

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 19 June 1997

The Council met at half-past Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

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

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

THE HONOURABLE SZETO WAH

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

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

THE HONOURABLE RONALD JOSEPH ARCULLI, O.B.E., J.P.

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE MICHAEL HO MUN-KA

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE ERIC LI KA-CHEUNG, O.B.E., J.P.

THE HONOURABLE FRED LI WAH-MING

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

THE HONOURABLE JAMES TO KUN-SUN

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE CHAN KAM-LAM

THE HONOURABLE CHAN WING-CHAN

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE CHENG YIU-TONG

DR THE HONOURABLE ANTHONY CHEUNG BING-LEUNG

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE IP KWOK-HIM

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, J.P.

DR THE HONOURABLE LAW CHEUNG-KWOK

THE HONOURABLE LAW CHI-KWONG

THE HONOURABLE LEE KAI-MING

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE BRUCE LIU SING-LEE

THE HONOURABLE MOK YING-FAN

THE HONOURABLE MARGARET NG

THE HONOURABLE NGAN KAM-CHUEN

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE TSANG KIN-SHING

DR THE HONOURABLE JOHN TSE WING-LING

THE HONOURABLE MRS ELIZABETH WONG CHIEN CHI-LIEN, C.B.E.,
I.S.O., J.P.

THE HONOURABLE LAWRENCE YUM SIN-LING

MEMBERS ABSENT:

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

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

DR THE HONOURABLE HUANG CHEN-YA, M.B.E.

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

THE HONOURABLE PAUL CHENG MING-FUN, J.P.

THE HONOURABLE CHEUNG HON-CHUNG

THE HONOURABLE CHOY KAN-PUI, J.P.

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE LO SUK-CHING

PUBLIC OFFICERS ATTENDING:

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

THE HONOURABLE DONALD TSANG YAM-KUEN, K.B.E., O.B.E., J.P.
FINANCIAL SECRETARY

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

MR CHAU TAK-HAY, C.B.E., J.P.
SECRETARY FOR BROADCASTING, CULTURE AND SPORT

MR NICHOLAS NG WING-FUI, J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS
MR DOMINIC WONG SHING-WAH, O.B.E., J.P.
SECRETARY FOR HOUSING

MRS KATHERINE FOK LO SHIU-CHING, O.B.E., J.P.
SECRETARY FOR HEALTH AND WELFARE

MR RAFAEL HUI SI-YAN, J.P.
SECRETARY FOR FINANCIAL SERVICES

MR JOSEPH WONG WING-PING, J.P.
SECRETARY FOR EDUCATION AND MANPOWER

MR PETER LAI HING-LING, C.B.E., J.P.
SECRETARY FOR SECURITY

MR BOWEN LEUNG PO-WING, C.B.E., J.P.
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

MR KWONG KI-CHI, J.P.
SECRETARY FOR THE TREASURY

MISS DENISE YUE CHUNG-YEE, J.P.
SECRETARY FOR TRADE AND INDUSTRY

MR LAM WOON-KWONG, J.P.
SECRETARY FOR THE CIVIL SERVICE

MR STEPHEN IP SHU-KWAN, J.P.
SECRETARY FOR ECONOMIC SERVICES

MR KWONG HON-SANG, J.P.
SECRETARY FOR WORKS

MRS STELLA HUNG KWOK WAI-CHING, J.P.
SECRETARY FOR HOME AFFAIRS

MR LEUNG SAI-WAH, J.P.
SECRETARY FOR TRANSPORT

CLERKS IN ATTENDANCE:

MR RICKY FUNG CHOI-CHEUNG, J.P., SECRETARY GENERAL

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

PRESIDENT (in Cantonese): Members please remain standing for the Governor.

CLERK (in Cantonese): His Excellency the Governor.

PRESIDENT (in Cantonese): Members can now raise a question to the Governor and, after getting the answer, can raise a short follow-up question for the purpose of seeking elucidation only as too many Members wish to raise a question. Mr Allen LEE.

MR ALLEN LEE: *Mr Governor, I do not have a question for you, I just want to say that we have had our differences of opinion with regard to political reform in the past, but that is all in the past, and I just want to wish you every success and good health on your return to United Kingdom. And your party, the Conservative Party, needs a lot of help and I think you could contribute. Bon voyage.*

PRESIDENT: May I just remind Members that this is not the House of Commons!

MR ALLEN LEE: *You did not stop me!*

GOVERNOR: Can I thank the Honourable gentleman for that generous remark and commend him on his perceptiveness. He noted that the Conservative Party in the United Kingdom needs a little help. I hope it is assistance that can be provided this side of the Almighty.

But can I, responding to the Honourable gentleman, say that I think that the way in which he framed his remarks is illustrative of one of the things that has most impressed me as I have watched the political debate and the political dialogue developed over the last five years. There are views which people take in Hong Kong on issues of the greatest and most fundamental importance, views which often differ considerably. But I have been impressed by the way in

which the political dialogue in Hong Kong is conducted with moderation and responsibility, and more generosity of spirit here than I have ever witnessed in many other communities.

And the second thing which I believe to be true is that, whatever the views expressed within this Chamber, Members all have the interests of Hong Kong at heart, even though I may occasionally disagree with the way that they seek to stand up for the interests of Hong Kong.

I look forward to seeing the Honourable gentlemen and others in future this side of Paradise, and I hope that I see the Honourable gentleman on return visits to Hong Kong. It did occur to me, watching the forest of arms going up a moment or two ago, that if there are too many questions this morning, perhaps I could come back next month and answer a few more. *(Laughter)*

PRESIDENT (in Cantonese): Mr James TO.

