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GOVERNOR'S PRESS STATEMENT IN WASHINGTON
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FOLLOWING IS THE PRESS STATEMENT MADE BY THE GOVERNOR, THE RT HON CHRISTOPHER PATTEN, AT THE DEPARTMENT OF STATE, WASHINGTON, D.C. ON MONDAY (U.S. TIME):

GOVERNOR: I'VE HAD A COUPLE OF VERY INTERESTING MEETINGS THIS AFTERNOON, FIRST OF ALL WITH THE TREASURY SECRETARY AND HERE WITH THE ACTING SECRETARY -- ACTING SECRETARY WHARTEN, AND WINSTON LORD, WHO IS WELL-KNOWN TO ALL OF US IN HONG KONG.

THEY WERE USEFUL MEETINGS. I WENT OVER MUCH OF THE GROUND THAT WE DISCUSSED SLIGHTLY MORE BRIEFLY THIS MORNING WITH THE PRESIDENT AND THE VICE-PRESIDENT, SO IT'S BEEN A CONTINUATION OF THIS MORNING'S DISCUSSIONS AND LATER ON TODAY I'M GOING TO SEE SENATOR MITCHELL AND MOST OF THE REST OF MY VISITS WHILE I'M IN WASHINGTON WILL BE TO SENATORS AND CONGRESSMEN, THOUGH I'VE STILL GOT A MEETING WITH MR RUBIN TO GO, OKAY?

QUESTION: DO YOU THINK YOU'LL HAVE A BETTER IDEA AFTER THE MEETING THIS AFTERNOON HOW THE ADMINISTRATION WILL FEEL ABOUT MFN ON THE WHOLE?

GOVERNOR: I THINK I'D LIKE TO WAIT UNTIL I'VE HAD MY MEETINGS ON THE HILL AS WELL. OBVIOUSLY, I'M HEARING PART OF THE ARGUMENT, BUT I'LL WANT TO HEAR FROM SOME OF THE POLITICAL LEADERS ON THE HILL WHO HAVE BEEN MOST CLEARLY INVOLVED IN THE ARGUMENTS.

QUESTION: ARE THEY INTERESTED IN THE HONG KONG SITUATION?

GOVERNOR: THEY ARE EXTREMELY INTERESTED IN THE HONG KONG SITUATION, OTHERWISE I DOUBT WHETHER THEY WOULD HAVE GIVEN ME AS MUCH ACCESS AS I'VE HAD. I THINK THAT I'VE BEEN ABLE TO SEE ABSOLUTELY EVERYBODY I COULD HAVE CONCEIVABLY WANTED TO SEE. THAT'S ONE CONSEQUENCE OF THEIR INTEREST.

IT'S A CONSEQUENCE, AS WELL, OF HOW CLOSE AND STRONG THE RELATIONSHIP IS BETWEEN HONG KONG AND THE UNITED STATES, SO I'M DELIGHTED WITH THE ARRANGEMENTS THAT THE ADMINISTRATION HAVE HELPED TO MAKE FOR MY VISIT.

QUESTION: GOVERNOR, WHAT DO YOU HOPE TO ACHIEVE IN YOUR MEETING WITH SENATOR MITCHELL? IT WAS QUITE CLEAR LAST WEEK THAT HE DISAGREED WITH YOUR POSITION ON MFN AND HE MOVED THE BILL ON MFN, SO WHAT DO YOU HOPE TO ACHIEVE IN THE MEETING WITH HIM?

GOVERNOR: WELL, YOU'VE STATED AT THE OUTSET WHAT YOU BELIEVE TO BE THE RESULT OF A MEETING I HAVEN'T YET HAD. AT THE VERY LEAST, PERHAPS HIS DISAGREEMENT WITH ME WILL BE EVEN BETTER INFORMED.

QUESTION: (INAUDIBLE)

GOVERNOR: WELL, I CONCENTRATED PARTICULARLY WITH SECRETARY BENTSEN ON SOME OF THE TRADE ISSUES, BECAUSE AS YOU WILL KNOW THE COMMITTEE WHICH HE CHAIRED IN THE SENATE WAS PARTICULARLY CONCERNED WITH U.S. TRADE POLICY, AND WITH ACTING SECRETARY WHARTEN AND MR LORD I TALKED ABOUT TRADE BUT ALSO ABOUT OTHER ISSUES WHICH CONCERN THE ADMINISTRATION AS WELL, AND THEY HAVE EXPRESSED THEIR CONCERNS ABOUT HUMAN RIGHTS, THEY'VE EXPRESSED THEIR CONCERNS ABOUT ARMS PROLIFERATION, TOO.

I SET OUT AGAIN AS VIGOROUSLY AS I COULD OUR GENERAL CASE ON MFN AND I HOPE THAT WILL BE TAKEN ACCOUNT OF IN THE POLICY WHICH THE ADMINISTRATION DEVELOPS.

VOICE: THANK YOU VERY MUCH INDEED.

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GOVERNOR SPEAKS TO PRESS AT SENATE HALL
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FOLLOWING ARE THE REMARKS BY THE GOVERNOR, THE RT HON CHRISTOPHER PATTEN, TO THE PRESS AT THE SENATE HALL ON MONDAY (U.S. TIME):

GOVERNOR: I HAD A VERY INTERESTING MEETING WITH THE SENATOR. WE EXCHANGED POINTS OF VIEW. I DON'T THINK EITHER OF US CHANGED ONE ANOTHER'S MINDS, BUT WE HAD A CIVILISED DISCUSSION ABOUT THE BEST WAY OF SECURING OBJECTIVES IN POLITICS. I FEEL, AS YOU KNOW, THAT MORE OPEN TRADE IS THE BEST WAY OF SECURING A MORE OPEN SOCIETY.

QUESTION: BUT HE DID SHOW SUPPORT TO YOUR DEMOCRATIC REFORM PROPOSAL.

GOVERNOR: WE DIDN'T DISCUSS THAT IN PARTICULAR, THOUGH HE DID IN PASSING REFER TO OUR PROPOSALS FOR ELECTIONS IN 1994 AND 1995, BUT THE MAIN POINT OF THE DISCUSSION WAS MFN AND HE EXPRESSED, AS A NUMBER OF OTHERS HAVE TODAY, THE CONCERN, WHICH IS QUITE PROFOUND IN THE UNITED STATES, ABOUT WEAPONS PROLIFERATION, ABOUT HUMAN RIGHTS, AND ABOUT SOME ALLEGED CHINESE TRADE PRACTICES.

QUESTION: ANY INDICATION THAT HE MIGHT TONE DOWN THE CONDITIONS IN HIS BILL THAT WOULD MAKE IT EASIER FOR HONG KONG TO ACCEPT AND FOR CHINA TO MEET?

GOVERNOR: I THINK THAT SENATOR MITCHELL IS IN DISCUSSION WITH THE ADMINISTRATION AT THE MOMENT ABOUT HOW TO SECURE AN APPROACH TO MFN WITH THE WIDEST SUPPORT IN THE SENATE AND THE HOUSE OF REPRESENTATIVES, AND I'M NOT QUITE SURE THAT WILL EMERGE FROM THAT, BUT I THINK THAT BOTH THE ADMINISTRATION AND THE LEADERSHIP ON THE HILL ARE TRYING TO FIND AN APPROACH WHICH COMMANDS THE WIDEST SUPPORT. I WILL BE SEEING REPRESENTATIVE PELOSI LATER ON THIS EVENING, AND FINDING OUT HER POSITION AS WELL. OKAY.

QUESTION: THANK YOU VERY MUCH.

GOVERNOR: THANK YOU.

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GOVERNOR COMPLETES FIRST DAY OF WASHINGTON VISIT

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THE GOVERNOR, THE RT HON CHRISTOPHER PATTEN, HAS COMPLETED THE FIRST DAY OF HIS THREE-DAY OFFICIAL VISIT TO WASHINGTON DC YESTERDAY (MONDAY).

THE DAY BEGAN WITH A MEETING WITH PRESIDENT CLINTON IN THE WHITE HOUSE OVAL OFFICE. THE MEETING WAS ALSO ATTENDED BY VICE-PRESIDENT AL GORE, DEPUTY NATIONAL SECURITY ADVISER SANDY BERGER AND ASSISTANT SECRETARY OF STATE WINSTON LORD.

THE GOVERNOR THEN ADDRESSED A LUNCHEON HOSTED BY THE ASIA SOCIETY.

IN THE AFTERNOON, THE GOVERNOR ATTENDED INDIVIDUAL MEETINGS WITH: SECRETARY OF THE TREASURY MR LLOYD BENTSEN, ACTING SECRETARY OF STATE MR CLIFTON WHARTON, ASSISTANT SECRETARY OF STATE WINSTON LORD AND MAJORITY LEADER GEORGE MITCHELL.

THE GOVERNOR WAS ALSO INTERVIEWED FOR THE PUBLIC BROADCASTING SERVICE NEWS PROGRAMME, THE MACNEIL/LEHRER NEWSHOUR.

THE GOVERNOR AND MRS PATTEN ENDED THE DAY WITH A DINNER HOSTED BY THE BRITISH AMBASSADOR SIR ROBIN RENWICK AND LADY RENWICK AT THE AMBASSADOR'S RESIDENCE.

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GOVERNMENT ENDORSES MODIFIED HOUSING SUBSIDY POLICY

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THE GOVERNMENT TODAY (TUESDAY) ENDORSED THE HOUSING AUTHORITY'S DECISION TO CONTINUE WITH ITS HOUSING SUBSIDY POLICY WITH MODIFICATIONS IN FAVOUR OF THOSE CURRENTLY AFFECTED.

A HOUSING SPOKESMAN SAID UNDER THE MODIFICATIONS TENANTS WITH HOUSEHOLD INCOME BETWEEN TWO TO THREE TIMES THE WAITING LIST INCOME LIMIT (WLIL) WOULD BE REQUIRED TO PAY 1.5 TIMES NET RENT PLUS RATES, WHILE THOSE WITH HOUSEHOLD INCOME ABOVE THREE TIMES THE WLIL WOULD BE REQUIRED TO PAY DOUBLE RENT PLUS RATES.

AS A SECOND MEASURE UNDER THE REVISED POLICY, ALL HOUSEHOLDS COMPRISING ELDERLY PEOPLE WHO ARE AGED 60 AND ABOVE WILL BE EXEMPTED FROM PAYING EXTRA RENTS. IN ADDITION, INDIVIDUAL HOUSEHOLDS WITH SPECIAL JUSTIFICATIONS MAY APPLY FOR EXEMPTION ON A CASE-BY-CASE BASIS.

FURTHERMORE, TENANTS WHO HAVE BEEN PAYING DOUBLE RENTS, OR IN THE FUTURE THE 1.5 TIMES RENTS, FOR A NUMBER OF YEARS WOULD BE GIVEN PRIORITY IN APPLYING FOR HOME OWNERSHIP SCHEME (HOS) FLATS. IT WAS SUGGESTED THAT THE AUTHORITY SHOULD CONSIDER REDUCING THE PERIOD FROM FIVE TO THREE YEARS.

OTHER MODIFICATIONS TO THE POLICY INCLUDE :

- * THE CURRENT INCOME RESTRICTION ON "DOUBLE-RENT" TENANTS IN APPLYING FOR OVERCROWDING RELIEF IS WAIVED.
- * THE VETTING PERIOD FOR TENANTS TO APPLY FOR REVERTING TO PAYING NORMAL RENT IS SHORTENED FROM SIX TO THREE MONTHS.

UNDER THE MODIFIED POLICY, ABOUT 80 PER CENT OF THE EXISTING 61 500 DOUBLE-RENT PAYERS WILL BE REQUIRED TO PAY 1.5 TIMES THEIR RENTS.

