confidence in the future. On 8 January 1986, this Council passed a motion including a pledge of support for the claim of the minorities for British citizenship, which was re-affirmed by UMELCO on 25 April 1986 after the British Government rejected this claim. I am most concerned that, with the passage of time, this subject may be allowed to lapse from memory. The lack of further talk and further action may cast doubts upon the sincerity of intention behind the original motion. The nationality status of the people of Hong Kong was downgraded first in 1981 by the Nationality Act and again in 1986 by the Order in Council, and this cumulative downgrading has taken away an inalienable right of the people of Hong Kong. I know for certain that the minorities want to stay in Hong Kong and continue to contribute to the prosperity of the territory after 1997. But, in order to enable them to do so with confidence, they need a secure and credible national status. I think Britain has a responsibility to provide this status, and I hope a future British Government will re-consider their case.

May I now turn to the most popular subject of this debate, the structure of government? Sir, this section of your address is extremely cautious, highly qualified, non-committal and completely open. On the other hand, the Green Paper and White Paper of 1984 show clear indications of the way ahead. The former contained proposals for progressive increases of the elected element in the legislature, arriving at an option of a completely elected model in 1991. The latter recommended, in paragraph 25, the introduction of directly elected Members in 1988, building up to a significant number of directly elected Members by 1997. Sir, I must say that, by comparison with your address, the Green Paper and the White Paper contained a much stronger note of commitment and determination. There has been an accusation that some Members of this Council are influenced by an 'invisible hand'. While this accusation has been denied, I would not like the public to form the idea that another 'invisible hand' haunts the Government, waiting to assume greater control at a future date.

The White Paper was published by the Government in November 1984 following a period of consultation. It contained decisions taken by the Government having regard to public opinion. The next step in the development

of representative government, that is a directly elected element by 1988, is therefore a commitment which the Government made to the people of Hong Kong. If a commitment of one Government is not realised in four years, how can people have confidence in an agreement which was signed by two Governments, covering a period of 50 years commencing 13 years after signature? The Government should seek confirmation of the strong public support for the idea of direct elections as mentioned in paragraph 25 of the White Paper, in the review of next year. I understand that the development of representative government should not be an abrupt process, but a gradual transformation of the present structure. The development cannot however be brought to a halt and must go forward, because it has to become mature and take shape in the 11 years ahead. Let us compare it to the metamorphosis of an insect comprising four stages: the egg, the larva, the pupa and the adult. The egg of the representative government has now been hatched, and it is now a larva. It must go through further transformation of the pupa stage before becoming an adult. Direct election is part of this transformation and should be introduced if the representative government system is to become mature. I would therefore suggest a 'quarter system' (四分制) for the formation of the legislature by 1988. A quarter of the seats should be filled by direct election, and the remainder equally apportioned among the three existing categories, namely appointments, functional constituencies and electoral colleges. This system will provide sufficient diversity of backgrounds in the membership of this Council, and yet maintain a suitable balance of views. To accommodate this diversity of membership, the total size of the legislature may have to be somewhat enlarged. The Green Paper contained an option of direct elections on a territory-wide list (paragraph 46). I would think that, if constituencies are adopted for direct elections, a system of multiple-seat constituencies with extensive boundaries may yield candidate with more objective views and a macro vision.

Sir, I understand that democracy and elections, under which people exercise their free choice, are not a perfect system and shortcomings do exist. Other forms of government, such as absolute monarchy, feudalism and military dictatorship, have however been practised at various times in history and proved unacceptable. Free love does not necessarily lead to happy marriages, but all other forms of matrimonial arrangements, such as the throw of an embroidery ball (拋繡球) and the word of the match-maker (媒約之言), which have been used in the past, are now rejected. Sir, with these remarks, I conclude my speech and support the motion.

6.10 p.m.

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

6.20 p.m.

HIS EXCELLENCY THE PRESIDENT: Council will resume.

MR. SOHMEN: Sir, a year ago in this Council I referred to the proposals to set up an autonomous shipping register in Hong Kong as an example of progress being made in the implementation of the Sino-British Joint Declaration. It is pleasing to note that the Administration has been able to publish the basic framework of the register last month after agreement between the British and Chinese Governments. I am of course particularly delighted that my suggestion of a dual-flag arrangement to overcome the possible problems of recognition in international law for the register of a non-sovereign territory has been accepted by both the shipowning fraternity and the Governments. Detailed work on establishing the register can now begin in earnest and the industry hopes that the necessary planning and funding structure will be put in place at an early date so that the anticipated completion date five years hence can be achieved. The register might then well be among one of the earliest practical institutions arising out of the Joint Declaration which is put in place before 1997 in a form that allows it to continue unchanged beyond that date, excepting only the 'principal' flag. It would give Hong Kong a valuable facility for maintaining its present position as one of the foremost shipping centres in the world, in addition to its place as a major port—a role again underlined by the steady increase this year in the number of ships calling.

While there is agreement on practically all the basic principles governing the new register, a significant difference of opinion still exists between the shipowners and the Administration on the question of taxation. There is no argument that the register must at least be self-financing, and that shipowners cannot expect to be immune or exempt from tax but must make a reasonable contribution to government revenue. It is the form of the levy that is still in dispute. The Administration's position is that the taxation regime should not be amended to cater to sectoral interests and that therefore the present tax system, which is a tax on the profits derived from shipping operations, should be retained. This rationale is not very convincing, since it is acknowledged that under current legislation very little tax liability actually arises for many companies.

The Hong Kong shipowners have proposed that instead of taxing profits, revenue should be collected by the imposition of initial registration fees and annual tonnage dues on each ship registered in Hong Kong. This approach has the benefit of certainty and predictability for both shipowners and Inland Revenue, and it provides for efficient and economic tax collection and for greater fairness. It is the system adopted in the largest flag countries and thus known to many of the shipowners whom the new Hong Kong register would wish to attract. Depending on the total size of the fleet, the revenue generated from taxation on the ships themselves can be quite substantial, and the simpler the tax treatment the more acceptable the register will be to the users. While nobody wishes to create a flag of convenience in Hong Kong, the register nevertheless has to be internationally competitive in all its conditions. It would be deplorable

if the substantial costs involved in its establishment could not be amortised in a short period of time because of lack of interest and of tonnage. It would be surprising if not enough flexibility and imagination could be found to match on the tax front what have been inspired solutions for the register's other aspects. I would therefore like to recommend that this subject be further reviewed.