MR JAMES TO (in Cantonese): *Mr President, we still have many important questions to ask. If there are some dialogues which are unrelated to the affairs of Hong Kong, I believe the President should make a ruling as many Members would still like to raise many important questions.*

PRESIDENT (in Cantonese): Mr James TO, the President cannot decide on the contents of a question.

MR JAMES TO (in Cantonese): *But that is not a question, Mr President.*

PRESIDENT (in Cantonese): If Members change it into a format similar to a question, I will usually accept it. Mr Martin LEE.

MR MARTIN LEE: *Mr President, Mr Governor, what is the biggest regret you have now that you are about to leave Hong Kong? What is the most, the single*

most, important thing you would have liked to have done for Hong Kong which you could not do?

GOVERNOR: Perhaps what I would have liked to have done was in the circumstances impossible. But what I would have liked to have been able to do was to convince the leaders in Beijing that there was nothing to worry about in Hong Kong, that they could trust Hong Kong, that they could be relaxed about Hong Kong, that the development of democratic institutions in Hong Kong, living up to the promises in the Joint Declaration, was not a question of planting British

time bombs around the community. It was a question of reflecting the aspirations of the people of Hong Kong, and that they would rise to the challenge of demonstrating with responsibility that they could make those institutions work.

I suspect that after Tiananmen there was always going to be an argument about the last electoral arrangements for Hong Kong unless we were to do precisely what China wanted and try to put in place arrangements with which China would feel comfortable because China would feel that it controlled the outcome. So, may be my ambition, my aspiration, was always likely to be dashed.

But I remember, when I saw Director LU Ping in the autumn of 1992, saying to him, "if you try to accommodate the legitimate interests of people in Hong Kong you won't find it difficult and you won't find them difficult. You will find that they will respond extremely well because people in Hong Kong want the transition to be a success." People in Hong Kong would be irrational if they did not want it to be a spectacular success.

So, that is my main regret. There are one or two others which I could add as postscripts but I hope you will not turn this into a sort of political equivalent of Strauss's last four songs. That was just thrown in in case any of you are musicologists.

PRESIDENT (in Cantonese): Mr IP Kwok-him.

MR IP KWOK-HIM (in Cantonese): *Mr Governor, as a matter of fact, you have been in Hong Kong for five years. I very much agree that you have made*

some achievements in certain areas, such as enhancing the transparency of government departments to equip Hong Kong with the efficient Civil Service, as well as asking the Government to make performance pledges and so on. Nevertheless, the Governor has also put forward the political reform package which has resulted in tremendous difficulties for Hong Kong during the transition. Information also shows that you have been out of Hong Kong for approximately one-fifth of your time over the past five years, which has greatly diverted your attention from matters pertaining to people's livelihood. Do you feel that no matter what good deeds you have done, they can never make up for the intense conflict in the community aroused during the transition? Will you reflect on yourself at this moment just before leaving Hong Kong to see if there is anything you are in debt to the general public here?

GOVERNOR: Well, I note that the spirit of amity and mutual back-scratching is disappearing as the Democratic Alliance for Betterment of Hong Kong get into their election stride for the 1998 elections, but I would not worry too much if I was the Honourable Member. Doubtless if he loses next time, he will still be able to find a seat in the I think that is what Sir S Y CHUNG would call — advancing the cause of democracy!

I think that the Honourable gentleman will discover, if he compares my time in Hong Kong and the visits I have made outside and the time I have spent outside, that I probably spent more time in Hong Kong and made less visits than my predecessors. But I am quite prepared to, if anybody thinks it would actually be worthwhile to get some poor civil servant who should be doing more useful work, dig out all those figures, not that the Honourable gentleman will take much notice of them even if they prove the point I have just made. But certainly the last time I looked at the figures that is exactly what they showed.

I am very pleased that since I have been Governor of Hong Kong, though not necessarily because I have been Governor of Hong Kong, our Gross Domestic Product has gone up by 30% in real terms, our exports have gone up by 76%, investment by 61%, our fiscal reserves have gone up by 65% in money terms. I am glad that we have spent 32% more on education in real terms, 60% on the environment, 48% on health services, 34% on housing and 88% on social welfare. Where would the Honourable gentleman like me to draw breath?

If he is an investor on the Hang Seng Index, and if he is he is a luckier man than I am, he will be delighted that the Hang Seng Index in 1992 stood at 5 500 and today it stands at 14 200 or thereabouts. So, he will have enjoyed seeing his investments rise in that way. He will also have had, I think, five budgets in a row in which taxes have been cut, spending has gone up and we have increased the amount of money in the reserves. That is a record which I very much hope that, if I ever go back into British politics, I will be able to repeat, but do not hold your breath.

PRESIDENT: I thought I did all that. *(Laughter)* (in Cantonese): Miss Emily LAU.

MISS EMILY LAU: *Mr President, I want to join my colleague, Mr Allen LEE, in wishing the Governor well in the future and I hope he will always be welcomed back to Hong Kong in future.*

Mr President, I want to ask the Governor whether he understands that, although the fact that we are now in the final days of colonial rule, there is not much hostility against the British and I think we welcome that. But when he leaves Hong Kong he understands that the people feel very resentful and bitter about being let down by Britain in not giving us citizenship and not doing enough to protect our way of life.

But most importantly, Mr President, I want the Governor to tell us whether he understands that, and understands why people feel that in future, when there are breaches of the Sino-British Joint Declaration and when human rights are being violated, the people generally feel that Britain will not lift a finger to help us. Do you understand, Mr Governor, why people feel like that and do you have anything to say to the people, to reassure them that that is just a misunderstanding?

