

OFFICIAL RECORD OF PROCEEDINGS

Friday, 9 July 1999

The Council met at Nine o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN, G.B.S., J.P.

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

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE HO SAI-CHU, S.B.S., J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE EDWARD HO SING-TIN, S.B.S., J.P.

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE MICHAEL HO MUN-KA

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

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LEE CHEUK-YAN

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

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

THE HONOURABLE LEE KAI-MING, S.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

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

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

THE HONOURABLE RONALD ARCELLI, J.P.

THE HONOURABLE MA FUNG-KWOK

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE AMBROSE CHEUNG WING-SUM, J.P.

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHRISTINE LOH

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN WING-CHAN

THE HONOURABLE CHAN KAM-LAM

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, 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

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

THE HONOURABLE AMBROSE LAU HON-CHUEN, 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 LAW CHI-KWONG, J.P.

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

THE HONOURABLE FUNG CHI-KIN

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

MEMBERS ABSENT:

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

DR THE HONOURABLE LEONG CHE-HUNG, J.P.

THE HONOURABLE GARY CHENG KAI-NAM, J.P.

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

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

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE MRS ANSON CHAN, G.B.M., J.P.

THE CHIEF SECRETARY FOR ADMINISTRATION

MR CHAU TAK-HAY, J.P.

SECRETARY FOR TRADE AND INDUSTRY

CLERKS IN ATTENDANCE:

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

PRESIDENT (in Cantonese): Good morning, Honourable Members. We shall continue the discussion of the outstanding items on the Agenda.

MR LEE WING-TAT (in Cantonese): Madam President, a point of order.

PRESIDENT (in Cantonese): Mr LEE Wing-tat, please speak.

MR LEE WING-TAT (in Cantonese): Madam President, a point of order. I understand that Rule 17 of the Rules of Procedure on the quorum does not stipulate if there must be an assembly of 30 Members. According to practice, however, at least in the past and the last two years, a quorum has to be present 15 minutes before the meeting for the meeting to commence. Therefore, I request the President to rule, despite the fact that Rule 17 does not require a quorum to be present 15 minutes before a meeting, whether this Council should follow the practice of waiting 15 minutes before a meeting commences.

PRESIDENT (in Cantonese): For committees of the Legislative Council, if the meeting is scheduled to start at nine o'clock in the morning and a quorum is still not present by 9.15, the meeting will be adjourned. But this practice is not appropriate for the Legislative Council. Our practice has been to wait until a quorum is present. It has always been so.

We all know today that we waited for over 20 minutes before we got 30 Members in the Chamber. Out of respect for the Council, we should start the meeting until a quorum is present. Members present have shown that they have made their greatest effort to attend this meeting. I think that Members, as Members of the Legislative Council, should try their best to attend meetings. Today is however extraordinary and advance notice was not possible because the meeting yesterday was relatively long and I only declared resumption of the meeting today at 7.30 pm yesterday evening. Some Members might have previously arranged appointments that could not be cancelled in time. That could have led to today's situation. I hope that this will not recur in future.

MR LEE WING-TAT (in Cantonese): Madam President, I am not criticizing other Members for their absence. I just wanted to raise a point of order.

Madam President, what I wish to say is that the Legislative Council does not have a tradition or practice requiring a quorum to be present within 15 minutes before a meeting can commence, does it?

PRESIDENT (in Cantonese): The Rules of Procedure do not provide that meetings of the whole Council will be adjourned if a quorum is not present 15 minutes after the originally scheduled commencing time.

MR MARTIN LEE (in Cantonese): Madam President, I think that the wording of Rule 17 of the Rules of Procedure is not specific. Subrule (1) provides that "the quorum of the Council and of a committee of the whole Council shall be not less than one half of all its Members", including the President or Chairman, that is, 30 Members; and subrule (2) says that "if the attention of the President is drawn to the fact that a quorum is not present, he shall direct the Members to be summoned", but it does not specify by what time nor "by whom", I have to emphasize, "by whom", (it does not specify it must be by a Member). In that case, is it that when we are present in this Chamber, we should not go out again, but when someone points out that a quorum is not present, Members should then be summoned back to this Chamber, and that the 15 minutes of waiting time should start from that moment?

PRESIDENT (in Cantonese): Mr LEE, I do not construe it in that way. My interpretation of the rule is different from yours. My interpretation is that if my attention is drawn by a Member to the fact that a quorum is not present in the midst of a meeting and after a head count confirms that fact, I shall adjourn the meeting, and use 15 minutes to summon the Members. If no quorum is formed after the 15 minutes, the meeting will be adjourned. Therefore, my interpretation is different from yours.

Mr LEE, I have no intention to curtail your freedom of expression. Only that today we are racing against time; we have only three hours to debate on two Members' motions. I shall be pleased to discuss this matter with Members after the meeting. We will now commence dealing with business items according to the Agenda.

Two motions with no legislative effect. I have accepted the recommendation of the House Committee as to the time limits on speeches for the motion debates. The movers of the motions will each have up to 15 minutes for their speeches including their replies, and another five minutes to speak on the amendments. The mover of an amendment will have up to 10 minutes to speak. Other Members will each have up to seven minutes for their speeches.

First motion: The Executive Council.

THE EXECUTIVE COUNCIL

MISS CYD HO (in Cantonese): Madam President, I move that the motion as set out on the Agenda be approved. I thank Members for their attendance today for the debate.

Two years after the establishment of the Government of the Special Administrative Region (SAR), public satisfaction with the overall performance of the Government and public confidence in the Chief Executive have both fallen. Let us see the results of a few polls.

According to the results of the public opinion poll conducted by the Social Sciences Research Centre of the University of Hong Kong (HKU), published in June this year, public approval of the Chief Executive has fallen from the peak of 67.7 points recorded in September 1997 to 57.4 points last May; and the percentage of respondents satisfied with the overall performance of the SAR Government from 42.7% in 1997 to 25.2% in the first half of 1999.

The Government had its own survey, conducted by the Home Affairs Bureau. A total of 1 683 citizens were interviewed in the survey, with the results showing that the degree of satisfaction of the citizens with the overall performance of the Government fell drastically from the 39 points recorded in March 1999 to 32 points in May 1999.

A concrete example is the survey conducted by the Asian-Pacific Research Institute of Hong Kong in respect of the SAR Government requesting an interpretation of the Basic Law. Though 60% of the respondents supported the decision of the Government to seek an interpretation of the Basic Law, only 27.8% of the respondents believed in the estimated figures, such as 1.67 million new immigrants and \$710 billion of expenditure, published by the Government.

The Social Sciences Research Centre of the HKU also made a follow-up survey and its results showed that the percentage of citizens thinking that the figures estimated by the Government were exaggerated increased from 23% as at the end of April to 42% at the end of June. The figures listed by me not only show public discontent, but also demonstrate that the public are beginning not to trust the Government, beginning to doubt the integrity of the Government. This can easily lead to a governance crisis.

When he assumed office, the Chief Executive indicated that his administration would be one with strong leadership. In this respect, I believe, he has succeeded. From "killing the Municipal Councils" to the right of abode in Hong Kong, he has been able to influence public opinions within a short time and take that advantage to not only evade the monitoring of the Legislative Council, but also almost overturn a judicial judgment. It is really "strong". In theory, such efficient governance should become better and better, and should receive public support. The poll results however tell us this is not the case. Could it be that the efficiency in making policies against public opinion has brought such survey results?

Madam President, I believe we must have a sense of crisis and before public support falls further, we should review how this strong leadership makes its policies. We hope that through concerted effort, public confidence in the Government can be restored. It is well-known that the highest authority of policy-making in the SAR Government is vested with the Chief Executive, therefore his think-tank and advisers play an important part. According to our constitutional instruments, the panel of advisers of the Chief Executive is the Executive Council. Therefore the purpose of my motion today is to examine if the Executive Council fulfills its function in the policy-making process of the Chief Executive in Council, how the Executive Council helps the Chief Executive in making the various policies, and whether it has a "supervisory" role over the Chief Executive.

Article 54 of the Basic Law, our constitutional instrument, stipulated that "The Executive Council of the Hong Kong Special Administrative Region shall be an organ for assisting the Chief Executive in policy-making." In his book "One Country, Two Systems and the Basic Law of the Hong Kong Special Administrative Region", Prof XIAO Weiyun explains "assisting" like this: "Assist means help and aid, and also consult. The Executive Council is not a policy-making organ, but a consultative organ of the Chief Executive, assisting the Chief Executive in policy-making."

However, what the citizens see is that many major decisions are released to the mass media after approval by the Executive Council and before submission to the Legislative Council. People have taken that the Executive Council is really like a policy-making organ. In fact, it does have a very blurry look, arguably something not like a lot of things; we do not know if it is an apple or an orange. On paper, it is a consultative organ, in fact it has policy-making functions. Never mind the three official members of the Executive Council who have enormous influence, the non-official members, mostly from the business sector, are concurrently holders of many important public offices, such as chairmanships of the Housing Authority, the Mandatory Provident Fund Authority, and the Education Commission. Others include a bank director, a director of the Kowloon-Canton Railway Corporation, and the owner of a surveying firm. Its members have multiple capacities and roles, and the aggregate of their powers, business interests and influence is alarming. In their capacity as members of the Executive Council, they at the same time have access to much sensitive information like government planning. Nevertheless, they claim that theirs is only a consultative organ. Behind the screen of collective confidentiality and collective responsibility, they influence the making of policies.

In my personal view, the Executive Council has the prerogative, but not the responsibility. Whether there is any conflict of interest involved, citizens have no way to monitor. Therefore I wish to ask the Chief Executive to address this issue as soon as possible, so as to clearly demarcate the powers and responsibilities of the Executive Council, and to increase its transparency to let the public see who should be accountable. In fact, the Chief Executive has his share of blame because he played a part in creating this confused state of affairs. Before the formal establishment of the SAR Government, he appointed three people who were later to become members of the Executive Council to study policy matters respectively in the areas of housing, education and elderly affairs. Such work falls in fact within the scope of the initial work of Bureau Secretaries before making policies, and is outside the purview of consultation. Many

people have since commented that this amounts to the introduction of a quasi-ministerial system. How then can the public be convinced that the Executive Council plays only a consultative role? With an improper title, one cannot say convincing things. Given that the work of the Members of the Executive Council since their appointment by the Chief Executive exceeds a consultative role, I believe the Chief Executive should seriously study what kind of an Executive Council Hong Kong really needs, how best it should operate to provide him the best assistance, and to publish the results of the study so that citizens can effectively monitor the Chief Executive in Council, to see if there is any problem in their policy-making process.

The public also wishes to understand the differences between the responsibilities of Members of the Executive Council and the duties of the civil servants who formulate policies. Many analyses have pointed out that the existing operation resembles a quasi-ministerial system, but Members of the Executive Council do not need to shoulder any political responsibility. For example, the 85 000 housing target has failed, but nobody has asked Mr LEUNG Chun-ying to resign because it is commonly held that he has no responsibility in the matter. He could regard himself as a member of a consultative organ and thus avoid public accountability. Such a mode of operation will only serve to push the policy-makers, who are under no supervision and pressure, further and further away from the needs of the public.

Madam President, I shall now talk about the criteria for the appointment of Executive Council members. As a standing consultative organ facing a wide variety of issues, the Executive Council should comprise people from the various quarters, something like a miniature society. Only thus can our policy-making process be viewed from different angles. The present Executive Council composition, apart from the official members, is in fact a pro-business setup. Can they really understand the needs of the grassroots? Could it be because of the lack of overall representation from different sectors that the hardships at the grassroots level were overlooked over issues such as the cut in Comprehensive Social Security Assistance (CSSA)?

In fact, the Chief Executive has considerable latitude in prescribing the composition of the Executive Council; and he does not need to report to Beijing. Apart from Article 55 of the Basic Law that provides "Members of the Executive Council of the Hong Kong Special Administrative Region shall be appointed by the Chief Executive from among the principal officials of the executive authorities, members of the Legislative Council and public figures. Their appointment or removal shall be decided by the Chief Executive", there are no

other rules.

The Chief Executive can also decide of his own volition the number of Members of the Executive Council. There is no limit as to the number of Members. Therefore he enjoys considerable freedom, and he also has the power to ensure that the views of the various strata of society are adequately heard in the Executive Council. Therefore if such views are not adequately reflected, the Chief Executive definitely has his share of responsibility.

Prof XIAO Weiyun also wrote that "(the Executive Council) in fact has the function of making collective discussion, is able to assist the Chief Executive in understanding the situation, to draw on the collective wisdom and ideas of its membership in comprehensively considering issues, so as to avoid the limitations inherent in deciding on policies and seeing problems by individuals."

But how many Members are deemed sufficient? What talent should be included before it is considered all-encompassing? I think that before the Chief Executive decides the number of Members for the Executive Council and to fill vacancies, he should inform the public of his views in this respect, and state the criteria for appointing Members to the Executive Council in the future, rather than offering an explanation after the seats are filled, thus giving the citizens an impression that he uses only people close to him, and "tailor-makes" posts for such people.

I shall now turn to the issue of conflicts of interests. The Executive Council discusses many major affairs of Hong Kong, be it in a consultative or policy-making capacity; it really has an influence on the policies of the Government. Most of its Members have ample business experience and personal connections. So there must be a stringent system, made public for all citizens to see, to ensure that there is no conflicts of interest within the Council, so that public trust in the Executive Council can be maintained.