THE SPOKESMAN SAID THE AUTHORITY RECOGNISES THAT ECONOMIC CIRCUMSTANCES MAY CHANGE, THEREFORE ANY HOUSEHOLD THAT PAYS THE DOUBLE OR THE 1.5 TIMES RENTS CAN APPLY TO REVERT BACK TO PAYING ORDINARY RENTS IF THEIR INCOME FALLS BELOW THE SUBSIDY LIMIT.

"THE INTRODUCTION OF A NEW RENT TIER SHOULD MAKE THE IMPLEMENTATION OF THE POLICY EVEN MORE ACCEPTABLE TO TENANTS CONCERNED," HE SAID.

"FOR EXAMPLE, A FOUR-PERSON HOUSEHOLD WITH A TYPICAL RENT OF \$1,000 WILL BE REQUIRED TO PAY SOME \$400 MORE IF ITS HOUSEHOLD INCOME IS ABOVE \$22,800, WHICH PUTS THE HOUSEHOLD IN THE TOP 20% INCOME GROUP IN HONG KONG.

"ONLY THOSE WITH INCOME ABOVE \$34,200, WHICH IS THE TOP 10% INCOME GROUP, WILL BE REQUIRED TO PAY SOME \$800 MORE IN RENT."

GIVEN THAT DOUBLE RENT PAYERS' INCOMES ARE WITHIN THE TOP ONE-THIRD SEGMENT OF INCOMES OF EQUIVALENT FAMILY SIZE, THOSE FAMILIES PAY ON AVERAGE ONLY 6.2% OF THEIR INCOME ON RENT WHILE THAT OF OVERALL PUBLIC HOUSING TENANTS AND PRIVATE TENANTS IS 8% AND 20% RESPECTIVELY, THE SPOKESMAN NOTED.

THE REVENUE ARISING FROM THE REVISED POLICY IS ESTIMATED TO DECREASE BY 40 PER CENT FROM \$460 MILLION TO \$280 MILLION.

THE SPOKESMAN POINTED OUT THAT THE POLICY IS BASED ON THE PRINCIPLE THAT THE COMMUNITY'S CONTRIBUTION IN THE FORM OF HOUSING SUBSIDY SHOULD GO TO THOSE MOST IN NEED.

HE ADDED THAT THE AUTHORITY WAS ACTIVELY CONSIDERING NEW MEASURES TO ENCOURAGE MORE BETTER-OFF TENANTS TO MOVE TO HOME OWNERSHIP. THESE INCLUDED :

- * ASKING TENANTS TO DECLARE PROPERTY OWNERSHIP, WITH A VIEW TO IMPOSING STRONGER MEASURES FOR PROPERTY OWNERS TO MOVE OUT OF PUBLIC HOUSING.
- * RAISING THE HOME PURCHASE LOAN SCHEME AMOUNT FROM \$200,000 TO A MUCH HIGHER AMOUNT.

THIS BROAD POLICY DIRECTION HAD HAD THE SUPPORT OF THE GOVERNMENT BUT FORMAL PROPOSALS HAD YET TO BE DEVELOPED.

REGARDING THE IMPLEMENTATION OF THE MODIFICATIONS, THE HOUSING DEPARTMENT HAD EARLIER ISSUED LETTERS TO AFFECTED TENANTS ADVISING THEM OF THE TWO-TIER SUBSIDY INCOME LIMITS (SIL).

THE SPOKESMAN SAID: "THE AUTHORITY WILL NOW BE SENDING LETTERS TO AFFECTED TENANTS ADVISING THEM OF THE NEW ARRANGEMENTS AND INVITING THEM TO APPLY FOR CONVERSION. RENT ADJUSTMENT WILL TAKE EFFECT FROM APRIL 1."

FOR EXISTING DOUBLE-RENT TENANTS WHOSE HOUSEHOLD INCOMES ARE BELOW THREE TIMES THE WLLI, THEY SHOULD COMPLETE AND SUBMIT THEIR INCOME DECLARATION FORMS TO THEIR RESPECTIVE ESTATE OFFICES ON OR BEFORE JUNE 30, 1993, IF THEY WANT TO APPLY TO PAY 1.5 TIMES THE NORMAL RENTS.

APPLICANTS WILL BE INFORMED OF THE RESULTS BY THE END OF AUGUST. ANY OVER PAYMENT OF RENTS SINCE APRIL 1, 1993 WILL BE DEDUCTED FROM FUTURE RENT PAYMENTS.

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NON-GOVT EXCO MEMBERS ACCEPT MODIFIED HOUSING SUBSIDY POLICY
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IN RESPONSE TO PRESS ENQUIRIES ABOUT ACTIONS TAKEN BY NON-GOVERNMENT EXECUTIVE COUNCIL MEMBERS AFTER A RECENT MEETING WITH THE JOINT GROUP ON THE ABOLITION OF REDUCED HOUSING SUBSIDY POLICY, THE PRESS SECRETARY (MEMBERS) GAVE THE FOLLOWING REPLY:

TWO MEMBERS, ON BEHALF OF THEIR NON-GOVERNMENT COLLEAGUES IN EXCO, MET REPRESENTATIVES OF THE JOINT GROUP ON THE ABOLITION OF REDUCED HOUSING SUBSIDY POLICY ON APRIL 28 TO LISTEN TO THE LATTER'S VIEWS ON THE SUBJECT.

THE CONCERNS AND WISHES OF THE JOINT GROUP WERE REFLECTED BY MEMBERS, TOGETHER WITH THEIR OWN VIEWS, TO THE ADMINISTRATION AT A SUBSEQUENT MEETING WITH HOUSING DEPARTMENT OFFICIALS YESTERDAY (MONDAY).

HAVING STUDIED THE MATTER CAREFULLY, TAKING INTO ACCOUNT THE IMPORTANCE OF BALANCED INTERESTS OF VARIOUS GROUPS IN THE COMMUNITY, MEMBERS SUPPORTED THE SPIRIT OF THE POLICY WHEREBY 'THOSE WHO ARE CAPABLE SHOULD PAY THEIR SHARE'.

THEY FELT THAT SHORT OF A BETTER ALTERNATIVE, THE CURRENT CONDITIONS UNDER WHICH TENANTS WERE REQUIRED TO PAY HIGHER RENTAL WERE ACCEPTABLE.

HOWEVER, MEMBERS BELIEVED THAT THOSE TENANTS WHO WERE FINANCIALLY CAPABLE AND WERE REQUIRED TO PAY HIGHER RENTAL SHOULD BE GIVEN GREATER INCENTIVES TO VACATE THEIR PUBLIC HOUSING UNITS FOR THE GENUINELY NEEDY, AND SUGGESTED THAT THE ADMINISTRATION EXPLORE THE POSSIBILITY OF GIVING SUCH TENANTS SPECIAL PRIORITY IN THE PURCHASE OF HOME OWNERSHIP SCHEME FLATS.

THE ADMINISTRATION EXPLAINED THAT THERE WERE PRACTICAL CONSTRAINTS IN NOT IMPOSING ANY PRE-CONDITIONS.

NEVERTHELESS, THEY AGREED TO CONSIDER REDUCING FROM FIVE TO THREE YEARS THE PERIOD FOR WHICH A TENANT MUST PAY HIGHER RENTAL IN ORDER TO BE ELIGIBLE FOR SPECIAL PRIORITY IN THE PURCHASE OF HOME OWNERSHIP SCHEME FLATS.

HAVING TAKEN ALL RELEVANT FACTORS INTO CONSIDERATION, MEMBERS FORMED THE VIEW THAT THE MODIFIED PROPOSAL ANNOUNCED BY THE ADMINISTRATION THIS (TUESDAY) AFTERNOON SHOULD BE ACCEPTED.

THE JOINT GROUP HAS BEEN DULY INFORMED OF MEMBERS' POSITION.

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ADEQUATE INFRASTRUCTURE INVESTMENT TO SUSTAIN GROWTH

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THE SECRETARY FOR TRANSPORT, MR MICHAEL LEUNG, TODAY (TUESDAY) REAFFIRMED GOVERNMENT'S COMMITMENT TO PROVIDING THE SUPPORTING INFRASTRUCTURE REQUIRED TO SUSTAIN THE GROWTH OF HONG KONG AND TO ENHANCE ITS ROLE AS A BUSINESS CENTRE AND MAJOR ENTREPOT IN THE REGION.

SPEAKING AT A SEMINAR ORGANISED BY THE HONG KONG GENERAL CHAMBER OF COMMERCE ON RAILWAY DEVELOPMENTS INTO THE 21ST CENTURY, MR LEUNG SAID FREIGHT MOVEMENTS BETWEEN HONG KONG AND CHINA BY ROAD ARE INCREASING BY AN AVERAGE OF 18 PER CENT PER ANNUM, OR FROM 5.4 MILLION TONNES IN 1987 TO ABOUT 12.2 MILLION TONNES IN 1992.

"TO COPE WITH THIS DEMAND, WE HAVE EXPANDED OUR BORDER CROSSINGS BOTH IN TERMS OF THEIR PHYSICAL CAPACITY AND OPERATING HOURS.

"GOVERNMENT HAS ALSO RECENTLY INVITED THE PRIVATE SECTOR TO EXPRESS INTEREST IN BUILDING THE ROUTE 3 COUNTRY PARK SECTION UNDER A FRANCHISE ARRANGEMENT. WHEN COMPLETED, THIS DUAL THREE-LANE ROAD WILL GREATLY IMPROVE COMMUNICATION BETWEEN THE CROSSING POINTS AND THE CONTAINER PORT," HE SAID.

MR LEUNG SAID DESPITE THE ENORMOUS INCREASE IN FREIGHT MOVEMENT, THE PROPORTION OF FREIGHT TRANSPORTED BY RAIL HAD REDUCED, PARTLY BECAUSE OF CAPACITY CONSTRAINTS OF THE KCRC MAIN LINE AND ITS FREIGHT YARDS.

RAIL NOW TAKES A 10 PER CENT SHARE OF THE TOTAL FREIGHT TRIPS BETWEEN HONG KONG AND CHINA, DECLINING FROM A 20 PER CENT SHARE ABOUT 10 YEARS AGO.

TO HELP INCREASE FREIGHT HANDLING ABILITY OF THE KCRC IN THE MEDIUM TERM, MR LEUNG SAID A FIVE-HECTARE SITE ON THE HUNG HOM BAY RECLAMATION WOULD BE GRANTED TO THE CORPORATION FOR EXPANSION OF ITS EXISTING MAIN YARD. THIS WILL RAISE FREIGHT CAPACITY BY 140 WAGONS PER DAY.

"THE ABILITY OF HONG KONG'S RAIL SYSTEM TO RECEIVE RAIL FREIGHT, PARTICULARLY CONTAINERISED CARGOES AND TO TRANSPORT THEM BETWEEN CHINA AND THE REST OF THE WORLD IN AN EFFICIENT MANNER WOULD ENHANCE HONG KONG'S ROLE AS AN ENTREPOT," HE SAID.

MR LEUNG SAID THE PROPOSED DEVELOPMENT OF A DEDICATED CONTAINER FREIGHT RAILWAY AS CONTAINED IN THE RAILWAY DEVELOPMENT STUDY WOULD BE AN IMPORTANT STRATEGIC AND COMMERCIAL DECISION FOR HONG KONG.

"A LOT OF WORK WILL NEED TO BE DONE ON THE PROPOSAL BEFORE THE CONCEPT CAN BE TRANSLATED INTO FIRM PLANS," HE SAID.