GOVERNOR: I do understand those emotions, though the Honourable lady would not expect me to say that I think they are justified or always justified, but I do understand those emotions and that is one explanation, I guess, for the way, doubtless imperfectly, I have tried to run this Administration for the last five years.

I very much hope that the British Government and Westminster will be able to demonstrate in the coming years that the continuing moral responsibility which Britain, as a co-signatory of the Joint Declaration, has for Hong Kong is real rather than sham. And in that respect, I very much welcome statements by the Prime Minister and the Foreign Secretary in the new administration about Hong Kong.

And I would go on further than that. The British Foreign Secretary has been criticized by some people for saying that British foreign policy should have an ethical framework, and of course he is a distinguished enough politician to know that when you say things like that you are inevitably going to have examples with which it is difficult to pursue a wholly ethical approach to foreign policy issues hung round your neck in years ahead. But, I must say it seems to me a hell of a lot better than saying the opposite, and I very much welcomed the emphasis that he placed on that, and if you place an emphasis on that for foreign policy as a whole, then it has clear implications for policy and for continuing concern about what happens in Hong Kong.

Can I just add one other point — with one or two small and not strictly relevant examples in West Africa or East Africa, Britain has never been obliged by history and treaty to do what it is doing in Hong Kong. In every other example of decolonization, the territory concerned has become independent. The fact that that is not possible in Hong Kong and that one of the freest cities in Asia or anywhere is moving over to the sovereignty of a country which has a different concept of freedom (to put the point diplomatically), that does raise, I believe, for Britain and those responsible for British policy moral concerns which I assume were one of the reasons for the way the Joint Declaration was drafted. What I have never believed is that those moral concerns could be ignored or, having been expressed in the language of the Joint Declaration, could then be diluted or hollowed out.

I think that questions of citizenship, questions of civil liberties protection and the development of democratic institutions will still be at the core of the

argument about the discharge of Britain's responsibilities to Hong Kong long after the name of the last Governor has been forgotten.

MISS EMILY LAU: *Mr President, just a short follow-up. When I asked the Governor what he himself will do, I do not know what capacity he will be in in future. May be he could even be Prime Minister. But, whatever he may be doing in future, if and when he sees any violation of the Sino-British Joint Declaration, can he tell the Hong Kong people what he himself will do for us?*

GOVERNOR: My wife just had a suggestion about what I might do. She has been taking a party of schoolchildren around Government House and one little boy said, "Is it true that Mr PATTEN's going to write a book about Hong Kong?" So, she said, "No, he is going to write a book about Asia." So, a little girl in the party put her hand up and said, "Is Mr PATTEN governing all of Asia as well?" That is not my immediate ambition! Indeed, as I am sure the Legislative Council will recognize from my demeanour this morning, I am now entirely beyond ambition.

To be serious, and I make a very personal remark, I have to strike rather a careful balance. I think it would be unfair to Hong Kong, and unfair to my successor and his Administration, if I were to set myself up after a few weeks or months as a sort of ball-by-ball commentator on what happens in Hong Kong, answering every phone call from the London correspondent of the *Oriental Daily*, heaven forbid, and providing a sort of running commentary on what happens in Hong Kong. I just think that would be regarded by people in Hong Kong as too intrusive and a rather careless use of my continuing responsibilities, though doubtless slightly diminishing knowledge of what is actually happening day-to-day in this city.

But on big issues, I hope I will continue to be in a position in which I can speak out in support of Hong Kong as a prosperous and free society; and I am sure it is the case that I will be able to keep in touch with individual members and other members of the community, particularly once I have stopped writing for a living. So, I intend to keep in touch with Hong Kong, but I repeat particularly

for the first few months, I think people here would regard it slightly askance if I were to become Hong Kong's roving correspondent.

PRESIDENT (in Cantonese): Mr Frederick FUNG.

MR FREDERICK FUNG (in Cantonese): *The term of office of the Governor is from 1992 to 1997. After going through the relevant data, I found that in 1992, the property price of Sham Shui Po, my constituency, was below \$3,000 per square foot, whereas the property price of the mid-levels was approximately \$6,000 per square foot. In 1997, that is five years later, the property price has climbed to over \$6,000 per square foot for Sham Shui Po and over \$12,000 for the mid-levels. The prices are doubled. I know it is the Government's usual practice to award land three to five years before the construction of a building commences. In other words, at the time the Governor just arrived in Hong Kong, he did take part in deciding on the award of land. Coincidentally, 1995-96 saw the smallest number of public housing released in the market, with the number of flats allocated to the Waiting List dropping from 15 000 to 9 000, and the supply of private flats falling from 26 000 to 19 000. Will the Governor inform this Council whether this situation is caused by the fact that you attach too much importance to political issues while neglecting the housing problems which are of utmost concern to Hong Kong people? If not, what do you think the reasons are? You are soon leaving Hong Kong and what suggestions you will give Hong Kong people as to how to solve the housing problems?*

GOVERNOR: Well, I am grateful for that speech which tells part, but only part of the story, about housing. Let me deal with the question of prices, and the question of public housing supply and supply in general slightly separately, although they are obviously related.

I just want to make one general point about house prices. I think it is entirely right for the Government and the community to be worried about the continuing rise in property prices, and I think the World Bank report about 18 months ago, which indicated how much more difficult it was for people in Hong Kong on sort of medium salary to become home owners than it would be in other

comparable cities, raised the most serious challenges for us on home ownership. Home ownership has gone up while I have been Governor, but not as much, not nearly as much, as I would have liked, and that is partly a consequence of price. It is also partly a consequence of other things as well to which I will come.