Three weeks ago when the Legislative Council asked the Government about the declaration of interest by Members of the Executive Council, the acting Chief Secretary for Administration revealed that from the inception of the SAR Government to 8 June this year, the Executive Council had held a total of 87 meetings, and discussed a total of 741 issues.

The newly-appointed convenor of the Executive Council, Mr LEUNG Chun-ying, indicated in a radio programme that he had never withdrawn from a meeting because of conflict of interest. We all know that Mr LEUNG has close and deep connections with the real estate business, and he has not resigned from his private business. When the Executive Council discussed land policy, urban renewal, town planning, could it be that not even one of the issues had any interest relations with the businesses of Mr LEUNG? It is hardly convincing that he has never had the need to withdraw from meetings.

The acting Chief Secretary for Administration did disclose last time that when the Chief Executive thought that there was a conflict of interest between an Executive Council agenda item and a Member, he might not send the relevant documents to that particular Member, and that the member might not attend the meeting. Therefore, we know that the initiative to eliminate any conflict of roles and interest in fact rests in the hands of the Chief Executive. But has he ever made such arrangements in the past? How many times did he so arrange? What criteria were used when such arrangements were made? I think that the Chief Executive needs to inform the public, to let the public discuss if it is acceptable for the Chief Executive himself to decide the rules for Members to withdraw from a meeting. Members of the Executive Council will then determine for themselves when to declare their interest.

At present, the Executive Council maintains collective confidentiality. When a Member withdraws from a meeting, the public will know and will have an opportunity to witness the openness and aboveboard disposition of the withdrawing Member. But if no Member withdraws, and only interest is declared, the public will have no way of knowing if the views offered by the Members are fair and impartial.

In colonial times, records of Executive Council meetings were sent to London and made public after 30 years. In other words, people will know the truth in 30 years' time. What about the records of the SAR Executive Council meetings? The Basic Law only provides that if the Chief Executive does not accept a majority opinion of the Executive Council, the specific reasons must be put on record. But there is no provision as to making the records open for public inspection.

Regarding the provision of Article 56 of the Basic Law, Prof XIAO Weiyun thought that putting the reasons on record served to supervise the Chief Executive. But merely making a record without making it public will not achieve any supervisory effect. Therefore, I would suggest that the Government should make public the records of meetings after an appropriate length of time.

I recognize the need of the Executive Council to maintain confidentiality because the policy-making process involves a lot of sensitive information; any premature disclosure will affect the policies concerned, creating unnecessary obstacles. However, when a certain policy was made and implemented for some time, it must be subject to a review, and it would then be an opportune time to make public the relevant records of meetings. For example, I hope that when the recent Income Impounding Order, the mother-tongue education policy and the scheme to reduce CSSA are up for a review, the Executive Council would make public its records of the relevant meetings.

Moreover, by reading the meeting records made public, the public can see the performance of individual members, thereby exercising a form of supervision to make the Members assume responsibility for their words and acts at the meetings.

So long as the record of meetings are not made public immediately, the need to maintain confidentiality is met, the transparency of the Council enhanced, and public accountability also established. When Mr Henry TANG of the Liberal Party was first appointed to the Executive Council, he proposed a spokesman system covering different Executive Council members and various policies and whereby the policy-making process would be explained. This will enhance the transparency of the Executive Council. I hope the Government will consider his proposal.

Madam President, in past discussions about the progress of democratization, the Executive Council was a setup that received relatively little attention and mention. I hope that today's motion debate would spawn more discussion so that the public would become more concerned about the operation of this organ.

Thank you, Madam President.

Miss Cyd HO moved the following motion:

"That this Council urges the Chief Executive to expeditiously review the powers and responsibilities of the Executive Council, the criteria for appointing the Executive Council Members, the role of the Executive Council Members and the means for dealing with conflicts of interest, and to enhance the transparency of the Executive Council, so as to enhance its accountability to Hong Kong people."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss Cyd HO, as set out on the Agenda, be approved. We will now proceed to the debate.

DR RAYMOND HO (in Cantonese): Madam President, it has been two years since the establishment of the SAR, and the Executive Council has always been the focus of public discussion. In fact, Article 54 of the Basic Law already stipulates that "The Executive Council of the Hong Kong Special Administrative Region shall be an organ for assisting the Chief Executive in policy-making" and Article 56 also provides that "Except for the appointment, removal and disciplining of officials and the adoption of measures in emergencies, the Chief Executive shall consult the Executive Council before making important policy decisions, introducing bills to the Legislative Council, making subordinate legislation, or dissolving the Legislative Council. If the Chief Executive does not accept a majority opinion of the Executive Council, he or she shall put the specific reasons on record."

Our discussion on the Executive Council today involves a wide range of topics, including the criteria for appointing Executive Council Members, and their role and accountability to the public. But the key topic is arguably the powers and responsibilities of the Executive Council. The function of the present Executive Council is mainly of a consultative nature. Members of the Executive Council are not officials, they have no policy-making powers. Their views can be refused by the Chief Executive. However, as Members of the Executive Council are senior members of various quarters in society, their views do carry weight and are of assistance to the Chief Executive when he makes

policy decisions.

As Members of Executive Council serve on the Council on a part-time basis, they still carry on with their private businesses. Some people in society think that such arrangements easily lead to conflicts of interest. However, as an organ assisting the Chief Executive in policy-making, the Executive Council with Members drawn from various trades and professions can in fact play an effective consultative role. The Executive Council will lose the function it should serve if its Members are required to give up their private businesses and turn full-time Members. I believe this is not the original intent of the Basic Law.

To overcome the problem of conflicts of interest, the Executive Council should, on the base of its existing interest declaration mechanism, issue clearer guidelines to its Members so as to perfect the existing interest declaration system. As a consultative organ to assist the Chief Executive, such arrangements as I just suggested for the Executive Council are arguably perfectly natural and reasonable. However, can such a mode of operation match the future development of Hong Kong? This is something that merits our in-depth study. In the past two years, many people have put forward different suggestions, among which are the ministerial system and the cabinet system. But since any reform will involve the most fundamental polity of Hong Kong, we should not act in a rash manner, and reform for the sake of reforming. However, before we come to a final conclusion, there is one thing we can affirm, and that is, the change must meet the expectation that the accountability of the Executive Council to the public must be enhanced. This is also the major direction in the world's political trend.

At the present stage, the Government does have the responsibility to do more to increase public understanding of the Executive Council. Firstly, the criteria for appointing Executive Council Members must be given more clarity. Of course, the Chief Executive has the powers to appoint Executive Council Members in the interest of Hong Kong, according to the policy of the SAR and according to the qualifications of the prospective members. But these are not specific enough and they do not include any objective criteria insofar as the public is concerned. Secondly, without prejudice to the confidentiality system and the system of collective responsibility, the Executive Council should be made more transparent, and should strengthen its communication with the community and this Council.

The Executive Council is a part of the political system of the SAR, it must absolutely not operate in a state of detachment, otherwise, public confidence in it will be greatly undermined.

Madam President, I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, about this motion moved by Miss Cyd HO today, I can say I am feeling quite helpless. In principle I fully support all the demands made in the motion, particularly those for the enhancement of the transparency and accountability of the Executive Council. But the problem is, this motion has been moved on the basis of our acceptance of the fact that the political system of Hong Kong is extremely undemocratic, and that suggestions for improvements are made in a mood of "resigning to fate" and with a compromising mentality. This I find it hard to accept.

Firstly, we should look at the way how the Executive Council is constituted. At present all Members of Executive Council are appointed by the Chief Executive, just whoever he likes. And how is the Chief Executive selected? According to Annex I to the Basic Law, he is selected through a coterie election by the Election Committee comprising 800 members. The method of constitution of the Election Committee and the background of the 400 people who elected Mr TUNG Chee-hwa in the past clearly show that the Election Committee is dominated by major consortia of vested interests. The Chief Executive they so elect will doubtless have to protect their vested interests, apart from taking orders from the Central Government in Beijing, because these are the two sources of the powers of the Chief Executive. As a matter of fact, from the British administration era to the present-day, the Executive Council has always been a place where big businesses "carve up" interests. This nature of the Executive Council is impossible to change.

Therefore, despite the many criticisms that Mr LEUNG Chun-ying would be involved in too many conflicts of interest, Mr TUNG Chee-hwa has still recently appointed him the convenor of the Executive Council. I think in fact conflicts of interest are bound to arise. Miss Cyd HO mentioned just now the

multifarious connections Mr LEUNG Chun-ying has with the real estate sector. This is simply plain for everybody to see.

Nevertheless, we must look at the issue from another angle. Mr LEUNG Chun-ying is by no means an exception. Which senior Member or convenor of the Executive Council in the past was not the same? The absolute majority of the serving Members of the present Executive Council are connected with the interests of different consortia, the problem being only the extent of such connections. An Executive Council without a popular mandate is totally incapable of convincing the people that it does not involve conflicts of interest.

The Executive Council, in addition to protecting the vested interests of big consortia, has another important function, and that is to serve as a rubber stamp of the Chief Executive. In the past two years, the Executive Council supported the Chief Executive in respect of all controversial issues, particularly those sensitive political ones, be that political development, the Government's incursion into the stock market, or interpretation by the National People's Congress of the Basic Law. It is only natural for this to happen because all Members of the Executive Council are appointed by the Chief Executive who wields the supreme power, any "disobedient" Member may find his or her appointment terminated any time. And a Chief Executive without a popular mandate naturally needs a bunch of "yes men" to shore up his confidence, in his attempt to exercise his authority.

Therefore, I think that it is impossible to ask the Executive Council not to protect the interests of big consortia and instead speak for the interests of the ordinary citizens. To ask them not to stay loyal to the Chief Executive and the big businesses who appointed them and to instead be accountable to the citizens is tantamount to "asking the tiger for its skin".

There is only one way to make the Executive Council truly accountable to the public, and that is, electing the Chief Executive by universal suffrage. Then Members of Executive Council appointed by him will be indirectly accepted by the public and will thus be accountable to the public. Another way is for the Legislative Council to be constituted through universal direct elections with the majority party in the Council forming a cabinet in the form of an Executive Council. In summary, without elections, the Executive Council will

never enjoy genuine public acceptance, nor will it be truly accountable to the public.

Therefore, the motion today, though moved with good intentions, is impractical. It is but a fantasy under the present political system. Any discussion and vote on the contents of the motion will be a waste of effort; it also signifies that we have compromised, and accepted this undemocratic system in which the Chief Executive is not elected by universal direct elections. So, Madam President, I shall withdraw from the meeting after my speech and will not participate in the voting.

These are my remarks.

MR FUNG CHI-KIN (in Cantonese): Madam President, the Executive Council is the advisory organ of the Chief Executive, assisting him in policy-making. The Basic Law has set it out in clear and definite terms. Article 54 of the Basic Law defines the role of the Executive Council as "an organ for assisting the Chief Executive in policy-making"; and Article 56 further stipulates the powers and responsibilities of the Executive Council, providing that "Except for the appointment, removal and disciplining of officials and the adoption of measures in emergencies, the Chief Executive shall consult the Executive Council before making important policy decisions, introducing bills to the Legislative Council, making subordinate legislation, or dissolving the Legislative Council." It is worth noting that if the Chief Executive "does not accept a majority opinion of the Executive Council, he or she shall put the specific reasons on record."

From the provisions of the Basic Law, it can be seen that the system whereby the Chief Executive in Council makes policy decisions manifests the principle of an executive-led government, reflects the authority of the Chief Executive, and at the same time allows the Executive Council to check and balance to a certain extent the Chief Executive in policy-making, so as to prevent any arbitrary and dictatorial actions or any deviation from the collective responsibility system by the Chief Executive. Therefore, the Executive Council does not only play a passive role as advisers to the Chief Executive in policy-making, but also assists in a relatively positive manner the Chief Executive in making sound policy decisions. The system in which the Chief Executive in Council makes policy decisions may look simple, it is in reality a

well-thought-out design that takes care of the executive-led government requirement, quality of policy decisions and the balance of powers.

Given that the Basic Law has clear and sound stipulations regarding the role, powers and responsibilities of the Executive Council, what we need to do is to urge the Government to strictly observe the relevant arrangements as well as the Basic Law. So why are we putting the cart before the horse, and want a review instead of implementation?

Some people opine that Members of Executive Council must relinquish all their private businesses so as to avoid conflicts of interest. I however feel that as the Executive Council is by nature a consultative organ and that a collective responsibility system is practised, whether or not individual members need to resign from their own businesses should be the choice of the Members concerned. There is no need to make it compulsory. In fact it is precisely because Members of Executive Council have their own specific status in society, their own professional knowledge and experience as well as their extensive and important personal connections that they are well placed to offer the Chief Executive different views and opinions and to effectively assist the Chief Executive in policy-making. Furthermore, here in Hong Kong, a community long relying on business development as its lifeline, it is basically difficult to find candidates suitable for appointment to the Executive Council but without any connection with the business world. The most important consideration should be the ability, personal integrity and aspirations of the Members and their disclosure of the interests they are involved in.

Madam President, some people have also criticized that Members of the Executive Council lack sufficient transparency in their style, that they seldom tell outsiders their ideas about governing Hong Kong and that the confidentiality system of the Executive Council makes it difficult for the public to monitor its work. Please bear in mind that the Executive Council is not an organ of public opinion, and the Basic Law does not require the Executive Council to be accountable to the public. Nevertheless, as the Executive Council is the think-tank of the Chief Executive, and the Chief Executive, as head of the SAR Government which according to Article 64 of the Basic Law is accountable to the Legislative Council, the Executive Council should also indirectly be accountable to the Legislative Council which is an organ of public opinion. Therefore strengthening the communication and co-operation between the

Executive Council and the Legislative Council should help ensure that the work of the Executive Council serves the interest of the general public.

