

立法會
Legislative Council

LC Paper No. CB(1)2295/02-03
(These minutes have been seen
by the Administration)

Ref : CB1/PL/FA/1

Panel on Financial Affairs

Minutes of meeting held on
Monday, 2 June 2003 at 10:00 am
in the Chamber of Legislative Council Building

Members present : Hon Ambrose LAU Hon-chuen, GBS, JP (Chairman)
Hon Henry WU King-cheong, BBS, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon Eric LI Ka-cheung, JP
Hon NG Leung-sing, JP
Hon Bernard CHAN, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, JP
Hon MA Fung-kwok, JP

Non-Panel members attending : Dr Hon David CHU Yu-lin, JP
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP

Members absent : Dr Hon David LI Kwok-po, GBS, JP
Hon James TO Kun-sun

**Public officers
attending**

: Agenda Item IV

Hong Kong Monetary Authority

Mr Joseph YAM
Chief Executive

Mr Eddie YUE
Executive Director

Agenda Item V

Mr Antony LEUNG
Financial Secretary

Mr K Y TANG
Government Economist

Mr Howard LEE
Administrative Assistant to the Financial Secretary

**Attendance by
invitation**

: Agenda Item IV

Prof Stephen Y L CHEUNG
Professor of Finance, City University of Hong Kong

Clerk in attendance

**: Ms Connie SZETO
Chief Assistant Secretary (1)4**

Staff in attendance

**: Ms Pauline NG
Assistant Secretary General 1**

Mr Watson CHAN
Head (Research & Library Services Division)

Mr Jackie WU
Research Officer 1

Mr Michael YU
Research Officer 7

Miss Salumi CHAN
Chief Assistant Secretary(1)5

Ms Rosalind MA
Senior Assistant Secretary (1)9

Ms Christina SHIU
Legislative Assistant

Action

I Confirmation of minutes of meeting and matters arising
(LC Paper Nos. CB(1)1671/02-03, 1702/02-03, 1762/02-03 & 1785/02-03)

The minutes of meetings held on 15, 20, 22 and 28 March 2003 were confirmed.

II Information papers issued since last meeting
(LC Paper Nos. CB(1)1625/02-03, 1640/02-03, 1673/02-03, 1707/02-03 & 1727/02-03)

2. Members noted that the above five papers had been issued for general information since the last regular meeting.

III Date of next meeting and items for discussion
(LC Paper Nos. CB(1)1788/02-03(01) & (02))

3. Members agreed that the following items be discussed at the next regular Panel meeting scheduled for Monday, 7 July 2003:

(a) Progress update on the strategic change plan of the Companies Registry; and

(b) Review on the financial regulatory framework for stockbrokers.

4. The Chairman drew members' attention to the Administration's written response regarding the research report on the operation of the Trading Funds, which was circulated to members vide LC Paper No. CB(1)1733/02-03(02) on 22 May 2003. Members noted that the Administration was still considering the proposal of establishing the Rating and Valuation Department Trading Fund and was not yet ready to update the Panel on the position.

IV The Governance of the Hong Kong Monetary Authority

(Submissions from academics/organizations — LC Paper Nos. CB(1) 1839/02-03(01), 1788/02-03(04), (06), (07) and (08))

Briefing by the Research and Library Services Division
(LC Paper Nos. CB(1) 1584/02-03 and 1788/02-03(03))

5. At the Chairman's invitation, the Head (Research and Library Services) (H(RL)) of the Legislative Council Secretariat highlighted the following points in the Research Report on the Governance of the Hong Kong Monetary Authority (the Research Report):

