

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 16 October 2003

The Council met at Three o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., J.P.

DR THE HONOURABLE DAVID CHU YU-LIN, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE CHEUK-YAN

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

DR THE HONOURABLE ERIC LI KA-CHEUNG, G.B.S., J.P.

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, G.B.S., J.P.

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG, J.P.

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE HOWARD YOUNG, S.B.S., J.P.

THE HONOURABLE YEUNG YIU-CHUNG, B.B.S.

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, G.B.S., J.P.

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE TIMOTHY FOK TSUN-TING, S.B.S., J.P.

DR THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

DR THE HONOURABLE TANG SIU-TONG, J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, J.P.

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, J.P.

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBERS ABSENT:

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.S., J.P.

DR THE HONOURABLE YEUNG SUM

DR THE HONOURABLE LO WING-LOK, J.P.

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE DONALD TSANG YAM-KUEN, G.B.M., J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.
THE FINANCIAL SECRETARY

THE HONOURABLE ELSIE LEUNG OI-SIE, G.B.M., J.P.
THE SECRETARY FOR JUSTICE

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR HOUSING, PLANNING AND LANDS

PROF THE HONOURABLE ARTHUR LI KWOK-CHEUNG, G.B.S., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

DR THE HONOURABLE YEOH ENG-KIONG, J.P.
SECRETARY FOR HEALTH, WELFARE AND FOOD

THE HONOURABLE JOSEPH WONG WING-PING, G.B.S., J.P.
SECRETARY FOR THE CIVIL SERVICE

DR THE HONOURABLE PATRICK HO CHI-PING, J.P.
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE STEPHEN IP SHU-KWAN, G.B.S., J.P.
SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

DR THE HONOURABLE SARAH LIAO SAU-TUNG, J.P.
SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

THE HONOURABLE FREDERICK MA SI-HANG, J.P.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE STEPHEN LAM SUI-LUNG, J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

THE HONOURABLE AMBROSE LEE SIU-KWONG, IDSM, J.P.
SECRETARY FOR SECURITY

PROF LAU SIU-KAI, J.P.
HEAD, CENTRAL POLICY UNIT

CLERK IN ATTENDANCE:

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

PURSUANT TO RULE 8 OF THE RULES OF PROCEDURE, THE CHIEF EXECUTIVE, THE HONOURABLE TUNG CHEE-HWA, ATTENDED TO ADDRESS THE COUNCIL AND TO RECEIVE QUESTIONS.

PRESIDENT (in Cantonese): Would Members please remain standing as the Chief Executive enters the Chamber.

PRESIDENT (in Cantonese): The Chief Executive will address this Council.

CHIEF EXECUTIVE (in Cantonese): Madam President, Honourable Members, originally I intend to talk about the administration of the SAR Government since 1 July and my view on certain issues before I take Members' questions. However, I believe Members would share the thrill excitement which the 6.8 million people of Hong Kong all experience from 9 am yesterday to this morning, when the mission of the launch, orbit and return of the spaceship Shenzhou V is accomplished. The spaceship is designed and built by China and it carried China's first astronaut. I therefore decide to change my plans and share with you my thoughts on this event first.

The manned space mission realizes our nation's dream to conquer space. If we could just step back and look at the event against a background of Chinese history over the past century and a half, we would all be thrilled and proud when we see the mission successfully accomplished. We would feel that we have every confidence in our future.

China is a great nation in the family of nations. However, a century ago, China was just a weak and impoverished country under the corrupt rule of the Manchus. Land was carved out and ceded to the imperialists. The people suffered a whole century of poverty and backwardness and they were displaced and uprooted. With the founding of the People's Republic of China in 1949, the nation is able to stand up again strong and independent. It is never easy for the Chinese people to take on this course as they are poor in the first place and that they have to shoulder a heavy burden and they are also bullied and ostracized by the powers. However, half a century has lapsed and especially during the past two decades, China has finally emerged as a nation to be reckoned with.

From some recent incidents it can be seen why China could have exercised its sovereignty over Hong Kong in 1997, announced plans for a manned space mission in 1999, and succeeded in 2001 in its accession into the World Trade Organization and in its bid to host the Olympic Games. Why do investors from all over the world flock to China to invest and do business? Why should Chinese leaders command such tremendous respect every where they go?

There is only one single answer to all these questions: China has become strong. The course China is taking is one recognized by the international community. I am convinced that if our country can stick continuously to this course, we will soon be able to see China taking its place as a leader of the world.

The remarkable achievements of China over the past two decades are attributed to the maintenance of social and political stability which I think is most vital. When things are done for the sake of the people and as their lives are improved and the economy developed, with the solidarity of the whole nation which rallies behind a common goal, it is not surprising that a strong momentum will be generated within the country for growth.

Now that six years have lapsed since the reunification and when the concept of "one country, two systems" has been in place during the same period, there is a need for a constant summing up of the experience we have gathered over this novel idea. There are, however, three convictions which I cherish and they are:

First, a strong China is a solid guarantee to the prosperity and growth of Hong Kong. With this backing, we should have greater confidence in facing the adversity proactively.

Second, after the 1 July march, we have learned a painful and yet valuable lesson and that is, we should attach more importance to the people and to what they think. Previously in our efforts to govern the territory, we did not have sufficient dialogue with the public and policies were often designed and launched with a taken-for-granted mentality and belief, hence public opinion was overlooked. So we could not really achieve what we set out to achieve, which is, think in the way the people think and sense the urgency that they sense. In addition, in our efforts to solve the problems brought about by economic restructuring and our adverse fiscal position, we have launched too many reforms and too hastily, thus overlooking the pains which the people suffer when our economy is heading for a restructuring. I am deeply aware that if people do not feel at ease, our society will not be stable and if our society is not stable, our economy will not grow. Taking these lessons into account and the experience we have gained over these past months, the SAR Government is convinced that if only we can learn from these lessons and our experience, we would certainly have all the ability necessary to improve our governance and achieve well what we should achieve so that our country and the people of Hong Kong will not be disappointed.

Third, right now we are in the best of times, at the most stable juncture in contemporary Chinese history and when peaceful development is most enduring: Hong Kong is reunified with the Motherland, "one country, two systems" is practised here. The people of Hong Kong are not only the masters of Hong Kong, they are also the masters of their country. Our own future, the future of Hong Kong and that of our country are all intertwined with each other. It is my earnest wish that Members and the SAR Government will join hands with the people of Hong Kong and play the role of the masters of our future, seize the opportunity, make good use of it to propel a successful transformation of our economy, imbue vitality again into Hong Kong and offer ourselves for the good of Hong Kong and our country. Thank you.