THE PUBLIC AND INTERESTED ORGANISATIONS ARE BEING CONSULTED ON THE PROPOSALS. THE CHINESE GOVERNMENT WILL NEED TO BE CONSULTED BEFORE FINALISING THE RAIL DEVELOPMENT PLAN SINCE IMPLEMENTATION WOULD TAKE PLACE LARGELY AFTER 1997.

"WE WOULD THEN PROCEED WITH ENGINEERING AND FINANCIAL STUDIES AND BEGIN DISCUSSIONS WITH PROSPECTIVE OPERATORS," HE SAID.

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HK, NETHERLANDS SIGN LAB ACCREDITATION PACT
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HONG KONG TODAY (TUESDAY) SIGNED A MUTUAL RECOGNITION AGREEMENT ON LABORATORY ACCREDITATION WITH THE NETHERLANDS - THE FIFTH OF ITS KIND HONG KONG HAS REACHED WITH AN OVERSEAS LABORATORY ACCREDITATION SCHEME.

THE AGREEMENT WAS SIGNED BETWEEN THE HONG KONG LABORATORY ACCREDITATION SCHEME (HOKLAS), WHICH IS OPERATED BY THE INDUSTRY DEPARTMENT, AND THE DUTCH ACCREDITATION BOARD FOR CALIBRATION LABORATORIES, TEST LABORATORIES AND INSPECTION BODIES (STERLAB) OF THE NETHERLANDS.

AT A CEREMONY THIS AFTERNOON, THE ACTING DIRECTOR-GENERAL OF INDUSTRY, MR RICKY FUNG, AND THE DIRECTOR-GENERAL OF STERLAB, DR J G LEFERINK, SIGNED THE AGREEMENT.

THE OTHER AGREEMENT HAVE BEEN CONCLUDED WITH THE NATIONAL MEASUREMENT ACCREDITATION SERVICE OF THE UNITED KINGDOM, THE NATIONAL ASSOCIATION OF TESTING AUTHORITIES OF AUSTRALIA, THE AMERICAN ASSOCIATION FOR LABORATORY ACCREDITATION AND THE TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND.

SPEAKING AT THE SIGNING CEREMONY, MR FUNG SAID HOKLAS WAS ESTABLISHED IN 1985 WITH THE OBJECTIVES OF UPGRADING THE STANDARD OF TESTING IN HONG KONG AND PROMOTING THE ACCEPTANCE OF TEST RESULTS FROM ACCREDITED LABORATORIES.

HE SAID HOKLAS IDENTIFIED AND ACCREDITED COMPETENT LABORATORIES AND HAD SO FAR ACCREDITED 46 LABORATORIES IN VARIOUS FIELDS OF TESTING.

HE ADDED THAT MANY OF THESE LABORATORIES PROVIDED TESTING SERVICES FOR EXPORTERS WHO WISHED TO ENSURE THAT THEIR PRODUCTS MET CLIENTS' SPECIFICATIONS AND LEGISLATIVE REQUIREMENTS.

"TO FACILITATE ACCESS OF OUR EXPORTS TO WORLD MARKETS, IT IS IMPORTANT THAT OVERSEAS BUYERS AND REGULATORY AUTHORITIES HAVE CONFIDENCE IN THE TECHNICAL COMPETENCE OF OUR LABORATORIES.

"THE AIM OF CONCLUDING MUTUAL RECOGNITION AGREEMENTS WITH OTHER ACCREDITATION SCHEMES IS TO ACHIEVE JUST THAT," HE SAID.

UNDER THE AGREEMENT SIGNED TODAY, TEST REPORTS ISSUED BY HOKLAS-ACCREDITED LABORATORIES WILL BE ACCEPTED AS EQUIVALENT TO TEST REPORTS ISSUED BY LABORATORIES ACCREDITED BY STERLAB.

MR FUNG SAID THIS WOULD MEAN THAT HONG KONG'S EXPORTS TO THE NETHERLANDS MIGHT BE TESTED IN HONG KONG AND ACCEPTED WITHOUT BEING RE-TESTED WHEN THEY REACHED THEIR DESTINATION.

"IT GOES WITHOUT SAYING THAT THE SAME WOULD BE TRUE FOR EXPORTS FROM THE NETHERLANDS TO HONG KONG.

"BY REDUCING THE NEED FOR RE-TESTING, EXPORTS WILL NOT BE HELD UP AT THE PORTS OF ENTRY AND HENCE TRADE WILL BE FACILITATED," HE SAID.

TRADE BETWEEN HONG KONG AND THE NETHERLANDS HAS GROWN SIGNIFICANTLY IN RECENT YEARS. HONG KONG'S TOTAL EXPORTS TO THE NETHERLANDS GREW BY 15 PER CENT IN 1991 AND BY ANOTHER 17 PER CENT TO US\$1,879 MILLION IN 1992.

IMPORTS GREW BY 17 PER CENT IN 1991 AND BY ANOTHER 63 PER CENT TO US\$1,245 MILLION IN THE SAME PERIOD IN 1992.

"THE AGREEMENT IS NOT ONLY IMPORTANT FOR TRADE BETWEEN THE NETHERLANDS AND HONG KONG, IT IS ALSO AN INDICATION OF OUR COMMITMENT TO THE PROMOTION OF FREE TRADE," MR FUNG SAID.

MR FUNG NOTED THAT STERLAB WAS ONE OF THE FIRST EUROPEAN ACCREDITATION SCHEMES TO HAVE CONCLUDED AN AGREEMENT WITH A SCHEME OUTSIDE EUROPE.

"WE HOPE THAT THIS WILL LEAD TO THE OPENING OF THE MULTILATERAL AGREEMENT GROUP FORMED BY MEMBERS OF THE WESTERN EUROPEAN LABORATORY ACCREDITATION CO-OPERATION TO PARTICIPATION BY SCHEME OUTSIDE EUROPE," HE SAID.

ALSO SPEAKING AT THE CEREMONY, DR LEFERINK SAID THE AGREEMENT WAS THE RESULT OF HARD AND CONSCIENTIOUS WORK.

"MANY DAYS HAVE BEEN SPENT EVALUATING EACH OTHER'S OPERATIONS, MANY DAYS HAVE BEEN SPENT IN OBSERVING LABORATORY ASSESSMENTS AND CRITICAL REMARKS WERE MADE LEADING TO CORRECTIONS IN BOTH ORGANISATIONS," HE SAID.

"NOW WE CAN REALLY APPRECIATE EACH OTHER'S OPERATIONS AND WE CAN HAVE CONFIDENCE IN THE ACCREDITATION ISSUED IN EACH COUNTRY," HE ADDED.

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MORE RARE PLANTS PROTECTED

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THE LIST OF PROTECTED PLANTS UNDER THE FORESTRY REGULATION HAS RECENTLY BEEN UPDATED TO INCLUDE ANOTHER 13 KINDS OF LOCAL WILD PLANTS UNDER ITS PROTECTION.

SENIOR CONSERVATION OFFICER OF THE AGRICULTURE AND FISHERIES DEPARTMENT, MR CHEUNG MAN-KWONG, SAID THE PURPOSE OF LISTING LOCAL WILD PLANTS UNDER THE REGULATION WAS TO OFFER MORE PROTECTION FOR THESE RARE LOCAL FLORA SPECIES.

HE SAID UNDER THE FORESTRY REGULATION, PICKING AND FELLING OF THESE PLANTS GROWING ON GOVERNMENT LAND WERE PROHIBITED.

"IT IS ALSO AN OFFENCE FOR ANY PERSON TO SELL, OFFER FOR SALE, OR HAVE IN HIS POSSESSION OR UNDER HIS CUSTODY ANY PORTION OF SUCH PLANTS LISTED UNDER THE FORESTRY (AMENDMENT) REGULATION 1993," MR CHEUNG SAID.

THE PLANTS NEWLY ADDED ONTO THE LIST INCLUDE AILANTHUS; AMENTOTAXUS; MULES-FOOT FERN; INDIA BIRTHWORT; TREE FERNS; HONG KONG DOGWOOD; CRESCENT-LEAVED SUNDEW; ILLIGERA; HONG KONG BALSAM; KETELEERIA; PITCHER-PLANTS; KWANGTUNG REHDERTREE; AND SCHOEPFIA.

BECAUSE OF CHANGING CIRCUMSTANCES, FIVE KINDS OF PLANTS HAVE ALSO BEEN TAKEN AWAY FROM THE LIST SINCE THEY ARE NO LONGER THREATENED BY EXPLOITATION.

THE OTHER PLANTS REMAINING ON THE LIST PUBLISHED UNDER THE FORESTRY (AMENDMENT) REGULATION 1993 GAZETTED LAST WEEK INCLUDE BIRD'S-NEST FERN; CAMELLIAS; CHINESE NEW YEAR FLOWER; STAR-ANISES; HONG KONG IRIS; CRAPE MYRTLES; CHINESE LILY; MAGNOLIAS; ORCHIDS, PAVETTA; BALLOON FLOWER; AZALEAS; RHODOLEIA AND TUTCHERIA.

THE AMENDMENTS WILL COME INTO EFFECT ON JUNE 11. THE MAXIMUM PENALTY FOR SUCH OFFENCES WILL ALSO BE INCREASED FROM \$250 TO \$25,000.

IN THE PAST FIVE YEARS, THERE WERE 14 PROSECUTIONS RELATED TO THESE OFFENCES.

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TWO MOTION DEBATES ON LEGCO AGENDA

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THE LEGISLATIVE COUNCIL WILL TOMORROW (WEDNESDAY) DEBATE TWO MOTIONS, ONE ON LAND AND WATERBORNE TRANSPORT AND THE OTHER THE LAW REFORM COMMISSION REPORT ON ARREST.

THE TRANSPORT MOTION IS PROPOSED BY DR THE HON TANG SIU-TONG WHILE THE SECOND MOTION IS MOVED BY THE HON MRS SELINA CHOW.

MEMBERS OF THE COUNCIL WILL ASK 20 QUESTIONS AND CONSIDER FIVE BILLS AT THE MEETING.

OF THEM, FOUR WILL BE INTRODUCED FOR FIRST AND SECOND READINGS. DEBATES ON THEM ARE DUE TO BE ADJOURNED.

/THEY ARE

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THEY ARE LEGAL PRACTITIONERS (AMENDMENT) BILL 1993, MOTOR VEHICLES (FIRST REGISTRATION TAX) (AMENDMENT) (NO. 2) BILL 1993, PNEUMOCONIOSIS (COMPENSATION) (AMENDMENT) BILL 1993 AND PILOTAGE (AMENDMENT) BILL 1993.

DEBATE ON MULTI-STOREY BUILDINGS (OWNERS INCORPORATION) (AMENDMENT) BILL 1992 WILL BE RESUMED, AND THE BILL IS DUE TO GO THROUGH THE COMMITTEE STAGE AND BE GIVEN A THIRD READING.

IN ADDITION, THE FINANCIAL SECRETARY WILL PRESENT THE GOVERNMENT MINUTE IN RESPONSE TO THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE DATED JANUARY 1993.

MEMBERS OF THE PUBLIC ARE WELCOME TO OBSERVE THE PROCEEDINGS OF THE MEETING FROM THE PUBLIC GALLERY. THEY MAY RESERVE SEATS BY CALLING 869 9492.

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STUDENTS RAISE RECORD FUNDS FOR COMMUNITY CHEST

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FUND-RAISING ACTIVITIES ON ENVIRONMENTAL PROTECTION ORGANISED BY MEMBER SCHOOLS OF THE EDUCATION DEPARTMENT'S COMMUNITY YOUTH CLUB (CYC) HAVE RESULTED IN A RECORD CONTRIBUTION OF NEARLY \$4 MILLION TO THE COMMUNITY CHEST.