After the inception of the SAR Government, the Chief Executive re-appointed the Members of both the Executive Council and the Legislative Council; he also indicated that Members of the Executive Council were more than his staff, they would be responsible for promoting and explaining government policies. He also attempted to re-establish the communication and partnership between the Executive Council and the Legislative Council. However, it must be admitted that such efforts have yet to produce apparent results. Even if the executive authorities have been seriously abiding by the provision of Article 64 of the Basic Law by being accountable to the Legislative Council in the four areas stipulated, some Members in this Council still think that the two Councils lack communication. I think that the present communication between the Executive Council and the Legislative Council is really inadequate, and has failed to achieve the objective of a relationship that serves both to check and balance and complement each other.

To enable the two Councils to check and balance and complement each other, the Government must define clearly the functions of the two Councils under the present political situation. The Government must not just ask the Legislative Council to co-operate with the executive authorities, while at the same time intentionally or unintentionally undermine the functions of the Legislative Council in questioning and monitoring the Government.

As a matter of fact, as the Executive Council is a staff organ of the Chief Executive, its Members must take up the responsibility of explaining government policies to the Legislative Council and the public. To prepare Members of the Executive Council to assume such a role, the Government must introduce a clear and flexible set of guidelines to let them know how and at what stage of the policy-formulating process they can publicly express their views, without overlapping with the role of government officials in explaining policies, and how they can, while observing confidentiality and the collective responsibility system, still help the Legislative Council and the public understand government policies.

In a nutshell, the work of the Executive Council does not need to be reviewed at the present stage. However, if the Government can strengthen the

communication and working relationship between the Executive Council and the Legislative Council, I believe it will help enhance public support for the Executive Council and government policies.

Madam President, we in the Hong Kong Progressive Alliance will not support this motion. I so submit.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, the clique of high-ranking officials and the Executive Council under the leadership of TUNG Chee-hwa are at present the supreme power centre in Hong Kong. Within this power centre, the Executive Council is the black-box organ that is most closed and most lacking in transparency and accountability. The deepest impression the Executive Council has left the people of Hong Kong is that flight of marble stairs running down from a great height at the Government Secretariat; we can only see the powerful and noble Members of the Executive Council walking down the stairs, talking and smiling, on television. They would say a few words to the public when they are pleased, or board their cars and speed away if they are not in the mood. Therefore, the public has only a blurry impression of members of the Executive Council. Even Members of the Legislative Council may not be able to name all the Executive Council members. But they are governing Hong Kong, in every sense of the word, and they do not need to be accountable to us.

According to the Basic Law, the Executive Council has enormous powers. Whenever TUNG Chee-hwa, the Chief Executive, is to make any important policy decisions, he has to consult the Executive Council, and if Mr TUNG does not accept a majority opinion of the Executive Council, he has to put the specific reasons on record. The Executive Council as designed in the Basic Law is a power organ that is subordinate to Mr TUNG and at the same time is able to restrain him. Naturally, if the Executive Council is to really restrict Mr TUNG, its Members must come from the various strata of society, from the representatives of public opinion in the Legislative Council, and even from the influential opposition. However, the present-day Executive Council only represents pro-China interests and the interests of the business sector. There is not a democratic voice or a voice of opposition in it. Such an Executive

Council can only serve as Mr TUNG's political rubber stamp, or as a venue for the exchange of political and economic interests. The citizens have utterly no expectation of the Executive Council.

Madam President, within the Executive Council that is controlled by big consortia there are always conflicts of interest. After the reunification, among the 741 discussion items of the Executive Council, 45 involved direct and major interests of individual Members, necessitating 62 declarations of interest and withdrawals from meeting. If those items for which only declaration but not withdrawal was required are included, the figures would be more alarming, a total of 214 items and 539 declarations. From these statistics it can be seen that the Executive Council is a council of interests comprising a bunch of people full of conflicts of interest who will determine the fate of the ordinary citizens of Hong Kong; and "Hong Kong people ruling Hong Kong" has become pro-China and business powers ruling Hong Kong.

Now S Y CHUNG, the political elder who served on the Executive Council in two different regimes and who was pro-British before becoming pro-China, retires, LEUNG Chun-ying takes over as the convenor of the Executive Council. Mr LEUNG is an archetype in this council of interests. He is the managing director of a surveyors' firm in Hong Kong, a real estate advisor to Shanghai, Shenzhen and Tianjin in China, and also the shadow housing minister of the Chief Executive. On the one hand, Mr LEUNG formulates housing and land policies of Hong Kong, on the other he is engaged in housing and land business. Obviously he has conflicts of interest and role locally and in China. Within the Executive Council, Mr LEUNG might be able to avoid direct interest allegations, but there is no way he can stay away from the huge indirect interest arising from government policies, because he plays a part in formulating housing and land policies. If Mr LEUNG assumes the post as convenor of the Executive Council but does not relinquish all his businesses that involve housing and land, how can he gain public trust? How can the suspicion in society of collusion between government and businessmen be removed? How can he be seen as fair and selfless by the public? How can one speak with all justice while cash is pouring into his fat pockets?

The black-box operation of and conflicts of interest in the Executive Council is nothing special; it is a reflection of the present political powers in Hong Kong, and a manifestation of the governance philosophy of Mr TUNG's

executive autocracy. When the nest falls, no eggs will survive. What those high above do, those below them copy. This has been the rule since ancient times. When the SAR Government is more arbitrary and autocratic than the former Hong Kong British Government, how can we expect the Executive Council to have any transparency and accountability? When the Executive Council represents only pro-China and business powers, how can we expect it to speak for the people of Hong Kong in respect of their demand for democracy and better livelihood? The citizens have never had any fantasy about and expectations of the present Executive Council because it is but a flight of marble stairs high above, a political black box alien to the people. I am afraid it is unrealistic and a waste of effort to expect TUNG Chee-hwa to reform the Executive Council.

Nevertheless, today's debate gives us an opportunity to let the people see for themselves how incomplete our democracy is and how suppressed justice is. Without a democratic system, without a democratic council, and without an elected ruling party, we can never expect to have an open and accountable executive council, never expect the convenor of the Executive Council to relinquish all of his interests. When we discover that the important decisions made in the Executive Council harm the interest of the Hong Kong people and that we are powerless to fight back, our only alternative is to brace ourselves, and go fighting from the bottom up, from the community to the council, for democracy. We will not expect any grace from TUNG Chee-hwa and his interest clique, because Mr TUNG was not elected by us, nor were Members of the Executive Council. Therefore, they do not represent the general public of Hong Kong.

With these remarks, Madam President, I support the motion of Miss Cyd HO.

MR JAMES TIEN (in Cantonese): Madam President, make a speech, find an excuse, stage a protest and withdraw from the meeting; what a fine way of sneaking away.

The Basic Law has laid down clear and specific provisions for the political system of the SAR, and at the same time allows certain space for the political system of the SAR to develop in line with the changes in objective circumstances. The Liberal Party has always been concerned about the operation of our political

system, and wishes to ensure that the operation of the political institutions in Hong Kong can be harmonious and stable to the benefit of economic and social development.

The Executive Council of the SAR has basically adopted the "Governor in Council" system of the former British Hong Kong Government, with the Executive Council serving as the private cabinet of the Chief Executive, assisting him in his policy-making. Though the appointment of Members of the Executive Council does not require the approval of the Central Government, this does not mean that the Executive Council is merely one of the many advisory bodies or consultative organs. Article 56 of the Basic Law stipulates that "If the Chief Executive does not accept a majority opinion of the Executive Council, he or she shall put the specific reasons on record." Thus it can be seen that the status enjoyed by the Executive Council is no ordinary.

The Liberal Party has always thought that as the Executive Council plays an important role in the government policy-making process, the public has reasons to expect it to be able to effectively discharge its duties by providing the Chief Executive with their professional and insightful opinions that are in line with the overall interest of society. The Executive Council at present adopts a system of collective responsibility, and though there might be division of labour among the Members, it is not known to outsiders, as a result there is no way the performance of individual Members of the Executive Council can be commended or criticized.

The Liberal Party thinks that the operation of the Executive Council should develop towards professionalism, eventually evolving into a ministerial system. We think that the ultimate and most satisfactory arrangements should be that Members of the Executive Council, whether they come from the Civil Service, the Legislative Council or the various strata of society, once appointed, will take up a political appointment and must assume political responsibility for government policies, particularly the policies for which individual Members are responsible. Therefore, there must be clear-cut demarcation of responsibilities within the Executive Council with an established system of awards and penalties — those with good performance will be promoted or have their contract renewed and those with unsatisfactory performance will be removed upon the

expiry of their contracts. The Executive Council must also recruit elites with specialized talents from the various sectors in society. Only through such arrangements can the Members' ability be commensurate with the powers and status of the Executive Council.

Regarding the ministerial system, though the Government has openly stated that it would not consider it, the Basic Law has no provision in that respect. Is the recent appointment of Mr E K YEOH, former Chief Executive of the Hospital Authority, as the Secretary for Health and Welfare on agreement terms not one form of ministerial system? In fact the ministerial system is nothing inflexible, we absolutely can develop a Hong Kong-style ministerial system that can meet the political reality in Hong Kong.

Madam President, though the Liberal Party does have some expectations in respect of the operation of the Executive Council, we cannot support the demands made in the motion moved by Miss Cyd HO that the powers and responsibilities of the Executive Council be reviewed. This is because the powers and responsibilities of the Executive Council are stipulated in the Basic Law and must not be arbitrarily amended. Article 54 of the Basic Law clearly provides that "The Executive Council shall be an organ for assisting the Chief Executive in policy-making", and Article 56 further makes it clear that "The Executive Council shall be presided over by the Chief Executive. Except for the appointment, removal and disciplining of officials and the adoption of measures in emergencies, the Chief Executive shall consult the Executive Council before making important policy decisions, introducing bills to the Legislative Council, making subordinate legislation, or dissolving the Legislative Council."

Therefore to review the powers and responsibilities of the Executive Council is equivalent to reviewing the Basic Law; to amend the powers and responsibilities of the Executive Council is equivalent to amending the Basic Law. The Liberal Party thinks that the problems with the Executive Council do not lie in its powers and responsibilities; we need not review or amend the powers and responsibilities of the Executive Council.

Madam President, the Liberal Party opposes the motion of Miss Cyd HO.

DR YEUNG SUM (in Cantonese): Madam President, before I deliver my speech, I would like to apologize to those Members who turned up on time. I was late, therefore I must first say sorry to you.

Madam President, I speak to support the motion moved by Miss Cyd HO. I thank her for providing us an opportunity to discuss the composition of the Executive Council, the relationship between the Executive Council and the Legislative Council, and the effect of our political system on the social development of Hong Kong. The way the Executive Council is constituted and the method the Chief Executive is selected, as they stand, have three characteristics.

Firstly, they utterly lack representativeness, because they are not elected through one-person-one-vote elections. Secondly, they do not enjoy public acceptance, because they are not elected through one-person-one-vote elections, the degree with which they are accepted is low, and the level with which they are approved is very low. Thirdly, there lacks political accountability, meaning that as they are not elected by the people, their powers do not come from the voters, whether they do well or otherwise, their appointment continues. I think that what the Chief Executive cares about at present are those people within that small group who voted in his favour; what he is concerned about is how those several hundred people appraise him, and not the views of the public. These three characteristics, namely, lack of representativeness, lack of acceptance and lack of political accountability, are exactly the main characteristics of the administration of the present government.

I have noted certain peculiarities in the administrative policies of the Government now it has been two years after the reunification. Firstly, Mr TUNG uses only people close to himself. Members of the present Executive Council are mainly pro-Beijing and pro-business people. Though some of them come from the labour sector, I think they might be there for decorative purposes only. Therefore, I think that the public basically has the impression that Mr TUNG uses only people close to him, appoints only pro-Beijing and pro-business people to important positions.

Secondly, it is executive hegemony. An example is the right of abode scheme that, once decided, the Legislative Council was required to approve it the next day. Loyalists naturally worked very hard to defend the Government over such a request so that the scheme could be implemented early.

Thirdly, it is the multifarious connections with the business sector. The rights of development of the Cyberport project, for example, were awarded to the son of a close friend of Mr TUNG's. Such actions have made people think that the Government has diverse connections with the business sector, and is unable to guard the interest of the ordinary people.

On the other hand, as the Government does not have even one single vote in the Legislative Council, we can see, from what the Government did yesterday, the tactics of the Government. Our Secretary for the Treasury did pull all the stops in order to secure an approval for the increase of tunnel tolls, canvassing everywhere with coercion, inducement as well as threats. The main reason is that the Government does not have voting right in the Legislative Council. Madam President, the present political structure, the way the Legislative Council is constituted, and the way the Chief Executive is selected, are really very abnormal and would lead to all sorts of defects. Therefore, the Democratic Party thinks that the Basic Law must be amended as soon as possible for the Chief Executive and Members of the Legislative Council to be elected through one-person-one-vote universal suffrage; and for the Chief Executive so elected to appoint Members of the majority party in the Legislative Council as Members of the Executive Council. If this is done, all the problems I just mentioned regarding representativeness, acceptance and political accountability will be solved.

