

EIU assessment on Hong Kong unfair

In response to the Economist Intelligence Unit's (EIU) latest Business Environment Rankings report today (April 24), a Government spokesman regretted that the assessment on Hong Kong was unfair and biased over a number of issues, in particular in respect of the new Accountability System.

“The new Accountability System for Principal Officials will improve Hong Kong's governance, as well as preserve the integrity of our civil service system.

“The purpose of introducing the Accountability System is to enable the HKSAR Government to enhance understanding of community sentiments and to strengthen liaison and communication with the Legislative Council, the media, different functional groups and the wider community,” the spokesman stressed.

Under the proposed system, the politically appointed Principal Officials will be underpinned by Permanent Secretaries and a permanent civil service. The Permanent Secretaries and their colleagues will continue to constitute Hong Kong's professional, meritocratic and politically neutral civil service. The permanent civil service will continue to serve the people of Hong Kong and transcend the changes of government following future elections of the Chief Executive.

“This system is very similar to what applies in mature and developed jurisdictions around the world. Therefore, the EIU should have recognised that this approach to governance has been well tested around the world,” the spokesman said.

The spokesman also refuted the EIU's allegation on the morale of Hong Kong's civil service, noting that it was not based on any survey or objective evidence.

“According to a survey report published in February this year by the Political & Economic Risk Consultancy Ltd., Hong Kong's civil service has been viewed as more effective, efficient and responsive in 2002 than in 2001.

“This is seen against the fact that the establishment of Hong Kong's civil service has been reduced by seven per cent from about 198,000 in March 2000 to around 184,000 as at 1 January 2002. It has gone back to the level in 1986-87 while the population

of Hong Kong has grown by 20 per cent, or approximately 1.1 million, since 1987.

“Hong Kong’s civil service remains one of the best in the world. It has always provided stability, continuity, certainty, honesty and integrity,” he said.

On the tax structure, the spokesman underlined the fact that despite record budget deficit, the Government chose not to increase tax or to introduce a consumption tax in this year’s Budget. He said: “As a result, we still have a very simple tax regime as well as one of the lowest tax rates throughout the region, even taken into account any possible changes in the tax regime of Singapore.”

Addressing the EIU’s comment on the lack of a competition law in Hong Kong, the spokesman said: “Hong Kong’s competition policy, based on a broad policy framework applicable to all Government bureaux and departments and supplemented by sector-specific measures, provides us with the flexibility to take appropriate measures to promote competition, having regard to the circumstances in different sectors. For example, we have introduced competition effectively in the telecommunications sector.”

“With an open market and highly competitive economy, we do not see the need to enact an all-embracing competition or anti-trust law. Such legislation has its own inadequacies, for example, rigidity and inability to address the special concerns, circumstances and needs of individual sectors. There are also the risks of over-regulating, leading to protracted litigation and the creation of a large bureaucracy,” the spokesman said.

The spokesman rejected as totally unfounded and misguided the assertion that “the Government had a cosy relationship with some sectors”. He stressed that HKSAR Government was committed to providing a level-playing field and promoting a fair, open and pro-competition business environment.

Refuting the allegation that Hong Kong’s role as an entrepot for trade with China is diminishing, the spokesman said: “Hong Kong has moved forward substantially from a mere entrepot for years. Indeed Hong Kong’s unrivalled geographical location and first-class physical infrastructure means that we will remain as the prime financial, logistics and commercial centre for the region, in particular the Mainland of China.”

“This can be demonstrated by the fact that in 2001 the total number of regional headquarters and regional offices set up by international companies here increased by 7.9% to 3,237 over 2000. Foreign Direct Investment in Hong Kong has been consistently strong in recent years. At the end of 2000, the stock of Hong Kong’s inward direct investment amounted to HK\$3,551.3 billion at market value.

“As pointed out by EIU in the report, there will be increased market opportunities for Hong Kong as a result of China’s entry into the WTO,” he added.

On the quality of the workforce, he said: “We are fully committed to improving the quality of our human resources. That is why the Chief Executive has accorded top priority to education reform. The Government is investing heavily in education and the related expenditure has been increased by 46% over the past four years. We have also made very good progress in upgrading the community’s educational attainment. Between 2000 and early 2002, the participation rate in tertiary education of those aged 17-20 has increased from 32% to nearly 40%. We are confident that within 10 years, this will reach at least 60%.”

“We also appreciate the importance of enhancing the English proficiency of the people of Hong Kong to meet the needs of the global economy. Active steps have been taken to strengthen the teaching and learning of English in schools and to encourage working adults to improve their English proficiency,” he said.

End/Wednesday, April 24, 2002

NNNN

- [SCS’ transcript \(24.04.02\)](#)
- [Transcript of FS’ briefing \(24.04.02\)](#)

Transcript of FS' briefing

The following is a transcript of the standup briefing given by the Financial Secretary, Mr Antony Leung, at the Legislative Council Building this (April 24) afternoon:

Reporter: (How do you respond to the results of the EIU? Is it fair comment about Hong Kong?)

Financial Secretary: I think the EIU report on Hong Kong is an unfair one. I believe they take basically an unfair view on the accountability system that we are trying to introduce. It questioned the effect of the accountability system, on the political effectiveness.