I will take Members' questions now.

PRESIDENT (in Cantonese): After the Chief Executive has answered a Member's question, the Member may ask a brief follow-up question about the answer given, but that is only restricted to seeking elucidation from the Chief Executive about the contents of the answer.

MR TOMMY CHEUNG (in Cantonese): *Mr TUNG, first of all, members of the sector which I represent have asked me to thank you on their behalf. For many years the Liberal Party has been urging for a lifting of the restrictions on mainland residents to visit Hong Kong. Now we can see at last that mainland residents can visit Hong Kong freely and that will be of great help to our sector. In January this year in the policy address you mentioned setting up a high-level task force specially charged with the responsibility of improving the business environment in Hong Kong. For half a year ever since, it seems as if the Government has not taken any concrete steps, may be that is due to the SARS problem. Now that the SARS epidemic is over and with a new Financial Secretary in office, it is a common wish of the community that an all-out effort should be made to rebuild the economy. May I ask Mr TUNG if the final arrangements have been worked out with respect to the setting up of this task group? Does Mr TUNG think that members of this task group should come from the business sector, the middle class and the professionals, instead of mostly from government officials, as the types of members formerly mentioned can better reflect the problems faced by the market and various trades?*

CHIEF EXECUTIVE (in Cantonese): I would think that there is still a need for it. As the Financial Secretary has just assumed office, there would be quite a lot of work waiting for him. Certainly, the most important task is eliminating the deficits and how to face and overcome the difficulties involved. However, that is an important task and I think the Financial Secretary will make it the focus of his work for some time to come and as soon as possible, he will start doing things that we have decided on. Another thing is that I would agree with the idea that people from different sectors should take part in the task group for that will ensure that group can function most effectively.

MR TOMMY CHEUNG (in Cantonese): *Madam President, I would like to ask Mr TUNG, has a timetable been devised for the setting up of the task force?*

CHIEF EXECUTIVE (in Cantonese): I do not have any timetable which I can inform Mr CHEUNG, but I will ask Mr TANG, the Financial Secretary, to make a reply to you and give an account to Members.

MR CHEUNG MAN-KWONG (in Cantonese): *Mr TUNG, the Democratic Party wants me to tell you that we are waiting for democracy, for even as the "DIY tours" are in place, democracy is yet to come. On 1 July, half a million people took to the streets. The demands put forward by the people are that they are against Article 23 and they hope to have a democratic political system with universal suffrage. Yesterday the nomination period for the District Council elections was over and the 3 million voters all over Hong Kong can elect 400 members of the District Councils, but with the powers vested in you by the law, you may appoint 102 members of the District Councils by yourself alone.....*

PRESIDENT (in Cantonese): Persons in the public gallery, you cannot..... *(a few persons in the public gallery stood up and revealed the slogans on their bodies)*

PRESIDENT (in Cantonese): Sorry, Mr CHEUNG Man-kwong, please stop asking your question for the time being. *(Persons in the public gallery remained standing and revealed the slogans on the bodies)*

PRESIDENT (in Cantonese): Persons in the public gallery, if you insist in revealing the slogans, then please leave the public gallery. *(A few security guards went forward to stop the persons from revealing their slogans and the security guards were about to escort them away from the public gallery)*

PRESIDENT (in Cantonese): Please leave the public gallery without delay. Thank you for your co-operation. *(A few persons were escorted by the security guards and left the public gallery)*

PRESIDENT (in Cantonese): Sorry, Mr CHEUNG Man-kwong, you may proceed with your question.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, it is alright.*

The existing District Councils Ordinance, however, provides for an appointment system, that is, the Chief Executive may exercise his powers and appoint 102 members of the District Councils, or one quarter of the seats to be returned by the 3 million voters in Hong Kong. The power you have in making the appointments is equal to the votes of 700 000 people, or put it in another way, the one single vote you have is equal to 700 000 votes. Would you think that such a power to appoint is unusual, unreasonable and undemocratic? Do you think that this appointment system is going against the expectations of half a million people who took to the streets to demand for democracy? Would you amend the laws during your term of office and abolish the appointment system in the District Councils?

CHIEF EXECUTIVE (in Cantonese): First of all, Mr CHEUNG, I would like to talk about the march on 1 July which you have mentioned. Some people have talked to me about the background of the events leading to the march. As to the question of whether or not a political crisis still exists for the Chief Executive, I wish to share with Members my views on that.

As I have said, the march on 1 July was a great shock to me. For the past few months, I have tried hard to learn the lessons from this event. I have also tried to identify the problems myself and with my colleagues and to see how I can do better.

I would also like to talk about some issues which have led to public discontent with the Government. One of these is the issue of governance. I have mentioned just now that in terms of communication, we do not have enough dialogue with the public, especially with the professionals and the academia. Therefore, I have always wanted to do better and have been thinking of how I can think what the people would think and sense their urgencies. However, at times this cannot be done and we should try to improve on that.

Second, as I have said, too often we have a taken-for-granted mentality in that the public should agree with the policies since they are right. But I should have known that irrespective of how right the policies may be, more efforts should be made to hear views from the public and to find out what are acceptable to the people and what will be in line with the interests of the community as a whole.

Third, with respect to governance, after rethinking for three months and discussions made with the principal officials, we are convinced that we can do better and we should try hard to do so. On the other hand, however, when we were conducting a review, we did find out that we were facing a very acute deficit problem. The deficit problem must be eased and in the process, cuts in government expenditure are inevitable and so the interests of all parties would be affected, and in an adverse way as well. If moves to cut expenditure are made too hastily, there is bound to be repercussions in our society. We should know that stability is very important and if things are done too quickly, that would not help things at all.

Fourth, over the years our economy has been undergoing a major revision. The fall in property prices and wages, plus the problem of surging unemployment are all the challenges we have to face at this time of economic restructuring. We must do our best in this, for otherwise, the discontent in the people with the Government is bound to stay. So you will notice that we have put in extra efforts on the economic front recently and we are beginning to see some bright prospects.

It remains of course, Mr CHEUNG, that the handling of Article 23 of the Basic Law is also an issue. We have made a review to see how this can be handled better. However, and general speaking, the problems are still there. I am well aware of these and for every single matter, both my colleagues and I, as well as Members, will need to do our best to create a better and stable society, one that will enable the economy to keep on growing.