Sir, if I may now turn from parochial to more fundamental matters. Your address in this Council on 8 October was a report of steady progress on a broad range of issues confronting this community, and could be summarised by the nautical words 'steady as she goes.' The current year promises to take us into somewhat stormier waters as we approach publication of the 1987 review on constitutional reform. Perhaps we all require something new to worry about now that concerns about our economic performance and outlook have receded somewhat into the background!

It is one of the characteristics of post-1984 Hong Kong that we see a split developing between moderates and reformers, between those arguing for caution and gradual change, and others—and not only found in Hong Kong—who promote the need for rapid development on the constitutional and social fronts. Sir, I am sure that nobody will be surprised by my admission that I belong to the former school; indeed, with my pedigree I am probably expected to be capable of nothing else but to defend the status quo. Let me assert, however, that most business people do also have a sense for innovation and that their minds are not automatically closed to new things, provided change is necessary or unavoidable to achieve tangible beneficial objectives. This proviso Sir, is really at the heart of the current disagreement about the scope of constitutional reform.

Hong Kong has done very well in the last 30 years of its history and its economic success has earned it, in the words of Her Majesty the Queen, 'respect and goodwill throughout the world.' The significant improvement in the standard of living of Hong Kong people, despite unpredictable and unnatural population growth for quite some time, is an objective fact, as is the recognition of Hong Kong's outstanding achievements by the 'one country, two systems' principle embodied in the Joint Declaration. Stating the very obvious: without our economic success and commercial leadership (be it in manufacture, finance, transport, communications, or simply in the know-how of doing international business), Hong Kong would not warrant particular consideration and be given the status of a special administrative region with a high degree of autonomy, but would in 1997—if not before then—only have the chance to become a medium-sized Chinese port city in Guangdong Province.

One might have assumed—particularly in light of the anxieties which preceded the successful conclusion of the Sino-British negotiations—that there would now be total conviction that Hong Kong has to safeguard the chance it has been given by preserving the most critical parts of the foundation on which its reputation was built. These clearly not only include a highly motivated working population, an astute group of entrepreneurs, and well-trained pro-

fessional people, but an apolitical appointed civil service government whose theoretical dictatorial powers were and are effectively kept in check by a rather unique combination of vested interests whose representatives are chosen by nomination or acclamation rather than by popular election. A colonial regime, with an 'undemocratic' appointments system but with a belief in government by consensus, has produced a political, economic and social environment which has become the envy of many larger nations. This system has also managed to generate a sense of unity and determination in the people of Hong Kong which finds few parallels in multi-racial and multi-cultural societies with such a short history elsewhere in the world.

Why then, may I ask, do we need to:

- (a) tinker with a proven formula for success;
- (b) hurriedly impose untried, alien and as yet ill-understood principles and concepts into our body politic;
- (c) create more room for confrontation through the inevitable introduction of political factions and more room for surprises; and
- (d) pre-empt the constitutional arrangements to be agreed for the Basic Law, in fact thereby making its drafting more difficult?

The short answer to these questions of course is that the Administration in mid-1984—and before the negotiations on the Joint Declaration were concluded—introduced ideas for constitutional reform to public scrutiny and debate, did effect certain changes in 1985, and promised a further review for 1987. The Green and White Papers of 1984 not only encouraged discussion but naturally also raised fears and expectations which—especially in the light of the Basic Law drafting effort—have spawned additional arguments on the urgent need for reform. These include (1) the alleged necessity to have a 'truly representative Hong Kong Government' speak with implicitly greater authority and more pronounced self-interest to Beijing; (2) the requirement for the training of local political leaders prior to 1997; and (3) the need for a better reflection of the opinion of the wider population generally, before and after 1997. These arguments are of doubtful validity, being bland generalisations which deny or wholly misunderstand the reasons for Hong Kong's bargaining position.

Whether the perceived need in 1984 for reform was justified or not is now no longer the issue: the political reality of today has to be addressed and it centres on the call for greater democracy by way of direct elections to this Council from 1988 onwards. Not surprisingly, given the fact that perhaps only one or two countries in Asia can be rated as truly democratic in character and that relevant practical experience is therefore in short supply, there appear to be conflicting views as to what democracy actually means in the Hong Kong context. This is demonstrated by the reluctance to acknowledge other forms of electoral procedures as 'democratic' or 'representative'; by the apparently still existing public confusion as to the role of this Council, the functions of its Members, and the nature of our debates; it is also demonstrated by the fact that those in the

forefront of the democracy lobby are frequently unwilling or unable to accept majority decisions. It is also evident in the public doubts expressed about the ability of both currently appointed and indirectly elected Members of this Council to represent Hong Kong interests at large, on which Mr. Stephen CHEONG has already spoken so eloquently, and evident by the belief (or at least claim) that direct elections will produce more responsible, more effective and better balanced representation; and is shown in the indiscriminate and therefore often misleading use of the term 'direct elections' itself among its various promoters. Democracy, Sir, is not something that can be copied from or applied anywhere, nor like a shirt can be put on and taken off according to the temperature. Democracy has to be firmly embedded in the public mind and anchored in institutions that have had a chance to evolve naturally and have been tested over time. We need only look around the world to see the sad results of a rush into democratic systems in countries which had not yet reached sufficient political maturity for this particular form of government. Even many traditionally democratic societies have discovered that democracy is not the panacea for all evils of modern existence nor the guarantee for happier and more prosperous lives. Individual freedoms in Hong Kong are better protected than in many so-called 'democratic' countries. There already exists a wide range of avenues for political participation.