It is important in particular to dampen down the property market when it becomes excessively over-heated, and that is what we did, I think, successfully in 1994 though some of the measures that we took at the time were criticized. In recent months, we have taken further measures to try to deal with property speculation. We have taken measures which have, I think, helped to prevent speculation through shell companies, which have stopped ballot trading and which have ensured sales are now conducted in a rather more orderly manner than they were.

Having said all that, I do think we have to be very careful. If Honourable Members think that prices going up is a problem, they should just experience the politics of prices coming down. The thing which causes the greatest social instability, and I speak with some political experience of this, is the development of negative equity in the housing market. So, in any measures that this Administration or future Administrations take to try to moderate the prices in the housing market, I think the importance of investor confidence and the importance of not going too far and depressing prices have to be taken into account. Where people have mortgages which turn out after a year or so to be higher than the valuations they are getting on their property, then you get real social problems and difficulties.

The second point, the answer in the medium- and long-term is exactly the same as it has always been. The argument is that we need to have more land brought forward for housing and more supply of flats. In the six-year programme from 1995 to 2001, we have got over 500 000 flats coming forward, some of them subsidized ownership, some of them rental and some of them ownership on its own. We have also considerably increased the supply of land over the next few years available for housing to 587 hectares.

I do not wish to put any blame elsewhere, but the Honourable gentleman knows that in the early nineties, decisions were taken which actually did not encourage a greater flow of land to come through for housing in the mid-nineties, and we have been trying to correct that.

There are not any simple fixes. Some of the answers will involve the Honourable gentleman supporting things which are going to be politically unpopular among those he wants to vote for him, and it will take a good deal of courage to deal with questions like rental levels in public housing. But that is one of the issues which has an effect, and a considerable effect, on the development of a more open and flexible housing market here in Hong Kong.

PRESIDENT (in Cantonese): Mr CHENG Yiu-tong.

MR CHENG YIU-TONG (in Cantonese): *Mr President, the Governor has stayed in Hong Kong for five years and he is appreciated as a "Gourmet Governor" because of his love for food. Will the Governor share with my colleagues in this Council what he has learnt from eating? Or can he describe his feeling of having to bid farewell soon by way of a dish?*

PRESIDENT (in Cantonese): No "fired" ones, please. *(Laughter)*

GOVERNOR: What an intriguing question! If the Honourable gentleman wants an honest answer, I feel overfed! I have been attending farewell lunches and dinners since the beginning of May. The result of that is that all my good intentions about defying the cartoonist, Fei Pang, and leaving Hong Kong as lean as a twig, all those ambitions, have been set at naught by the generosity of those who have fed me and by the excellence of the cuisine I have been fed. *(Laughter)*

I have scaled some peaks in my eating in Hong Kong. I will long recall, as climbers recall ascending the north face of the Eiger, the lunch I had with Chancellor KOHL at one of our most famous restaurants when all I can say is he did not let Germany down!

MR JAMES TO (in Cantonese): *Mr President, how can the answer raised earlier taken to be related to Hong Kong's public affairs? Mr President, have you amended the Standing Orders as you have even allowed the Honourable Member to raise such a question? These questions can be raised when we dine together later. Mr President, this Council should discuss public affairs now.*

PRESIDENT (in Cantonese): Mr James TO, the contents of a question is to be decided by Members themselves whereas the contents of an answer is to be decided by the Governor. As regards whether a question is beyond the scope of Hong Kong's public affairs, it should be allowed if under the consensus reached by the majority of Members and me that it is related to public affairs, and this is something I am unable to disallow.

MR JAMES TO (in Cantonese): *Mr President, do you rule that the question raised just now is related to public affairs?*

PRESIDENT (in Cantonese): I consider that it is definitely related to public affairs. As food is the first necessity of the people, eating must be very important. *(Laughter)* Mr Ronald ARCULLI.

MR RONALD ARCULLI: *Mr President, I do not really know what question to ask after the Honourable James TO raised this objection a second time, but I just want to say this, that I think the good wishes that the Honourable Allen LEE has extended to the Governor ought to be extended to Mrs PATTEN, who is up in the gallery, and the family.*

But having said that, I think from the Governor's elucidation and clear view about the housing market, I hope he is not going to run in my constituency next time round. But that having been said, I just want to ask the Governor what he considers to be his single achievement above all others in Hong Kong during his five-year tenure?

GOVERNOR: I think this community is more self-confident and more prepared to stand up for itself, to put it bluntly. And I think that may be a consequence of the fact that I believe that people should be brought into the debate about their future. When they have been, I think they have made their views pretty clear.

I think that there are other achievements which others deserve greater credit for. I think the way that the Civil Service has retained its professionalism, its integrity and its morale over the last five years is widely regarded in the community as one of Hong Kong's greatest assets. You look around the world, you see civil services which are regarded as butts for jokes. You see civil services which are regarded as channels of corruption. You see civil services which are a bye-word for incompetence. It is very rare to find a civil service which is regarded as one of the main bulwarks that the community has against croney-ism and corruption and inside-tracking and all the other things which could destroy the vitality of this community and could make it a much less decent as well as successful city in the world.