HELPING STUDENTS FROM 560 MEMBER SCHOOLS TO RAISE FUNDS WERE PARENTS AND FRIENDS WHO EITHER CONTRIBUTED CASH OR LABOUR IN SUCH ACTIVITIES AS TREE PLANTING AND CLEANING OF COUNTRY PARKS, BEACHES AND SCHOOLS.

CYC STUDENT-MEMBERS ALSO RAISED ADDITIONAL \$686,121 THROUGH THE SALE OF POTTED PLANTS.

THE ACTIVITIES ARE PART OF THE ANNUAL GREENING FOR THE CHEST CAMPAIGN (\$3.26 MILLION WAS RAISED IN THE 1991/92 FINANCIAL YEAR) WHICH IS ALSO AIMED AT AROUSING PUBLIC AWARENESS OF ENVIRONMENTAL PROTECTION.

THE DIRECTOR OF EDUCATION, MR DOMINIC S W WONG, WILL OFFICIATE AT A CHEQUE-PRESENTATION CEREMONY ON FRIDAY (MAY 7).

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ATTENTION NEWS EDITORS:

THE DIRECTOR OF EDUCATION, MR DOMINIC S W WONG, WILL OFFICIATE AT THE GREENING FOR THE CHEST 1992/93 CYC CHEQUE-PRESENTATION CEREMONY TO BE HELD AT 4 PM ON FRIDAY (MAY 7) IN THE MAIN HALL OF THE MARINERS' CLUB, THIRD FLOOR, 11 MIDDLE ROAD, KOWLOON.

YOUR REPRESENTATIVES ARE INVITED TO COVER THE EVENT.

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TUESDAY, MAY 4, 1993

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ANNUAL REPORT ON CONSUMER PRICE INDICES FOR 1992

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THE CENSUS AND STATISTICS DEPARTMENT HAS PUBLISHED THE ANNUAL REPORT ON THE CONSUMER PRICE INDEX (CPI) FOR LAST YEAR.

THE REPORT PROVIDES A DETAILED ANALYSIS OF THE MOVEMENTS OF THE 1989/90-BASED CPI(A), CPI(B), HANG SENG CPI AND COMPOSITE CPI IN 1992.

CHARTS AND TABLES SHOWING MOVEMENTS OF THE CPI'S AT COMMODITY/SERVICE SECTION AND GROUP LEVELS, AS WELL AS THEIR CONTRIBUTIONS TO THE OVERALL CHANGE IN THE INDICES ARE ALSO INCLUDED IN THE PUBLICATION.

APART FROM STATISTICS ON THE CPI'S, THE REPORT ALSO CONTAINS AN ELABORATION ON THE CONCEPTS AND COMPUTATION METHOD OF THE CPI'S TO HELP READERS GAIN A BETTER UNDERSTANDING AND PROPER INTERPRETATION OF THE CPI'S.

THE REPORT IS A BILINGUAL PUBLICATION IN BOTH ENGLISH AND CHINESE. IT IS NOW ON SALE AT \$27 A COPY AT THE GOVERNMENT PUBLICATIONS CENTRE, GENERAL POST OFFICE BUILDING, GROUND FLOOR, CONNAUGHT PLACE, CENTRAL; AND THE CENSUS AND STATISTICS DEPARTMENT, 19TH FLOOR, WANCHAI TOWER, 12 HARBOUR ROAD, WAN CHAI, HONG KONG.

ENQUIRIES CAN BE DIRECTED TO THE CONSUMER PRICE INDEX SECTION OF THE CENSUS AND STATISTICS DEPARTMENT ON TELEPHONE 805 6403.

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HONG KONG GOVERNMENT EXCHANGE FUND
TENDER RESULTS

* * * * *

TENDER DATE	4 MAY 93
PAPER ON OFFER	EF BILLS
ISSUE NUMBER	Q318
AMOUNT APPLIED	HK\$5,115 MN
AMOUNT ALLOTTED	HK\$1,000 MN
AVERAGE YIELD ACCEPTED	2.76 PCT
HIGHEST YIELD ACCEPTED	2.76 PCT
PRO RATA RATIO	ABOUT 74 PCT
AVERAGE TENDER YIELD	2.80 PCT

/HONG KONG

HONG KONG GOVERNMENT EXCHANGE FUND

TENDERS TO BE HELD IN THE WEEK BEGINNING 10 MAY 1993 -

TENDER DATE	11 MAY 93	11 MAY 93
PAPER ON OFFER	EF BILLS	EF BILLS
ISSUE NUMBER	Q319	H364
ISSUE DATE	12 MAY 93	12 MAY 93
MATURITY DATE	11 AUG 93	10 NOV 93
TENOR	91 DAYS	182 DAYS
AMOUNT ON OFFER	HK\$1,000 + 200 MN	HK\$400 + 80 MN

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HONG KONG GOVERNMENT EXCHANGE FUND
MONEY MARKET OPERATIONS

* * * * *

	\$ MILLION

OPENING BALANCE IN THE ACCOUNT	2,060
REVERSAL OF LAF	+90
BALANCE AFTER REVERSAL OF LAF	2,150
NET INJECTION/WITHDRAWAL TODAY	NIL
EFFECT OF LAF TODAY	-450
CLOSING BALANCE IN THE ACCOUNT	1,700
LAF RATE 2.00 BID/4.00 OFFER	TWI 111.7 *-0.1* 4.5.93

HONG KONG GOVERNMENT EXCHANGE FUND

EF BILLS

HONG KONG GOVERNMENT BONDS

TERMS	YIELD	TERM	ISSUE	COUPON	PRICE	YIELD
1 WEEK	2.43 PCT	12 MONTHS	2405	5.50	102.47	3.09
1 MONTH	2.64 PCT	15 MONTHS	2408	4.375	101.46	3.23
3 MONTHS	2.74 PCT	18 MONTHS	2411	4.625	101.81	3.43
6 MONTHS	2.86 PCT	21 MONTHS	2502	4.75	101.91	3.66
12 MONTHS	3.05 PCT					

TOTAL TURNOVER OF BILLS AND BONDS - 8,771 MN

CLOSED 4 MAY 1993

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Received by PRO
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DAILY INFORMATION BULLETIN

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BEACONSFIELD HOUSE, HONG KONG. TEL.: 842 8777

SUPPLEMENT

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TUESDAY, MAY 4, 1993

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GOVERNOR'S PRESS CONFERENCE AT
OFFICE OF SENATOR MITCH MCCONNELL OF KENTUCKY
* * * * *

(Group 1)

MR. MORIARTY: Can we have a few words from you, Senator, on your conversation, for starters?

SENATOR MCCONNELL: Well, I was glad to meet with the Governor to discuss the progress in Hong Kong. I'm very enthusiastically behind what he's trying to do to broaden the franchise in Hong Kong. I think he's doing a wonderful job. And as someone who's had an interest in Hong Kong for quite some time, I was thrilled at his appointment and very supportive of his program.

MR. MORIARTY: Sorry to ask you to talk with that little difficulty there, but on the question of MFN, Senator, you've written the U.S.-Hong Kong Policy Act. Would you perceive MFN conditions to be a logical extension of your bill, or to the contrary, do they run against the intent of your bill?

SENATOR MCCONNELL: It is my view that MFN could be extended without condition. I don't think that would be a constructive part of the ongoing debate about the future of Hong Kong. It seems to me, as I've said repeatedly in the past, that conditioning MFN will only hurt the pro-democracy and pro-free enterprise forces in China, and I'm hoping that the President will ultimately decide not to approach MFN with conditionality.

/MR. MORIARTY:

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MR. MORIARTY: If I could just follow up one more question there, how far can the U.S. go in promoting the policies that you've outlined in your bill without crossing the line of intervening in China's internal sovereignty?

SENATOR McCONNELL: Well, at the risk of sounding a little bit immodest, the beauty of my bill was it's simply built upon the words of the Joint Declaration. My bill did not go beyond a document the Chinese signed themselves. And so it seemed to me that there was no real -- no sensible reason to oppose the bill since it's simply built upon the exact language of the Joint Declaration. So I didn't view that in any way as meddling in relations between the United Kingdom and China, but rather building on the agreement that had been signed.

MS. TINLINE: What's your feeling amongst your fellow Congressmen about how MFN is going to go? Do you think it's going to become an act of law, or is it going to be left to the President?

SENATOR McCONNELL: It's hard to predict what may happen. As you know, the President said during the campaign that he thought MFN should be conditioned. There is some discussion within the administration. The Governor's been here expressing his point of view on that, which I hope will have some influence.

It's just not clear, as we speak, exactly which way the administration will go. I hope that they will simply conclude that last year's rhetoric may have been fine for the campaign, but it's simply not good policy in 1993.

/GOVERNOR PATTEN:

GOVERNOR PATTEN: Is there another group outside?

QUESTION: One more please. If you did not add conditions to MFN, how to press for improvement of human rights in China and also the democracy of Hong Kong?

SENATOR McCONNELL: Well, I think the Governor is doing a marvelous job of pressing for human rights. He can speak for himself, but as an outsider my impression is the Governor is doing a marvelous job of pressing those issues in Hong Kong today.

GOVERNOR PATTEN: There are a number of countries which, as you know, have been pursuing the question of human rights with the Chinese authorities. The Australians have been doing it, the United Kingdom have done it with the Howe mission to China, and the French have done it as well. So there are lots of ways in which one can establish a dialogue on human rights. And in those -- in that dialogue the Chinese set out their own position very clearly, others set out their position, and I think it leads to helpful progress.

I think that's the way of dealing with human rights matters, rather than dragging trade or economics into it. I still believe very strongly that trade throws dark -- throws light into dark corners and that more trade and more economic growth improves not just people's standard of living, but their quality of life as well.

QUESTION: What was the outcome of your meeting with Senator Mitch -- I mean Mitchell yesterday?

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GOVERNOR PATTEN: I had a useful exchange with Senator Mitchell. I don't think that either of us converted the other, but I hope that Senator Mitchell feels that I gave him some useful information which will help to determine his approach in the next few weeks.

VOICE: Thank you. We've got another group coming in.

VOICE: Good luck with that voice, Senator.

* * *

(Group 2)

SENATOR McCONNELL: First, let me explain that I have an allergy and it's affected my voice, so this isn't going to be a great sound bite for you.

(Laughter.)

VOICE: It's like Lauren Bacall.

SENATOR McCONNELL: Yes.

(Laughter.)

SENATOR McCONNELL: It's a thrill to meet with the Governor and to get an update on what is happening in Hong Kong. I'm an enthusiastic supporter of what the Governor is attempting to accomplish in Hong Kong. I think he's on the right track in expanding democracy as far as it can be expanded consistent with the Joint Declaration.

I also share his view about MFN. I don't think that MFN should be conditioned. It seems to me that would not be a constructive move. And I'm hopeful that the President, in the end, will decide not to try to condition MFN for China.

/QUESTION:

QUESTION: The Hong Kong Policy Act has been taking affect for about a year. Do you feel satisfied with what's going on right now?

SENATOR McCONNELL: Well, I hope that the Hong Kong Policy Act was a constructive part of the process. The Governor might want to address that. As you know, we did not go beyond the Joint Declaration in that bill. I did not in any way feel it was intervening in internal affairs in China, or in the relationship between China and the U.K. I hope that it's been a positive thing for Hong Kong.

GOVERNOR PATTEN: I think it was a very useful legislative reflection of the strong and important economic and trade relationship between Hong Kong and the United States.

QUESTION: There were a couple of things last year moved -- voted over against the MFN bill, but they didn't have the votes, but they did succeed in the override. This year there may not be a bill, or the bill has been introduced but it may not come to Congress. What role do you see for the Republicans this year in trying to have no conditions on MFN?