As for the development of democracy, irrespective of whether the elections for the Chief Executive or the Legislative Council, these will have to follow the Basic Law. One thing that the SAR Government will undertake to do in the future is to promote democracy according to the Basic Law. As to the question of appointing members of the District Council, your views have been heard. However, there were opinions from many other people as well, and a decision was made in the light of these opinions expressed at that time, that is, there were among members of the public, many people who had expertise and commitment, who were willing to avail themselves to be appointed as members of the District Council so that the District Councils could be run better. Such an arrangement was made based on these views. Thank you.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, if the reply which Mr TUNG has just given is a response to the demand for democracy which half a million people made when they took to the streets, then these half a million people indeed had taken to the streets in vain. As a matter of fact, there is no stipulation in the Basic Law which requires that an appointment system should be in place for District Council elections. Therefore, Mr TUNG, I would still insist on my question, that is, would you pledge to amend the law, amend the District Councils Ordinance and abolish the appointment system? Under the District Councils Ordinance, with regard to the number of members appointed under the appointment system, there will be an upper limit but not a lower limit, and the upper limit is 102 persons. So according to the existing law, you could meet the requirements of the law if you appoint only two persons for each district. Would you hold your powers in check and only appoint two persons for each district, and amend the law to abolish the appointment system in order that the democratic system in Hong Kong will not be undermined?*

CHIEF EXECUTIVE (in Cantonese): Mr CHEUNG, as I have said, the reason we made such a decision last time was that there were calls for professionals and those with expertise to take part in the work of the District Councils. In the long run, these people would do their job well. So such a decision was thus made. As for the future arrangements, I know that after the elections this time, Secretary Stephen LAM would consult the views of Members and we will see what arrangement could be made in future.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, I seek a ruling from you on whether or not Mr TUNG has answered my question. I ask him to make a pledge to curb his powers, reduce the number of appointed members in the District Councils, for under the law he would have fulfilled the requirements of the law only if he appoints two persons to each district.*

PRESIDENT (in Cantonese): Mr CHEUNG Man-kwong, both you and I know very well that under the Rules of Procedure, Members may ask questions and representatives of the Government may answer in the way they think the question should be answered. Therefore, I am not aware of any means to require representatives of the Government to answer a question to your satisfaction.

MR LAU PING-CHEUNG (in Cantonese): *Mr TUNG, after the Mainland and Hong Kong signed the CEPA recently, I believe Hong Kong will have quite a good opportunity to expand its market on the Mainland. With regard to the professional sectors, I appreciate the personal concern you have shown and the follow-up phone calls you have made for us. However, we told you during our last meeting about the problems the professional sectors encountered on the Mainland, that is, the threshold of market access in addition to the mutual recognition of professional qualifications. The threshold would be utterly impracticable if it is set too high. The legal profession is fortunate to secure the help of Secretary Elsie LEUNG and it is doing quite well now. However, with regard to other sectors, I can see that other Policy Secretaries have not been playing an active role in this respect. Will Mr TUNG instruct the relevant Policy Secretaries to exert more efforts in respect of the threshold of accessing the mainland market? Thank you, Mr TUNG.*

CHIEF EXECUTIVE (in Cantonese): Mr LAU Ping-cheung, it is a common wish of everyone to allow the admission of more Hong Kong professionals into the Mainland to bring their area of expertise into play. Recently, I discussed the issue with leaders of Guangdong and Shanghai and they also hoped that Hong Kong professionals could enjoy more and bigger opportunities of development on the Mainland.

I wish to tell you that irrespective of myself, Secretary Elsie LEUNG or other colleagues, all of us are in fact working very hard to follow up this matter.

We are also aware of the fact that on the Mainland, four ministries and commissions will take part in future negotiations in addition to the participation of several professional bodies.

We would follow up the matter proactively. The current problem is that there is a certain distance between the target and the current situation regarding the mutual recognition of professional qualifications or the threshold of market access. As CEPA has been signed, relevant restrictions should be further relaxed in order to allow Hong Kong professionals to contribute in the mainland market with their area of expertise. We would keep on working hard to achieve that and we hope that in near future, there would be chances for negotiations in that respect to resume.

MR LAU PING-CHEUNG (in Cantonese): *Mr TUNG, perhaps I should explain more specifically, in fact, what we are fighting for is the treatment as Chinese nationals. That is, I believe that it would be sufficient only if Hong Kong professionals could enjoy the same treatment in respect of employment or practise requirements as their mainland counterparts. We have previously met Mr Henry TANG and Mr TUNG and raised the same request. I hope Mr TUNG will instruct the relevant Policy Secretaries to follow this matter up.*

PRESIDENT (in Cantonese): I consider this an opinion, the supplementary is not a request for further clarification.

CHIEF EXECUTIVE (in Cantonese): I will certainly follow the matter up.

MRS SOPHIE LEUNG (in Cantonese): *Chief Executive, I would like to follow up the idea of setting up a border industrial zone which has been proposed by the Liberal Party for many years. It seems that the idea has raised a great clamour lately, especially in the wake of the close communications between Hong Kong and the Mainland and the massive interflow on top of the signing of CEPA, some people even said that this border industrial zone could bring the Silicon Valley of South East Asia into being. I absolutely believe that this is highly possible. As Mr TUNG has said just now, as long as we are pursuing a common goal and we*

are determined to do something, we could achieve success in everything, be it big or small, such as the successful launch and return of the Shenzhou V spacecraft

PRESIDENT (in Cantonese): Please ask your question directly.

MRS SOPHIE LEUNG (in Cantonese): *What I wish to ask is that how should the border industrial zone proposal, which has been discussed for some seven to eight years, be implemented? Does Mr TUNG have any opinion on that? What should we do to follow that matter up? Could you please expound on that?*

CHIEF EXECUTIVE (in Cantonese): The SAR Government would actively follow up any proposal which could facilitate a more prosperous economy and increase job opportunities. With regard to the proposal of setting up a border industrial zone, the Government is currently taking follow up actions. In fact, after CEPA has been signed, we are facing a new setting which will enable the business and industrial sectors to have new opportunities and to see what could be done. For that reason, we surely have to look at the matter with a brand new insight. I remember I have said earlier that as CEPA may bring along zero tariff, we have to reassess our land policy, manpower policy and many other areas in order to ensure that we could make the best use of the setting that the zero tariff arrangement will bestow upon us. It would be too early to discuss this issue now and I am unable to give you a reply, but I hope that we could soon give Honourable Members a reply in future.

MRS SOPHIE LEUNG (in Cantonese): *Mr TUNG, you have said that you would look at the matter with a new way of thinking just now, I am happy to hear that, but your new thinking may not necessarily be the new way of thinking of the Government. I feel that public recognition seems to be essential if we are going to accomplish this task, but it also seems that our society has been lacking in a new way of thinking. As people involved in policy-making or as members of the Government, how should we promote this new way of thinking? Can you expound on that?*

CHIEF EXECUTIVE (in Cantonese): First of all, I hope Honourable Members could act like Sophie by putting forward more ideas as she is a representative of the industrial sector. I hope Honourable Members could put forward more of their suggestions. I believe we would listen to suggestions from various sectors in order to promote this idea.