The performance of the Legislative Council or the Chief Executive will then be subject to public judgment in the next round of elections, let the voters determine their political future. When political representativeness and powers come from the people, the Government will safeguard the interest of the various social strata in its administration, instead of merely taking care of the interest of the business sector or of Beijing as the present Government is doing. Madam President, I therefore think that our future electoral system must be quickly developed into one where the Chief Executive and Members of the Legislative Council are elected through universal suffrage. Mere piecemeal changes to the

Executive Council would never solve the fundamental and structural problems. The aspirations of the citizens are clear, they hope to have the Chief Executive and Members of the Legislative Council elected through universal suffrage as soon as possible. The operation of the present Legislative Council, the way votes are cast by the two groups within the Council, and the executive hegemony of the Chief Executive who uses only people close to him have eroded public support of the Government by the day. I think that amendments to the Basic Law are urgently needed. We must put in more effort for democracy, fellow comrades must also continue to work hard.

Thank you, Madam President.

MR TAM YIU-CHUNG (in Cantonese): Madam President, I hoped to be able to listen to more views of Members. It is a pity that not too many Members are taking part in today's discussion. Some of the views expressed are already well-known. Some Members do not agree with the relevant provisions in the Basic Law, some others expressed dissatisfaction with the Chief Executive. Their views as put forward in the past year have filled our ears.

However, before I go on with my speech, let me declare my interest. I am a Member of the Executive Council. As the only Member of this Council holding dual membership, I wish to share with Members some of my experience gained in the past two years.

Rights and obligations are twins and are also as inseparable as you and your shadow. People with more influence on the administration must be more careful with their words and acts, and for such people, monitoring by the mass media and the public will become a matter of course. I believe that we, whether Members of this Council, government officials or Members of the Executive Council, should all think alike in this respect. The only divergence is that we may each have our different ways.

In fact, the declaration system of the Executive Council is more stringent than that of this Council or the former Executive Council under British administration. Members of the Executive Council, upon appointment and every year thereafter, must fill out a Register of Members' Interests, so as to put their personal interests in the register, to be filed with the Executive Council Secretariat. Any change to the information so declared must be brought to the

attention of the Executive Council Secretariat within 14 days such changes become effective. The register is open to the public for inspection.

Besides, Members of the Executive Council must also fill out a Register of Members' Financial Interests to declare in confidence to the Chief Executive their various financial interests, including stocks, futures contracts and currency dealings. If a Member of the Executive Council encounters important personal pecuniary conflicts of interest and that interest in question may have a significant bearing on the item under discussion by the Executive Council in a direct or indirect way, he or she will be asked to withdraw from the meeting. If it is known for sure that a Member has a direct pecuniary interest, the Chief Executive may decide not to let that particular Member read the relevant Executive Council papers or records of meeting.

Anything not belonging to direct or indirect interest, even if it is some unimportant interest or interest that does not involve money, must still be declared so long as it is deemed liable to lead a Member towards a certain stand during deliberations of the Council.

As Members of this Council have seen, under the effective monitoring mechanism, Members of the Executive Council have not created any uproar of the so-called conflict of interest in the past two years. The worries of some people are just like drizzles in March, sometimes they are there, sometimes they are not. But they stay just worries, and have never become facts.

It is suggested that the structure of the Executive Council is out of keeping with the times. While Miss Cyd HO is affirmative regarding the confidentiality system of the Executive Council, some Members hold negative views of its system of collective responsibility, or even of both systems. I participated in the drafting of the Basic Law. I remember that when the Basic Law was being drafted, the majority view in Hong Kong was that all proven and effective structures of the past should be retained, and the Executive Council was a typical example of such structures. Many people think that the Executive Council assists the Chief Executive in policy-making, and that as its membership is drawn from different trades and businesses, representing a scaled-down cross-section of society, the Members have extensive contact with the different social strata and are able to understand the wishes of the people. Their participation in the final policy-making process of the Government makes it possible for the policies of the Government to better meet public aspirations. Though

discussions by the Executive Council are confidential, the underlying rationale for the relevant policy will be explained publicly when such discussions eventually produce a decision. Decisions are made after collective discussions when different views are expressed, and once made, the decisions become the collective responsibility of the Council; this can ensure the smooth operation of the Executive Council on the one hand, and avoid making the people confused by the many diverse views on the other.

Madam President, some friends in the media have spoken to me sympathetically, "You are having a difficult job with your dual membership in the two Councils." Right, it is difficult to serve as a Member, but it is also difficult to be a man. Therefore it is not something to be fussy about. Hong Kong is a society with a very broad range of views, some are even polarized. Just a casual example. When I answered a question from the media, one political party criticized me for breaching confidentiality; when I did not answer, I was criticized for having no transparency. Some other people have also criticized the Executive Council for lacking representatives of public opinion. Immediately after that, I was criticized for having too heavy direct-election baggage that could affect my stand in policy discussions. Such examples are too numerous to cite. I have given Members a few not because I fear criticisms, or bear a grudge against such criticisms.

The *Happy Prince* in a story by Oscar WILDE, the British author, had his statue high at the top of a tall column, he might naturally attract many comments. But precisely because he was in a highly elevated position, he could see everything within the city and knew the needs of the people, and found no time to pay attention to the remarks around him. At present, our community is facing large numbers of urgent livelihood and economic problems, I wish we could work hard together with our counterparts in the Executive Council.

With these remarks, Madam President, I oppose the motion.

PRESIDENT (in Cantonese): Mr Tam, your speaking time is up.

MR AMBROSE CHEUNG (in Cantonese): Madam President, I wish to speak in support of today's motion moved by Miss Cyd HO. First of all, I would like to respond to two points raised by some Members. Some Members indicated that they did not even support a review, saying that a review would also

contravene the Basic Law, or that it would mean amending the Basic Law. My understanding is different. I believe the purpose of Miss HO's motion is in fact to review the powers and responsibilities of the Executive Council within the context of the Basic Law. For example, we can look at the powers of the Executive Council. Article 54 of the Basic Law obviously provides that the Executive Council assist the Chief Executive in his policy-making, but why can we not review the powers of the Executive Council to let it also do some research regarding policies, or to sell policies to the public? Regarding its responsibilities, why can we not review whether the system of collective responsibility or confidentiality needs to be maintained? These are not covered in the Basic Law, but they can be reviewed. Therefore I think that the objective of Miss HO's motion is not to carry out a review by amending the Basic Law. I wonder why some political bodies have thought that a review of the powers and responsibilities of the Executive Council will change the Basic Law. This is point number one.

The second point is that I wish to look at three aspects, one of which covers the political plans, blueprints and report cards of the SAR Government, and see how such political plans are implemented. I believe Members must have heard the Chief Executive say many times to be the master of our own house, and I approve of the series of political ideals and blueprints outlined by the SAR Government. Among the many measures are the reforms of the financial sector, such as privatization, turning to private operation, high-technology development, the Cyberport, the Chinese Medicine Port; political reforms, review of district organizations, interpretation of the Basic Law; and people's livelihood measures, reform of the Civil Service, medical reforms, and cutbacks in social welfare. Major projects have already been decided, and housing policy is among them. In fact the principle behind the 10 major projects is a very good one. But why, when we look at the report card of the SAR Government, do we see the popularity of the Government among the people dropping? Why is the public losing confidence in the SAR Government? The Government is rated poor in its report card. What are the reasons? I think that the reasons can be found in the system.

Madam President, in what ways is the SAR Government going to implement all those great blueprints and projects? I think it is the system that has problems. Our present civil service system has suppressed the experts. Our existing system in the Executive Council is based on a semi-professional and part-time arrangement. The powers and responsibilities within our existing

system are basically not balanced, and are poorly demarcated. In our existing system, the civil servants profess to be neutral, but in fact they are not. I have listened to certain criticisms by many Members about these issues and I would also like to put forward some suggestions. First, I propose that the Executive Council should turn full-time. I believe we should go this way. The merits of a full-time system is that the issue of conflicts of interest would be totally solved. This could also make Members of the Executive Council devote all their time and effort to serving the SAR Government and the people of Hong Kong. I believe we would not require our Executive Council Members to be superhuman, because however clever, diligent and capable one is, we know that there must be a limit in the sense that everybody has at most 24 hours in one day. There is absolutely no way to surpass this limit. This is the most important point.

Apart from a full-time system, the next thing I deem necessary is to have political appointments. Political appointments as I understand them are a form of appointments that carry no contract and with no specific term of office. The Chief Executive could draw talents from the community at large, the Legislative Council, experts, academics and the Civil Service and appoint such people as ministers. Political appointments do not have a fixed term of office, the characteristic of this arrangement is that they are linked to accountability. If these people are good at formulating policies, they can keep their jobs, if not, their appointments can be terminated forthwith. Therefore, political appointment is different from a system of appointing ministers on agreement.

The third point concerns the Civil Service. Why have I said that civil servants are not neutral? Basically the present civil servants, particularly those in the Policy Bureaux, are responsible for the formulation of policies. While they are responsible for formulating policies, they are also the ones implementing and reviewing such policies. In that case, how can we say they are neutral? Therefore, basically, the argument that civil servants are neutral cannot be established. If political appointments are made instead, the formulation of policies will truly be separated from the implementation of the same, and civil servants will then be truly able to implement the policies in a neutral manner.

Apart from all these I have suggested, I propose that there should be a panel of experts in the Executive Council. The so-call panel of experts is precisely the characteristic in the operation of the present Executive Council. The Executive Council has often stressed its role as a consultative organ

assisting the Chief Executive in policy-making. In fact, the Executive Council has a strong dependence in the sense that it often depends on the civil servants for information, proposals and expert advice. I think that such dependence is exactly its Achilles heel. I think that an important panel of experts should be created close to the Executive Council and the Chief Executive. Such experts need not be Members of the Executive Council, all they need to do is to perform a balancing function within the Executive Council, to offer alternative views, some very expert views to the Executive Council, and offer expert advice to the Executive Council and the Chief Executive regarding financial, economic or other issues so that they no longer need to depend on civil servants as the only source of ideas before making choices.

Madam President, having put forward my proposals, I think that in our discussion today, I absolutely can support the motion of Miss Cyd HO. Thank you, Madam President.

MR LEE WING-TAT (in Cantonese): Madam President, I speak in support of Miss Cyd HO's motion. I only wish to talk about two points. First, from the angle of the political system, I think that however we put it, the present Executive Council is neither fish nor fowl. What kind of an organization is the Executive Council? My colleagues and I have discussed the question at many meetings. Is it a cabinet modelled on a Western parliamentary system? Or is it a consultative body, merely one among the 300-odd consultative boards and advisory committees in Hong Kong? A cabinet and a consultative organization are two different things. If we say that the Executive Council is the highest consultative body in Hong Kong, it should not be vested with that much power; if we say it is like an assembly of the West or a government cabinet, it should not be free from political responsibility.

I often feel that in its present form, the Executive Council is an organ with huge powers but few responsibilities. If we dissect the existing powers of the Executive Council, we would find that to a certain extent it very much resembles a cabinet in a Western parliamentary system. Though the Chief Executive does not need the approval of the Executive Council before he can do anything, at least he understands that if he does not accept a majority opinion of the Executive Council, he has to put such a decision on record. And I trust that the present Chief Executive or the governors in the past seldom acted consistently against the majority opinion of the Executive Council, because if they did, they

would find it difficult to carry on with their job. Therefore, such arrangements suggest to a certain extent some form of a cabinet. On the other hand, in a Western parliamentary system, members of the cabinet or ministers very often have to assume political responsibility for mistakes in their own decisions; when that happens, they have to explain to the people or their constituents, even bear the most serious consequence of such responsibility, that is, to resign, or cause the general resignation of the cabinet. This will never happen to the Executive Council of Hong Kong. I think that the continuation of such an arrangement does the operation of the present government no good. I remember that during the transition period, when Mr TUNG Chee-hwa, then the Chief Executive (Designate), appointed three future members of his Executive Council to study the policies in three areas, there were quite a lot of public remarks. People asked if they were to become ministers, would they have to assume political responsibility as ministers for any mistakes they might make in formulating the relevant policies? That even brought about many complaints from the then branch secretaries, now Bureau Secretaries, because they felt that while members of the Executive Council made policies, it was they who had to explain such policies and to face the public music; it might also be the Bureau Secretaries who were asked to resign. But it was the Executive Council that really made the decision. In fact I have discussed this issue more than one time with individual Bureau Secretaries who also thought that the present system could not continue indefinitely. Many Bureau Secretaries said that it would be better to change their position to something like the permanent under-secretary in the British parliamentary system. Such change has its merits because as permanent under-secretaries they would become the highest-ranking officers in the Civil Service to propose policies, they could suggest different options of policies for cabinet members to choose from and decide, and political decision would be taken by ministers elected by the people or by members of the present Executive Council. This is a system of clear-cut separation of powers and responsibilities, and is naturally better than the present system that does not resemble anything. Therefore, there is such bickering between Bureau Secretaries or senior government officers and the Executive Council from time to time, and it would likely continue to be there.