/SENATOR McCONNELL:

SENATOR McCONNELL: Well, what we've tried to do is encourage the President to consider his position of last year largely campaign rhetoric and to modify his position on this issue, as he has on some other issues; to take into account the reality of the situation, which is that conditionality or conditions attached to MFN are simply not a constructive part of the process and certainly will not help Hong Kong and, in my view, it will do nothing to further free enterprise or democracy someplace down the road in the PRC.

QUESTION: Mr. Senator, are you aware of the report submitted by the previous administration in accordance with the Hong Kong Policy Act?

SENATOR McCONNELL: Yes, we took a look at the report. It was all right. I would hope for a more detailed report next year.

QUESTION: Concerning political reform in Hong Kong, do you think that any action should be taken by the U.S. Government to support for the political reform in Hong Kong?

SENATOR McCONNELL: Well it's, of course, not our affair; it's between the U.K. and the PRC. But I personally support what the Governor is trying to do to broaden democracy in Hong Kong. I think he's on the right track and I think that most people in this country, including most Government officials, feel very strongly that Governor Patten is going in the right direction.

GOVERNOR PATTEN: Thank you very much. See you later in the day, I gather.

* * *

/(Outside the

(Outside the Russell Building)

QUESTION: Just one question.

GOVERNOR PATTEN: Yes.

QUESTION: What's the impression you are forming? The dinner last night must have been helpful. Are you getting the impression that it's going to be conditional, it's going to be put off? What are you forming?

GOVERNOR PATTEN: Well, I tell you what I am forming, a very clear impression about American concerns: American concerns about the huge Chinese trade surplus, American concerns about human rights, and American concerns, which I think have been growing and growing very rapidly over the last year, about weapons proliferation.

Now, in those circumstances what I think we have to do is to make sure that the U.S. officials who are making policy and U.S. legislators, understand our concerns and understand the importance of trade as freely conducted as possible to the improvement of the quality of living of people in China, as well as to the economic position of Hong Kong.

It's a moving situation. It's not exactly the same as it would have been lobbying last year, where a President had made absolutely clear where he stood and, on the whole, was having to repel a Congress which was taking a slightly different point of view. Things have changed since then, and my impression is the administration is looking for as broad a consensus between the administration and Congress as possible.

/But I

But I will obviously have a clearer idea when I've met more Senators and Congressmen. I'm meeting a couple of congressional leaders this afternoon, as you know, who have taken a very strong line in favor of MFN renewal without stringent conditions. And they're both very influential, the Chairman of Ways and Means in particular.

QUESTION: (inaudible.)

GOVERNOR PATTEN: Sorry?

QUESTION: Your meeting with Pelosi last night, what views did you find?

GOVERNOR PATTEN: I had the opportunity of quite a long exchange with Representative Pelosi, just as I'd had the chance of a long conversation with Senator Mitchell. I can't honestly say -- and I think you'd be surprised if I put it differently -- that I changed Representative Pelosi's mind.

But I hope that the Representative and Senator Mitchell were better informed about our position and about our concerns. I think they do understand our argument, but I don't think anybody has yet convinced them that our argument is the right one.

QUESTION: Governor -- sorry, Governor. I would think if they're going to -- if you went and said I'm sorry, I don't think that's the right way to do it, that they're going to say to you all right, suggest some alternatives. Do you have some ideas on how America can address these concerns and not hurt Hong Kong?

/GOVERNOR PATTEN:

GOVERNOR PATTEN: Well, there are two distinct questions. The first is are there alternatives to attaching conditions to MFN if you want to secure given objectives in the trade field, in the weapons proliferation field, in the human rights field. I think there are alternative ways of pursuing those matters, and that's one of the points I've been arguing about.

There is a second point, which is whether if you think that some sort of conditionality is inevitable with MFN renewal you should put yourself in the position of actually debating what that conditionality should ideally be. I don't think I could possibly do that. I think it would be to give away the principle which I've been asserting, and I don't think it would be a sensible thing to do tactically.

But what I must ensure is that Hong Kong's position and Hong Kong's commitment to free trade and economic growth, as the best ways of securing social progress, are recognized by both the administration and by politicians.

QUESTION: Governor, have Senator Mitchell and Congresswomen Pelosi given you any idea whether they're really going to push through their legislation, or is it just, at the moment, something they're threatening to do?

/GOVERNOR PATTEN:

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GOVERNOR PATTEN: I think that one of the debates which is going on at the moment is about whether the right way is to pursue a legislative route or whether the executive should take the lead, whether there should be an executive order or some sort of statement by the President. And I don't think that is something which has been resolved between the administration and the congressional leadership at the moment.

I think that both Representative Pelosi and Senator Mitchell are aware, among other things, of our criticisms of the detail of the legislation, quite apart from the principle. There was a very effective demolition job, I think, done on the details of the bill by the Wall Street Journal the other day in a leading article. It pointed out some of the parts of the bill which would be pretty well impossible to administer.

But I think that the question of how the policy should be pursued, if it is to be pursued, whether taking a legislative route or an executive-led route, I don't think that's been resolved.

QUESTION: But is it your impression that they're actually serious about this legislation?

GOVERNOR PATTEN: I think it's my impression that they're serious about the objectives which the legislation purports to set for itself. I think they're certainly serious about that. But whether they're serious -- but whether they think that they should concentrate on legislation or try to get the administration to make a statement, that's less clear.

/QUESTION:

QUESTION: Mr. Governor, it seems that you and Senator McConnell have the same mind on the political reform. Did you discuss with him on the details of your political package?

GOVERNOR PATTEN: No. I set out -- I sketched out where we stand now. For example, I explained to him how the process of talks had started and our commitment, if at all possible, to make a success of those talks. I didn't go into very much more detail than that, because he's extremely well informed about what's happening in Hong Kong, as you would expect from somebody who'd drafted that legislation.

I think that you'll have noticed that the administration officials and the congressional leaders that I've been talking to take a very sophisticated approach to the question of the political development of Hong Kong. They recognize that it's a matter for Britain and China to resolve in the interests of Hong Kong. But they obviously taken an interest in the successful outcome of those talks, and you can't expect the leaders of one of the greatest democracies in the world to say they're against democracy.

QUESTION: Governor Patten --

QUESTION: Is there any way that the Americans can address their concerns about human rights, arms proliferation, and trade, and at the same time be addressing the concerns of Hong Kong? Is there a central theme that they can reach that can address these two conditions that could satisfy you?

/GOVERNOR PATTEN:

GOVERNOR PATTEN: I've obviously been arguing. I mean I don't want to go back over what I said earlier about the lack of wisdom were I to address myself to the sort of conditions which might be acceptable. I have to stand on the principle, but hope that my enunciation of the principle affects the outcome of policy.

There are -- outside legislation there are specific ways in which concerns on issues like weapons proliferation can be pursued. For example, there are already legislative options in relation to weapons proliferation which the United States can follow. For example, other governments have pursued their interest on human rights through trying to establish a dialogue with China on the subject. That's what the Australians have done, the French, the United Kingdom with Lord Howe's mission not very long ago. So there are alternatives to using MFN.

Okay.

QUESTION: Just in a nutshell, at this point.

GOVERNOR PATTEN: In a nutshell.

QUESTION: In a nutshell, do you have the feeling that when it comes to these issues, Hong Kong trade, China, et cetera, that the administration is groping its way toward a policy, that it's still a bit in the dark about what it wants to do?

/GOVERNOR PATTEN:

GOVERNOR PATTEN: I don't think it's greatly in the dark, but I do think it's moving towards a policy. And I think it wants to establish a policy which has the broadest possible support in Congress, which brings together both the executive and the Congress in a broad alliance.

That's what I think the administration is trying to do at the moment, and I repeat that it's my hope that my visit this week will have helped to ensure that everybody takes account of our position when they're framing their final policy.

QUESTION: Do you think China will accept a way of having dialogue -- sorry -- of having dialogue to solve the problems, if that is not the style of China?

GOVERNOR PATTEN: Well, I think that China will come to accept in the next few years that everybody else in the world pretty well tries to sort out their problems through dialogue. And if China wants to sort out problems such as those on the trade front, it will have to be through dialogue as well.

QUESTION: Are you happy with the progress in Beijing about the electoral arrangements?

GOVERNOR PATTEN: Well, we've had -- we've had two rounds of talks. I think that they've been conducted in a sincere atmosphere. There are very good professional diplomats discussing these issues, and I hope --

QUESTION: Are you happy with the substance of the electoral arrangements?

/GOVERNOR PATTEN:

GOVERNOR PATTEN: I don't want to say any more than that, for reasons which frustrate you even while you understand them.

(Laughter.)

GOVERNOR PATTEN: I'll leave you to speculate with your usual laser-beam accuracy.

QUESTION: Do you expect the talks will go into substance the next round?

GOVERNOR PATTEN: I don't want to say anything which would make it more or less difficult for the talks to -- I mean more difficult for the talks to get into substance, if they haven't already.

QUESTION: But we are getting near a deadline, which the government has imposed, of wanting to get this legislation out by the end of this session. So at some point you have to get it in to get it out.

GOVERNOR PATTEN: I don't think I want to add to the many answers I've given to you on that subject in Hong Kong. You can't come all the way to Washington and ask the same questions. Come on.

QUESTION: But do you tell the U.S. officials and the Senators about the progress you make in the talks?

GOVERNOR PATTEN: Not in detail, no.

QUESTION: Thanks, Governor.

GOVERNOR PATTEN: Thank you very much indeed.

GOVERNOR'S SPEECH AT THE NATIONAL PRESS CLUB IN WASHINGTON
* * * * *

MR. ADAMS: Welcome to the National Press Club. My name is Alan Adams. I am an editor with the business newsletter Research Recommendations and a member of the press club's board of governors.

I would like to welcome club members and their guests in the audience today as well as those who are listening to this program on national public radio and watching it on C-SPAN.

Before introducing our head table guests, I would like to remind our members of some upcoming speakers. On May 5th, Mickey Kantor, the U.S. Trade Representative, will discuss GATT and NAFTA.

On May 12th, Richard Riley, Secretary of the Department of Education, will address the club on the Clinton administration's program.

On May 13th, Jesse Brown, Secretary of the Department of Veterans Affairs, will discuss the administration's new perspectives in veterans' affairs, and on May 17th, entertainer Victor Borge will reminisce about some of his finest hours.

If you have any questions for our speaker, please write them on the cards provided at the table and pass them up to me. I will ask as many as time permits.

I would like now to introduce our head table guests and ask them to stand briefly when their names are called, from your right:

Jim Berger, Washington Trade Daily, Richard Lawrence, Journal of Commerce, Drew Weinshank, Defense Weekly, Jack Cushman, New York Times, George Watson, senior contributing editor, ABC News, Mr. Barry Wiggham, Mrs. Lavendar Patten, Reginald Stuart, Assistant News Editor, Knight-Ridder Newspapers, and Chairman of the National Press Club Speakers' Committee, His Excellency Sir Robin Renwick, Ambassador of the United Kingdom and Northern Ireland to the United States, Jack Reynolds, a member of the National Press Club Speakers Committee who arranged today's luncheon, Avril Walker, The Economist, Keith Stafford, News Editor, Reuters, Stephen Robinson, London Daily Telegraph.

(Applause.)

MR. ADAMS: I would also like to thank staff members Melissa Bender, Pat Thornsbury, and Melanie Abdul De Roque for organizing today's luncheon.

Our guest today, the Right Honorable Christopher Patrick Patten, is the last Governor of the last of Britain's Royal Crown Colony of Hong Kong. That job is unique, because he knows to the second when it becomes history -- midnight, July 1, 1997.