The Sino-British Joint Declaration succinctly prescribes that the legislature 'shall be constituted by elections,' and so eventually we will have to move away from the appointments system when Hong Kong becomes an SAR. The Joint Declaration, however, is meant to be a blueprint for a stability and prosperity over the longer term and not a licence for either of the two governments or for the people of Hong Kong to experiment with success. We have to get our priorities in order when deciding what system of elections we want to favour, and a great number of people still need to be convinced that direct elections as presently advocated will do more, rather than less, for the cause of stability and prosperity. It is those who are arguing for direct elections who have to carry the burden of proof, and most of us in the business community in particular do not think that a case has yet been made. On this very point it is somewhat unfortunate that by definition a moderate position precludes extremes of argument and publicity which are readily used by the reformist school. As a result, the moderate element of Hong Kong's population has not been sufficiently and publicly vocal, and the presentation of the issues has therefore been one-sided and the strength of support for direct elections been distorted. Reflection should, however, not be construed as consent and the unease generated by the topic of direct elections is very real indeed. The reasons for this are fairly obvious.

Direct elections will mean party politics, with the attendant panoply of platforms, campaigns, finance schemes, membership drives, and patronage. It is in the very nature of political parties that they try to produce separate identities

and a trend towards polarisation, thereby opening up opportunities for dissent at home as well as for manipulation from abroad. Such a development could well lead us away from the goal of a socially cohesive and economically stronger Hong Kong with a better chance to explain and defend its autonomy. Instead it could very quickly increase the perception of political risk among local and overseas investors and reduce the level of personal commitment to the territory. All political parties, not just the Communist party, exist to attain and maintain political power and it is naive and very dangerous to assume that political groupings in Hong Kong would somehow behave differently or could shield themselves more effectively from outside influences. The logic of arguing for a system that will tend to facilitate interference, as a means of protection against that very interference totally escapes me.

Sir, I do not believe that it does matter whether we have direct elections for part or for the whole of this Council: the practical effects of a change that touches the essence of our traditional system and the fabric of our society, and which would certainly be irreversible even if we later discovered that it was all a bad mistake, will be the same whether we elect two, 20 or all of the Council Members by universal suffrage organised on a geographic constituency basis. The proposals for partial direct elections are therefore a 'dirty' compromise meant to humour the most vocal of the local political reformists, and pay homage to the democratic ideals of Westminster and Whitehall, while trying to mute the concerns of those who have perhaps more of an understanding what a crisis of confidence can mean in commercial terms. Some of my hon. friends have suggested that people's confidence would also be shaken if direct elections were not introduced in 1988, but, Sir, I submit, that people will not necessarily lose their jobs or need to lower their standard of living if they were in fact to be disappointed by events. It should not be necessary to remind everyone in this Chamber and outside that people's livelihood is not fostered by ideology, debating societies, or organising committees, but by the productive harnessing of available resources to create job opportunities and greater wealth for the whole community. The example across the border alone should be sufficiently educational; there is no reason at all why we should not be particularly conscious of the achievements and mistakes of the country which will soon be determinant of Hong Kong's future, or should not be guided in our deliberations by that country's attitude on this very important question.

Sir, I do not necessarily enjoy playing Cassandra although I have had some measure of success in that role in other areas. I would also not wish to give the impression that all reforms are anathema or suspect. Much change will need to come about if we are to successfully implement the Joint Declaration and want to ensure continued progress for Hong Kong. For example, while there is a need for localisation of government personnel, it has I believe been generally accepted that localisation need not be done in a manner or at a pace prejudicial to the whole government machinery or to the standards of public service. The same philosophy should guide all our other steps: not in order 'to protect the

existing powers and privileges of a small elite' and as is often alleged, but to keep all of Hong Kong's trump cards up our sleeve instead of giving them away prematurely and unnecessarily. We can of course review possible measures and take action leading to a greater separation of powers between the branches of Government, including such topics as the presidency of this Council, the interaction between the Executive Council and the Legislative Council, a greater policy-making role for this Council, the adequacy of present procedures for indirect elections of Members, and the experience to date with district boards, electoral college, and functional constituencies. All reforms should however avoid change that is unpredictable in its consequences, patently not adding to our resources, or can damage our proven strength which lies first and foremost in our position as a commercial centre of global significance. Rudely summarised: when we can no longer perform in economic terms as well as we have in the past, Hong Kong will not make it, no matter how successful we might otherwise have been in practising democracy or in replacing the merchant class with qualified statesmen.

Mr. Thomas CLYDESDALE, who is abroad and to his great regret unable to speak in this debate, wished me to say that he is in sympathy with the views I have expressed. I cannot speak for Mr. CLYDESDALE, but, Sir, I hope I will still be here in Hong Kong in 1997.

Sir, with this discourse, I support the motion.

MR. ANDREW WONG: Sir, last year, you went to great lengths (four paragraphs in all) extolling the virtues of our three-tier structure of government. This year, however, you merely state that 'the general structure of government in the territory is now well established, at the district board, Urban and Regional Council, and central legislative level' relying on the single argument that 'experience over the last year suggests that this structure is serving Hong Kong well'. With respect, Sir, I take exception to this optimistic (if not euphoric) and premature conclusion.

Sir, our present three-tier structure was conceived (perhaps impregnated) in 1981 when the district boards were established as the bottom tier and was born as late as last year when a Provisional Regional Council was set up in the New Territories paralleling the Urban Council forming the middle tier, and the permanent Regional Council came into being only this year. I am not disputing the possibility that 'the Regional Council will achieve the same success as the long-established Urban Council'. In fact, I share the confidence you expressed last year that it will, personally knowing and confident in the integrity and ability of my hon. friend Mr. CHEUNG Yan-lung who heads the Regional Council and all his colleagues in the said council. (Oh dear! Am I not a shoe-shine boy?) However, Sir, 'to achieve the same success' logically means 'to achieve the same successes' and to 'to achieve the same successes' logically entails 'to achieve (or suffer) the same failures'. Moreover, the situation is

exacerbated by the creation of this middle tier and by the very existence of two councils governing two mutually exclusive yet contiguous areas each having the authority to make (and making) decisions on matters some of which ought to be applied uniformly throughout the whole territory. I am referring perhaps to matters such as meat inspection. Now, this problem did not arise prior to the inception of the Regional Council as the Government which had responsibility on such matters over the New Territories simply copied as appropriate the standards adopted by the Urban Council for the urban areas and applied them in the New Territories.