I think the way that the Civil Service has coped with the politics of the transition, the way that the Civil Service has embraced change and the need for greater accountability and openness, the way that the Civil Service and leaders of the Civil Service have gone out and argued their corner and lobbied for support, is admirable. I think there are some former civil servants who should receive some of the credit for that as well. I think the last Financial Secretary was notable in the extent to which, for example, he began the process of taking this Legislative Council into his confidence, and it is an approach which my distinguished and honourable friend has pursued since then.

Just add one point. I think that it is inevitable and understandable that so long as the Union Jack flies in Hong Kong, those who represent the future administration talk a good deal about the importance of change. That is

understandable. I hope once the change in sovereignty has taken place, they will put a lot more emphasis on continuity and the Civil Service stands at the heart of that.

Of course, there are problems here in Hong Kong. Of course, there are things we have to do better. We have to make improvements in the housing market. There are doubtless points that Mr TO would like to put to me, if he gets in a question this morning. Government is about climbing one hill and seeing other hills ahead of you. But that said, this is a remarkably successful, orderly, well-governed community and I hope that in any development of policy, that point will be taken to heart.

PRESIDENT (in Cantonese): Mr SZETO Wah.

MR SZETO WAH (in Cantonese): *Mr Governor, in some 150 years of colonial history, I am the first person who moved a motion reprimanding the Governor, and the motion was passed. This is unprecedented and unrepeatable. Now that you are leaving, have you forgotten this, are you proud of this or are you still rankled?*

GOVERNOR: I cannot honestly tell the Honourable gentleman that I have had the terms of the motion framed and hung on my wall. I regard that particular episode in my genial relationship with this body, as part of the openness of Hong Kong's politics these days and part of the development of representative institutions these days. I hope after 1 July that the Chief Executive will not do anything which encourages legislators to condemn him, but I hope if he ever makes a mistake or does anything which legislators want to condemn that they will still be able to do so.

It is, of course, and I do not like throwing this pebble into the otherwise placid pond of this morning's exchanges, an irony that this is probably the only example of decolonization where, after 150 years when finally colonial Administration comes to an end, there is going to be less democracy afterwards rather than more. I mean, everywhere else it has been the other way round. And I hope and believe that sooner rather than later Hong Kong will resume the comprehensive development in a free and fair and open way of its democratic

institutions so that the Honourable gentleman and others can move whatever motion they like.

PRESIDENT (in Cantonese): Mr YUM Sin-ling.

MR YUM SIN-LING: *Mr Governor, do you think the Hong Kong Government's positive non-intervention is a well-planned strategy or just an effect of lazy government?*

GOVERNOR: Well, they do not look particularly indolent to me. I find this whole debate astonishing. I doubt whether the International Monetary Fund (IMF) writes reports about any economy like the ones that it writes about Hong Kong. It regards economic management in Hong Kong as, well, the equivalent of a restaurant getting (going back to food) three rosettes in the Michelin Guide. This is, and has been for years, a community which has shown the rest of the world how to manage the macro economy sensibly.

You read pretty well every think-tank report on economic management in Hong Kong. They say the same thing. Then you get a group of extremely public-spirited businessmen here in Hong Kong who help to finance a report on the Hong Kong economy by a group of Harvard economists who come to the conclusion that the suggestion that the manufacturing base in Hong Kong has been hollowed out, that we have been left with a weak economy, is nonsense, who point out that what we have been doing with less social tension, less political tension, less economic tension than almost any other Asian community, that what we have been doing by trusting in market forces is to move up-market in our added value so that the lower value-added parts of manufacturing and wealth-creation are passed offshore or onto the Mainland.

So, every objective test indicates that this economy has been extremely well run by the light-handed policies of the past. All the indicators tell the same thing. The state of the economy today was not what was being predicted five years ago or 10 years ago or 15 years ago. So, in those circumstances, what would you think? Would you think it was sensible to regard the IMF and the

others as talking a load of rubbish, or would you think it was sensible to go on following a formula which works?

What worries me about some of the proposals put forward which seem to advocate welfare for industry and business but no welfare for individuals, is they risk going in precisely the opposite direction to that in which most other Asian economies are now trying to travel. You look at what is happening in Korea at the moment and the debate there. Where economies have been seen as a sort of joint venture between politicians and businessmen in Asia and elsewhere you inevitably see endemic corruption. And that is what others are trying to move away from. Do we want to live in a community where bank loans are determined for political reasons, where credit is determined by politicians, where commercial decisions are taken by a small, as it were, Hong Kong incorporation of a few business leaders and a few civil servants or politicians? That would be appalling.

So, I think that while there are arguments for science parks, while there are arguments for more industrial estates, while there are arguments for improving our training and retraining as we are trying to do, while there are arguments for more efforts in the labour market to bring people and jobs together, while there are arguments for those sorts of intervention and while there are arguments, above all, for going on trying to improve the quality of our education, I do not believe there is even one centile of an argument for politicians and civil servants in Hong Kong trying to start running the economy. Because I tell you this, what will happen in Hong Kong is what happens everywhere else: they will make a mess of it.

PRESIDENT (in Cantonese): Mr Edward HO.

MR EDWARD HO: *Mr Governor, many people admire you for your talent, extraordinary talent for answering any tough question. I would like to put that to a test. How would you rate, honestly if possible, Great Britain's performance in its 150 years of colonial rule, especially in the development of democracy, and in two sentences? (Laughter)*

GOVERNOR: That is a challenge.

PRESIDENT: Why not one single sentence? Mr Governor.