The governorship is a mid-career change for the former Conservative Party chairman. Mr. Patten orchestrated the campaign which retained John Major as prime minister while at the same time losing his own parliamentary seat. He is now the key and controversial figure in the world's most rapidly growing economic area, one that encompasses Hong Kong, Taiwan, and South China.

In this era of gifted politicians, Mr. Patten holds his own with a reputation as the most gifted politician in Britain of his generation. He is the first of that profession to govern Hong Kong, heretofore the province of foreign minister professionals whose specialty was tending to an uneasy but mutually profitable coexistence with China to the north.

Mr. Patten changed the substance of politics in Hong Kong. He took to the streets, shaking hands and kissing babies, a technique he may have learned from working on one of John Lindsay's New York mayoral campaigns during his stint as a Coolidge traveling scholar.

Since his first policy speech in Hong Kong in October, where he introduced political reforms providing for more direct elections, Governor Patten has been on a collision course with China. He introduced social welfare and antipollution projects and instituted town hall meetings that would earn the applause of Mr. Perot but have drawn boos from Beijing.

One purpose of Mr. Patten's visit is a discussion of trade policy with the administration, Members of Congress, and the business community, all with a huge stake in the future of Hong Kong and China.

I am sure they will be listening eagerly to Mr. Patten's remarks to this press club audience today. Ladies and gentlemen, the Honorable Christopher Patten, Governor of Hong Kong.

(Applause.)

TUESDAY, MAY 4, 1993

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THE RIGHT HONORABLE CHRISTOPHER PATRICK PATTEN
GOVERNOR OF HONG KONG

GOVERNOR PATTEN: Mr. Chairman, ladies and gentlemen, first of all, thank you very much indeed for that extremely courteous and flattering obituary notice.

(Laughter.)

GOVERNOR PATTEN: I feel very honored to be one of such a distinguished line of speakers addressing you over the next few weeks. I think the speech I would particularly like to hear would be Victor Borge on GATT and NAFTA.

(Laughter.)

GOVERNOR PATTEN: As you mentioned in your introductory remarks, chairman, I really began what for want of a better word we will call my political career working for John Lindsay's first mayoral campaign when he came out of the 17th Congressional District to run for other things, and my job on that campaign in 1965 was to cover the conservative candidate, Bill Buckley. I was responsible for researching Buckleyisms.

The one that I most enjoyed which told one, I guess, legends about the difficulties of the job for which he was allegedly running, was Buckley's reply when asked what the first thing would be if he were to succeed in his electoral quest and be elected mayor of New York, and Buckley replied very quickly, I'd demand a recount.

(Laughter.)

/GOVERNOR PATTEN:

TUESDAY, MAY 4, 1993

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GOVERNOR PATTEN: I guess that is a reflection of the difficulty of running New York.

I have to say that being Governor of Hong Kong isn't exactly a pushover, trying to manage a smooth transition from British sovereignty to Chinese sovereignty in 1997.

It is, as you said, chairman, the last great colonial responsibility which the United Kingdom has, but there is a distinct difference between our responsibility in Northern Ireland and that which we have discharged in other dependent territories over the years.

Elsewhere, we have been preparing communities for independence, and we have provided them with the appurtenances of independent statehood.

We have established fully democratic structures, independent courts, civil service, we have sent them a Speaker's Chair from Westminster, and we've launched the satellite into outer space and sometimes it has gone into a very satisfactory orbit and sometimes, alas, it's come crashing down to earth again.

But the purpose, always, has been the same, to establish a democracy on a Westminster model which we hope will sustain the community into years of independence.

/In Hong

In Hong Kong, our task has been very different. Our task has been to prepare for the resumption of Chinese sovereignty in 1997. There have been occasions in the 1940's and the 1950's, for example, when we considered introducing, as we had in other dependent territories, democratic structures, and those proposals were always resisted very strongly by China, which feared that if we introduced democratic structures at that stage into Hong Kong it might lead to Hong Kong wishing for independence rather than the resumption of Chinese sovereignty in 1997.

However, when it came to discussing with China, to agreeing with China, the mechanism for the transfer of sovereignty in 1997, we agreed a slow and steady path to democracy. That agreement was set out in the joint declaration in the mid-1980's, and that declaration also bound us both in treaty form to safeguard Hong Kong's way of life and Hong Kong's freedoms for 50 years after 1997.

What we attempted to do in that joint declaration was to safeguard the concept, the historic concept expressed by Deng Xiaping. He said that what he wanted was one country with two systems, Hong Kong system, not just the capitalist allocation of resources, but the freedoms and the values of an open society, all set out specifically and in terms in that joint declaration.

The present argument that we've been having with China is about how we can best secure one country, two systems, and, if you like, it's about whether we're talking about one country, two systems, or one country, one-and-a-half systems, or one country, one-and-a-bit systems.

We're absolutely clear that in the system that we're constructing in Hong Kong, even though there is limited democracy, that limited democracy must be credible, that the arrangements for the last elections under British sovereignty in 1995 have got to be clean and straightforward, and that's what we're discussing with Chinese officials in Beijing at the moment.

Hong Kong has been a spectacular success, the tenth largest trading community in the world, the second highest per capita GNP in Asia, a per capita GNP which is likely to exceed that of about half the members of the European Community within the next year or so.

We are likely to overtake the Netherlands, Italy -- dare I mention the United Kingdom -- well before the transfer of sovereignty in 1997.

We represent in Hong Kong, with 6 million people, 19 percent of China's GNP. We have the busiest container port in the world, adding capacity equivalent to the size of Seattle or Oakland every year.

The fourth largest airport, which will, when we complete it --

(Laughter.)

GOVERNOR PATTEN: -- be much the largest airport in the world, the tourist center of Asia.

And so the superlatives roll on, not just the economic ones, either. We have invested over the years considerably in social equity programs so that we can now boast rather better health care statistics on the most important items than, shall we say, the United States, the United Kingdom, or Australia, or New Zealand.

So it's been a great success story. And why? First of all, because Adam Smith's been in permanent residence in Hong Kong over the two decades when our economy has quadrupled in its strength and size. We have been a community which has practiced market economics year-in and year-out with considerable zest and skill.

Secondly, we're at the center of the fastest-growing region in the world, where hundreds of millions of people are, in Churchill's phrase, moving ahead to better pastures and brighter days, and not only at the center of the Asia-Pacific region but also at the gateway of China, where the Chinese economy has been opening up over the last years with tremendous success. 70 percent of the investment that goes into China goes through Hong Kong. 80 percent of the investment that goes in to Guandong goes in through Hong Kong.

The third reason -- the third reason for our success is that we have combined Chinese entrepreneurialism with the rule of law, and the rule of law isn't, as you know, just a matter of judges in wigs sitting in courts. The rule of law is about the relationship, as well, between a free press, a credible legislature, and an independent court system.

All those things are keys to Hong Kong's prosperity, because, just as our prosperity has sustained our way of life, So it's equally true that our way of life has helped to sustain our prosperity.

/I think

I think Hong Kong's success matters, not only to the United Kingdom today, not only to China in the future, not only to the region, but also to the world. And it's not very surprising, therefore, that people ask how they can help us to remain successful.

Some Chinese critics of the 28th Government, and they do exist, claim that when I try to address a question like that, I'm, quote, internationalizing Hong Kong. I think that's a pretty ridiculous charge. Hong Kong is an international community. Hong Kong is a tremendous international asset, an international asset when Britain is sovereign, an international asset when China is sovereign, too. And I suspect that it is precisely because of its international importance that China is committed to continue its hugely successful system.

Of course, others recognize, as the President has this week, that the implementation of the joint declaration is a matter for Britain and China, not for others. But others do take an interest in that implementation being managed successfully. And it would be absurd for them not to do so. The moment that the rest of the world ceases to be interested in Hong Kong, it is time for everyone in China, in Britain, and in Hong Kong itself to start worrying.

/In showing

In showing that interest, I hope that our friends will understand the difference between trade and economics on the one hand and politics on the other. I hope they won't get the two confused. I must say it would help me to make that point rather more successfully if it was a little clearer that China, a GATT applicant of course, understood that the two are different, as well.

I understand and respect the fact that United States foreign policy has traditionally been infused with a sense of values. Those who have benefitted from the consequences of that, as my generation did, for example, in Western Europe, do ill to criticize it. Foreign policy shouldn't be just about a utilitarian sense of national interest. Self interest invariably is served by trying to behave well, too. But as we say in England, I think one has to take account of running the right horse on the right course. I don't believe that trade and economics are a good vehicle except in extreme cases for pursuing political goals.

One reason why I take that view is because as Marxists, when there were any, used to believe, there is a relationship between economic and social progress and political progress. I don't argue for one moment that Washington or Westminster style democracy is everywhere a consequence almost mechanistically of a given level of GNP growth. Different cultures, different traditions, different periods of history produce different results.

/But I

But I do believe that everywhere in the world the opening up of economies, a growth in personal affluence, an increase in educational standards, an increase, if I may say so, in the use of cellular phones, increase in travel, development of satellite television, all those things have political consequences. So free trade, in my view, is a servant of human progress.

Trade promotes travel and interchange. It increases understanding. It spreads information. It encourages the freer thinking that comes with a wider knowledge of the outside world. It throws light into dark corners because the prosperity it creates actually encourages social change and individual freedom.

As I've argued a number of times before, and as I find myself arguing in a series of meetings this week, trade does, in my view, help humanity as a process. But it has less to offer as a weapon. Less to offer because it's double edged. You can't use it as a weapon without hurting yourself. Reduce trade, and you reduce your communication and your ability to influence. You don't water a parched landscape by closing the gates of the dam.

One of the reasons for all our prosperity in the years since the war is the American economy, American free enterprise, and American generosity. Your aid has helped to get so many economies back on their feet again. Your businesses have set up in those economies an increased investment in them. Your domestic market has provided the customers for the products of the factories which you've helped to establish.

China has been no exception to that economic development. MFN helped China's spectacular economic performance over the last 14 years of increasing liberalism in economic policy, a policy which the Chinese leadership have pursued with considerable dexterity and elan, 14 years of average 9 percent growth a year. That growth has been led by the regions with the greatest freedom to invest, with the greatest freedom to build and to trade.

Those in the vanguards of the movement of economic reform are inevitably those who have benefitted most from it. Equally, they would be the regions and they would be the people who would lose most if we were to cut off that trade, and I have to say that Hong Kong itself stands four square in that category. We have been a part of China's economic miracle, contributing to it and benefitting from it.

Saying this, I'm not speaking, as you will know, on China's behalf. I happen to believe that MFN, that trade, that opening up China's economy, that economic liberalism, that all those things are good not just for the standard of living of people in China, but for the quality of life of China's citizens.

But I'm not an official spokesman for the PRC. The PRC has other words which have been used about me. Prostitute, serpent, Buddha, tango dancer --

(Laughter.)

GOVERNOR PATTEN: -- a particularly obscure one which has slightly confused my wife.

(Laughter.)

GOVERNOR PATTEN: Wonders what I get up to in my spare time.

(Laughter.)

GOVERNOR PATTEN: And sly lawyer, which you'll all realize is an oxymoron.

(Laughter.)

GOVERNOR PATTEN: But the NCNA has not yet asked for my services, though they've done a wonderful job of improving my name recognition around the world.

(Laughter.)

GOVERNOR PATTEN: Nor am I here to lecture the United States on your interests, though plainly, ending MFN would have consequences for the American economy.

I know, I think, some of the arguments that concern you. But I can't help wondering whether you reduce the chances of China selling missiles to the wrong people by refusing to buy their peaceful products. And I can't help wondering whether the best way of pursuing your anxieties on human rights is through restricting trade on the one hand or increasing dialogue on the other. How much influence did the rest of the world have on China during the years of the cultural revolution when we had no contact with it.