- (a) On powers and functions, the Hong Kong Monetary Authority (HKMA) was headed by the Monetary Authority (MA). The powers and functions of MA were set out in the Banking Ordinance (BO) and the Exchange Fund Ordinance (EFO). MA was responsible for assisting the Financial Secretary (FS) in controlling the Exchange Fund and regulating the banking industry. In contrast, the management of foreign exchange reserves and regulation of the banking sector were performed by separate authorities in the overseas jurisdictions covered in the Research Report.
- (b) In respect of funding arrangements, the expenditure of HKMA was charged to the Exchange Fund (EF) while most of the other authorities covered in the Research Report were operating on a self-financing basis.
- (c) As regards determination of the remuneration package for the chief executive of HKMA, FS acted on the advice of the Exchange Fund Advisory Committee (EFAC). In the UK, the remuneration package for the chief executive of a regulatory body was determined by the management board. In the US, the Congress approved the remuneration packages for the chief executives of the regulatory bodies.
- (d) EFAC served as the de facto management board of HKMA. While EFAC was not involved in the direct regulation or supervision of banks, it advised on banking policy issues with implications on the EF or its objectives.
- (e) As far as accountability arrangements were concerned, MA was appointed by FS and the criteria for appointment were not published. In the UK, the appointments were subject to open recruitment under the Nolan Principles while in the US, these were made by the

President and confirmed by the Senate. All the authorities studied were subject to scrutiny by the legislature.

Meeting with Professor Stephen CHEUNG

(LC Paper No. CB(1) 1788/02-03(04))

6. Professor Stephen CHEUNG declared interest as an appointed adviser of the Hong Kong Institute of Monetary Research (HKIMR), which was affiliated to HKMA and funded by grants from the EF.

7. Prof CHEUNG pointed out that the independence of central bank was crucial for maintaining its autonomous operation, its creditability and accountability. Prof CHEUNG said that while HKMA had been discharging its major duties well under its present structure, he wished to put forward some suggestions for an alternative structure to cater for future development. He concurred that the EFAC was a de facto management board. It should be replaced by a Board of Directors comprising the Chief Executive and Deputy Chief Executives of HKMA, FS as an ex-official and other independent members. The Board of Directors should review HKMA's performance in relation to its objectives and strategies, and determine the remuneration package of the senior executives of HKMA. Two subcommittees should be formed to deal with sensitive matters such as remuneration and audit, and members of these subcommittees should be made up of independent members only. The independent members should be nominated by the Board of Directors and appointed by the Chief Executive of HKSAR.

Meeting with the Hong Kong Monetary Authority

(LC Paper Nos. CB(1) 2606/01-02, 1592/02-03 and 1788/02-03(05))

8. Making reference to the information note on Governance of HKMA provided to the Panel on 27 September 2002 (LC Paper No. CB(1) 2606/01-02), the Executive Director of HKMA (ED/HKMA) highlighted the following salient points:

- (a) The powers, mandate and responsibilities of HKMA were prescribed in EFO and BO. EFO stipulated that FS should appoint a MA to assist him in carrying out his duties under the Ordinance and to perform such functions as FS might direct. The BO provided MA with the legal power to regulate and supervise the banking sector.
- (b) The division of responsibilities among FS, MA and the Secretary for Financial Services and the Treasury was well established and had operated well over the years.
- (c) EFAC advised FS on matters relating to the governance of HKMA, including the terms and conditions of service of staff and the annual

budget. There were three subcommittees under EFAC. The Subcommittee on Currency Board Operations monitored and reported on currency board arrangements. The Audit Sub-committee gave advice and guidance on audit-related issues. The Remuneration and Finance Sub-committee made recommendations to EFAC on pay and conditions of service, human resources policy, and budgetary and administrative issues.

- (d) While no single pattern of governance could be applied to central banks, there was general international consensus on two principles. First, a central banking institution should have operational and resource independence to enable it to carry out its responsibilities without political influence. Second, it should be transparent in its operations and accountable to the community. The autonomy given to HKMA in its day-to-day operations and the means adopted for pursuing policy objectives was compatible with and complemented by a high degree of transparency. In addition to briefing the Legislative Council (LegCo) at regular intervals, HKMA had over the past few years implemented other measures to enhance the transparency in its work.