GOVERNOR: Mmn. Somebody was once, just before I answer the Honourable gentleman's question, a very beautiful woman was once, sitting next to President Calvin COOLIDGE at dinner and she said, "I took a bet before dinner", and Calvin COOLIDGE was not known for being loquacious, "I took a bet before dinner that I would get three words out of you during the course of the meal." And he turned to her and said, "You lose."

PRESIDENT: That is two words only. I think he ought to have said "I love you".

GOVERNOR: Two sentences? I think that Hong Kong is an astonishing Chinese success story — Sentence One. But I think it is a success story with British characteristics — Sentence Two. I think that to elaborate slightly, I think that what Britain has helped provide, as a result of the accidents of history, is a framework within which people — particularly in the last 50 difficult years in this region, Chinese men and women, ordinary Chinese men and women — have been able to do extraordinary things.

I do not think any fair-minded observer would deny any role for British administrators or the rule of law in what has happened, but equally any British observer, any of my predecessors as Governor, like this Governor, would stand back in awe at what Chinese men and women have managed to do here in Hong Kong given the chance, given the chance to be free in an economic and a political sense.

PRESIDENT (in Cantonese): Mr Michael HO.

MR MICHAEL HO (in Cantonese): *Mr President, the hot topic on newspapers these few days is that the leader of the People's Liberation Army stationed in Hong Kong has forced his way in. According to Mr CHEN Zuoer, some reports might not be that accurate. Mr Governor, I believe that you should have obtained through your Secretaries very accurate information on this. Hong Kong people*

PRESIDENT (in Cantonese): Please be concise.

MR MICHAEL HO (in Cantonese): *..... are worried about this. If there are such incidents of not observing the law, the disciplined forces such as the officers of the Police, the Customs or the Immigration Department will find it difficult to handle such cases. Can Mr Governor inform us which reports on the incidents are true and which are false? What actions can the Hong Kong Government under your leadership take to help keep up the morale of these disciplined forces and drive away people's worries?*

GOVERNOR: Can I put the remarks I am going to make into context and some people may be surprised at the stress that I place on the context, but I think it is very important that people should recognize what has been the overall reality of the last few weeks and months.

Since the first detachment of People's Liberation Army (PLA) troops came to Hong Kong to prepare for the arrival of the garrison on 1 July, the PLA have been scrupulous in following all the procedures coming through the border and coming through the check-points. They have handed over scrupulously accurate manifests. They have applied for all the necessary licences, for example, for their telecommunications equipment. None of us have any criticism at all about the overall way in which they have been behaving. And I just want to say that because it enables us, I think, to put one isolated incident in context.

There was one incident which has received a good deal of publicity and I think that the main reason for the incident was candidly a language problem, the difficulty of a Cantonese speaker and a Mandarin speaker communicating as well as they might. Having said that, the customs officials concerned behaved

totally properly and I want to make two or three general propositions. Firstly, I repeat, the way that our customs officials, both the junior and the more senior officer, handled this case was totally according to the book and they have my total support for the way they handled it and they have the Administration's total support for the way they handled it.

Secondly, as far as we are concerned, the PLA coming through the border have to continue to follow all the customs and immigration procedures which are laid down. Thirdly, the PLA, like the Governor of Hong Kong, like the Chief Executive of the Special Administrative Region, are subject to the rule of law and that needs to be emphasized as well.

There has been one suggestion in a rather ill-advised and ill-informed editorial in one of this morning's English-language newspapers, that somehow the fact that we have given Customs a list of those PLA vehicles which have CRPs means that we are somehow exempting them from normal customs controls. We are not doing that for one moment. It is still the case that cars have to have a CRP and that they should put the CRP, should put the permit, to be sensible, on the windscreen of the car. The issue of a list of those cars with CRPs is to try to help Customs officials, so that we can all avoid any incidents like this in the future.

I just wanted to say all those things, including the context in which this case had come up, to try to get things into perspective. But there is no excuse for anyone ever at any time claiming to be above the law.

I have been at the airport with people who in the United Kingdom think they are ever so grand, putting them through all the same procedures of body checks, of searching their luggage that everybody else would go through. I go through that at the airport. So should everybody else. It is a similar case. So, I hope that everybody will learn from this case, including the PLA whom I am sure will want to establish a reputation of behaving as good citizens in Hong Kong. I cannot believe that they have any interest in anything else.

MR MICHAEL HO (in Cantonese): *Mr President, can Mr Governor elucidate whether the Hong Kong Government or the Customs and Excise Department has received a formal complaint? Or have Customs or government officials of the senior rank or the middle-level Customs officers given instructions that the PLA need not be inspected at the border?*

GOVERNOR: No, there have been no such instructions, and if there were any such instructions I would countermand them immediately, as would the Secretary for Security and any other member of my Administration. There are no instructions to do other than apply the existing customs and immigration regulations impartially and fairly to everyone, whether they are in the PLA or whether they are in the Girl Guides, and that is the situation which should apply to absolutely everybody.

There was an exchange between experts at an experts' meeting, but that is the only exchange there has been on the subject and the PLA and Chinese experts know very clearly what our view is. I just want to repeat the very first thing I said, that apart from this incident, the PLA have been scrupulous in following the rules and regulations at every point and every turn.

PRESIDENT: The question was, was there a protest letter or complaint letter?

GOVERNOR: I am not aware of a protest letter. I am aware of a protest made at an experts' meeting, and that protest was met in the same sort of terms that I have spoken today.

PRESIDENT (in Cantonese): Mr Eric LI.