/For me

For me, of course, there is one other special consideration. Some people say that they would like to help Hong Kong and help to protect our modest political aspirations by linking MFN renewal to the political development of Hong Kong. They say they would like to go further than Senator McConnell's U.S. Hong Kong act which shows a benign interest in our prosperity and stability and they use MFN as a tool to try to secure our way of life.

I just say today, as I've said in Hong Kong, I hope anybody who thinks that would actually be helpful will take it from the Governor of Hong Kong that it certainly wouldn't. I hope that anybody who's tempted to do that, won't. And I say to everyone with all the force at my command, though without in any way abasing my enthusiasm for the United States, that you certainly can't help Hong Kong by hurting our economy.

And MFN does help us substantially, just as it helps the fastest growing regions in China, as I was saying. What helps us helps China, and what hurts China hurts us. Economists have made lots of predictions about the impact on us of ending MFN. You can argue about precisely what those consequences would be, but nobody can doubt that it would deal us a pretty heavy blow.

/I'm not

I'm not going to hurl myself onto the spears of your debate. I know that there's very much thought and understanding going into the issue at the moment, a great deal of attention being paid to the exact terms on which MFN might be renewed. I only hope that those who are making the decisions will bear in mind some of the arguments that I have put today.

The New York Times, a few months ago, said in a marvelous phrase that no one has ever made any money betting against Hong Kong. I think that's right. I think Hong Kong has a bright future, and could well play in relation to the opening up of China's economy, the same sort of role that New York, itself, played in the opening up of the American economy a century ago. But that future in Hong Kong will be brighter and will be more assured, we'll have more prosperity and more political stability, if China does not seek to impede the modest steps towards democracy that it's already agreed we should make.

In the longer term, there's one other factor which I believe to be crucial to Hong Kong's well being. I have no hesitation at all in saying that the better the relationship between China and the United States, the better the prospects for Hong Kong. A China steadily moving forward towards a more open economy, a more open society, and dealing, we hope, responsibly and with self confidence, with the pressures and the challenges that come with economic success, and a United States economically strong, assured in its leadership, and ever mindful of its historic commitment to free markets and to the values of a free society.

That relationship, mature and mutually reinforcing, would not only be good for Hong Kong, it would also be good for the Asian region and extremely good for the world.

Thank you, very much.

(End of transcript.)

MR. BERGER: Interesting questions. Several in this vein, so I'll read one that covers some.

Aren't the British being rather hypocritical when now, after well over half a century of colonial rule, they're trying to democratize Hong Kong in the 1995 elections just 2 years before the Chinese take back Hong Kong?

GOVERNOR PATTEN: It's actually more than half a century. It's 150 years.

(Laughter.)

GOVERNOR PATTEN: I tried to answer that point at the beginning of my speech, so either I didn't succeed or else the question was written before I began speaking --

(Laughter.)

GOVERNOR PATTEN: -- Which has been known.

(Laughter.)

/GOVERNOR PATTEN:

GOVERNOR PATTEN: I pointed out the difference between the way we had behaved in Hong Kong and the way we had behaved in all those colonial communities; that we were preparing not for the resumption of sovereignty by another power, but for independence. When we negotiated the terms of the transition with China, we agreed in the Joint Declaration, to which I referred, the pace towards which we could move to democracy in Hong Kong. That was part of that international agreement.

I am not seeking to increase the pace of democratization in Hong Kong, but what I am saying is that the elections held according to the Joint Declaration under British sovereignty -- I can't speak for what will happen under Chinese sovereignty -- should be conducted on a basis which is fair and reasonable. That they should be credible elections, that they should be elections which produce a properly voted legislature, and not elections which produce a rubber stamp. We all know that you can arrange electoral processes in a way which produces a preordained result.

What we are talking to Chinese officials about at the moment isn't an increase in the pace of democratization, but it's what the arrangements should be for the elections 2 years before the transition to Chinese sovereignty. Those arrangements hadn't been agreed -- hadn't been agreed before Patten arrived in Hong Kong. Maybe people would have heard less about the 28th governor if they had been agreed; maybe I'd have had a quieter life. They hadn't been agreed, we do have to agree them, and I hope we'll do so with good will on all sides in the course of the discussions we're having at the moment.

MR. BERGER: What do you tell the nervous businesspeople in Hong Kong when they say you're just stirring up trouble with Peking; we have to live here when you leave?

GOVERNOR PATTEN: Yes, some of them do, though I know that not all of those who criticize are in that category. There are quite a few who are robustly critical who have, like me, a British passport or a Canadian passport or an American passport.

But I do think very hard about the almost 6 million people in Hong Kong who will be there after 1997. And that I think, as well, that if I am not standing up for their way of life before 1997, there's rather less chance of anybody standing up for their way of life after 1997.

A more fundamental point that I try to put to the business community is one that I touched on in my remarks earlier. Hong Kong hasn't been successful just because of the capitalist model of allocation of resources. Our way of life is about much more than capitalism. It's, if you like, about market economics operating within rules, within regulations, within the rule of law. Erode the rule of law and you knock away the foundations of Hong Kong's prosperity. How can you guarantee a commercial contract if you haven't got the rule of law fiercely and fearlessly implemented?

/So businessmen

So businessmen who think that it wouldn't much matter if Hong Kong changed in its fundamentals better ask themselves what the credit rating would be if those things changed. They better ask themselves whether American banks would have quite as many assets locked up in Hong Kong if Hong Kong was no different from Shenzhen.

They better ask themselves whether it might not be the case that some of the 15 American banks or 21 American insurance companies or 900 American firms or 26,000 American community who are in Hong Kong at the moment might not have nipped off to Taipei or Seoul or Tokyo or Singapore, where they might argue they could be rather surer about the rule of law.

There is, I repeat, a close relationship between a free press, a credible legislature which isn't afraid to ask difficult questions, and the rule of law itself. And not to understand those things is to fail to comprehend one of the most fundamental aspects of our own society: yours here in North America and ours in Western Europe.

MR. BERGER: You mentioned rule of law, and this question -- you talked about the rule of law being a key to Hong Kong's future, but isn't smuggling big business in Hong Kong these days?

/GOVERNOR PATTEN:

GOVERNOR PATTEN: Smuggling is all too big a business, and something we suffer from in particular is the theft and smuggling of luxury cars. I think that if you were with us in Hong Kong, you would have heard yourselves anecdotes about what happens. You might even have heard about those who go north of the border to have serious discussions about how smuggling and car theft can be restricted, and find themselves being driven around in right-hand drive Mercedes or BMW's.

(Laughter.)

GOVERNOR PATTEN: It is a problem. It is a problem that we are addressing with the authorities in the PRC and a problem which we hope they will take seriously. Fortunately, we've managed to reduce the amount of car theft and smuggling over the last few months, largely, I hope, by some of the activities of the Independent Commission Against Corruption. That has been a very substantial move forward. But we still have to be extremely careful. We still have to be on our guard, and we need the active -- the active cooperation of the authorities in the PRC.

One other thing which, of course, promotes smuggling is duties and tariffs, as we know in England from the history of Cornwall in the eighteenth and nineteenth centuries. The more you can have free trade, the less smuggling you have. It's another reason why about the only thing on which I am ideological is free trade.

MR. BERGER: Japan, despite its phenomenal economic dealing with Hong Kong, has remained peculiarly silent about the issues regarding the reversion of the colony. What is your view on that?

GOVERNOR PATTEN: We all have our different diplomatic styles. You're quite right to talk about the close relationship between Japan and Hong Kong. Japan has been one of the largest investors in Hong Kong. And Japan, like a number of other countries, has sensibly used Hong Kong as an investment gateway into China.

Japan has, over the years, done us the great favor of appointing as consuls general in Hong Kong very distinguished diplomats. For example, the present vice foreign minister responsible for international economic relations, Matura-san, was consul general in Hong Kong. The present consul general was the private secretary to the last prime minister, Mr. Kaifu.

So the Japanese take Hong Kong very seriously at a governmental level. I've had two visits to Japan since I've been Governor myself, and they have both been extremely successful and rewarding. I'm sure that privately the Japanese will have expressed their concerns and interests to the PRC, as they have expressed them to us and to the United Kingdom. But the Japanese haven't, over the last decades, made a habit of up fronting with diplomatic concerns, and I guess they're not going to change.

All I want from Japan is a continuing close relationship and continuing Japanese investment in our burgeoning economy, and I suspect when the Japanese look around the world at other places where they might want to invest, the attractions of Hong Kong continue to look fairly substantial.

MR. BERGER: Many Americans feel very strongly that buying Chinese goods made with prison and child labor is morally wrong. Levi Strauss is the most recent American company to voice this concern. How can you address our concern, in the absence of an MFN threat against China?

GOVERNOR PATTEN: I think the question almost answers itself, because you have given examples of individuals or individual companies making their own decision and doubtless having some affect as a consequence.

I think that human rights should be addressed in their own terms. Let me give you an example. At the moment three countries, Australia, France, and the United Kingdom, have established a dialogue with China about human rights. China takes a particular moral position, of course, but we put our own arguments and put them pretty vigorously. I think that it's fair to say that you've done exactly the same from time to time, and I guess are doing that at the moment with some consequences.

/So I

So I think that it's better to address China in a dialogue on human rights rather than to take blanket economic or trading decisions which are unlikely to have, in my judgment, very much affect on those you would regard as the bad guys, even though they have quite a lot of affect on those who you would regard as the good guys.

Let me tell you -- give you an example of what I mean. The Wall Street Journal in a leading article a couple of days ago said that to revoke MFN wouldn't have all that much affect, it didn't believe, on people at the top, but it would have a tremendous affect on all those hundreds of thousands, if not millions of Chinese citizens who, because they had started to take up a position in the market, had started to be able to flex their muscles, at least as economic animals, in the sort of way of which we would all approve. I think it is better to help continue that economic process, that process of economic liberalism and economic freedom, rather than risk shutting it off.

MR. BERGER: What is your view of the Clinton administration's stance on textile trade? Do you seek the free flow of textile trade or further restrictions?

GOVERNOR PATTEN: Can I just add one footnote to what I was saying a moment or two ago, because I think it's an important point for us to make and it's a point that I made to both Senator Mitchell yesterday and Representative Pelosi.

/There isn't

There isn't an argument between us on the importance of improving human rights. If anyone has a right to be concerned about the issue, it's the people of Hong Kong; the people of Hong Kong who will, of course, will be seeing the change of sovereignty in 1997. But there is a difference between us on how we can best secure an objective which we all feel very strongly, and people who will be living in Hong Kong after 1997 feel even more strongly about, if I may make the point like that.

Textile trade: Well, I hope that we see a successful completion of the GATT. I hope we see a successful completion of the Uruguay Round. And I hope on the foot of that success, we see a steady reduction in trade friction, for example in the textile areas, rather than the reverse. I don't think anybody gains from selective trade rows and the selective raising of trade barriers.

I thought the President made a remarkable -- a very good speech on this subject a few weeks ago. And in that speech he pointed out that, I think, 20 out of the 24 developed countries had in the last few years raised trade barriers even while, I think his figure was 60 developing countries had been lowering trade barriers. His message was absolutely clear. We need to move steadily towards lower trade barriers all round. We need a successful Uruguay Round. We need to reduce friction in areas like textiles, but in other areas as well.

I feel that very strongly in Hong Kong where textiles are extremely important to us. I feel that very strongly in Hong Kong where I can speak for one of the very few communities where there aren't any tariffs at all. So, to borrow a phrase, we, as it were, put our money where our mouth is.

I worry about the pressures for protectionism around the world. Pressures in Europe, pressures in the agricultural sector, the pressures which try to add some respectability to the argument by pretending that the only way we can protect our welfare standards, our community provision, is by shutting out the goods from other communities where welfare standards may not be so high.