Madam President, the second point I wish to talk about is the issue of conflicts of interest. This issue has become particularly obvious with the new appointment of Mr LEUNG Chun-ying as the convenor of the Executive Council. He said on many occasions that the present system was very good. But I disagree, because as I just said, these offices carry with them such

enormous powers, in many parliamentary systems, cabinet members or ministers will basically regard themselves as holders of these important political positions, and will fully segregate these functions that come with such positions from their own private businesses. In this sense, the Chief Executive himself did the correct thing. In foreign countries, many ministers place the management of all their private businesses in the hands of other people through trusts or other arrangements. The reason is that even if you deem yourself not involved in any interest or pecuniary encumbrances, the public are not going to believe it. From all the polls up to now (or up to yesterday), the public does not believe that there are no direct or indirect conflicts of interest when Members of the Executive Council have that many business connections. If public suspicions cannot be dispelled, all explanation would be useless. The reason that members of some councils have so segregated themselves from their private businesses is that such things are very difficult to explain. Even Mr LEUNG Chun-ying said that he had never had the need to withdraw from an Executive Council meeting in the past, the suspicion could not be removed, because the need to withdraw comes only if direct pecuniary interest is involved, but in the formulation of policies, direct pecuniary interest is not always involved, and the subjects of discussion might give rise to conflicts of interest in view of his role and his businesses. I have even received complaints from people in his field. That is true. One such complainant told me that he also operated a surveyor's firm, in the same business as Mr LEUNG Chun-ying's firm. The name of Mr LEUNG's firm is CY LEUNG and Company, and when a government department receives a letter from CY LEUNG and Company, how would they handle it? Naturally, the department merely receives a letter from one company, but everybody knows that this is a letter from the company of the convenor of the Executive Council. Even all the officers concerned are mindful of handling the matter in a fair and unbiased way, they are to some extent under pressure. Such pressure is not intentionally exerted by Mr LEUNG, but it is there. If two or three surveying firms write to the Director of Lands about the same issue, how would the Director handle it? I have heard people in the real estate business say, if they had to pay \$10 million to engage a consultant firm, rather than engage surveying firms A, B or C, as the fees are the same, why not engage CY LEUNG and Company? There obviously exists a conflict of interest; that it is there is a fact, albeit nothing of Mr LEUNG's doing. Therefore, I think that it is insincere to continue to claim that the public and people of his field have no views about such issue. The public does have views, and people of his field do have complaints. Thank you, Madam President.

MR ANDREW WONG (in Cantonese): Madam President, the Constitutional Affairs Panel raised the topic of a ministerial system at a meeting this current Session. The Panel asked the Government to prepare a paper to outline the official views in respect of the issue. But the Constitutional Affairs Bureau said that they did not have the time to write the paper right now, and even said that that would have to wait until after the elections in 2000, that is to say, they would not prepare it within the present Session of the Legislative Council. Under the circumstances, I had no alternative; as chairman of the Panel I could only say that I rather write such a paper myself, or engage somebody to do it, laying out, in the context of the situation in Hong Kong, when and under what circumstances could a ministerial system be implemented, and also the details of such a system. It is a pity that other major events occurred this year, and the paper is yet to be finished. I hereby make a promise to Members, even if this motion is not supported, is not approved, the Constitutional Affairs Panel at least will have a review next year, that is, in the next Session.

I fail to see why Mr James TIEN, who just said that in the long term we should move towards a ministerial system, would oppose the review suggested in this motion. I do not support all proposals in Miss Cyd HO's motion, but at least she is in the right direction. A review is warranted. I am not going to say what in her motion is correct, and what is not, because I think that it should only be right, and probably better, to make a judgment during the review. I hope at least Members would agree that there are problems in the present relationship between the Executive Council and the Legislative Council, and there is a need for reform. At least we should support the proposal to have a review. If we do not support a review, what are we doing here?

I hope that Members would think, particularly some relatively long-time Members, about history. In 1988 and 1989 we studied the draft of the Basic Law. Initially, it was a draft to invite comments. In 1988, a report was published. The draft of the Basic Law was written in 1989, and a report was also issued that year. I hope that Members would read that two reports to see how, if ever, the Executive Council of the British colonial times was analysed. Simply put, in all constitutional documents, the Executive Council was a consultative organ for the governor. However, operationally a *de jure* consultative organ, it is a *de facto* cabinet. Before the introduction of elections in 1985, the governor was appointed, and he in turn appointed all members of the Executive Council, as well as all members of the Legislative Council. In the

circumstances, it could probably be a cabinet in essence, that is, in name it was a consultative organ, but in reality it was a cabinet. Within an administrative framework, complete operational success was possible. However, things had to evolve after elections were introduced in 1985. And the draft of the Basic Law also laid down provisions in respect of this matter.

In the 1990s, the consultative nature of this organ continued. I remember very clearly it was Mr Donald TSANG, then Director of Administration, now Financial Secretary, who first spread the word that the government would adopt a quasi-ministerial system, that is, the quasi-ministerial system would be adopted before 1997. That was an idea that would mean a step forward. In 1991 Governor Sir David WILSON had considered the desirability of designating each member of the Executive Council to take up the responsibility of co-ordinating the work of one or more branches, forebears of the present bureaux, that is, the work of certain policy branches, policy bureaux; that member would almost be a leader co-ordinating the roles of the various parties before things were to be discussed by all concerned. In other words, it would be for members of the Executive Council to work, in the capacity of co-ordinators, with the bureau secretaries concerned (branch secretaries at that time), to initiate and develop policies. This could produce the effects of a quasi-ministerial system. Why were such ideas later aborted? It is difficult to know, could be due to opposition from certain quarters — could be the British side, and could also be the Chinese side. It is difficult to tell and I do not want to speculate. However, it is apparent, it is there for all to see, that once elections were introduced into the Legislative Council, the step that must be taken is for the executive authorities, the highest organ of power, that is the big crowd, that crowd wielding the most powers, under the Chief Executive, to evolve into a cabinet. This, I would think, is the general trend.

Under these circumstances, I must point out that what Mr Ambrose CHEUNG just said was totally correct. He disagreed with Mr James TIEN who thought that an agreement system could be taken as a ministerial system, that was utterly incorrect. It is also incorrect to take such an agreement system as equivalent to a cabinet system or a ministerial system, and call the officials ministers. It is because when a political appointment is made on basis of an agreement, the appointee may not be asked to quit easily, he is protected by the agreement and might require a "golden handshake" if he is asked to step down, that is, he has to be compensated. In that case, the whole meaning will be lost.

I hope that Members would not think that we already have a ministerial system merely because of the appointments of Mr E K YEOH and Miss Elsie LEUNG. That would be totally wrong.

Therefore, in the long run, we must move towards a ministerial system with genuine political appointments. And I only hope that day would come earlier. With these remarks, Madam President, I support the motion of Miss Cyd HO.

MISS EMILY LAU (in Cantonese): Madam President, I speak in support of the motion of Miss Cyd HO. I often say Hong Kong has no democracy. What is the definition of democracy? It is for the citizens of Hong Kong to elect our Government through one-person-one-vote elections, including the head of the executive authorities and our legislature. The question under discussion today is how to make the executive authorities, particularly the Executive Council that assists in leading the executive authorities, that is the Chief Executive-in-Council, to be more accountable within the present system.

First of all, we have to sort out if the Executive Council is a consultative organ. Just now Miss Cyd HO quoted the words of Prof XIAO Weiyun; some say it is, and some say it is not; when LEUNG Chun-ying came forward to respond to that question, he also said that their job was to give advice. Madam President, let us look at this list which is called the Precedence List of the Hong Kong Special Administrative Region. It is prepared by the Government to show who has the highest authority, the biggest power. First, the Chief Executive; second, the Chief Justice of the Court of Final Appeal; third, the Chief Secretary for Administration; fourth, the Financial Secretary; fifth, the Secretary for Justice; sixth, convenor of the Executive Council; only after that, Madam President, I am sorry to say, is your turn. The ones who come after you are other Members of the Executive Council. After all of them are listed the principal officials, our Secretary CHAU Tak-hay comes second, after Mr Michael SUEN. After them come the judges. Madam President, we, Members of the Legislative Council, cannot be found even on page 6 or page 7!

What is this? If they are there merely to be consulted, why then does LEUNG Chun-ying occupy the sixth place on the list? Madam President, we should not cheat ourselves and others. That is only a myth. If some people tell us that bunch of people are there for consultation only, we have to ask LEUNG Chun-ying, if he only serves in a consulting capacity, why is he in the

sixth place? Therefore, we can see that this bunch of people are very influential, perhaps when Mrs CHAN later responds she would tell us how the list was compiled and why a Member of the Executive Council occupies the sixth position. Madam President, except for you, Mr TAM Yiu-chung and his peers are all higher than other people, higher than all Bureau Secretaries, not to mention us lowly Members of the Legislative Council. Therefore, I think their group is very powerful. But the problem is, how are this group of people accountable to the public? How do they avoid conflicts of interest? Madam President, it can be said that under our present system, it is non-existent.

Several weeks ago, I raised an oral question. At that time, Mrs CHAN was away from Hong Kong and the question was answered by Mr Michael SUEN on her behalf. He pointed out that when these people were involved in major pecuniary interest and had direct and important pecuniary interest problems, they would have to withdraw from the meeting, the main reason being that they and their companies would be affected, and the range of such matters were rather narrowly defined. Then, LEUNG Chun-ying and other Members who hold many directorships in many businesses may eventually benefit after certain policies are made, whether they are there in a consulting capacity or as partners or whatever, but with that narrow range, they do not need to withdraw from the meeting at all. That is why LEUNG Chun-ying has been saying he has never had to withdraw from meetings. Therefore, should some clearer rules be made under the present very limited requirements? Madam President, if we go out to the streets now and conduct an impromptu survey, I believe at least eight out of 10 citizens will think that group of people are a clique of interests. That is why, Madam President, I often say that Hong Kong is ruled by the TUNG Chee-hwa clique. When I stood for election, Mr Allen LEE asked me, "Emily, who are in the TUNG Chee-hwa clique?" I replied, "Most simply put, it comprises the 400 people who elected him." Including you, maybe, Madam President. Within this Chamber are also some members of the clique, and they are also involved in the interest of the clique.

I know that some of the Members are in such a position, we can but feel helpless, the Member who walked out just now in particular. He does not wish to vote, he said that it was a waste of breath, was asking for the impossible. In fact, over this issue it can be seen how pragmatic we in the Frontier are; by pragmatic I mean that even if we cannot change this present system immediately, we still hope to do as much as possible to call for reforms, to ask them to do something. Therefore we shall later see how the Chief Secretary for Administration will respond. Naturally, we are sure to support full and direct

elections. If full and direct elections are proposed for the Executive Council, we can discuss the issue because this is the unwavering stand of the Frontier. However, even when not all the 60 seats of the present Legislative Council are directly elected ones, we in the Frontier still take part. I participated in this sort of election in 1991. Of course, I did not take part in those coterie elections. I will definitely not participate in any election that is not a one-person-one-vote election. So when the relevant bill is tabled in the Legislative Council next week, we in the Frontier will surely vote against it. We will not support that kind of things.

Seeing that the Executive Council is a existing fact, that bunch of persons wield that much power, and that they are not accountable to the public, they lack transparency, we in the Frontier think that the matter should be raised for discussion. We also hope that Mrs Anson CHAN would explain to the public why citizens should still have confidence in that organ, given the fact that the existing system is such a closed one. We can ask the citizens if they think those people with numerous and criss-crossing business and economic connections should be appointed to be members of the many boards and committees. As members of the public, we have no way to know when these people had declared or withdrawn from meetings. It was said that many of them did withdraw from meetings, but who really did so, we have no knowing. Under what circumstances they did so, we also have no way to know. In this case, Madam President, is it too much if we ask for a higher degree of transparency?

The issue involving withdrawing from meeting was closed, but the authorities still refuse to tell the public under what circumstances those several dozen incidents of withdrawal occurred. I think that the Chief Secretary for Administration should explain to the citizens why they did not, after the incidents, tell us about the many conflicts of interest. I think this is very important, that is why we have raised it for discussion. I understand what LEUNG Yiu-chung meant when he said he had to "resign himself to fate". But if the consequence of "resigning to fate" is this, should we simply remain helpless and not utter a word about everything? But this is not the way of doing things in the Frontier. We hope the Chief Secretary for Administration would come out to tell the citizens how highly accepted our present Executive Council is, how representative it is, how it can, on behalf of the people of Hong Kong, assist the Chief Executive in policy-making, all because they occupy such lofty positions. Madam President, they are higher up the pecking order than you are! Then why do that group of people need that lofty positions to make such decisions? Why do they still entirely need no public acceptance? This has

never been explained. Madam President, what have they done? In the past several weeks, I met a number of Executive Council Members who indicated that things were decided by the Bureau Secretaries, and asked if we saw the Bureau Secretaries speak. The Bureau Secretaries of course must speak, they have a duty to speak. But on the other hand, that group of people holding that much information behind closed doors do not speak. And the executive authorities, our Chief Secretary for Administration, still have to defend them. This is indeed too much out of the way.

Therefore, Madam President, we have moved this motion, mainly hoping to enhance the transparency and accountability of the Executive Council. Thank you, Madam President.

MR NG LEUNG-SING (in Cantonese): Madam President, I think the motion we are discussing this morning is quite an interesting one. I would tell Members the reasons why I think it is interesting. First of all, the Basic Law has in fact provided in clear terms the functions of the Executive Council, that is, it is an organ assisting the Chief Executive in policy-making. Its responsibilities are thus very clear. The main job of Members of the Executive Council is naturally to offer views and ideas to the Chief Executive, especially before the Chief Executive decides on policy matters, or the government he leads introduces bills to the Legislative Council when the views of the Executive Council are normally sought.