MR ERIC LI: *I would like to join my colleagues to express our good wishes, in particular, I hope that the book that you are going to write will become an*

instant best-seller. Personally I will look with interest at how you are going to write about China. Mr Governor, you probably agree that when you first started out as a governor five years ago, your knowledge of this part of the world may be somewhat limited. Now, with the new experience that you have now gained and regrettably sometimes at a fair distance with China, given another chance, do you think you could have promoted the whole Sino-British relationship in the role as a governor of Hong Kong in a more delicate and perhaps somewhat successful way?

GOVERNOR: Or at least only at the risk of having a rather more turbulent relationship with the community in Hong Kong, which I do not think would have been much of a bargain. I think I could have enjoyed a better and more cordial bilateral relationship with China if I had done what the Hong Kong and Macau Affairs Office had wanted. I could have, I daresay, enjoyed one or two trips up and down the Yangtze, which I would have much enjoyed. But I think the price I would have paid would have been to sell out Hong Kong, and I do not think that would have been a price, frankly, worth paying.

I think that my view of the last five years is that doing what I have believed to be the right thing and what the British Government has believed to be the right thing has also been the expedient thing as well.

Let me just add this point. I am full of admiration for the economic progress which China has made since the late 1970s. It has been very, very good news for the people of China and it has been very good news for the rest of the world, and it is in all our interests that that economic success story continues. I do not feel obliged by that economic success to believe that I should tiptoe with the greatest show of political correctness around all those political issues which some Chinese leaders regard as sensitive. We do not have bilateral relations with anyone else like that, and I think it is rather dangerous and damaging to have bilateral relations with China like that.

I am wholly in favour of China being a member of the World Trade Organization. I am wholly in favour of China being brought fully into the inner councils of all the most important economic and political organizations of the world. But I think that China should play the international game by exactly the same rules as everybody else, and I realize that that is not a popular thing always

to say, but it happens to be my view today. It was my view before 1992 when I had quite a lot of engagement with China and negotiating, for example, the largest concessional financing agreement that the United Kingdom has ever negotiated with anyone with China, and it will be my view after I leave as well. And I shall try to convince other people that that is the sensible way to treat China.

PRESIDENT (in Cantonese): Mr LAU Chin-shek.

MR LAU CHIN-SHEK (in Cantonese): *Mr President, Mr XU Jiatun, the former Director of the New China News Agency recently said that the Hong Kong and Macau Working Committee of the Communist Party has to observe Hong Kong laws but he also said that the Hong Kong and Macau Working Committee of the Communist Party is not registered in Hong Kong and is thus an illegal party. The Hong Kong British Administration has not prohibited it because of its powerful backing from China. Hence the Government can only close one eye to avoid causing trouble. Can Mr Governor tell us if what Mr XU Jiatun said is true? Why can there be an organization turned into an illegal party? What sequels will this have?*

GOVERNOR: I think the community would have found it both provocative and slightly bizarre if I had spent the last five years trying to proscribe the Communist Party. People talk about the importance of facing up to reality. I guess that part of the reality of life in Hong Kong for the best part of 50 years has been that there are communists in Hong Kong operating in the way in which communists customarily operate, underground and in cells and through united-front operations. But I do not think it would have been in Hong Kong's interests for me to try to make that into a witch hunt. I think part of the stability of Hong Kong is that we know when to close one eye.

I happen to think that that is quite good advice for those who come after me, not in relation to the Communist Party, but in relation to some of the things they might not like. Actually, taking a light-handed approach to political issues as well as economic issues has much to be said for it.

So, I remember answering a question from an Honourable lady on these matters on one occasion when she was crusading for the truth, and sometimes we all know what the truth is, but we all know that there is quite a lot to be said for not expressing it.

PRESIDENT (in Cantonese): Miss Christine LOH.

MISS CHRISTINE LOH: *Mr President, I do not think I will pursue that question today. I would also like to thank the Governor for what he has done for Hong Kong and to wish him very well when he leaves Hong Kong. I would just like to thank him specifically for helping to make the Hong Kong Government more open, and one of what he has done is to come before this Council once a month for an hour to answer questions and I hope his predecessor will continue to do so.*

The Governor earlier on gave a long list of successor, I am sorry I hope your successor will continue to do so — the Governor gave a long list, Mr President, of all the achievements of Hong Kong during his governorship. One of the issues that I am interested in his comment is, at the same time, that the disparity of wealth in Hong Kong has widened. I wonder whether the Governor acknowledges this and what he thinks can be done?

Secondly, the Governor, I think, championed the issue of the old age pension scheme. I wonder whether he thinks that Hong Kong was not properly prepared for that debate which was why it failed, and it is of course something which Hong Kong needs to come back to for a more comprehensive discussion in the future.

GOVERNOR: I was thinking when the Honourable lady was speaking that for my predecessor to come back and answer questions might require a renegotiation of the lease!

First of all, on income or wealth disparities. I confess straight away that though my existing and previous private secretaries have attempted to explain to me the Gini co-efficient, I still have not got the faintest idea what it is or how efficient it is, let alone how co-efficient it is. (*Laughter*)

PRESIDENT: The genie out of the bottle!

GOVERNOR: I do think that most of the figures that are produced and have been produced in recent years have underestimated the impact on the poor and the disadvantaged of increased public spending. Nevertheless, given what has happened to asset values in the last five years, given what has happened to the Hang Seng Index and given what has happened to property prices, inevitably those with properties have done very well, and even an increase in net disposable income for the lower paid may not have helped to bridge the gap between them.

I just want to make two points, one of which is philosophical and one of which is political. I do not think that governments do terribly well when they concentrate on trying to reduce income differentials and wealth differentials. I think that sort of social engineering is less successful than trying to increase the amount of wealth which is available for everyone, which is by and large the approach that we have taken in Hong Kong.