When the decision to set up the Regional Council was announced in 1984 by the then Chief Secretary Sir Philip HADDON-CAVE, I wrote an article in the monthly Hong Kong Economic Journal likening the proposed three-tier structure to a chimera which in Greek mythology is a monster with the head of a lion, the body of a goat and the tail of a serpent and which spits fire. (Have no worry, Sir, this is as much Greek as I would refer to in this speech.) The decision had my sympathetic understanding because the Government was caught between first abolishing the Urban Council which the Urban Council naturally would oppose and second extending the jurisdiction of the Urban Council to the New Territories which the Heung Yee Kuk again naturally would oppose. In any event, we cannot and should not have a local authority whose geographical jurisdiction is coterminous with that of the Central Government. However, even so, with my sympathy, the three-tier solution was less than imaginative.

I had always thought that a better solution can be found in the 1966 Dickinson Report on local administration, (which I refer to last year,) which advocated a system of separate local authorities at the local level with nothing between this and the central level. I am not saying that we ought to implement the report in its entirety. But the basic conception is and should be there. Specifically, I have the following three recommendations to make for consideration in the 1987 review.

First, for those functions which are now entrusted to the Urban and Regional Councils but which require uniform standards and application throughout the whole territory, they ought to be entrusted to a functional authority or to a number of functional authorities at the central level, somewhat like the present Housing Authority. The existing Urban and Regional Councils can be amalgamated to form this overall functional authority or amalgamated and expanded to form a number of authorities such as culture, sanitation, amenities, and so on.

Second, for those functions of the two councils which can be devolved and which should be devolved to enhance effectiveness, they should be entrusted to the 19 district boards which will become local authorities which are bodies corporate and in charge of making decisions in their respective districts in so far as such functions are concerned. If it is considered that a system of 19 local authorities is too unwieldy, the boards could be amalgamated to form say

10 boards or six boards, for example, 10 boards: (1) Hong Kong Island and Lamma Island, (2) East Kowloon, (3) West Kowloon, (4) Junk Bay, Clear Water Bay and Sai Kung, (5) Kwai Chung, Tsuen Wan, Tsing Yi Island, Lantau Island and adjacent Islands, (6) Sha Tin and Ma On Shan, (7) Tai Po, (8) Sheung Shui, Fanling, Sha Tau Kok and Ta Ku Ling, (9) Yuen Long, and (10) Tuen Mun, for example 10 boards, just by way of example.

Third, to finance the activities of such central functional authorities and local authorities, a more equitable revenue sharing scheme should be adopted, with a portion say one third of the rates collected, earmarked for function authorities and a portion of say another third earmarked for local authorities, and the last third earmarked for Central Government departments which provide local services. Now in so far as the one third which is earmarked for local authorities is concerned, it should be apportioned to the various districts in accordance with population and geographical size as the main criteria of apportionment.

Now, Sir, in your policy address this year, you go on to discuss the 1987 Review and at some length too emphasising the importance of public consultation and convergence with the Basic Laws. Although I personally regard direct elections and direct or indirect elections on a geographical constituency basis to be superior and a first step ought to be taken in 1988, I also believe too much has already been said by my hon. colleagues both inside of this Chamber and outside, sometimes with belligerence and even battle-cries escalating, that this whole question has assumed exaggerated airs so much so that it pales all other aspects of constitutional development. I am of the opinion that whether or not reforms to our three-tier structure can be or should be introduced in 1988, the issue should certainly be included in the 1987 Review if the review is to be comprehensive and if it is not to be merely a fight over direct elections.

Sir, I have often been misunderstood as naively idealistic. Ironically, I have also been often accused of being reactionarily conservative. I must say I am neither. Like the great social philosopher David HUME, I simply want a good constitution yet seeking it ever so gently. Quoting him, I say 'in all cases it must be advantageous to know what is the most perfect in the kind, that we may be able to bring any real constitution or form of Government as near it as possible, (and always) by such gentle alterations and innovations as may not give too great a disturbance to society.'

Hong Kong has always been a gentle society. I hope and I am optimistic that in the 1987 Review be it on direct elections to the Legislative Council or be it on the three-tier structure, I, myself, my hon. colleagues, and the people of Hong Kong at large will not have caused too great a disturbance to this our great civil society.

Sir, with this Humean note, I beg to support the motion to thank you, Sir, for a most excellent address.

MR. ALLEN LEE: Sir, in paragraph 5 of your opening address to this Council on 8 October 1986, you said and I quote, 'First and foremost is the objective of ensuring that Hong Kong remains prosperous and stable. This means continuing to foster an economic environment in which enterprise can flourish, there is sufficient employment, and hard work reaps rewards. It means vigorous defence of our trading interests overseas, and prudent, but firm supervision of our financial institutions at home. It means maintaining law and good order, not just on the streets but in all aspects of the conduct of our affairs. It requires too, political stability. There has been and is room for healthy dissent and debate. But the dramatic progress which Hong Kong has made over the last two decades was not built on conflict and turbulence. It was built on a constant search for consensus.' Unquote.

Sir, it is exactly 20 years ago when I returned to Hong Kong after more than seven years absence. I was impressed by the development in such a short period so I decided to stay. The performance of Hong Kong over the past 20 years is for everyone to see. We have lived through the 1967 riot, two economic recessions, the Sino-British negotiation and the future and now, in my view, we are entering a critical period of transition leading towards 1997 when sovereignty reverts back to China. There is no doubt that our people still have uneasy feelings about the eventual successful implementation of the concept of 'one country, two systems', and that quite a number of our citizens are in the process of emigrating or thinking of emigration to the United States, Canada or Australia. They do so not because they like to live in a foreign country but because they understandably so wish to have an insurance policy. One can easily envisage that the tasks of the current Government of maintaining economic prosperity and political and social stability are enormous. It is only natural that our citizens are concerned about the formation of the future government structure, therefore, many different opinions have been and will be expressed in private and in public forums. But we must not forget that what makes Hong Kong tick is and always will be our economic performance. Only through continuous improvements of our economy will we be able to have a stable society. Therefore, I wish to concentrate my speech on the economy this afternoon because without a sound economy, we certainly have no future.

In examining the economic structure of Hong Kong, one can safely conclude that it is export led, which means the performance of trade and industry is of vital importance. Therefore, I am in total agreement with you, Sir, that we must vigorously defend our trade interests overseas. On the other hand, we must examine ways and means of enhancing the development of our industry which is the sector which provides, by far, the greatest employment. I cannot imagine what will happen to Hong Kong if our industry was unable to compete effectively with our competitors in this region. The snowball effect on other sectors such as trade, finance and services would be devastating. Therefore, we must strive to prevent such a scenario from happening.