Discussion with members

Staff remuneration arrangements

9. Referring to paragraph 7 of the written views from Prof Y C YAO, Ms Emily LAU shared the concern expressed by Prof YAO on the high pay packages for senior staff of HKMA. She noted that the same issue was raised in paragraph 13.7 of the Research Report, which pointed out that the pay package of the Chief Executive of HKMA in 2001 was higher than the level of remuneration proposed by the Hay Group Report (the consultant report to the Administration on Review of Remuneration of Senior Executives in Statutory and Other Bodies) published in June 2002. She considered that the high pay packages unjustified and sought explanation in this regard.

10. The Chief Executive of HKMA (CE/HKMA) explained that the Remuneration and Finance Sub-committee conducted annual review on remuneration for HKMA staff, taking into account the findings of independent consultants on pay trends and levels in the private sector, and assessment on the performance of HKMA. The remuneration policy of providing pay packages that were comparable to, and competitive with that in the financial services sector was appropriate in order to attract and retain suitable talents.

11. ED/HKMA added that the current remuneration policy of HKMA was in line with the recommendations of the Hay Group Report. He also advised that the Remuneration and Finance Sub-committee had considered the recommendations

of the Hay Group Report and provided its feedback to the Director of Administration. He believed that the Administration would brief the Panel on Public Service on the consolidated return from the statutory and other bodies studied under the Hay Group Report in due course. In response to request for disclosure of remuneration information, HKMA had enhanced the disclosure of pay information by publishing relevant information in its 2002 Annual Report. Moreover, HKMA was currently working on arrangements to increase transparency in its remuneration policies.

12. Mr James TIEN opined that under the Linked Exchange Rate System, HKMA's work in maintaining the stability of Hong Kong dollar was relatively straightforward. He considered the remuneration packages for senior executives of HKMA on the high side, except for that of CE/HKMA who was over-qualified for the job. He doubted whether the Remuneration and Finance Sub-committee was effective in making recommendations on the pay packages of HKMA staff, and enquired whether staff of HKMA were responsible for preparing the papers for submission to the Subcommittee and the minutes.

Admin

13. CE/HKMA confirmed that the secretariat support for the Subcommittee was provided by staff of HKMA. He drew members' attention to the reduction in the number of Deputy Chief Executives (DCE) from three to two in early 2003, which substantially reduced expenditure on personal emolument. CE/HKMA also stressed that the Remuneration and Finance Sub-committee was composed of six non-official non-banking members with expert knowledge in corporate governance. As these members were appointed by FS, CE/HKMA undertook to reflect members' view to FS for considering others means to enhance credibility of the Sub-committee.

Admin

14. Mr James TIEN also pointed out that members of EFAC did not receive any remuneration. No matter how independent the non-banking members were supposed to be, these members could not devote much time for the work of EFAC, hence had to rely heavily on the recommendations of HKMA staff, including those related to staff remuneration. He asked Prof Stephen CHEUNG in what manner could more transparency be introduced under the Board of Directors structure. Prof CHEUNG explained that while the appointment criteria of members of the Board of Directors and the pay policy adopted by the Remuneration and Finance Sub-committee should be disclosed, due care should be exercised to prevent disclosure of sensitive information during the early stage of discussion. As regards Mr James TIEN's suggestion of providing reasonable remuneration to non-officials as recognition of their service, CE/HKMA undertook to convey Mr TIEN's views to FS.

15. Mr Albert HO opined that instead of making the pay package of HKMA staff comparable to that in the financial services sector in Hong Kong, comparison should be made with other central banks in overseas jurisdictions. He highlighted that the remuneration of CE/HKMA at over HK\$9 million per annum was even

higher than that of the Governor of the Bank of England (equivalent to HK\$2.8 million) and the Chairman of US Federal Reserve Board (equivalent to HK\$1.3 million). In response, CE/HKMA explained that as HKMA had to compete in the local market for quality talents, pay packages comparable with that in the local market would be appropriate. He stressed that HKMA would endeavour to recruit staff from the local market. Failing that, it would pursue overseas recruitment. He advised members that one of the two existing DCEs was recruited from UK who had worked in the Bank of England before.