MR JAMES TO (in Cantonese): *Madam President, Mr TUNG, I believe a political leader should possess the qualities of foresight, boldness, forbearance and leadership. Chief Executive, you said earlier that the 1 July march was a great shock to you, but I wish to ask in more detail, what kind of shock was that? As far as I know, the public has expressed strong demands for democracy in the 1 July march. The people of Hong Kong deserve total democracy sooner. If your governance will continue for the coming four years, I believe your personal views and personal values would have a great influence upon this issue. As far as the current social development of Hong Kong is concerned, do you consider the public deserves an earlier implementation of the direct election of the Chief Executive and the universal suffrage of the legislature? Does the public deserve democracy sooner? Or was the 1 July march so disquieting that you found democracy more detestable and therefore wanted to slow down the pace of democratization?*

CHIEF EXECUTIVE (in Cantonese): I have already explained that issue several times. In the past few months and for some time in future, we have to undertake several major tasks: how the economy could be revitalized, how society could be stabilized, how governance could be enhanced, how jobs could be increased and how the livelihood of the people could be improved. I have also said that we have to promote democracy according to the Basic Law, which is one of our major tasks. We would work out a timetable according to the Basic Law. We would listen to everybody's opinion extensively and we would make the final decision only after we have listened to all their views.

MR JAMES TO (in Cantonese): *Madam President, Mr TUNG, if you as an individual, only knows how to give the same reply to any given question, then you would have no personal values in this respect. Of course you can say that you will listen to suggestions with an open mind; but in my opinion, you being a political leader, it seems that it is unavoidable that you should let everybody*

know your views on the value of democracy. The pace of promoting democracy according to the Basic Law could be fast or slow, you may consider that the people of Hong Kong deserve a faster pace of democratization, or you may consider that they deserve a slower pace of democratization and things should slow down a bit. As a leader, if you really are, what is your personal opinion on that?

CHIEF EXECUTIVE (in Cantonese): Madam President, I do have my own opinion about that, but I think that under today's circumstances, the most important thing is to listen to views from all walks of life in society so that we could join hands and promote the consensus we have obtained.

MR YEUNG YIU-CHUNG (in Cantonese): *Madam President, Mr TUNG, just now you have mentioned that future governance will focus on the people and their needs, which I consider very agreeable. Recently, you took a tour of inspection around Sham Shui Po in plain clothes. Sham Shui Po is a district infested with prostitutes and illegal workers. Have you noted the gravity of these problems during the tour? What measures would you and your colleagues take to combat the issues of prostitution and illegal employment? Thank you, Madam President.*

CHIEF EXECUTIVE (in Cantonese): These two different issues stem from one common source. In fact, after we have examined the statistics of the individual visit scheme, we found that visitors travelling to Hong Kong under the scheme are mostly law-abiding people, only very few of them have broken the law. Most illegal workers and prostitutes are holders of two-way permits, we therefore have to exert more efforts at the source. I believe our colleagues in the relevant departments are working hard on that.

Another thing is of course we have to step up the enforcement actions against these criminal activities. In respect of illegal workers, we would do our best in view of the high unemployment rate of Hong Kong these days. In fact, we have allocated a lot of resources in that respect and I believe we would achieve more in future. With regard to combating prostitution, we would keep on trying our best to tackle the problem. I have attached great importance to these two issues and I am deeply concerned about them.

MR YEUNG YIU-CHUNG (in Cantonese): *I wish to ask Mr TUNG, will you amend the relevant legislation to further increase the penalties as these activities are getting out of hand due to the rather lenient penalties imposed?*

CHIEF EXECUTIVE (in Cantonese): I think we will wait for some time and see how things would develop before deciding on the next step that we should take.

DR RAYMOND HO (in Cantonese): *Madam President, with respect to the 1 July march, I can tell the Chief Executive that many people of the engineering constituency have taken part in the procession since they were disgruntled at government policies and the fact that their properties became negative assets, in addition to their disapproval of Article 23 of the Basic Law. As a matter of fact, unemployment rate of the sector exceeds 20%, which is 2.5 times the overall unemployment rate. The situation is very critical. Now that everybody feels that since the Government has reduced the number of engineering projects, the progress of a lot of projects have been slowed down. Has the Chief Executive heard the views expressed by the trade? Will the Government exert efforts in that respect?*

CHIEF EXECUTIVE (in Cantonese): Dr Raymond HO, before we talk about engineering projects, I wish to talk about the economy first, because the two issues are interrelated. Recently, the atmosphere in society has somewhat been better. Besides, figures have improved, the economy is reviving, the Gross Domestic Product is recovering, which is doing better than the anticipated 2% growth and unemployment rate has stopped rising. I wish the trend will continue and the figures will not go up again. The situation has somewhat improved.

Why are things like this? Actually, the influence of the individual-visit scheme is quite considerable. Besides, CEPA and further co-operation with Guangdong have brought forth enormous confidence in various aspects. For that reason, one can see that the economy is heading towards a promising direction on the whole.

Why should I raise this point? In fact, I wish to state clearly that Hong Kong has gone through a painful economic restructuring in the past six years, which has prompted the emergence of negative assets, the downward adjustment

of salaries and the upsurge of the unemployment rate. The economic restructuring was a result of the globalization of economy and also the result of the rupture of the bubble economy in Hong Kong. The globalization of economy is not adversely affecting Hong Kong alone, but the whole world is also facing the same problem. Just like Hong Kong, many places are facing the same problem.

Nevertheless, what makes Hong Kong so different from other places? Hong Kong has a remarkable uniqueness, that is, we have the backing of China. The rapid growth of China is the backing for Hong Kong. For that reason, irrespective of CEPA, co-operation with Guangdong or the individual visit scheme, all of them could give Hong Kong economy a chance to bounce back. In fact, Dr Raymond HO, you may ask yourself which place on earth is as fortunate as Hong Kong to have been able to enjoy such an arrangement? Everybody is facing numerous challenges relating to economic restructuring, but the unique feature of Hong Kong is that we have the backing of our mother country.