But, but differentials can become so substantial that they create political problems and social turbulence. The fact that we have managed to avoid that in Hong Kong, unlike other Asian communities, suggests perhaps that we have not got things much too wrong. But when people start talking about issues like unemployment, labour importation, health and safety at work, when they start talking about issues like Comprehensive Social Security Assistance payments, when they start talking about issues like provision for the disabled and those at the bottom of the heap socially, when they start talking about those things as though any of that represented some awful lurch into socialism, then they make me worried.

A successful community like this should be concerned about ensuring that the disadvantaged, the disabled, the lower paid, have a fair crack of the whip, have a fair go in our society. And if part of the step backwards in democratization, if part of that process is to forget about those who have the least in society, then it will be very bad for Hong Kong's social stability.

Let me just say one thing about the old age pension. The Secretary for the Civil Service, as he then was not, and the Governor of Hong Kong, but particularly the Secretary for the Civil Service in his then job at employment, labour, affairs, did I think quite a good job in trying to explain to people why our then old age pension scheme was a cracker, why it was a very good bargain for Hong Kong, why it could be afforded prudently, and I am afraid that the Legislative Council and the community as a whole did not seem to agree with us. Well, the community did but the Legislative Council did not. I think that is more or less how it turned out.

We thought that what we were proposing was prudent. We thought that it was affordable and we thought that it would make a decent and immediate effect on the standards of living of the elderly, and particularly the elderly poor. Now, there were some in the Council who argued for a level of old age pension which we thought would have been imprudent. There were others who regarded what we proposed as being an appalling example of welfare socialism.

So, we are now committed to a different course, and I hope, to the successful implementation of a mandatory and private scheme. It has some disadvantages in comparison with the old age pension which we suggested, namely, that it does not address the problem of the needs of the elderly in the here and now and those will continue to pose a challenge to the Administration. We have addressed them with the provision of more benefit and the provision of more services, but it may be that in due course the community will think that as well as having a mandatory scheme it will have to re-visit the question of some basic pension. I do not know. But that will be an issue for my successor, and I hope that if and when he tackles it, there is a little more unanimity on one side of the argument or on the other. A little more unanimity than was the case when Mr LAM and I were arguing about these things.

PRESIDENT: Dr LEONG Che-hung has the last question, and Mr Governor, you have the last word.

DR LEONG CHE-HUNG: *Mr President, as this is the last time the Governor will grace this Council and this is the last session of his very much sought-after Question and Answer Session, I would like, with your permission, to say a few words on behalf of the House, and I am sure I will not meet any objection from my friend, Mr James TO.*

Mr Governor, there has been a lot of controversy in this Council politically and otherwise between yourself, the Administration and Members of this Council, and even amongst Members of this Council. To most of us, this is a healthy move and I think this is what pluralism is all about.

But be that as it may, we are all here to serve Hong Kong and its people. Whether or not you have done a good job is obviously a matter of opinion and no doubt history will make its decision. But there is no doubt in my mind that you have done what you think is the best for Hong Kong. As George ORWELL has said, you can never please everybody all the time.

Mr President, as a good Chinese and I think most of us in this Council are, I would like to repeat the words of a very senior Member, Mr Allen LEE, in extending to you on behalf of this Council best wishes and bon voyage to yourself, Mrs PATTEN and your family. Of course, that includes Whisky and Soda!

Mr President, it has been said that parting is such a great sorrow, and perhaps I would like to end with a happy note by asking two questions. The first one is that, what are your most happy moments in Hong Kong other than being over-indulged on F and B? And secondly, what would you have done if you had been the Prime Minister in the last five years? Obviously, you can say this is, for the time being, a hypothetical question. Thank you.

PRESIDENT: I think the astrologers put it at two years.

GOVERNOR: First of all, can I apologize that I have not had the opportunity of answering a question from the Honourable Member, Mr TO, but if I ever find

myself in a legislature again answering questions, and that is for one reason or another, I guess, debatable, I hope the Honourable Member will be there as well and will be able to ask me one of his usually searching questions.

Let me add one point about the generous remarks which the Honourable gentleman made. When I hear debates in this Chamber, or when I read arguments and about controversies in the press of Hong Kong, my overwhelming reaction is that pluralism in Hong Kong, whatever the short-term problems and arguments may be, will be around long after authoritarianism has been forgotten about.

When I hear debate about Asian values suggesting somehow that people in Hong Kong and elsewhere in Asia are not interested in the values of a pluralist society, I just look at what happens in Hong Kong day by day by day. We have had arguments about democratic development and civil liberties in Hong Kong and I am sorry about that, and those arguments in a way go right back to the late 1970s. But I have got absolutely no doubt at all that in 10, 15, 20 years' time, this will be a more democratic society and that it will be a free society. And that is what I say to every journalist from every newspaper who comes to see me. That is what I believe passionately, and if I did not believe that I might as well jump out of the window. Hong Kong's future is going to be determined by the people of Hong Kong, and those who believe in freedom and those who believe in democracy are in my judgment on the winning side.

What would I have done if I had been Prime Minister in the United Kingdom for the last five years? I think as things have turned out, I would have appointed myself Governor of Hong Kong! *(Laughter)*

ADJOURNMENT AND NEXT SITTING

PRESIDENT (in Cantonese): In accordance with Standing Orders, I now adjourn the Council until 9.00 am on Monday, 23 June 1997.

Adjourned accordingly at fifteen minutes to One o'clock.

