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# 1997 economic policy 'restrictive'

By CHRIS YEUNG

A TOP Hongkong official of the Bank of China has warned that the Government after 1997 would have its hands tied if economic policies were laid down in the Basic Law.

Director of the board of the state-owned bank, Mr Chen Hung, said provisions on economic policies such as a balanced budget and low taxation, though admirable goals, would pose great restraints on the future administrators if they became law.

"The future Government will have its hands tied. It will also face the threats of violating the Basic Law if it is

unable to implement those economic policies," he said.

Mr Chen urges that economic policy be dealt with in a separate annex of the Basic Law. An annex is not legally binding.

The remarks by Mr Chen, who is also a local delegate of the Chinese National People's Congress, were in line with a similar warning made by the chairman of the Hongkong and Shanghai Bank, Mr William Purves.

In a note in comments on the first draft of the Basic Law sent to Omelco members in June, Mr Purves warned there would be "insufficient in-built flexibility to accommodate natural trends and developments as they occur over the next 50 years".

The Governor, Sir David Wilson, said in a speech in London last month that lay-



Chen Hung

ing down policy guidelines in law "would limit the flexibility of the SAR (Special Administrative Region) Government and tend to restrict the autonomy that is promised in the Joint Declaration".

The rare public comment

by Mr Chen, who ranks in the top echelon of the pro-China circle in the territory and is an adviser to the Basic Law Consultative Committee, is seen as an early indication that Beijing-appointed drafters might bow to public pressure to separate economic matters in an annex.

Mr Chen said: "The Joint Declaration and the Basic Law, though similar to some extent, are basically different. The joint pact is a document of policies but the Basic Law is a law.

"Policies are expectations that always change over time.

"Economy should regulate itself, not according to the expectations of any individual or government.

"We should not stipulate in great detail what the future Government can do and cannot in a Basic Law that gov-

erns Hongkong for more than half a century."

One case in point is a provision that says the future SAR shall follow the principle of measuring expenditure by revenues in drawing up its budget. Another states that the SAR shall continue to practise a low-tax policy.

Even at times of economic recession, when government income drops, the future SAR Government would be unable to resort to tax increases to meet local demand.

"How can the future SAR Government handle its fiscal policy?" Mr Chen asked at the first of a series of Basic Law symposiums organised by five kaifong associations on Hongkong Island yesterday.

By giving the future Government a free hand, confi-

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dence of investors would also be boosted.

Sharing Mr Chen's views, Mr Sanford Yung said it would be difficult to implement the economic provisions.

Mr Yung was the only one among the economy sub-group of the drafting committee to speak against including economic policies in the Basic Law.

The sub-group's co-convenor, Mr Wong Po-yan, defended the inclusion: "I'm yet to be convinced about amending the sections relating to economic policies. There has also been considerable support locally.

"If the majority wants amendments, we will consider making amendments.

"I personally do not agree to putting the provisions in an annex. The Basic Law is to reflect local expectations. If

local expectations could not be stated in the Basic Law, we don't have to write the Basic Law.

"It is not necessarily a bad thing to have rigid stipulations on the administration of the future SAR."

Another speaker, Mr Shao You-bao, deputy general manager of the Bank of Tokyo in Hongkong, said it was appropriate to lay down the continued use of a low-tax policy, adding that the Japanese constitution also contained many policy guidelines.

Low taxation was a major attraction to foreign investors and was a vital factor in making the territory prosper, he said.

The director of the Centre of Asian Studies at the Hongkong University, Dr Edward Chen, has criticised drafters for failing to include crucial elements of capitalism in the Basic Law.