Resources and operational independence of HKMA

16. Ms Emily LAU expressed grave concern over the way funds were drawn from EF for the purchase of the permanent accommodation for HKMA, in particular when the new office was much larger than that HKMA required. Ms LAU shared Prof YAO's comment in paragraph 8 of his submission that the justifications given by HKMA for acquisition of additional office area was far from satisfactory.

17. In reply, CE/HKMA referred members to the submission of the Bank for International Settlements and pointed out that majority of central banks owned their office buildings. He said that members had detailed discussion in relation to the purchase of office premises for HKMA at previous meetings. While the best timing for purchase of office premises would be an issue for debate, such decision was considered appropriate at that point of time.

18. Ms Emily LAU expressed concern about the lack of checks and balances in the way HKMA obtained funding resources for its operation. She queried the propriety of the existing mechanism for approving and controlling expenditure of HKMA, which was not subject to the scrutiny of LegCo. She concurred with Prof YAO's view that the mechanism should be reviewed so that all capital expenditure of HKMA should be subject to approval of LegCo. Mr Albert HO echoed this view and disagreed with HKMA's comments that LegCo's scrutiny and approval of HKMA's expenditure would have adverse impact on the operational independence of HKMA.

19. CE/HKMA remarked that resources and operational independence were inter-related as control over resources would in effect imply control over operations of an institution. The operation of HKMA was funded by the EF and in accordance with Article 113 of the Basic Law, the EF should be managed and controlled by the Government primarily for regulating the exchange value of the Hong Kong dollar. While the EF should be under the control of FS as stipulated in EFO, MA, under the delegated authority of FS and within the terms of the delegation, should be accountable to FS for the use and investment management of the EF. Hence, under the present funding arrangements, HKMA's expenditure was to be scrutinized and approved by the Government, instead of LegCo. He pointed out that at present, HKMA did not have resources independence as its

expenditure had to be approved by FS. The question of whether and how the present arrangements should and could be changed had to be studied with care.

20. Responding to members' concern about the checks and balances on the powers of MA in using the EF, CE/HKMA said that EFO were expressed in terms of specific strategic objectives rather than the specific functions for which the EF might be deployed. This had allowed flexibility in deploying resources in response to the rapidly changing environment and particularly when crises had to be dealt with expeditiously. While he remained open-minded on this issue, he considered that specifying the functions of MA explicitly in a piece of legislation had to be studied in further details. He also pointed out that given globalization in the financial market and increasing volatility in the international market, flexibility for the Government in deploying the EF was desirable. He reiterated that the autonomy given to HKMA in its day-to-day operations and in means to pursue its policy objectives was compatible with and complemented by a high degree of transparency.

Powers and functions of HKMA

21. Referring to paragraph 9 of Prof JAO's submission, Ms Emily LAU questioned the work of HKIMR and the External Department of HKMA, in particular the London office and the New York office. In response, CE/HKMA said that public confidence was important in ensuing monetary and banking stability in Hong Kong. HKMA's work in public education and research aimed at promoting public awareness of the work and objectives of HKMA so as to strengthen their confidence. At the request of Ms Emily LAU, CE/HKMA undertook to provide breakdown of expenditure for the London office and New York office as well as funds granted to HKMIR, the number of academics invited to conduct research and the number of publications made since MKIMR's establishment in August 1999. ED/HKMA added that members might access the website of HKIMR for details on the academic researches conducted.

(Post-meeting note: The information provided by HKMA on paragraph 21 above was circulated to members vide LC Paper No. CB(1)2144/02-03(01) on 3 July 2003.)

22. Mr Albert HO said that the Democratic Party supported putting in place a specific piece of legislation to provide for statutory power and functions of HKMA so as to reduce its discretionary powers. Ms Emily LAU shared the view and opined that stipulating powers and functions of HKMA in the legislation would facilitate checks and balances on its power.