Therefore, Dr Raymond HO, let us not be so pessimistic, Hong Kong is climbing out of the doldrums, but of course we should not be too optimistic. Dawn is just around the corner, but there is still quite a long way to go. I understand that the unemployment rate of the engineering profession is very high, hopefully some of the engineers could have their career developed on the Mainland after we have made some endeavours, but in the long run, the key lies in the further recovery of the economy in Hong Kong. With regard that, I also wish to mention a point in passing. If you take a look at the economic figures of Hong Kong, you should notice that spending is beginning to grow, which is good news, but society is still short of investment. To the best of my knowledge, the Government still allocated \$29 billion per year to infrastructure projects, the amount has not changed. For that reason, it is not a big problem in this respect, but the investment sentiment of society at large should be enhanced in the first place. We will keep on working hard. All these things will come back when confidence is restored.

DR RAYMOND HO (in Cantonese): *Madam President, the engineering and construction industry employs over 300 000 people, including professionals, technicians and workmen, but CEPA and the individual-visit scheme do not help them much. Chief Executive, you talked about \$29 billion, but the current works are mostly Category A, which means that they are already at the*

construction stage, but Categories B and C projects are far less, that is, there are not many works at the study and design stages. In this manner, the flow will soon be disrupted and it would be impossible for the Government to launch more works even if it wishes to do so in the future. I have actually raised the idea many times that we could make use of some other ways and it will not be necessary to use government resources, such as to launch infrastructure works funded by the issuance of bonds or by PFI, to encourage the participation of private funds, and to make use of some resources to improve existing infrastructure projects. I am talking about existing infrastructure, because even if we are not doing that, they will have to be reconstructed sooner or later. There are many things we should do in this respect, but it seems that we cannot see what action the Government has taken on numerous suggestions or the views that Members of the Legislative Council have agreed upon. Therefore, for the time being, our trade cannot take on an optimistic attitude just as the Chief Executive has said.

PRESIDENT (in Cantonese): Dr Raymond HO, you are just stating your personal opinions, this is not a follow-up supplementary. However, let me see whether the Chief Executive will.....

DR RAYMOND HO (in Cantonese): *Madam President, just now I have asked the Chief Executive whether he has listened to our views, the latter part of my question is to explain my views. Therefore, it is also a question.*

PRESIDENT (in Cantonese): All right.

CHIEF EXECUTIVE (in Cantonese): Twenty new hotels are under construction, another 20 industrial buildings have been demolished, which would probably be rebuilt as hotels in view of the boom in the tourism industry. However, this is not enough, there are many things we ought to do. I know you have asked me about this question personally, would you allow me to follow the matter up?

MR FREDERICK FUNG (in Cantonese): *Madam President, after the Government announced the nine strokes of Secretary Michael SUEN earlier this*

year, yesterday's announcement could be said to be the tenth stroke, or it can be called a "non-stroke". However, the most important message is that the Government will not put up for sale or construct Home Ownership Scheme (HOS) flat any more. This move will trim down the annual income of the Housing Authority (HA) by \$25 billion. In the meantime, however, Secretary SUEN pledged the continuation of the construction of public housing estates, only that the annual production would be reduced from the usual 30 000 to 40 000 flats in the past, to just around 22 000 flats next year, and the construction cost would be \$10 billion. If for each year the HA fails to receive \$25 billion but has to spend \$10 billion for the production of public rental housing, then the major source of income of the HA would only be the rentals of public housing units or shopping premises. Unless the rentals are increased by eight times or more, it would be impossible to raise the \$10 billion construction costs each year. The Chief Executive has created good fortune for the real estate sector and those who sell properties, but has he ever considered creating good fortune for those who need public housing and has he thought of ways to raise the \$10 billion for them?

CHIEF EXECUTIVE (in Cantonese): It is very important to have stability in property prices in order to maintain continuous economic growth and economic recovery. If we are to solve the problem of budget deficit, the stability in property prices and the chance for them to go up are important to us. For that reason, as far as the overall interests of Hong Kong is concerned, all of our efforts and endeavours should be placed on the stability of the property market. The fact that the property market has a chance to go up matters most, this is a big issue. Of course the key to a steady growth of the property market is a good economy; when the economy improves, the property market will pick up steadily, and this phenomenon can be seen recently. For that reason, we have to improve our economy by all means.

As to the financial and public housing issues of the HA, both of them are very important. However, nothing is more important than the issue of the growth of our economy and solving the problem of negative equity properties. With regard to the financial position of the HA, I believe we have to study how we should deal with that all over again. Nevertheless, as to public housing, we have made an undertaking, that is, those on the Waiting List will only have to wait for three years, and we have actually achieved that goal now. On that basis, I know that more than 20 000 units would be produced next year, another 20 000-odd units would be built in the year after that. Of course, we would

keep an eye on the data concerning the number of units to be built in future. With regard to the financial issue, we have to take the overall situation into account and see what we should do.

MR FREDERICK FUNG (in Cantonese): *Madam President, I still have a feeling that the Chief Executive shows particular favour to the business and industrial sector or those people who own properties. With regard to people on the Waiting List, the only thing to assure them to move into public housing flats within three years is the annual construction of 30 000-odd units. It is apparent that if the HA is prohibited to sell HOS flats, then it will have no income, but the \$10 billion is a recurrent expenditure which has to be spent each year. In fact, the HA would be in the red in the year after next year. Time is running out, as the housing blocks it builds today can only be put up for sale after five years. For that reason, I hope that in addition to taking into account of the interests of the business and industrial sector, which is something we would not oppose to, the Chief Executive should also take into account the \$10 billion expenditure for the construction of public housing. I hope the Chief Executive would bear in mind these \$10 billion and write it down in his policy address.*

PRESIDENT (in Cantonese): Are you asking the Chief Executive to write that down in his policy address?

MR FREDERICK FUNG (in Cantonese): *Yes.*

CHIEF EXECUTIVE (in Cantonese): Mr Frederick FUNG, I wish to repeat that we have made an undertaking to those who need public housing, the period of waiting is three years, we would keep this pledge. As to the financial arrangements to make it work, the Government has its own plans.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, the Chief Executive has answered several questions from our Members on CEPA earlier. I think CEPA is a very good opportunity for Hong Kong. We, in the FTU, describe this as a golden opportunity. After the financial turmoil, it is obvious that the economic activities of Hong Kong cannot support a labour force of*

3 million-odd people, and the 1 million-odd people with an education level of below Form Three, have found it even more difficult to get jobs. Of the 273 types of goods that enjoy zero tariff under CEPA, some actually enjoy tax concessions up to as much as 30% or more. I believe any person who knows how to do business would like to come to Hong Kong and use it as a production base and stepping-stone to go to the Mainland. For example, I learned from the press cuttings of the past several days that many famous brand names would like to establish up a production base in Hong Kong for exporting products to the Mainland.