In order to enhance the development of our industry, I would like to make two observations this afternoon. First, I would like to repeat my plea on the need to pay heed to research and development. When I say R & D, I do not mean asking Government for billions of dollars to establish a research centre. Research and Development begins in our tertiary education sector. If we look at our universities and polytechnics and I was reminded to include the Baptist College, their research budgets are pathetic. If we have good research facilities, we would be able to attract well-known lecturers and professors, on top of giving the current teaching staff a major challenge. In my view, we must attract the best talent to our tertiary education institutions so we will be able to train good students. We should not look at these institutions for Research and Development as a direct assistance or input to industry. But they should be able to teach and train good talent which will come out of the tertiary education sector to serve industry. Our only natural resources in Hong Kong are the talents of our citizens. We must never lose sight of the importance of human resources development.

Secondly, we must vigorously pursue our overseas industrial investment promotion. In my view, so far, our Government has not done this very professionally. We only have a few offices around the world and I can count the number of people involved with my two hands. Overseas industrial investment must play an important part in our industrial development. It does not only bring capital to Hong Kong but more significantly it brings to us much needed up-to-date managerial systems and improved technology transfer. Therefore, may I call upon the Government once again to consider utilising our resources effectively by giving the mandate of overseas industrial investment promotion to the Trade Development Council which now only has 24 offices around the world, and also has a wide coverage of the industrial sector of developed countries. I say this not because Miss DUNN is the Chairman of the Trade Development Council and I am a council member but because TDC's performance is well known in the past. I fail to understand why our Government has not utilised this powerful resource to our benefit. We keep on hearing from government officials about the importance of overseas industrial investment but then, why are we not using the services provided by the Trade Development Council to our advantage?

Sir, there are of course many areas where one could reasonably suggest in the hope of improving our infrastructure in support of our future economic development. The two points I put forward would in my view, definitely contribute positive results within a relatively short period of time, say one year. It is in the long-term interest of Hong Kong that our industry continues to flourish and be able to compete. We must not be complacent with our past track record. We must look forward in the difficult years ahead to correct our shortcomings whenever we can. I look forward to Government's favourable response.

Sir, it has always been accepted that politics and economics are inseparable. Therefore, I would like to turn to politics and say a few words on political

development in Hong Kong. It seems to me that it is fashionable these days to rap the Hong Kong Government. There is no question that in doing so, one will make the news headlines. Those people have forgotten what the Hong Kong Government did in housing, transport, medical services, social services and many other areas for the people of Hong Kong. These people have forgotten what we enjoy today, to start out with, is mainly due to the stable and firm government policies. I am not defending the Hong Kong Government; in fact, many others are very critical about the performance of our Government and believe many improvements can and should be made. But it is easy to identify constructive suggestions and proposals and those who rap the Government for whatever the reason of their own. The volume of vocal voices for radical reforms seems to have tilted the balanced atmosphere we have known. Perhaps it is because we are in a transitional period that the people of Hong Kong are concerned with what the governmental structure of the future will be or some believe that the future power to rule is up for grasp. Whatever the outcome of the 1987 Review and the future Basic Law for Hong Kong will be, I believe we must bear in mind that perceived political stability is needed in order to enhance the future economic development of Hong Kong. Being involved in the evolution of Hong Kong politics for many years, I have learnt much during the past year. I must admit that at times, frustration has caused me to forget the importance of the need for cohesiveness of this Council. In serving the people of Hong Kong, there really should not be a dividing line between the appointed and elected members. Appointments and elections are only means to become a Member of this Council. The most important thing is the desire to serve not for fame or fortune, but for the betterment of the Hong Kong we dearly love. In my view, putting a divider between the two is not only dangerous and non-constructive for Hong Kong's future development but we will have many problems. Of course there will be differences in opinions amongst Members on issues but at the end of the day, after due debate and frank exchange of opinions, the true spirit of democracy must prevail and that is the majority must be allowed to carry. There are many important issues before us in the coming year. I appeal to my colleagues in this Council to work together, for the pragmatic solution of those problems facing us thereby helping to lay a good foundation for our future. I certainly look forward to the challenges ahead with hope and determination.

Sir, I support the motion.

MR. PETER POON: Sir, I agree entirely with you that 'It is only a society which is both prosperous and stable which can offer the means, continuously, to improve the quality of life of the people of Hong Kong.' Hong Kong has been extremely fortunate to have weathered the economic storms of the past few years with virtually no unemployment and no significant cutback in social and other programmes. Government's policy of maintaining a favourable environment for business, and its commitment to keeping taxes reasonably low have encouraged enterprise and investment and brought about our prosperity.

Hong Kong has an outstanding and enviable record in providing housing, education, medical and welfare services to its people. About two and a half million people now live in public housing, which is heavily subsidised. We have nine years' free education and a practically free of low-charge medical service. Our various social programmes provide a wide range of services to the elderly, the needy, and the disabled. We have a modern and cheap transport system and an efficient police force. All in all, we have much to be thankful for, and while there is much that can and should be improved, it cannot be denied that we live in a caring society.

It may be relevant to examine briefly which part of the community bears a great part of our expenditure. The latest available Inland Revenue Department statistics show that only about 18 per cent of our workforce are assessed to salaries tax and that 17 per cent of these taxpayers (fewer than 80 000 people) pay over 77 per cent of all the salaries tax collected in Hong Kong. As to profits tax, in 1983-84 fewer than 20 000 corporations contributed about 54 per cent of all direct taxes collected. We cannot, of course, discount entirely the much smaller contribution made by indirect taxes, nor can we deny the massive contribution made by all members of the workforce to Hong Kong's prosperity and progress. It is to be hoped that, as wages increase in proportion to Hong Kong's growing prosperity and rising standard of living, a larger part of the community will share the burden of direct taxes. But the fact remains that, for the time being, most of such taxes raised come from a small number of people and companies. Hong Kong has no natural resources. Our survival depends very much on our economic viability. To support a population of 5.5 million and to avoid unemployment, we need capital, expertise and ingenuity and must maintain economic growth. Even if only a few thousand of our entrepreneurs and professionals were to leave every year the effect on our economy, on the services provided by Government, and on confidence in Hong Kong would be considerable, as the gap cannot be filled immediately. It is absolutely essential therefore that we preserve the confidence of these people and provide them with the economic and political stability they need to maintain and increase Hong Kong's prosperity. We have been fortunate during the last few years in seeing large numbers of talented people returning to Hong Kong because of increasing unemployment and the tightening up of immigration procedures overseas. These trend are now being reversed: employment prospects overseas for well-qualified people from Hong Kong are improving, and immigration quotas and requirements in the USA, Canada, and Australia are becoming less restrictive. Taxes in most of these countries are also being cut.