However, on the other hand, the Chief Executive can accept or reject the views of Members of the Executive Council. This is the way the Chief Executive is accountable to the Central Government and the Special Administrative Region pursuant to Article 43 of the Basic Law.

Further, from the provisions of the Basic Law, it can be seen that the duties of Members of the Executive Council are basically different in nature from those of the principal officials of the Government. They are not responsible for directly formulating and implementing policies. We can perhaps compare Members of the Executive Council to members of a think-tank of the Chief Executive, with powers not independent from those of the Chief Executive. If the decisions of the Executive Council are wrong, any political risk and responsibility should still be assumed by the Chief Executive who is accountable to the people. Therefore, over the matter of accountability,

members of the Executive Council are accountable to the Chief Executive because they are appointed by the Chief Executive in accordance with the provisions of the Basic Law. Powers and responsibilities cannot be separated. Generally, responsibilities come with powers. If the accountability of the Executive Council is to be enhanced, does it mean that the Executive Council should be vested with greater powers that are independent of the powers of the Chief Executive? If that is the case, how are we going to balance their powers with those of the Chief Executive and also the existing powers of the officers in the various Policy Bureaux?

Articles 52 and 73 of the Basic Law in fact contain specific and clear provisions regarding the accountability of the Chief Executive, including for example things like resignation and impeachment, so that he is subject to the monitoring of the legislature as representatives of public opinion. In this way, the Executive Council has very clear-cut accountability.

The term of office of Members of the Executive Council also must not go beyond that of the Chief Executive who appoints them. Their relationship can be described as one within which they share honour and disgrace together and advance and retreat in lock step. Monitoring the performance of the Chief Executive is equivalent to monitoring the performance of Members of the Executive Council.

Now some Members are proposing to review the powers, responsibilities and accountability of the Executive Council. Naturally, it does no harm if the issue is studied in a form of theoretical political science discussion. However, as the existing Basic Law has specific stipulation and under the present political structure, I can hardly see any actual need for the suggestions in this motion. As to criteria for the appointment of the Chief Executive and the appointment of Members of the Executive Council, as I said earlier, as the relationship between the Chief Executive and the Executive Council is one sharing honour and disgrace, advancing and retreating in unison, the power to decide on the appointments should be left with the Chief Executive according to statutory arrangements, so that he can enjoy a certain degree of freedom in appointing Executive Council Members, based on his own ideas of administration. If a set of criteria are formulated for the appointment of Members of the Executive Council, the Chief Executive will be subject to unnecessary constraints when he forms the organ that will assist him in policy-making. Therefore, one set of criteria cannot be universally suitable for all Chief Executives.

With these remarks, Madam President, I oppose the motion.

MR LEE CHEUK-YAN (in Cantonese): Madam President, I speak in support of Miss Cyd HO's motion.

One of the systems mentioned by Miss Cyd HO that warrants a review is, I think, very difficult to be reviewed, because that is a mutant. And how can a review change a mutant into a proper and good Executive Council? This would be a highly difficult task. I have great sympathy for the Chief Secretary for Administration. She is sitting here in this Chamber, I really do not know how she can eventually review this mutant.

Why do I call it a mutant? The Executive Council comes from the former colonial organ with the same name, and one characteristic of that colonial creation was that all members were appointed by the governor. The present Executive Council has in fact inherited the features of that colonial organ. How do we describe this oddity? It is not a cabinet, therefore it assumes no responsibility. But it is not purely consultative in nature, and many Members have elaborated a great deal on this point. Mr Andrew WONG has sagaciously pointed out that this organ in fact has policy-making powers, but it does not assume the consequential responsibility. And it is not a cabinet, so what is the Executive Council? Nobody really knows. However, I can say with certainty that this mutant is the happiest council in the world. I am going to explain why it is so happy. It is happy because it enjoys powers, prestige and benefits, but it assumes no responsibility, it is formless and has no roots. Is it truly happy? Why do I say it has powers but not responsibilities? It has powers because, as I have just said, it enjoys policy-making powers, but it has no responsibility. If anything happens, it could hide behind our senior secretaries and Bureau Secretaries, and let them assume the responsibility. These Bureau Secretaries naturally include Secretary CHAU who was pushed to the front to settle the matter in question. The senior secretaries have even bigger responsibilities, of course. But it has no responsibility, though it has powers. Here lies the beauty of it all.

Secondly, it has a name, but it is formless. It has a name, a very well-known name. Members of the Executive Council are well-known people, its convenor occupies the sixth position on the Hong Kong Special Administrative Region precedence list, and is a very well-known personality. But the

Executive Council is formless, because some reporters often tell us that it is hard to get hold of its Members and ask them to express their views. I believe the Member who is the easiest to contact is Mr TAM Yiu-chung, because very often he has to come out to say something. I do not blame him, his so doing only shows that he is responsible. Other Members are hard to fetch. This is why I say it has a name but no form, meaning that they are difficult to get hold of.

Finally, it enjoys benefits but has no roots. Just now many Members criticized that Members of the Executive Council lack representativeness, that they are not returned through elections. By having no roots I mean they do not have a base of public opinion. The Executive Council fully demonstrates the true nature of Mr TUNG Chee-hwa's administration of businessmen ruling Hong Kong, because however you may look he represents business interests. When Mr TAM Yiu-chung spoke, he mentioned the *Happy Prince*. Happy princes are all at the peak, and the happy princes of Hong Kong are also at the peak, I believe most of them live at the peak, I do not know where Mr TAM Yiu-chung lives, but when the majority of the happy princes living at the peak look down from the peak at the foot of the hill, how can they see the misery of mankind? Antony LEUNG, member of the Executive Council, has not been able to see such miseries. What he sees is that people's wages are too high, so a reduction is in order. Therefore, I hope Mr TAM Yiu-chung would think if this bunch of happy princes are really out of order. They do not have the faintest idea of the sufferings of the general public. You have described them as happy princes, well, they are happy, they are the princes, but they really have not the least understanding of the hardships of the people. They even talk about the need to reduce wages. It is plainly obvious that they are the beneficiaries.

Just now Mr TAM Yiu-chung said that there ought to be no conflicts of interest, and people were merely over-worrying. However, sometimes certain interests are not direct. For instance, when he said he was a director of the China Light and Power Company and had to withdraw from the meeting when things involving the power company were discussed, but I do not think the matter was that simple. The businessmen in the Executive Council have countless and intricate connections with other businessmen, how can a clear demarcation be made? The biggest problem is one of potential interest. For example, for one who is a surveyor and the other who is engaged in land

development, all the most sensitive information they so clearly know, such as the timing and planning for the development of a particular area, is equivalent to commercial information. I would ask, how can such potential interests be clearly defined? I pity the senior secretaries and the Bureau Secretaries. They have to declare their interests and are barred from doing business; if they do, they have to make a full declaration. This system of declaration is in fact highly transparent, the declarants could be attacked at any time. The wife of Mr WONG Ho-sang runs a tax service company and thus draws strong criticisms. I also think that he has been indiscreet and put himself in a suspicious position. The position of Members of the Executive Council should be more suspicious, but they are not troubled by such problems. They are engaged in businesses as a matter of course; they have obtained all the information, and then openly do their own businesses, there is not the least problem. On the other hand, the government officials, the senior secretaries, the Bureau Secretaries and their relatives, if engaged in business, are criticized. I think they the Executive Council members should also be criticized because they are one-hundred-percent policy-makers. When the Executive Council is one-hundred-percent responsible for making policies, why then are its members not subject to criticism? Why then can they continue doing their businesses? Why are they not required to resign from all their private offices?

I remember Mr YEUNG Yiu-chung said yesterday that it was an honour. I do not mean that Mr YEUNG had said that to be a Member of the Executive Council was an honour, he said that to design the logo for the Legislative Council was an honour to the design company. Then, Members of the Executive Council should think the same, to serve Hong Kong is very honourable; so why they still receive that much money, and not simply do those "honourable" things? They want honour and they also want money. This is the crux of their problem. Therefore I wish the Chief Secretary for Administration would consider requiring all Members of the Executive Council to relinquish all their private businesses to become one-hundred-percent policy-makers, and one-hundred-percent members of a true cabinet.

Regarding the lack of representativeness, we naturally hope that the Members are returned through elections. Even this issue is not to be discussed now, at least the issue of conflicts of interest must be satisfactorily resolved, otherwise the public will never believe that the group of people, who are both businessmen and public policy-makers and who have access to that much information, can really detach themselves from personal interests in discharging

their public duties. Nevertheless, there was a local movie with the title that could be loosely translated into English as "More Happiness Brings More Decadence", I think it describes the present situation aptly.

Thank you, Madam President.

MR LAU KONG-WAH (in Cantonese): Madam President, insofar as today's motion is concerned, the Basic Law, in the opinion of the Democratic Alliance for the Betterment of Hong Kong (DAB), has already outlined the operation of the political system of Hong Kong.

The motion urges the Chief Executive to review the structure and operation of the Executive Council, including its powers and responsibilities, the criteria for the appointment of its members, the role of its members and the method for handling the problem regarding conflicts of interest. However, all these are already indisputably provided for in the Basic Law, and such provisions, similar to those adopted before the reunification, have demonstrated that they are effective in assisting the governors before the reunification and the Chief Executive after the reunification in making policies for Hong Kong.

The Basic Law has very clear provisions on the powers and responsibilities of the Executive Council. Article 54 of the Basic Law provides that the Executive Council shall be an advisory organ to the Chief Executive, its function is to assist him studying and making policies, when its members, with their professional knowledge and background, offer views and proposals to the Chief Executive. We also know that under Article 56, the scope of advice the Executive Council can offer is very clearly defined.

We can similarly refer to Article 55 of the Basic Law for the criteria to be used in the appointment of Members of the Executive Council. That article provides that the Chief Executive can appoint from the various quarters of the community people he deems suitable as members of the Executive Council, in line with his idea of administration. The focal consideration in the appointment of Members of the Executive Council should also be whether the candidates know Hong Kong well, whether they can offer professional knowledge in assisting the Chief Executive in making policies to benefit the people of Hong Kong and also to heed public sentiments. Therefore, irrespective of the sectors,

be them business or labour and grassroots, with which Members of the Executive Council have extensive connections, and as long as they give the Chief Executive diverse views as well as unbiased and professional advice, we should look at the views and advice offered by the Members, rather than their background. That is to say, we must not reject a Member's views or advice solely because his or her background or motive.

Madam President, the objective of today's motion and some speeches made by Members in fact seem to be directed against Mr LEUNG Chun-ying, the convenor of the Executive Council, accusing that as the convenor, he has a problem of conflicts of interest. I have no intention of speaking in anybody's defence, but as Members of the Legislative Council, our words and acts must represent the citizens of Hong Kong. Therefore, I sincerely urge Members to base any and all queries and allegations on facts. We must not rely on imagination or presumption which may lead us to mistaken conclusions. Are any of the past decisions of the Executive Council proved to have been made in the presence of conflicts of interest because of the business background of Mr LEUNG? Should the mover of the motion deliberately target at the background of individuals in the absence of any supporting evidence? Should things not yet happen be used to substantiate a claim that there are problems in the operation of the Executive Council? Such allegations could make the members unable to offer their most up-front and accurate advice to the Chief Executive, and could defeat the objectives of setting up the Executive Council, and of appointing members to the Executive Council to assist the Chief Executive in his administration, thus affecting the interest of Hong Kong citizens.

The Executive Council has in fact in place a sound declaration mechanism to handle the problem of conflicts of interest. Whenever the Executive Council discusses topics that may involve the interests of individual Members, the relevant Members will declare their interests or withdraw from the meeting. This is the mechanism before and after the reunification and has proved effective. Though we cannot refer to any record in respect of such declarations and

withdrawals, within the Executive Council and under the system of collective responsibility, each Member performs the function of checking and balancing as well as monitoring other Members in respect of their integrity and the constraining effect of the declaration mechanism.

Madam President, on the basis of the reasons I have put forward, the DAB opposes the motion moved by Miss Cyd HO.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, I have listened very attentively to Members' remarks on the operation and appointment of Members to the Executive Council. I can fully appreciate Members' concern over this issue.

In the political system of Hong Kong, the former Executive Council used to play a very important role. Following the establishment of the Hong Kong Special Administrative Region (SAR), and on the premise of implementing "one country, two systems", it is only understandable that people will demand and expect more from the body which assists the Chief Executive in making policies about the affairs of the SAR.

As a body responsible for assisting the Chief Executive in policy-making, the Executive Council is very much like the cabinet of the Chief Executive, a think-tank which gives him advice. All the policies formulated by the Policy Bureaux must be submitted to the Chief Executive in Council for deliberations and finalization. And, if the implementation of the relevant policies requires the enactment of legislation or subordinate legislation, the Executive Council must first be consulted before the relevant legislative proposals can be submitted to the Legislative Council for scrutiny.

The terms of reference and operation of the present Executive Council is largely modelled after the system adopted by the former Executive Council before the handover of sovereignty. In other words, the system now in use is actually the product of gradual evolution over some one hundred years of constitutional development. It can be said that the system concerned is time-

tested, and it has also been confirmed in the Basic Law as part of the constitutional framework of the SAR. In the Basic Law, the responsibilities, powers and composition of the Executive Council are set out in very clear terms. Article 54 of the Basic Law states that the Executive Council is a body responsible for assisting the Chief Executive in policy-making. Article 55 sets out the composition of the Executive Council. And, Article 56 stipulates that the Chief Executive is obligated to consult the Executive Council before making important policy decisions, introducing bills to the Legislative Council and making subordinate legislation. That is why I do not agree with Miss Cyd HO that the terms of reference of the Executive Council is ambiguous and that it must be reviewed as quickly as possible.