We see this business opportunity and see that we can make use of this opportunity to restructure our economy and solve the unemployment problem. However, the problem is, when we went to meet with many government officials, including the Financial Secretary for discussions, we discovered that the Government has not taken this opportunity to solve the structural unemployment problem of Hong Kong. How can the grassroots revive Hong Kong's industries through CEPA and create more job opportunities for the working class?

The Chief Executive said earlier that he has learned from the experience of the March on 1 July and is willing to listen to the views of the people on an extensive basis. The FTU has made similar suggestions over the years and how do various government departments interpret this employment-oriented economic development strategy? Why is it that such a golden opportunity may not be able to create more job opportunities for our workers? I would like to ask the Chief Executive, how could we be sure that you would listen to our views? Thank you.

CHIEF EXECUTIVE (in Cantonese): The details of CEPA were formulated on 29 September and will be implemented on 1 January next year. I would like to tell Miss CHAN a piece of good news and that is, at present, many overseas companies have really made a lot of enquiries with us and we will strive positively to catch them. I said earlier that CEPA has brought about an unprecedented opportunity. If some companies want to set up factories in Hong Kong to enjoy zero tariff, they will be welcomed. We will hold detailed discussions with them to look into certain feasible arrangements and measures.

I have personally met with two companies. However, I believe you also understand that such things may have to go through prolonged discussions and

may have to be repeatedly reviewed before the terms would be discussed. Issues like land prices and imported labour may be involved. However, it will be a good thing for us if such enterprises can establish new industries in Hong Kong. Of course, it will be even better if such industries are high technology and high value-added industries. We will pursue this issue actively.

MISS CHAN YUEN-HAN (in Cantonese): *Mr Chief Executive, I agree that many people have made a lot of suggestions in relation to zero tariff under CEPA, but in view of the present circumstances, it seems that the Government is leaning towards the views of the business sector. It is a good thing for the business sector to invest in Hong Kong, but the Government should also listen to the views of the labour sector. How can the Government make use of this business opportunity to solve unemployment problem of Hong Kong?*

I would like to ask whether the Chief Executive has any plans to establish a committee, comprising members from the labour, employers, government and professional sectors in relation to the 273 items that enjoy zero tariff under CEPA, to study the options on a case by case basis and ascertain how much will the return of such industries be of help to our employment opportunities? How can job opportunities be actually created while giving impetus to business opportunities? Have you ever considered establishing such a committee? Thank you, Madam President.

CHIEF EXECUTIVE (in Cantonese): My understanding is that Secretary Stephen IP did talk about this yesterday or the day before, am I correct?

(Someone in the Chamber mentioned the "1:3" ratio.)

CHIEF EXECUTIVE (in Cantonese): I understand that it is not at a ratio of "1:3". *(Laughter)*

In fact, I have read about what they discussed at the meeting. They stressed that companies that would like to set up factories in Hong Kong under CEPA may each have different terms and conditions. Therefore, both the labour and employers should talk to the Government and since their individual circumstances may not be entirely similar, the relevant terms may have to be

tailor-made. On the whole, employment is of utmost importance to the Government. We will work closely with Members and will also work closely with labour unions.

MS AUDREY EU (in Cantonese): *Madam President, Mr James TO has already asked the question I originally intended to ask, so I would like to ask the Chief Executive about his personal views on the pace of democratic development.*

You have evaded Mr James TO's question in your response, saying that it is not necessary for you to state your personal views and that the most important thing is to listen to the views of the community. In that case, Chief Executive, why is it that you have not ordered Secretary Stephen LAM to start consultations on the democratic constitutional system right now? You said earlier that the most important thing is to listen to the views of the public, but it seems that you have adopted the opposite approach. Furthermore, from Secretary Michael SUEN to Secretary Stephen LAM, the Government has been conducting internal researches for as long as several years. Since you said the most important thing is not your personal views but you would rather listen to the views of the community, why do you not embark on consultation right now?

CHIEF EXECUTIVE (in Cantonese): Ms EU, Secretary Stephen LAM is actually doing preparatory work for launching consultations next year. He is now carrying out researches and part of the work is rather complex. I understand he has recently indicated that we will launch consultations in 2004 and the schedule and details of the consultation will be announced before the end of this year.

MS AUDREY EU (in Cantonese): *Chief Executive, can you tell us where does the complexity of the problem lie? Since your internal researches have been conducted for such a long time and in your earlier reply to Mr James TO's question, you said the most important thing is to listen to the views of the public. How complex can listening to public views be? Why is it that though internal researches have been conducted for so long, the Government has not started listening to the views of the public? On 1 July, the public voiced their opinions and told you clearly that they want you to return political powers to the people. It is very clear that the public have requested for universal suffrage for the third Chief Executive election in 2007.*

Chief Executive, can you not hear such views? Where does the complexity of this issue lie?

CHIEF EXECUTIVE (in Cantonese): First of all, I would like to stress that we are not putting off the issue. Secondly, I am also aware that Annex I and Annex II to the Basic Law involve a lot of constitutional issues. How the decision is made and what measures are eventually adopted will have far-reaching consequences. Therefore, we have to study the issue carefully before giving Members a clear account.

DR LUI MING-WAH (in Cantonese): *Madam President, Mr TUNG, many members of the community have high hopes that CEPA can stimulate foreign investors to invest in Hong Kong's manufacturing industries, thereby promoting Hong Kong's economic development. Is the Government aware that apart from attracting the so-called retail investors to set up factories in Hong Kong, the Government should be goal-oriented in trying to win over and attract key enterprises such as semi-conductor and aluminum manufacturing industries to make major investments in Hong Kong, thereby restructuring Hong Kong's economy so that it can develop healthier and improve employment opportunities?*

May I ask what specific measures and plans does the Government have in this respect, such as on land, research fund, tax concession researches and labour issues?

CHIEF EXECUTIVE (in Cantonese): It is certainly a good thing if key industries can be attracted to Hong Kong. Of course, you have to see what are those key industries. An overseas entrepreneur came to see me recently and I told him that in the sixties, the semi-conductor and electronic industries of Hong Kong were the most developed in Asia. Many United States companies have set up factories in Hong Kong. Later on, during the seventies, they all left and many of them went to Taiwan and became its key industries of today. Therefore, we really have to conduct researches on many fronts. We will listen positively to the views of the industrial sector for not all government officials are experts, and we should, therefore, listen to everybody's views. If you have good suggestions, we will certainly adopt them. You have recently made a very

good proposal to the Government and we are now looking into how to take the next step as soon as possible.