23. CE/HKMA responded that the governance of HKMA was a complex issue. While the legal status of central banks varied, he agreed with the observation of the Research Report that HKMA was unique in its governance arrangements. Nonetheless, he stressed that the present arrangements had worked

well and ensured monetary and banking stability in Hong Kong, as well as the achievement of defined objectives of HKMA.

24. At the Chairman's invitation, Prof Stephen CHEUNG said that while he agreed with CE/HKMA that HKMA had achieved the defined objectives in various areas of its work over the years, LegCo Members could consider the need for a specific legislation to provide for the statutory powers and functions of MA in the long run.

Way Forward

25. As discussion on this item had over-run, members agreed to schedule another meeting to continue discussion on the subject. Ms Emily LAU and Mr Albert HO suggested inviting FS and, if appropriate, the Secretary for Financial Services and the Treasury to the next meeting to give their views. The Chairman concluded the discussion and said that the Secretariat would inform members of the arrangements for another meeting to discuss the subject in due course.

(Post-meeting note: At the request of Ms Emily LAU at the meeting, the Research and Library Services Division had prepared a written response to Prof Charles GOODHART's submission (LC Paper No. CB(1)1788/02-03(06)). This was circulated to members vide LC Paper No. CB(1)2168/02-03(01) on 7 July 2003.)

V Briefing by the Financial Secretary on the latest economic situation of Hong Kong

(LC Paper Nos. CB(1) 1788/02-03(09), 1812/02-03(01), 1812/02-03(02), and 1863/02-03)

Briefing by the Administration

26. At the Chairman's invitation, the Government Economist (GE) briefed members on Hong Kong's recent economic situation and short-term outlook. The salient points covered were as follows:

- (a) In the first quarter of 2003, the Gross Domestic Product (GDP) attained a year-on-year growth of 4.5% but recorded a quarter-to-quarter decline of 0.3% in real terms. Export of goods and services surged by 19.1% and 12.2% respectively in real terms over a year earlier. For the labour market, the seasonally adjusted unemployment rate rose to 7.8% in February - April 2003, from 7.1% in September - November 2002. Property prices fell further on average by 5% on a quarter-to-quarter comparison. The composite Consumer Price Index fell by 1.8% in April 2003 over a year earlier.

- (b) The local economy was extensively hit by the outbreak of Severe Acute Respiratory Syndrome (SARS) with particularly severe blow on inbound tourism. Despite visitor arrivals surged by 29% in the first two months of 2003 over a year earlier, the number plunged by 10% in the second half of March and by 65% in April. The number of outbound passengers also dropped by 14% in March and the decline enlarged further in April to 29%.
- (c) On economic outlook for 2003, in light of the impact of SARS on the economy, forecasts on the growth rate in real terms of export of goods and services in 2003 was trimmed down to 5.5% and -2% respectively. Growth in private consumption expenditure in 2003 was scaled down to -3% from nil change as forecasted earlier. On the whole, the forecast growth rate in real terms of GDP for 2003 was revised downward from 3% to 1.5%.

27. Referring to the “Results of Weekly Consultations on Effect of SARS on Business” up to the week ending 31 May 2003 tabled at the meeting, GE said that while the business sectors experienced heavy blows during the outbreak of SARS, there were signs of improvement upon the lifting of the travel advisory by the World Health Organization in late May.

28. ES supplemented that with stabilization in SARS situation and upon lifting of the travel advisory against Hong Kong on 23 May 2003, local consumption sentiment seemed to have improved lately. The number of inbound visitors was expected to increase with the resumption of group tours from Guangdong Province with effect from 1 June 2003. The Administration had plans to relaunch the economy, including setting aside \$1 billion for promotion and publicity programmes to boost local consumption and to attract overseas investors and visitors. 4 000 and 3 000 temporary jobs would be created for hygiene services and tourism respectively. ES advised that agreement on the main parts of the Closer Economic Partnership Arrangement (CEPA) between the Mainland and Hong Kong would be reached by end of June 2003. CEPA would be beneficial to the business sectors of Hong Kong, in particular the manufacturing and service industries.