If we are to keep these people in Hong Kong and to provide a stable society for us all to work in, any major change, particularly constitutional change, should be evolutionary and not revolutionary.

We have seen significant improvements in our exports in the last few months. This is due, in no small measure, to our linked exchange rate system, which makes our goods competitive. The system should therefore not be changed in

the near future. But we must not be complacent. We shall continue to face strong protectionism in the United States. We have been fortunate to have low inflation despite our weak Hong Kong dollar. Though we import large quantities of goods from strong currency countries like Japan, import prices have not risen sharply, largely because of low oil prices and restraint from suppliers. In addition, our imports from the Mainland remain at favourable prices. Nevertheless, we have to be constantly on guard and keep on fighting unjustified protectionism. We must also continue to improve our competitiveness through higher quality and better technology and productivity. The increase in our total imports of raw material is a good sign. Re-investment in industry is recovering gradually. We must, however, build up more confidence in our industrialists so that they can upgrade or expand their operations, otherwise we shall soon lose out to Taiwan, Korea and Singapore. With the expected improvement in our economy, our revenue, especially from stamp duty and land sales, will be well above budget. Many countries in the world are now reducing taxes to give incentives to investment and production. Though our taxes are not repressive, it may be advisable for Government to consider, when our finances permit, some reduction in our tax rate in order to produce a similar effect. We should note that Singapore, with its new tax incentive measures, is catching up on Hong Kong as a regional headquarters for foreign corporations.

Much has been done during the last few years to regulate the financial and commercial sector. With the substantial amendments to our Companies, Securities, Banking and Insurance Ordinances, our laws in these areas are greatly improved and will give our regulatory authorities more power in safeguarding the interests of the investors and depositors and our reputation as a major financial centre. As you so rightly say, 'It is impossible to legislate fraud out of existence.' The new legislation will be a great deterrent against irregularity and malpractices and will give early warning signals so that proper action may be taken to remedy the situation. I am also happy to note that, following recommendations by the Standing Committee on Company Law Reform, legislation will be introduced to require full disclosure of ownership of public companies, in line with other major financial centres.

Government's efforts in keeping a tight rein on public sector expenditure are highly laudable. We must, however, endeavour to continue with the 'value-for-money' studies and try to maximise our cost effectiveness. We have an efficient Civil Service but we should periodically review its total pay package to see whether it is more or less in line with the private sector and the pattern of inflation. At present, our pay to civil servants already compares quite favourably with that of their counterparts in other major developed countries, which in general impose much higher taxes. In areas where privatisation is desirable, proper consideration should be given to hive off operations to reduce the cost to the Government, if this can be done without affecting the quality of service.

Finally, we are all proud of our achievements in Hong Kong. Let us all strive to maintain our courage, unity and confidence in our future.

With these remarks, Sir, I support the motion.

MR. JACKIE CHAN (in Cantonese): Sir, I would like to raise the following points on your annual address to this Council and the practical situation in Hong Kong.

Sir, our overall export performance this year has been better than expected. A major factor for this is the depreciation of the Hong Kong dollar against other major currencies under the linked exchange rate system which makes the price of our goods more competitive in major markets and in turn leads to a rapid growth in our domestic exports. However, I feel that the present recovery is merely an illusion which do not reflect the true underlying situation. It is doubtful whether such a vigorous growth can be sustained without the linked exchange rate system. As a matter of fact, our exports to China has already been affected since the imposition of stricter import controls in early 1985. On the other hand, the demand for our products in the United States, Hong Kong's largest export market, remains at an unsatisfactory level. In this respect, it is worthnoting that Hong Kong still lags behind its competitors in the United States market. Our efforts in opening up more overseas markets has made slow progress and there is still yet no sign of significant improvement. At present, our industry is still dominated by middle and small-sized factories which are operated in a traditional manner. Faced with increasing protectionism, economic recession suffered by our buyers and keen competition from our rivals, the prospect of our export trade remains uncertain. The current export growth cannot put our mind at ease. It will be unwise of us to be satisfied with the present achievement and to stop striving for further progress. To this end the Government has been assisting the local industry by providing the necessary basic facilities, information and personnel training whilst the Hong Kong Trade Development Council under the leadership of Miss Lydia DUNN has contributed considerably towards promoting our products and opening up export markets. But to cope with future demand from our overseas buyers and to achieve diversification, further assistance of a more concrete nature should be rendered by the Government. Source of capital is vital to industrial development. I therefore suggest that the Government should positively encourage the banking sector to participate in our industrial development by offering low-interest loans to help industrialists, in particular those who operate middle and small-sized factories, to raise their operating capital. Moreover, the availability of industrial land at a comparatively low price is also advantageous to industrial development. Therefore, more industrial land should be provided under certain conditions to factory operators at cost. Apart from this, the depreciation rate of factory premises and machinery should be revised and the profits tax relaxed to stimulate re-investments and to attract overseas investors to set up hi-tech product manufacturing plants in Hong Kong. The introduction of hi-tech equipments and the related technology will, to a certain extent, facilitate the development of hi-tech industry in Hong Kong.

I have all along pointed out that it is the responsibility of the Government to assist our industry. Hong Kong's economic prosperity is mainly founded on its foreign trade and exports. Social instability could be caused by political factors as well as economic recession. I firmly believe that only a prosperous industry can truly bring wealth to our community.