MR SIN CHUNG-KAI (in Cantonese): *I would also like to offer you a suggestion and hope you will follow up. Mr TUNG, there is no doubt that CEPA can bring a lot of advantages to Hong Kong and the telecommunications industry has also managed to get on board the last train and became the 18th industry to gain access to the China market. However, perhaps since negotiations only started at a rather late stage, the industry was actually only three months earlier and not much ahead of the international organizations in gaining benefits. In fact, the industry only asks for two things: firstly it will like to obtain more than half of the operation rights on the Mainland or to set up a telecommunications special region, for example, set up an enclosed area in the Pearl River Delta as you have often advocated, and open up the market for Hong Kong enterprises. As regards the above two proposals, what can you do for Hong Kong people or for Hong Kong enterprises?*

CHIEF EXECUTIVE (in Cantonese): Mr SIN, the suggestion you made is a very good one. In fact, many of your views are similar to that of the Government, but you must understand that while mainland enterprises do have their own views, the mainland Central Government also has its own views. Therefore, though the industry has managed to get on the last train, it was still disappointed and I understand their sentiments. However, I would like to stress one point, Premier WEN Jiabao has told me both in Beijing and Hong Kong that the details of CEPA can be supplemented from time to time and we can continue to do better. Therefore, I hope similar issues can be brought up again at the next round of talks and it is possible that our efforts will lead us to success.

MR SIN CHUNG-KAI (in Cantonese): *The telecommunications industry is different from other enterprises or manufacturing industries because the issue of zero tariff does not apply to the industry. However, in order to compete on the Mainland, such Hong Kong enterprises also need to invest on the Mainland, such as on the installation of facilities and recruitment of staff, and that is to say, they only need a level playing field. In launching discussions on CEPA II, as regards the telecommunications industry, how will the Government go about soliciting the views of our industry, so that we can once again fight for more*

benefits? As regards this task, I do not know what channels are opened to members of the industry if they wish to participate?

CHIEF EXECUTIVE (in Cantonese): In fact, I believe Secretary John TSANG or Financial Secretary Henry TANG will be very happy to discuss such issues with the industry, or perhaps the industry can take the initiative to put forward its requests and we can also raise the issue at an appropriate time to invite everyone to take part in the discussions.

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, Chief Executive, the gross export value of Hong Kong has been on the increase each year while only the figure on domestic export has decreased each year, and our existing domestic export value constitutes 10% of the gross export value. Recently, 273 local products can enter the mainland market at zero tariff, thus bringing a ray of hope to the local manufacturing and export industries. However, everyone is aware that Hong Kong industries have moved northwards for more than 20 years and our army of manufacturing workers have either retired or joined other trades, while our younger generation is very reluctant to join the manufacturing industry. As regards industries that may move back to and reinvest in Hong Kong under the attraction of CEPA, has the Government got any corresponding measures on the supply and training of such skilled workers?*

CHIEF EXECUTIVE (in Cantonese): Mr HUI, first of all, I would like to point out while it is true that 273 items can enjoy zero tariff from 1 January next year, there will be 4 000 items in the long run and it is hoped that the mainland market can open up in 2006. Why can it not be done at an earlier date? This is because zero tariff can sometimes lead to certain illegal activities like smuggling. Therefore, the Central Government and we have to review the effectiveness of the zero tariff policy after it is implemented. If the customs and excise departments of both sides are able to enforce the policy effectively and there are few or even no illegal activities (it will be best if there are none), then the other 4 000 items will be introduced by 1 January 2006 at the latest. If the job is well done, then those items can be introduced even earlier. Therefore, I would like Members to note that there are almost no bounds to our prospect. As such, it is all the more necessary for us to look at such issues with a new mindset and should see that Hong Kong does have a prospect. I understand that not very

long ago, Secretary Stephen IP has discussed labour and other issues with members of the industry and our whole Government — the Honourable CHAN is smiling — would look at this issue with a new mindset.

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, as regards the fact that young persons are not willing to join the manufacturing industry because some find the working hours too long while others find the work too tough, what measures does the Government have in place for encouraging them to join the industry, so as to ensure that there will be successors in the local manufacturing industry and domestic export industry under CEPA?*

CHIEF EXECUTIVE (in Cantonese): The Government can certainly tie in with the views of the industry. As regards such issues, it is most important for the industry to take the initiative to ask whether certain actions can be taken and we will try our best to match with their requests. In fact, we do invest a lot of money on the VTC each year, and how can we better meet with the demands of the industry? If you have any good ideas, or if certain industries are in need of certain skilled workers, we can work together.

PRESIDENT (in Cantonese): Chief Executive, it is now just two minutes past four. Is the Chief Executive willing to answer three more questions so that three more Members can ask questions?

CHIEF EXECUTIVE (in Cantonese): Yes.

MR MICHAEL MAK (in Cantonese): *Madam President, after listening to the speech of the Chief Executive today, I have a feeling that Mr TUNG has just been awoken from a dream. It seems that he has lived in prosperity and has suddenly woke up today to find that so many problems exist. Mr TUNG, you often say that you share the people's concerns and thoughts, but very often, I do not find this to be the case. At the great march on 1 July, when 500 000 people took to the streets, many people were found holding a newspaper that has got Mr TUNG's picture on it, with a cake thrown onto his face. I do not know how Mr*

TUNG felt about this, but you have actually not shared people's concerns and thoughts.....

PRESIDENT (in Cantonese): Mr Michael MAK, please put your question directly.

MR MICHAEL MAK (in Cantonese): *What I would like to ask is, and in fact, earlier I have already let slip my question, the Chief Executive should have known how to respond to my question in today's Question and Answer Session and I actually do not need to stand up and ask my question. Mr TUNG, why do you insist on appointing Dr YEOH Eng-kiong as the Chairman of the SARS Expert Committee? Later on, under the pressure of public opinions — at that time, it seemed that there was a response to public opinions — later on, I think the public, including Members of the Legislative Council, also demanded that an independent commission of inquiry should be established, but Mr TUNG insisted on not doing so. If the commission were established, then it would not have been necessary for us to make do with the establishment of a select committee under the Legislative Council, is that not so? We have already got a very heavy workload, so I would like to clarify with Mr TUNG for what you said earlier was very ambiguous and I am at a loss to understand what you mean, so your wave length and mine must be very far apart.....*

PRESIDENT (in Cantonese): Mr MAK, have you asked your question?