Discussion with members

Unemployment and under-employment problems

29. Ms Emily LAU was concerned about the pace of economic recovery following the SARS outbreak and commented that the Administration might be over-optimistic in forecasting the GDP growth rate at 1.5% for 2003. As it would still take time to rebuild the confidence of overseas visitors and given that majority of these visitors came from the Mainland and Taiwan, which were also hard-hit by

SARS outbreak, Ms LAU opined that the tourism industry could hardly move back to its normal growing track shortly. She urged the Administration to create more jobs and asked whether proposals would be put up for consideration of the Task Force on Employment at its coming meeting on 9 June 2003.

30. Referring to Tables 3A and 3B of the “Results of Weekly Consultations on Effect of SARS on Business”, Mr LEE Cheuk-yan pointed out that recent improvement in business sectors had not alleviated the unemployment and under-employment problems. Mr LEE was worried that the situation would deteriorate further in the coming months and urged the Administration to put more resources to create new and temporary jobs.

31. In reply, ES said that the forecast GDP growth rate of 1.5% in 2003 was made after detailed analysis of the economic performance. While he appreciated that there might be different views in this respect, he did not agree that it was an over-optimistic figure. Indeed, the Government figure was more conservative than the forecast rate of 2.2% given by the International Monetary Fund. As for measures to tackle the unemployment problem, ES advised that the Administration was exploring feasible measures, such as the creation of more temporary jobs. He believed that the Task Force on Employment would give views on the issue at its meeting on 9 June 2003.

32. Ms Emily LAU expressed grave concern about the high unemployment rate of 7.8% and sought GE’s analysis of the problem. In reply, GE pointed out that improvement in economic performance would have a delayed impact on the unemployment rate. Hence, it was expected that the negative impact of SARS outbreak on the economy might still put pressure on the unemployment problem. Nevertheless, GE drew members’ attention to the results of the weekly consultations and remarked that there were no signs that all employers had resorted to laying off employees to reduce their operating cost. As revealed in the survey, employers had made arrangements with employees on no-pay leave during the period instead of resorting to staff layoff.

33. Mr LEE Cheuk-yan was concerned about the problem of under-employment and sought information on the no pay leave arrangement between employers and employees. GE advised that information on no pay leave taken by employees had not been included in the survey carried out during 21 April to 31 May 2003. He undertook to consider collecting information in this respect in future surveys conducted in the business sector. He advised that the results of the surveys would be uploaded onto the websites of the Census and Statistics Department and the Economic Analysis Division of the Financial Services and the Treasury Bureau.

(Post-meeting note: The supplementary information provided by the Administration on paragraph 33 above was circulated to members vide LC Paper No. CB(1)1965/02-03 on 16 June 2003.)

Assistance provided to business sectors affected by the outbreak of SARS

34. Ms Emily LAU considered that the Administration should take more vigorous measures to help the business sectors affected by SARS outbreak. She suggested that the Loan Guarantee Scheme for SARS Impacted Industries (the Loan Guarantee Scheme) should be extended to cover more affected sectors, such as property agents and school bus drivers. She also pointed out that the Frontier considered that FS's tax raising proposals in the 2003-04 Budget inappropriate under the present economic situation.

35. In response, ES advised that while relaxation on the requirements on the use of loans under the Loan Guarantee Scheme had been approved by the Finance Committee on 30 May 2003, the Administration had no plan to extend the coverage of the Scheme to other business sectors. He pointed out that the Scheme was introduced to provide short-term relief to the four business sectors most badly hit by SARS outbreak and formed part of the Administration's \$11.8 billion economic relief package. Responding to Ms LAU's further enquiry, ES said that business operators of other sectors might seek assistance through other means such as the four existing small and medium enterprises funding schemes administered by the Trade and Industry Department. As for the proposals in the Budget, ES said that there should not be any adverse impact on the community taking into account the \$11.8 billion economic relief package announced in April.