Sir, on the issue of Vietnamese refugees, this problem has become one of the topics raised in your annual address for years. Why is it so? When will this problem be resolved? If the international community remains unconcerned and there is no change on our government policy, the Vietnamese refugees problem can hardly be contained. In view of the small intake by the western countries, the 8 000 odd refugees stranded here could hardly be resettled in the foreseeable future. But worse still, many Vietnamese are leaving their country for Hong Kong notwithstanding the closed camp policy. Instead, they are contended to wait patiently at these closed camps for resettlement in western countries. One of the original objectives of the closed camp policy is to convey, through various international bodies and refugees stranded here, to the people of Vietnam our policy in dealing with refugees so that they would drop their idea of braving the high seas. Obviously, this policy is not as effective as expected. The Vietnamese still take Hong Kong as a place of first asylum and a stepping stone for permanent resettlement in overseas countries. Under such circumstances, it will be difficult for Hong Kong to shake off the burden unless a more effective measure is adopted by the Government to handle the problem. As a matter of fact, the Vietnam War has already ended for more than 10 years. There is no more wars in Vietnam. Such being the case, I fail to understand what the definition of 'refugees' is. I feel that with the assistance of the British Government, the Government should request the United Nations to clarify the status of Vietnamese arriving at Hong Kong. If the United Nations confirms that they should not be treated as refugees any more, it will be easier to handle the case. The Government can then take prosecution action against these illegal immigrants who will eventually be repatriated to their country of origin. On the other hand, with the assistance of the British Government, negotiations should be sought with the Vietnamese Government through diplomatic channels to request the latter to accept these repatriated illegal immigrants. This is the ultimate solution for the problem. I hope that the Government will review the existing policy on Vietnamese refugees.

Sir, I now wish to turn to the redevelopment of urban areas. The Government has already classified this redevelopment plan as a major construction project and the Land Development Corporation (LDC) which was recently established will be responsible for the related redevelopment works. At this point in time, the most important task is to resume the existing old buildings in the urban areas for redevelopment. During the process of resumption, existing tenants in these buildings will inevitably be affected. If the situation is not handled properly, disputes between Government officials and the public will be most likely. In view of this, I request the Government to give due consideration to the

losses suffered by affected tenants and property owners and award a fair and reasonable compensation to them as well as make arrangements for their resettlement whilst the redevelopment plan is being carried out. Now that the LDC has been set up, it is the opportune moment to speed up the redevelopment. Once again, I urge the Government to include Mong Kok as part of the areas for redevelopment. As a matter of fact, there are a lot of seriously dilapidated buildings in Mong Kok. Early this year, an incident occurred in Reclamation Street, Mong Kok, in which part of an old building collapsed. If the redevelopment plan does not cover Mong Kok, many more similar tragedies may occur. Moreover, Mong Kok is the most densely populated area in Hong Kong with insufficient community facilities and a poor environment. Once the redevelopment plan is carried out in Mong Kok, it will help to solve various problems in the district. I firmly believe that the redevelopment plan will achieve positive effects in improving the environment and outlook of the urban areas as well as the state of economy of Hong Kong. I am also confident that the efforts of the LDC will bring a new scene to the urban areas.

Sir, 'We will be better off tomorrow' is a popular song lately and I hope to use the title of this song as the conclusion of my speech today. Sir, I support the motion.

MR. NGAI (in Cantonese): Sir, you have in this year's policy address given prominent coverage to Hong Kong's financial and economic situation. You have stated that 'Hong Kong's economic prosperity was founded on its manufacturing industry'. You also mentioned briefly the various ways of assisting Hong Kong's industry, strengthening the industrial base and promoting industrial diversification, such as researching and developing new technology, assisting in the standardisation of product quality and emphasising technical manpower training. I am very pleased to note that Government has taken a more definite and positive attitude towards the manufacturing sector. At the same time, I hope that Hong Kong's industry can continue to maintain its importance and growth as well as to create more foreign exchange earnings.

In fact, Hong Kong as an international city has to make both local and foreign investors feel confident in investing and reinvesting in the territory's industry if it wants to maintain its own economic vitality and development. Since the signing of the Sino-British Joint Declaration, investors' confidence in the future of Hong Kong has gradually revived and this revival can be reflected in the booming property market and financial activities. With respect to the export industry, Hong Kong's domestic exports have in the first half of 1986 grown by 8 per cent in real terms. The manufacturing sector has enjoyed a better order-book position and it is expected that this trend will continue. Furthermore, the rate of employment and wage levels have shown a marked increase. These are all gratifying signs. In any case, we should not forget that these healthy economic performances and the confidence of the investors are the result of the past as well as the prevailing economic and political systems. Sir, in

response to your policy address I wish to stress three issues in relation to industrial investment and economic development:—

(1) *Industrial investment and changes in the political system:*

Sir, you have pointed out in your policy address that the political review will be one of the most important task in 1987. I am in total agreement with this because the task will have far reaching implications on the prosperity and stability of Hong Kong.

I wish to take this opportunity to point out that Hong Kong has, from its early days, built its success on a system in which we can of our own free will take on any form of work, make something out of nothing, and grow from being fairly well-off to being extremely prosperous. Our entrepreneurs can freely embark on an undertaking, make investments and engage in competition; at the same time, our workers can work freely, change their jobs freely, and seize opportunities freely. This foundation has withstood the test of political and economic blows in the past years and is still standing firm and deeply rooted. Hong Kong's progress and economic prosperity have therefore been built on a high degree of liberty rather than on democracy. In the past few decades, the existing economic and political systems have proved to be operating well and suited to the structure and special features of Hong Kong's society. They have enabled us to build an enviable economic community in which more than five million people can basically live and work in peace and happiness. Sir, I think this is the real aspiration of the Hong Kong people. Whether Hong Kong can continue to enjoy prosperity and stability in the face of the changes brought about by 1997 depends entirely on whether this foundation of liberty can be retained. I therefore consider that the maintenance of a free economic system should be made a pre-requisite when we contemplate any changes in our political system; the Government must take a prudent course and take into account the various factors behind Hong Kong's success when conducting the review of the political system next year. Mr. SOHMEN has raised a number of points in connection with this.