Some Members are of the view that there is a lack of representativeness and accountability in the composition of the Executive Council, and they also say that since the work of the Executive Council involves many major interests of the industrial and commercial sector, the Chief Executive should conduct a comprehensive review of the criteria governing the appointment of Executive Council Members. On this point, I wish to emphasize that Executive Council Members are the personal advisers of the Chief Executive, and for this reason, their appointment is subject to the Chief Executive's personal decision. This point is stipulated very clearly in the Basic Law. Article 55 of the Basic Law stipulates that Executive Council Members shall be appointed by the Chief Executive from among the principal officials of the executive authorities, Members of the Legislative Council and public figures, and their appointment or removal shall be decided by the Chief Executive. The Basic Law does not require that those public figures appointed to the Executive Council must give up all their original occupations and responsibilities and become full-time Executive Council Members. The aim of such an appointment system is to enable Unofficial Members of the Executive Council to reflect the needs of the community and give different types of professional advice to the Chief Executive on the basis of their professional expertise, long experience in social services and contacts with different walks of life.

When appointing Executive Council Members, the Chief Executive will consider the candidates' abilities and expertise, their past experience in social services and their personal convictions and conduct, so as to ensure that his appointees can reflect the views of different walks of life and assist him in making policies in the interests of the community as a whole. At present, the

composition of the Executive Council is basically in line with the requirements of the Basic Law and the above-mentioned requirements. The Members of the current Executive Council are selected from among people belonging to different walks of life, including principal government officials and Legislative Council Members. Besides, people from different professions are also included, some examples being lawyers, surveyors, accountants, bankers, industrialists and social workers. All these people have enormous experience in community services such as those relating to education, housing and labour.

Hong Kong is an international commercial and financial centre, which has long relied on commercial development for its survival. So, it seems rather impracticable for it to have an Executive Council which is composed entirely of people having no connections whatsoever with industrial and commercial activities. And, if we ask Executive Council Members to relinquish all those personal businesses of theirs which may involve conflicts of interests, or if we even ask them to work as full-time Members, another undesirable result may well arise. If they really relinquish their professional businesses, they may fail to grasp the latest changes in the community and gradually lose touch with the general public. This will defeat the original intent of the Basic Law with respect to appointment of public figures as Executive Council Members. I fully appreciate the public concern about the accountability of the Executive Council. In regard to such a concern, we are of the view that it is most important for us to put in place a sound and highly transparent mechanism for the declaration of interests, so as to allay public anxieties.

In order to ensure that Executive Council Members will always offer impartial advice to the Chief Executive, the Executive Council has adopted a time-tested mechanism for its Members to declare their interests. To begin with, on first appointment and once every year thereafter, an Executive Council Member is required to fill out a personal interests registration form. Then, they must also declare their interests with respect to the discussion items of Executive Council meetings. Since many different types of issues are put before the Executive Council for deliberation, it is inevitable that individual Members may at one time or another encounter issues which are deemed to be involving their own interests. This is not necessarily harmful to public interests. What is most important is that we must identify the conflicts of interests involved, assess the implications and deal with them appropriately.

The interests declared by Executive Council Members can be broadly

divided into two categories. This first category comprises direct and significant interests, which may warrant the withdrawal of the relevant Member from the discussions on the relevant item. In cases like this, the Chief Executive will decide whether or not he should order the withdrawal of the relevant Member on the basis of the interests declared. The second category comprises other direct or indirect interests. These interests may not be pecuniary interests, but they must still be declared if it is deemed that they may make an Executive Council Member inclined to a certain position. In cases like this, the Executive Council Member concerned will still receive the relevant papers and he or she can still take part in the relevant discussions. Besides, some individual Executive Council Members may hold positions in some boards and committees (such as the Housing Authority, the Employees' Retraining Board and university councils), or they may be members of other statutory or non-statutory bodies like advisory committees and tribunals of various kinds. Strictly speaking, such positions are not regarded as declarable interests. However, if an Executive Council Member holds any such positions, he or she must still make a declaration at the relevant meeting. And, the interests declared by him or her with respect to the relevant items of discussions will be recorded in the minutes of meeting. We will, in the light of individual circumstances, decide whether we should disclose such declarations in response to outside requests after the meeting.

Some Members have questioned the Executive Council's existing mechanism for declaration of interests, doubting whether it is good enough to ensure that Executive Council Members will always offer impartial advice to the Chief Executive. Actually, the relevant rules adopted by the Executive Council are even more stringent and detailed than those applied by the former Executive Council. For example, we now expressly require Executive Council members to declare all the real estate and properties owned by them, whether inside or outside Hong Kong, including those for their own occupation. Moreover, they are also required to submit regular reports on all their commercial transactions in Hong Kong dollar or other currencies, and on any sponsorship and gifts which they have received.

When the Government answered the question raised by the Honourable Miss Emily LAU on 16 June, it already informed Members of the total number of meetings held by the Executive Council since the reunification and the number of occasions on which Executive Council Members were required to withdraw from the relevant discussions after declaring their interests. Since

some Members have expressed their concern about the relevant figures, let me now give Members a further explanation. During the period from 1 July 1997 to 8 June 1999, 62 declarations of direct and significant interests were made by Executive Council Members with regard to 45 items, representing 6% of the 741 items discussed in the Executive Council meetings held during this period. And, the Executive Members concerned were required to withdraw from the relevant discussions. Besides, during the same period, Executive Council Members also made 539 declarations of other interests, and these declarations involved 214 items, or 30% of all the items discussed in this period. This figure may represent a wrong impression that Executive Council Members have been involved in a very extensive range of conflicts of interests. But the fact is that more than half of these declarations were related to their positions in boards, committees, tribunals and so on; there was no involvement of their personal interests. Therefore, we simply should not look only at the figures, and then conclude that Executive Council Members have been involved in many serious conflicts of interests. Quite the contrary, we should regard the figures as an indication that the Executive Council is adopting a very strict mechanism for declaration of interests, and that all its Members are seriously adhering to the relevant rules, lest that members of the public may doubt their integrity.

Some Members pointed out that the public accountability of the Executive Council should be enhanced by re-defining the role of Executive Council Members. Specifically, they think that while Executive Council members should reflect the views of the people, they should also communicate with Legislative Council Members and the public, so as to explain the policies of the Government. As far as the collection and reflection of public opinions is concerned, the various Policy Bureaux and departments of the Government, the Legislative Council, the district boards and many other advisory bodies have already been serving a very positive purpose. As a body responsible for assisting in policy-making, the Executive Council has been adhering to the principles of "confidentiality" and "collective responsibility" upheld also by the former Executive Council over the years. Under these two principles, Executive Council Members are not allowed to disclose any business, agenda or paper of the Executive Council to any person, either directly or indirectly. Besides, all Executive Council Members are collectively responsible for the decisions made by the Executive Council as a whole. So, if individual Members are asked to express their personal opinions about each and every policy, the process of policy-making may be affected, and confusion may well result.

Although the meetings of the Executive Council must be kept confidential, all items, whether policies or bills, are discussed on the basis of public opinions after a process of thorough public consultation. During the process of public consultation, members of the public can make use of different channels such as advisory committees, the mass media and written submissions to put forward their views to the executive authorities for referral to the Executive Council. Besides, Executive Council Members will also seek to gauge the needs of the community through their available contacts, and they will reflect their findings to the Chief Executive, so that when the Chief Executive makes the relevant policy decisions, he can take account of the whole picture and balance the interests of all involved. For the decisions reached by the Executive Council on bills and policies, the relevant Policy Bureaux and departments may, depending on circumstances, offer appropriate explanations to the Legislative Council and members of the public in the form Legislative Council Briefs and press releases. In addition, Executive Council Members will also keep in touch with Legislative Council Members and enhance communication with them through some informal channels such as the monthly luncheon gatherings hosted by Legislative Council Members. Executive Council Members will also visit community organizations and meet with civil groups on a regular basis, so as to gauge their views on government policies and increase their understanding of public opinions.

Some Members have once again advocated the introduction of a ministerial system, under which individual Executive Council Members will take charge of different policy areas. In this connection, we must bear in mind that the Basic Law does not set down any arrangements for the introduction of a ministerial system. Under the existing political circumstances, we do not intend to implement a ministerial system. Rather, we are of the view that we should seek to develop our political system step by step in accordance with the Basic Law.

Some Members have asked whether the Government will consider the idea of disclosing the papers and minutes of meeting of the Executive Council. In order to ensure that the Executive Council can function effectively, and that its Members can freely express and exchange their views at their meetings, we have all along been adhering to the principle of confidentiality for all the papers and records of discussions of the Executive Council. And, the courts of Hong Kong have also accepted the view that Executive Council papers should to be

treated as cabinet papers, which means, therefore, that they should be kept strictly confidential and should not be disclosed so easily. In spite of this, members of the public can gain access to government archives aged 30 years or above in the Public Records Office of the Government Records Service Division. And, most of the papers and decisions of the former Executive Council aged 30 years or above are stored in the Public Records Office for public inspection. Such an arrangement can enable members of the public to gain access to government archives, and is in line with the practices in other countries such as Britain and Australia.

Like Members of this Council, we also attach great importance to the operation and appointment of the Executive Council. The terms of reference and operation of the Executive Council are modelled after that the former Executive Council before the handover of sovereignty, and they are the product of some one hundred years of experience. For declaration of interests, the Executive Council has also drawn up a stringent and time-tested mechanism. We will certainly do our very best to consolidate the existing mechanisms, so as to ensure that the Executive Council can function effectively to live up to the expectations of the community. I am sure that Members of the Executive Council will certainly continue to communicate with Legislative Council Members and members of the public. That way, people will get to know how the Executive Council operates, and the executive authorities and the legislature will be able to establish a closer partnership. With all this, the Government will be able to formulate and implement its policies much more effectively while serving the overall interests of the community.

Thank you, Madam President.

PRESIDENT (in Cantonese): Miss Cyd HO, you may now reply. You have up to one minute 44 seconds out of the original 15 minutes.

MISS CYD HO (in Cantonese): If it is said that this motion today is directed against a certain person, that person definitely would not be Mr LUENG Chun-ying, the convenor of the Executive Council, but Mr TUNG Chee-hwa, the Chief Executive. As I said earlier, Mr TUNG has great latitude in handling the problems regarding powers, responsibilities, appointment as well as conflicts of interest. He could have made the Executive Council a lot better. However, I

am puzzled that Members of this Council are so self-disciplined that they have dragged their own feet. Now is not yet the time to amend the Basic Law, what is being proposed is for the Chief Executive to review the Executive Council, and there came the objection from Members. But those Members raising such objection in fact are not without their own version of demands, they have their own demands of the Executive Council. Dr Raymond HO said that he hoped the system of interest declaration could be further improved to make it perfect. So why not conduct a review? Mr FUNG Chi-kin hoped that the relationship between the Executive Council and the Legislative Council could be improved; this again could be reviewed. Mr James TIEN talked about professionalism, and even hoped to have a ministerial system. I do not know if all these can be deemed reviews. But in any case, they opposed reviews.

Nevertheless, all these are not important. It is possible that what Members said in their speeches might not be the same as how they choose to vote. This has happened in this Chamber. But this motion today serves to increase the transparency of the Executive Council. Mr TAM Yiu-chung at least spoke about the issue of declaration of interests. I however also wish to point out that Members of the Executive Council might not be all happy princes, they could be falcons because they stand at very high and very strategic positions, can see the whole city and spot all preys and are thus quicker than other people in swooping down to snatch their preys. As a result, other people are not in a position to compete with them in a fair manner. This is what we are most worried about. If the declaration of interests within the Executive Council, its powers and responsibilities are in such a confused state, the public might not have confidence in the Executive Council and the Chief Executive, making governance increasingly difficult.

Lastly, I wish to say that a leader with integrity inspires good administration without really ordering it; without integrity, his orders will get nowhere. I hope that we can continue to discuss this issue. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the

motion moved by Miss Cyd HO, as set out on the Agenda, be approved. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Miss Cyd HO rose to claim a division.

PRESIDENT (in Cantonese): Miss Cyd HO has claimed a division. The bell will ring for three minutes.

PRESIDENT (in Cantonese): We shall now proceed to vote.

PRESIDENT (in Cantonese): If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Michael HO, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr Ambrose CHEUNG, Mr SIN Chung-kai and Mr LAW Chi-kwong voted for the motion.

Mr Kenneth TING, Mr James TIEN, Mr Edward HO, Dr Raymond HO, Mr LEE Kai-ming, Dr LUI Ming-wah, Mr Ronald ARCELLI, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr CHAN Wing-chan, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Mrs Miriam LAU, Mr FUNG Chi-kin and Dr TANG Siu-tong voted against the motion.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr LEE Wing-tat, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss Christine LOH, Mr Andrew WONG, Dr YEUNG Sum, Miss Emily LAU, Mr Andrew CHENG and Mr SZETO Wah voted for the motion.

Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr David CHU, Mr HO Sai-chu, Mr NG Leung-sing, Mr CHAN Kam-lam, Mr YEUNG Yiu-chung, Mr Ambrose LAU and Miss CHOY So-yuk voted against the motion.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, six were in favour of the motion and 16 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, 13 were in favour of the motion and 10 against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negated.