Measures to facilitate economic recovery and development

36. Mr CHAN Kam-lam pointed out that Hong Kong was now facing three major economic problems, namely high unemployment, deflation, and contraction in income. While appreciating that the \$11.8 billion economic relief package could bring about short-term relief for the economy, Mr CHAN considered this inadequate and urged the Administration to put in place effective long-term measure to prevent further fall in asset prices and to boost domestic consumption.

37. ES explained that the solution to the economic problems lay in reviving the economy. He assured members that the Administration was heading towards this goal. Apart from boosting domestic consumption, ES pointed out that it would be necessary to attract foreign investments and overseas visitors to Hong Kong. He advised that \$200 million had been allocated to Invest Hong Kong for promoting and attracting foreign companies to set up regional headquarters in Hong Kong. Other measures included introduction of the Capital Investment Entrant Scheme and promotion of Hong Kong as the regional medical and educational centres. The pace of economic recovery had been hampered by SARS outbreak in the past months but with the success of Hong Kong in controlling the disease, it was expected that the economy would be moving back to its normal development track in the coming months. ES noted Mr CHAN Kam-lam's suggestion of issuing multi-entry visas to Mainland people who had purchase

properties in Hong Kong and pointed out that promoting capital flows between Hong Kong and the Mainland would be beneficial to both economies.

38. Mr Albert HO considered that in order to stimulate economic recovery in the longer term, the Administration should reveal to both local and foreign investors its strategies in restructuring the economy in the coming years, including plans to implement major infrastructure facilities and to promote core industries. He opined that a clear blueprint on the economic development of Hong Kong would help rebuild the confidence of investors.

39. Sharing Mr HO's views, ES said that the direction and strategies for revitalizing the economy had been clearly set out in the Policy Address as well as the Budget. The four main pillars of Hong Kong's economy, i.e. financial services, logistics, tourism and producer and professional services needed to be reinforced and enhanced. The Administration would also facilitate the development of other high-value-added and technology-based industries. The status of Hong Kong as a major international financial and business centre in Asia would be further strengthened through various measures to promote the flow of people, goods, capital, information and services between Hong Kong and cities worldwide.

40. ES also advised that other strategies included enhancing closer economic cooperation with the Mainland and speeding up integration with the Pearl River Delta (PRD). Measures in this respect included the discussion on CEPA and constructing a bridge linking Hong Kong to the Western PRD. He advised members that with the full support of leaders of the Central People's Government and Guangdong Province, the Administration was pressing ahead with these proposals. However, it was necessary to undertake further discussion with the Mainland authorities. Premature disclosure of the details would be undesirable.

41. Mr SIN Chung-kai suggested that the Administration should co-operate with the Mainland authorities to implement large scale infrastructure projects expeditiously to facilitate the economic recovery of Hong Kong. He said that this might take the form of a PRD Rose Garden, with infrastructure works to provide better transport links between Hong Kong and PRD. In response, ES said that the Administration shared Mr SIN's view on the need to expedite economic integration with PRD. As explained to members earlier on, the Administration was working on a number of measures in this direction and was discussing with the Mainland authorities on the details. He pointed out that while infrastructure projects might bring about increase in job opportunities in the short-term, the long-term impact on the economy might not be as effective as that of other measures to facilitate the flow of people, goods, capital, information and services between Hong Kong and the Mainland. He assured members that the Administration would continue its work to establish closer economic link with the Mainland and to strengthen Hong Kong's status as the international financial and business centre in Asia.

42. The Chairman thanked FS for attending the meeting.

VI Any other business

43. There being no other business, the meeting ended at 1:00 pm.

Council Business Division 1
Legislative Council Secretariat
4 August 2003