In a way actually it is quite ironic for EIU to say it because its headquarters is in London. As we see in all democracies, they have some form of a ministerial system. Indeed, in Hong Kong, we are trying to introduce the accountability system exactly to promote the efficiency of our policy making as well as policy implementation.

Another point that has been mentioned in the EIU report is on the tax structure. It commented that Singapore is making improvements and that Hong Kong may fall behind in due course. Now, despite record budget deficit, we choose not to increase tax or to introduce a consumption tax. We choose to reduce the public expenditure. In particular, we choose to reduce the size of public expenditure as a percentage of the GDP. As a result, we still have a very simple tax regime as well as one of the lowest tax rates throughout the region despite all the possible changes in Singapore. Hong Kong's tax system remains simpler as well as having rates that are much lower. So we believe that this fact should be highlighted in that report.

In addition, the Government is trying very hard to enable the market, the most telling sign really is to reduce the share of Government expenditure or public sector expenditure as a percentage of the GDP. We are also working very hard to reorganise and reengineer the Government so that we can provide better services to the community.

All in all, we believe that we still have a very competitive environment and this in a way is underscored by the number of foreign companies choosing Hong Kong as the

Press Release

 [Email this article](#) | [Government Homepage](#)

regional headquarter, either choosing Hong Kong as the place to locate its regional headquarter or regional offices. So I believe Hong Kong citizens should have more confidence in ourselves and not be unduly influenced by one of these reports.

Reporter: (Your response to the report's remarks that Hong Kong's competitiveness may be affected as a result of China's entry into the WTO?)

Financial Secretary: Actually, I believe the report, if I remember correctly, (also)highlighted it as a plus. It actually increases the market opportunities for Hong Kong. In that sense, we agree with the report.

(Please also refer to the Chinese portion.)

End/Wednesday, April 24, 2002

NNNN

 [Email this article](#)

SCS's transcript

Following is the transcript of a media session given by the Secretary for the Civil Service, Mr Joseph W P Wong, today (April 24):

Reporter: Mr Wong, the EIU(Economist Intelligence Unit) Report said that the civil service morale could have been affected by the incoming accountability system. How do you react to the report findings?

Secretary: The EIU statement, as far as I can see from their press release is a general statement. It is not based on survey results nor is it based on any objective evidence.

I can only say that we have received a similar study. The one made by the Political and Economic Risk Consultancy Ltd which I had mentioned in February this year. It is based on a survey of businessmen in the region. And the results indicated that the Hong Kong civil service in 2002 is more effective, more efficient and more responsive than in 2001.

Whereas it is very easy for people to say that our civil service or some of our civil servants may express certain anxiety in the face of various changes which we have brought upon the civil service. But as a whole, our performance and our services to public have not deteriorated. Indeed they have improved over the past years.

Reporter: Mr Wong, we also know that tomorrow a review on the civil service pay and structure will be released. What do you expect from the report?

Secretary: I think this is a subject which has been in the papers in the past few days. It is important to put the matter in context. We commissioned the Standing Commission (Standing Commission on Civil Service Salaries and Conditions of Service), the Standing Committee (Standing Committee on Disciplined Services Salaries and Conditions of Service) as well as the Directorate Committee (Standing Committee on Directorate Salaries and Conditions of Service) to carry out a comprehensive review of the civil service pay system.

The review is in two parts. The first part is an analytical study of the civil service system and the measures these countries have undertaken in recent years so as to

provide a basis for us to see whether or not there are some lessons to be learned. The first phase study will be completed by the middle of this year. As far as I understand, what the Task Force will publish tomorrow is no more than an analytical study made by a consultant. The Task Force will not express any views. It is also very premature to speculate that the Government has taken any position at all. Indeed, the second phase review, which will be the more substantive part of the review, will only take place in the latter part of the year. So my message is really that it is no more than an opportunity for people to understand what other countries have been doing on civil service matters so that they can express their views in a more informed basis.

It is indeed premature to speculate anything. The Government has not taken any position at all on any of the things which are being done overseas.

Reporter: Mr Wong, you mentioned that there would be some guidelines or codes of conduct for politically appointed members. What sort of codes of conduct or what sort of guidelines are they going to be?

Secretary: In announcing the accountability system, the Chief Executive has made it very clear that he would like to see the preservation of the present civil service system. He would like to see all the good qualities in the civil service, such as political neutrality, professionalism, integrity, high efficiency etc., would be maintained. We therefore think it would be useful if we could set this out in the relevant documents, such as the contracts signed by the Principal Officials or in a code of practice which we think will be useful for the Principal Officials to observe.

Of course, the code of practice perhaps will cover a variety of subjects. One of the subjects may very well be the relationship between the Principal Officials and the civil servants, and also some advice on the civil service system.

This would serve two purposes. First of all it would reassure the civil service that we are in a way implementing what the Chief Executive would want us to do, which is to better preserve the system under the accountability system, and secondly to offer some perhaps practical advice and guidance to the Principal Officials so that they also know the essential ingredients of our civil service system. We would like, through this process, to cement the relationship between the Principal Officials and the civil service so that both sides can work in full cooperation and in full partnership. We, of course, will have to take into account the views of interested parties, such as the

Press Release

 [Email this article](#) | [Government Homepage](#)

Legislative Council and our civil service colleagues.

(Please also refer to the [Chinese](#) transcript)

End/Wednesday, April 24, 2002

NNNN

 [Email this article](#)