I worry about all those arguments and think that if we allow ourselves to drift down that road, we'll all rue the day because it will have calamitous consequences for our economic development and economic growth. I do think that free trade is one of those issues where there are dangers as soon as you move away from an assertion of principle, and I hope we can avoid such a move.

MR. BERGER: Forty years ago, the Democrats were labelled with the charge that they had lost China to communist oppression. Don't your proposals have a British domestic political purpose? Aren't they really designed to protect the Conservative Party from the post-1997 charge that they lost Hong Kong to communist oppression?

GOVERNOR PATTEN: That may form the core of an opposition speech in some election subsequent to 1997. But I think if it does, it will not be a speech that gets much coverage. I do not honestly think that that is a charge that would stick. I am not even sure that it is a charge that would be thrown, because I think it is inherently absurd.

There has been no argument, to speak of, in British politics about the resumption of Chinese sovereignty in 1997. There have been arguments in the past about the terms of that resumption. And there have been arguments, though fairly moderate, on the pace of democratization in Hong Kong. At present, I think I can say with reasonable confidence there is more cross-party support in Britain for what we are trying to do in Hong Kong than has been the case for a couple of decades.

I hope that can survive, because I think we should be attempting to pursue a bipartisan policy in Hong Kong.

What I would hope, looking beyond 1997, is that the United States and others, including Hong Kong, would have helped to ensure that China is a huge economic success. And without laboring the point, I think there are political consequences and social consequences of that, as I said earlier.

So I would very much hope that the charge that was levelled rather unfairly against the Democratic Party 40 years ago would simply not be regarded as a runner in relation to 1997 and the years after that.

MR. BERGER: Will Hong Kong become the capital of greater China? Is it already? Can you speculate on the role of Hong Kong 50 years from now?

GOVERNOR PATTEN: In two minutes, it has been said from my right.

(Laughter.)

GOVERNOR PATTEN: I think there is a general recognition that Hong Kong is the capital of, as it were, the overseas Chinese of the diaspora. And I think Hong Kong will always have a very special place in the hearts of the global Chinese community. I said that I thought that it would play a hugely important part in the development of the Chinese economy over the next few years. And I think it will play an important part culturally and socially as well.

Speculating what is going to happen 50 years ahead is of course some pretty dangerous business. And I am not sure how well qualified I am to do that. I recall that is only three or four years ago that one of the most distinguished State Department thinkers predicted the end of history. And there seems to have been all too much history since then.

I recall that is only I think four or five years ago that one of the leading American academics -- actually, a British scholar, predicted that the Soviet Union would continue as a strong global power. And he has just produced another book, I noticed, which I am sure will be full of equally valid predictions.

(Laughter.)

/GOVERNOR PATTEN:

GOVERNOR PATTEN: I did not notice anything said about that prediction on the blurb.

So I am a little chary about predicting. But if you ask me to say what I would like Hong Kong to be like, I would like it to be continuing to excite virtually everyone who gets the plane in Hong Kong, with its verve and buzz and liveliness and can-do atmosphere, exactly some of the quality which have attracted many of us to the United States, if I may say so, over the years, which may surprise you, but it is true.

I would hope that Hong Kong would still be seen as a great open international city. I hope it would also be seen as representative of what we all mean and Karl Popper meant by an open society. I hope it will continue to give Adam Smith, as he lays unturning in his grave --

(Laughter.)

GOVERNOR PATTEN: Cause for merriment. And I hope, finally, that when you get off the plane in Hong Kong in just over 50 years time you will be getting off at Chek Lap Kok, rather than Kai Tak.

(Laughter.)

GOVERNOR PATTEN: But I suppose it is just about true that the Joint Liaison Group or whatever succeeds it may still be discussing the issue.

(Laughter.)

MR. BERGER: Before the final question, Governor, I would like to present you with a certificate of appreciation for appearing at the Press Club.

GOVERNOR PATTEN: Thank you very much.

MR. BERGER: And a book on North American Indians, a picture book and text.

GOVERNOR PATTEN: Thank you very much. Thank you very much, indeed.

MR. BERGER: You are most welcome.

I missed telling you this before, and I am supposed to be repeating it. Audio and video tapes of today's luncheon are available through the National Press Club Library, or by calling 1-800-952-TAPE. All proceeds of the sale of tapes benefits the National Press Club Library.

For the final question. Many of us in this room are wearing suits made in Hong Kong, even though we have never been there. Should we order several suits now, or will they still be available after 1997?

(Laughter.)

GOVERNOR PATTEN: I certainly think that you should go on ordering suits, shirts, shoes, and whatever else you wear. I can actually recommend a very good tailor.

(Laughter.)

GOVERNOR PATTEN: Who has spent much of the last few weeks, I am gratified to say, taking my suits in.

/(Laughter.)

(Laughter.)

GOVERNOR PATTEN: I would very much like to know how many members of Congress have their suits made in Hong Kong. And I want to assure you that the standards and style are higher than ever. There have been one or two problems in the past. A great friend of mine had a pinstripe suit made in a great hurry in Hong Kong about 30 years ago. And it was terrific cut. The only problem was that they had made the pinstripes horizontal.

(Laughter.)

GOVERNOR PATTEN: But that, I can assure you, is not the norm.

(Laughter.)

GOVERNOR PATTEN: There are very good tailors who will make your suits faster than you believe humanly possible, faster than they will subsequently take to dry clean when you come back to the United States. They will make them very fast, very cheap, in a most wonderfully friendly manner.

And you would not know, would you, from that little advertising blurb that I am the Governor of Hong Kong?

(Laughter.)

(Applause.)

/GOVERNOR PATTEN:

GOVERNOR PATTEN: Something else which is very attractive in Hong Kong is porcelain and China, and we have very good design. And I would like to offer you a small memento of this occasion, which I hope will remind you of Hong Kong, and encourage you to come there, and encourage you to buy even more suits. I am not sure actually whether that one was made in --

(Laughter.)

MR. BERGER: You are looking at my Hong Kong suit.

Thank you very much.

GOVERNOR PATTEN: Yes, it is very well cut.

(Applause.)

MR. BERGER: Thank you very much, Governor.

GOVERNOR'S PRESS CONFERENCE OUTSIDE CAPITOL BUILDING
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GOVERNOR PATTEN: I have had good meetings this afternoon with Senator Baucus and Representative Rostenkowski, the chairman of the House Ways & Means Committee, who is obviously a crucial player in this debate, and has been a consistent supporter of MFN renewal.

He is one of the most important congressional figures, so I much valued my discussion with him and his position on the issues hasn't changed at all over the last year, I'm pleased to say, nor, I suspect, has Representative Pelosi's.

MS. TIDWELL: You were talking to us about some of the other measures that America could use. What's that 301? Does that look like an issue that is going to be come up again, and if it does, what do you think Congress will do?

GOVERNOR PATTEN: Nobody's mentioned 301 to me. There are, I think, three different versions of 301. I think I'm right in saying that one of those versions of 301 has been suggested by one or two Senators as an add-on to the provisions for a fast track authority for the Uruguay Round, but it hasn't featured as an issue in my discussions on the whole.

MR. CHUGANI: Rostenkowski I think the year before did not support MFN, but I think last year he went along with the conditions. I don't know what his position is this year. As chairman, is he supporting the Pelosi bill or opposing it?

GOVERNOR PATTEN: No. I mean, as a matter of principle I think he is in favor of free trade and in favor of MFN renewal, but he's one of the most significant figures in the House of Representatives. He's responsible in the first place, as you know, for overseeing the discussions on the President's budget, and he will obviously want to be part of an administration congressional consensus, I would judge.

MR. CHUGANI: So he's not saying that he's supporting the Pelosi bill, because his committee has jurisdiction over that bill.

GOVERNOR PATTEN: I think it's actually because of the way it's drafted. I'm learning a lot about the American legislative process rather quickly. I think it's actually gone to three committees --

VOICE: That's right.

GOVERNOR PATTEN: -- whereas last year it just went to one.

As I said to you yesterday, I think the administration and congressional leaders are looking for a policy which will command as wide support as possible, and I think there are some issues about which they are particularly concerned -- weapons proliferation, human rights, and trade. It's our job to make sure that they take proper account of the impact on Hong Kong of whatever policy they come forward with.

I suspect that the access that we've been given this week is an indication of the extent to which they're listening seriously to our arguments. I don't think we would have seen quite so many people for quite so long if they hadn't been very concerned to make sure that they were taking account of the Hong Kong point of view.

MR. MORIARTY: Did Rostenkowski bring up the deficit, sir, the huge deficit between the United States and China? Is that a subject of discussion?

GOVERNOR PATTEN: He didn't mention the size of the deficit. He did mention the opportunities for American business and China. Others have mentioned the size of the deficit, and it's plainly a real and genuine concern.

MR. MORIARTY: Is it playing into the MFN question, sir?

GOVERNOR PATTEN: Yes.

MR. MORIARTY: Do you think that basically protecting American industry is --

GOVERNOR PATTEN: It's playing into the MFN question.

MR. CHUGANI: Sir, are you more optimistic or pessimistic to achieve your goal at the moment?

GOVERNOR PATTEN: I'm optimistic that our arguments are going to be very closely considered when the administration and the congressional leadership decide their policy, but as I said yesterday, I think to be realistic their policymaking is going to take account of what was said during the presidential campaign, public opinion, and concerns about the three matters that I've already referred to.

MR. CHUGANI: Sir, do you think you are more convincing, much more convincing than other lobbyists?

GOVERNOR PATTEN: Sorry -- no, I certainly wouldn't lay claim to that, and I wouldn't lay claim to have done more than put across Hong Kong's case, but I think it is regarded as an important ingredient in the whole policymaking progress, but I repeat, the administration and Congress are looking for a policy which will command the widest support, and they are also clearly very worried about the three matters that I've mentioned.

Okay.

MR. MORIARTY: Can we just ask one last question, sir? Representative Pelosi, in addition to saying she felt you were having an impact by your visit here, said that her bill was clearly meant to provide leverage for this branch against the executive. What kind of leverage does her bill give you in terms of achieving your goals?

GOVERNOR PATTEN: I don't think her bill gives us any leverage, except that maybe some of the inadequacies in that particular bill will make it less likely that the administration will fetch up embracing it. That's rather a convoluted way of answering your extremely pertinent question.

MR. MORIARTY: Do you want to try again?

(Laughter.)

/GOVERNOR PATTEN:

GOVERNOR PATTEN: I'm not sure. All right. This is a quick one. I'm not sure that Representative Pelosi's bill gives us any leverage. I think you know that we reckon that there are a number of inadequate features in that bill which were well exposed by the Wall Street Journal last Friday.

If the administration reads the Wall Street Journal, and it is aware as we are of some of the inadequacies in the bill, then maybe it will impel them in an alternative direction, in which case the leverage will have been counterleverage. So there.

MR. MORIARTY: Is the Journal giving you any percentages of increase in circulation?

(Laughter.)

GOVERNOR PATTEN: It's going to be even more widely read in --

MR. CHUGANI: Pelosi says she never reads the Wall Street Journal. She never agrees with the Wall Street Journal.

(Laughter.)

MR. CHUGANI: That's what she said.

GOVERNOR PATTEN: I bet she doesn't say that about the San Francisco Chronicle. I'll quote that next time.

VOICE: Thanks very much indeed.

QUESTION: Did you time your visit, Governor, to fit in with when this was going to come up?

GOVERNOR PATTEN: Yes, and I would guess that for the Governor and the chief-executive of the SAR, April, May, most years is going to be a good time to be in Washington.

VOICE: Thank you.