MR MICHAEL MAK (in Cantonese): *I would like to understand and have the Chief Executive to explain how he shared people's concerns and thoughts, in particular in relation to launching an independent investigation on SARS.*

CHIEF EXECUTIVE (in Cantonese): This is a very long question, and I need to think through it and get my thoughts organized. *(Laughter)*

As regards SARS, 299 people died and 1 700-odd people were infected. We are all very sad about this. Our foremost task at the moment is to prevent the recurrence of SARS and you can imagine what will be the consequences if

SARS really recurs. I find that both Singapore and the Mainland have got a very, very strong awareness of the prevention of SARS. In this regard, the Hong Kong Government has started to work on many different fronts, such as civic education, surveillance system or emergency response measures, so as to ensure that SARS will not recur and even if it really recurs, it can be kept under control right away.

The second point I would like to point out is, the report of the SARS Expert Committee has been completed, giving a detailed account of the whole process of SARS. The report itself is comprehensive in many areas. I pointed out last time that this report was not only offered for the scrutiny of a few people or me alone but rather for the scrutiny of Hong Kong people. Moreover, members of the Expert Committee are international figures and need to be accountable to the whole world because the whole world is awaiting for this report to learn about what happened in Hong Kong, so the report must be compiled in a fair and impartial manner.

Thirdly, I also understand that some Members and many people in the community were unhappy this report has come to the conclusion that no government officials was to be held responsible for this incident. Of course, each of these 11 experts has his/her own views and has only arrived at the above conclusion after looking at the whole process of this incident objectively. However, I also understand that some Members were not happy about this and the Legislative Council has now decided to establish a select committee. In fact, prior to that, we have been in some contact with Members to see whether the task can be taken over by the Government. I am under the impression that if the Legislative Council decides to establish a select committee, we will co-ordinate with the work of the Legislative Council in a positive manner.

Mr Michael MAK, you asked me about the incident in relation to Dr YEOH. I would like to tell you that we have discussed this issue after the compilation of the report and Dr YEOH accepted the criticisms of the Expert Committee report. He also apologized that some of the things he said might have been inappropriate or certain things might not have been properly handled. Dr YEOH is a responsible person.

My own views are that the most important task at the moment is to prevent the recurrence of SARS and if SARS recurs, we should be able to deal with it properly at the earliest opportunity. This is the most important task and is more

important than anything else. I believe Dr YEOH will learn from the painful experience in the past and should be able to lead us very well.

MR MICHAEL MAK (in Cantonese): *Madam President, the Chief Executive thinks that the report of the SARS Expert Committee is comprehensive and if it is really comprehensive, the Legislative Council would not have found it necessary to set up a select committee, or demand for the establishment of an independent inquiry commission.....*

PRESIDENT (in Cantonese): Mr MAK, question time is very short, please come straight to the supplementary question.

MR MICHAEL MAK (in Cantonese): *The Legislative Council will establish an independent select committee and I would like to ask the Chief Executive when the time comes whether he will come to give testimony if he is summoned?*

CHIEF EXECUTIVE (in Cantonese): I will certainly consider it if I am invited. However, up to today, the select committee of the Legislative Council has not been formally established, is that correct?

MR MICHAEL MAK (in Cantonese): *Yes.*

CHIEF EXECUTIVE (in Cantonese): The terms of reference and related issues of the committee have yet to be worked out, so let us talk about this matter again after the Legislative Council has established the committee.

MR KENNETH TING (in Cantonese): *Chief Executive, today I am not going to ask a question on THC. What I wish to ask is, we have learned from press reports that the Hong Kong Monetary Authority (HKMA) pointed out that if the value of the Hong Kong currency was too strong, it would not rule out the possibility of adopting a negative interest policy, under which interest would be charged on banks that has accumulated a large amount of Hong Kong dollars, in*

order to maintain the stability of the exchange rate of our currency. However, I would like to know whether the Government has considered informing the HKMA of the extent of the impact of negative interest on the people in Hong Kong, once the mechanism is implemented?

CHIEF EXECUTIVE (in Cantonese): I think our basic policy is to maintain the pegged exchange rate and we will spare no efforts in doing so. If we are so unfortunate as to have a negative interest rate, there is nothing we can do about it. Though negative interest rate is not favourable, will it stay for long? I really doubt it. This is because from the fundamentals in Hong Kong, we can see that we still do not have a strong Hong Kong currency. This extraordinary phenomena will only appear at such rather particular times. However, we will keep a close watch on this matter.

PRESIDENT (in Cantonese): The last Member to raise a question.

MS EMILY LAU (in Cantonese): *Madam President, the Legislative Council has launched a motion debate last week asking the Chief Executive to step down. On the same day, the voters of California also voted to ask their Governor to step down. I would like to ask the Chief Executive whether he has listened to the voices of the people? This is because many people do not wish to see Mr TUNG staying in office as the Chief Executive and hope that Hong Kong can have a fresh start. Can Mr TUNG give Hong Kong people a new chance?*

CHIEF EXECUTIVE (in Cantonese): Madam President, California has Californian laws, Hong Kong has Hong Kong laws and Hong Kong has its own constitution, so we will definitely work in accordance with Hong Kong laws. Secondly, I have actually stated many times and not only once that: stepping down is actually the easiest decision to make; staying in office and continuing to face up to the issue requires courage and a willingness to spend efforts. Today, I have chosen to remain because I feel that my mission has not yet been accomplished. In the face of so much criticisms, what should I do? Should I just leave for good? I do not find this a proper approach and I should be positive and face up to the issue. Where there are errors, they should be rectified and we should work hard to do a good job. The issue that everyone

are most concerned is to revive the economy and together we should work hard to revive the economy, work hard for the people's livelihood and work hard to maintain social stability. At this most crucial moment of economic restructuring, I would have been irresponsible if I do anything else.

MS EMILY LAU (in Cantonese): *Madam President, is the Chief Executive aware of the findings of the survey conducted by the University of Hong Kong published every month. On each occasion, more than 60% of the respondents is of the opinion that the Chief Executive, Mr TUNG should not stay in office as the Chief Executive and only about 20% plus are in support. How can the Chief Executive explain to these people that he is staying for their own good, for the good of all the people in Hong Kong and that he cannot be replaced by another person?*

CHIEF EXECUTIVE (in Cantonese): Madam President, I have certainly taken note of the findings of the public opinion poll and have certainly noted it. However, I have told you earlier that we are working in accordance with the law. My term of office is up to 30 June 2007 and prior to this day, I will make every effort to serve Hong Kong.

PRESIDENT (in Cantonese): I would like to thank the Chief Executive for answering the questions raised by 16 Members at today's meeting.

PRESIDENT (in Cantonese): The Chief Executive will now leave the Chamber. Will Members please stand?

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 22 October 2003.

Adjourned accordingly at sixteen minutes past Four o'clock.