Sir, the confidence of investors in Hong Kong has been built on its political stability. Its economic growth has only recently gone back to a comparatively satisfactory level after being disturbed by the 1997 problem. Our most pressing task right now is to see how we can make our economic base secure, promote industrial and commercial investment, increase employment opportunities and improve the living standards of our people. Our task is not to proceed with possibly risky political experiments or to try to change radically our existing political system in a bid to achieve certain remote political objectives. Such political experiments will not contribute to our economic prosperity but they will deal a heavy blow to the confidence of investors in our industry and trade. Take the manufacturing sector as an example, it is a long term investment in which the manu-

facturers need a long period of stable political conditions to plan such things as investment and the setting up of factories. If the system of 'one man one vote' direct election system were introduced, it will definitely bring about radical changes to government policies and affect the long term confidence of investors.

The Chinese and British Governments are now on very good terms and they both are making efforts to realise the spirit of the Sino-British Joint Declaration. We know for certain that the Chinese Government is resolutely carrying out its undertaking of 'one country two systems' and 'no change for 50 years'. It would therefore be immature and misleading to aim at resisting intervention with 'democracy' or to allege that the undertaking is not reliable.

Sir, the present system of representative government has only been in existence for about one year. Under this system, Members of this Council, whether indirectly elected or appointed, are all working under a spirit of co-operation, mutual respect and taking the interests of the whole situation into account when performing their duties as councillors and reflecting to the Government the views from various sectors of the community. More importantly, I consider that the representativeness of Members of this Council is unquestionable as we have, under the present system, come from different sectors of the community. Since we possess expertise in various fields, we can reflect to the Government practical views on a range of issues such as medical services, education, social welfare, housing and finance. I believe that this is the main feature of a representative government. The purpose of reviewing the political system in future is to make an appraisal of the system since it came into operation in this Council, to weed out what is bad and to retain what is good, and to take Hong Kong's integral interests into consideration so that the system can be linked up with the Basic Law eventually. I consider it is inappropriate at this stage to adopt another form of election in place of the existing system. We should wait the the promulgation and implementation of the Basic Law and when the constitution of Hong Kong is confirmed, we can then act according to 'Law' (Basic Law). Only by so doing are we acting in accordance with the Sino-British Joint Declaration.

(2) *Economic development and the central provident fund*

Sir, I wish to turn to another issue which has the same far-reaching implications for Hong Kong, and that is the proposal to set up a central provident fund. The far-reaching effects that such a proposal would have if it were adopted by the Government are no less than those of direct election, and probably more direct since it would affect the purse of each and every member of the general public.

Sir, Hong Kong's economic success depends partly upon the entrepreneurial spirit, energy and flexibility of entrepreneurs in starting their

undertakings and partly on the hard work and efficiency of the labour force. In response to the progress and needs of the community in recent years, labour laws have gradually proliferated and the areas of protection have been progressively enlarged. In the 1980s, for example, legislation has been enacted on the subjects of severance pay, paid sick leave, paid maternity leave for female workers and long service gratuities. As there is more and more protection over the livelihood of employees, their morale and efficiency have also improved. But we cannot deny the fact that with the implementation of such legislation, the burden on the employers has unavoidably been made heavy, and it will be even heavier at times of economic depression.

The establishment of the central provident fund will have a tremendous effect on Hong Kong's economy as a whole. There are at present 2 600 000 people in the local labour force. If a contribution to the fund is calculated on the basis of paying 5 per cent each by the employer and the employee of the wages, which is assumed to be an average of \$3,000 per month for each worker, the total amount thus accrued each year would reach a figure of between 8,000 and 9,000 million dollars. If we compare this figure with the Government's total estimated amount of general revenue for this fiscal year, that is 39,900 million dollars, we can see what a mammoth sum it would be. And this sum of money would be equally shouldered by the employer and the employee. In other words, in terms of private consumption, there would be a decrease of several thousand million dollars of money in circulation and this would in turn inflict a heavy blow on the domestic consumer market and reduce the standard of living of workers. I am worried that this scheme might not be easily accepted by the retailing business, service sectors and the labour force. As for employers, I believe that they also would not welcome the idea since they have to share the burden of several thousand million dollars which might otherwise be used in investment or in cash flow. This is obviously detrimental to the development of industry and trade. Furthermore, the Government would need to take up the responsibility of managing this fund, which would grow in size annually: this would surely be a painstaking task. The Treasury's revenue, on the other hand, would definitely be reduced following the setting up of the fund. What methods will the Government then employ to tackle such problems?

Therefore, in considering this proposal, the Government should consult extensively both the employers and the employees, and in particular, ascertain the actual wishes of the employee. To avoid causing serious effects on Hong Kong's economy, studies should also be conducted into other ways of protecting retiring workers, such as encouraging the setting up of pension schemes in the private sector by way of reduction in tax payments.

(3) *Industrial investment and corporate tax*

Sir, the third point I wish to raise is also directly related to investment: it is the issue of whether or not the corporate tax rate in Hong Kong should be adjusted. People from the industrial and commercial sector have recently proposed that the Government should consider reducing the corporate tax rate with a view to attracting more foreign investment, and I wish to add my voice in support for this proposal.

The former Financial Secretary moved a motion in 1984 to increase the corporate tax rate from 16.5 per cent to 18.5 per cent and the standard tax rate from 15 per cent to 17 per cent for the purpose of reducing the Budget deficit at that time. I do not wish to comment here on whether this reason was appropriate for the increase of the corporate tax rate. But according to this logic, since the Government is presently enjoying a balanced Budget, it should now be reasonable and timely to bring the tax rate back to their original levels.

Today, Hong Kong's industry is gradually moving into a technology-intensive and capital-intensive stage. During this period, in order to strengthen Hong Kong's industrial base, technology transfer from advanced countries is greatly needed and foreign investment should be attracted to set up factories in Hong Kong. If Hong Kong wishes at the same time to maintain its position as an international financial centre, it must improve its terms to attract foreign investment. Since Hong Kong is facing keen competition from other developing countries and since the local tax system does not provide for a tax exemption period for new investments, I therefore believe that the reduction of the corporate tax rate by 2 per cent will be a more positive step. If Hong Kong can attract more foreign investment, it will in the long term persuade people to have more confidence in its future.

Sir, with the above observations, I support the motion.

Suspension of sitting

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

Suspended accordingly at thirty-six minutes past Seven o'clock.