PRESIDENT (in Cantonese): Second motion: Enhancing the competitiveness of Hong Kong's manufacturing industry.

ENHANCING THE COMPETITIVENESS OF HONG KONG'S MANUFACTURING INDUSTRY

MR KENNETH TING (in Cantonese): Madam President, I move the motion as set out in the Agenda.

The topic of the motion moved by me today is: "To urge the Special Administrative Region Government to enhance the competitiveness of Hong

Kong's manufacturing industry." First of all, I will explain to you, Madam President, and fellow Members why I propose this motion for debate on this occasion. Later, fellow Members of the Liberal Party will give further explanations on the various measures for the enhancement of competitiveness of the manufacturing industry.

It can be said that ever since the formal establishment of the Hong Kong Special Administrative Region (SAR), there have been endless calls for "high value-added and hi-tech" development. The SAR Government and many colleagues in this Council share the view that development in such a direction can lead Hong Kong economy out of the bottom of the abyss and send it marching on. Madam President, the Liberal Party and the Federation of Hong Kong Industries (FHKI) both endorse such a direction of development. However, we cherish a few queries all along.

When can hi-tech industry bring substantial profits to the Hong Kong economy? Furthermore, what roles should be played by existing manufacturers before hi-tech industry advances into maturity? Should the SAR Government help these manufacturers, who are badly battered by the financial crisis, at a time when the Hong Kong dollar exchange rate remains high, interest rates refuse to come down, and bank loans are not readily available? Having considered the issue repeatedly, we are of the view that the SAR Government "must" find ways to help them, and to offer help is not enough; help has got to be offered without delay.

First of all, let us note the importance of the manufacturing industry to the Hong Kong economy. Although the GDP share of the manufacturing industry has been shrinking gradually, the manufacturing industry in Hong Kong is still the driving force behind Hong Kong's power to create foreign exchange. In Hong Kong, manufacturing industry is the fourth largest employer, with 23 631 factories hiring a total workforce of 367 000. Last year, the total export value of our products like garments, electronics, textiles, toys, and clocks and watches was as high as \$188 billion. Madam President, the SAR Government definitely should not allow for the erosion and battering of such an important economic component by the sequels to the financial crisis. On the contrary, the Government should apply positive measures to help manufacturers enhance competitiveness and consolidate Hong Kong's economic structure.

Surely, our government officials might say that the Government has already taken many measures to help the manufacturing industry. However, the fact is that whilst the manufacturing industries of other South-east Asian countries are recovering, Hong Kong manufacturers just keep losing their orders. By April this year, Hong Kong for the 13th consecutive month recorded negative growth in export trade. The export value of Hong Kong products for May this year even showed a drop of 15% when compared with that for the same period last year. It is apparent from statistics that the SAR Government, unlike other countries, has not been actively helping the manufacturing sector.

Take Singapore as an example. How are things in Singapore? The Singapore dollar has been depreciated by 20% since July 1997. On top of this, the Singaporean Government earlier on took the lead in slashing wages by 12.5%. In other words, Singapore has enhanced competitiveness by about 32% by making use of exchange rate and pay cuts. Turning now to bank loans. In Singapore, low interest rates also greatly reduce the burden of her manufacturers, with 3-month deposits and 12-month deposits receiving interest rates of 1.5% and 1.75% respectively.

In comparison with the situation in July 1997, the competitiveness of Hong Kong, to the contrary, has not grown. Manufacturers are unable to get bank loans. Even for those who manage to get loans, they have to accept interest rates as high as 2% to 3% above prime rate. Topping this are expensive electricity charges, air freight charges, and the world's most expensive container terminal handling charges. How then can Hong Kong manufacturers still maintain their competitiveness? Although Hong Kong manufacturers have been cutting prices, and offering new products, Hong Kong-made products can no longer have the edge on competitiveness, and goods orders continue to slip by. If the Government continues to stand by with folded arms, the shrinkage of the manufacturing industry can only get worse even faster whilst economic recovery can only be an unattainable goal.

If the declining manufacturing industry of Hong Kong is to make a comeback, the SAR Government has got to take approaches from various aspects to help manufacturers cut production costs. In view of this, the Liberal Party and the FHKI call upon the Government to take the lead in reducing government fees and charges that are relevant to trade and industry, and implement more tax concessions that can be of help to industrial developments. With regard to charges which the Government cannot directly revise downwards and which are always "on the rise", such as electricity charges, air freight charges and container terminal handling charges, the SAR Government should

co-ordinate with the public or private organizations concerned so as to bring the charges down to a reasonable level as soon as possible.

Although the SAR Government has launched the Special Finance Scheme for Small and Medium Enterprises, most of those benefiting from the scheme are "old clients" of the banks. Following the implementation of the finance scheme, banks, in screening business or industrial loans, still make loan grants in the manner of "taking bricks as pawns", thus rendering it impossible for those manufacturers possessing development potentials but lacking operation capital to benefit from it. So we urge the SAR Government to consider (only consider) by passing the banking system to make loan grants directly available from the Government to manufacturers.

Finally, besides putting in efforts to help manufacturers to "cut expenditure", the SAR Government should, it is hoped, also help manufacturers to "develop new sources".

The Mainland is one of the major export markets of Hong Kong. If the SAR Government can persuade the Central Government to extend the right of Hong Kong manufacturers to sell their products in the Mainland, and, at the same time, grant tax concessions to Hong Kong products destined for the mainland markets and streamline the regulation of the operation of factories established with capital from outside the Mainland, then the sales volume of Hong Kong made products will surely grow sharply, in which case there will be direct benefits to the Hong Kong economy.

Madam President, I recently heard the advertisement of a chemical factory on the radio. One "catch phrase" is: "Full employment is better than making 70% of the people property owners." I think there are merits in this saying.

To support the property market, the SAR Government in June last year launched the low-interest Home Starter Loan Scheme. In addition, the Government has also set up the Home Purchase Loan Scheme. A lot of resources were put in to stabilize property prices. On the contrary, there has been very little assistance from the Government for the manufacturing industry, the "real creator of foreign exchange". We are of the view that to do so is to put the cart before the horse.

With competitiveness dropping sharply and goods orders diminishing,

manufacturers have to make the painful decision "to cut staff and pays" in order to survive. Under such circumstances, there are naturally fewer people who can afford to make mortgage payments for housing loans and buy properties. The Government's support for the property market can only produce very brief effect. In order that both the property market and the overall economy can grow healthily, the SAR Government should, first of all, put in efforts to help the manufacturing industry, the driving force behind the power to earn foreign exchange, so as to make it possible for manufacturers to try their best to dispense with the need to cut staff and wages. There will then be concrete support for the property market and the Hong Kong economy. The Liberal Party, therefore, is of the view that the SAR Government should expeditiously carry out measures stated in my motion to enhance the competitiveness of the manufacturing industry.

It is hoped that fellow Members will support my proposals. Thank you.

Mr Kenneth TING moved the following motion:

"That, following the substantial depreciation of the currencies and the increasing political stability of the Southeast Asian countries, Hong Kong's manufacturing industry has been steadily losing goods orders, and the Government's various policies to promote the development of the manufacturing industry have only had limited effect; to enhance the competitiveness of the local manufacturing industry, this Council urges the Government to:

- (1) reduce the various government fees and charges relating to the manufacturing industry, as well as co-ordinating with the various relevant public and private organizations for lowering as far as possible public utilities charges, public transport costs, airport charges, container terminal handling charges, and those fees which have a direct impact on the operating costs of the manufacturing industry;
- (2) introduce more tax concessions which are conducive to the development of the manufacturing industry;
- (3) explore the feasibility of offering direct government loans to

manufacturers; and

- (4) discuss with the Central Government the extension of the right of Hong Kong manufacturers to sell their products in the Mainland and the provision of tax concessions, and streamline the regulation of the operation of factories established with capital from outside the Mainland."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Kenneth TING as set out in the Agenda be passed.

Mr SIN Chung-kai is going to move an amendment to this motion as set out in the Agenda. In accordance with the Rules of Procedure, this Council now proceeds to debate the motion and its amendment jointly.

I now call upon Mr SIN Chung-kai to speak and move the amendment.

MR SIN CHUNG-KAI (in Cantonese): Madam President, I move that the Honourable Kenneth TING's motion be amended as set out in the Agenda.

Madam President, the Democratic Party's proposals contained in the amended motion have all been discussed at previous motion debates. Here I am to state briefly that Democratic Party is supportive of a freeze on various government fees and charges, and holds the view that to bring in competition is the best way to ensure reasonable price levels in the market. With regard to tax concessions and loans, the Democratic Party's proposal is that there has got to be specifications and guidelines. We are of the view that only in-service training and investment in scientific researches ought to enjoy double deduction. We have much reservation on other tax concessions. At the same time, it is hoped that the Government can introduce the use of technical training vouchers to encourage young people to receive further training in order to enhance competitiveness. Moreover, the establishment of a support centre has been put up by the Legislative Council as a request, but it is a pity that the Government has not carried it out despite the long lapse of time. Mr Kenneth TING's original motion criticized the Government's various policies for promoting the development of the manufacturing industry only had limited effect. The counter proposal he put forward is to ask the Government to distribute "free lunches" especially to manufacturers. If representatives of the different sectors or trades, including those representing the finance industry and the services

industry, act like Mr TING to seek from the Government more concessions and loans, and if the Government treats all parties equally and hand out money generously, will the Liberal Party give up the policy of free competition and turn into a "Business and Industry Free Lunch Party" to work for the interests of the business and industrial sectors?

In proposing this amendment, the Democratic Party does not take the manufacturing element of the industry as an assessing factor. What counts more is the point that we hold that every sector or trade should continue to seek innovations and enhance their technology. This is precisely the main way out leading to the enhancement of overall economic competitiveness. It is also the direction in which the Government is now pressing on.

However, I have to remind you that in the past, manufacturers did create a lot of wealth for Hong Kong, but many of them turned to invest in the property market on gaining their first bucket of gold, as a result of which the property market in Hong Kong prospered terrifically. In this respect, we have an outstanding example in the Honourable James TIEN of the Liberal Party. However, when the financial crisis set in, the manufacturing industry immediately sought help from the Government. I think entrepreneurs in the manufacturing industry should reflect upon this. Should they have used the first bucket of gold that they gained in the past to make continuous improvement to the trade that they are engaged in?

Hereunder I will focus my discussion on the report recently released by the Commission for Innovation and Technology (CIT), a topic which, I think, is more meaningful. With regard to institutional arrangement, the report presents three proposals: First, to set up a high-level policy group to set and co-ordinate innovation and technology policies. Heading the group will be the Financial Secretary whilst its core members will be the Secretary for Trade and Industry, the Secretary for Information Technology and Broadcasting, the Secretary for Education and Manpower, and the Secretary for the Treasury. Second, to establish a standing advisory body reporting to the Chief Executive to replace the existing Industry and Technology Development Council (ITDC). Third, To effect a merger of the Hong Kong Industrial Estate Corporation and the Hong Kong Science Park with the Hong Kong Industrial Technology Centre Corporation.

In its written proposals to the CIT in May 1998, the Democratic Party

points out that the Government should entrench Hong Kong's holistic development and set the directions, principles and measures for innovative technology. Innovative technology transcends all trades and involves all aspects. The report, therefore, suggests setting up an inter-departmental group to formulate innovation and technology policies. The Democratic Party supports this. However, it should be noted that the success or failure of the policy group recommended by the report is very much determined by its terms of reference, membership and resources available. Two working groups now under the Financial Secretary are of reference value. First, there is the Business and Services Promotion Unit, which, manned by its Director, Assistant Directors and Executive Officers, co-ordinates the work of departments in drawing up plans to facilitate business. Its cost-effectiveness is, however, questionable. Second, there is the Competition Policy Advisory Committee. With no administrative resources at all, it is unable to discharge its duties, that is to say, it cannot entertain public complaints, conduct investigation or draw up policy. The report recommends the establishment of a secretariat and the appointment of full-time advisers on technology to help the Financial Secretary co-ordinate work in this respect, supervise and monitor the implementation of policies by various policy bureaux and government departments, and instil into the industrial and business sectors and the Government the spirit of innovation and technology. The Democratic Party gives initial support to these. However, it is necessary to establish an effective monitoring mechanism and objectives.

The existing ITDC, first set up in 1992, is the Government's principal advisory body for Hong Kong's industrial and technological development. Its members include the Secretary for Education and Manpower, the Secretary for Information Technology and Broadcasting, the Secretary for Planning, Environment and Lands, the Secretary for Trade and Industry, the Director-General of Industry, the Hong Kong Government Economist, and representatives from the industrial and educational sectors. In operation though it has long been, it has not played its original advisory role, and has degenerated into a committee for screening industrial support plans. The Democratic Party in principle supports reforming the existing advisory structure. However, shortcomings developed in the past have got to be rectified so as to avoid a situation of keeping old wine in new bottle. The new advisory body may emulate the existing organization of the CIT. It should be chaired by a reputable expert. With regard to its membership, the old practice of recruiting members mainly from the industrial and business sectors has got to be changed.

It should be broadened to include those from the finance industry, services industry, and the information technology sector. The new advisory body should set key areas of work as well as research items, instead of following the old way of giving advice aimlessly. The new advisory body should be led by the Chief Executive. However, it should be transparent, with schedules to be listed out, hearings to be held regularly, research reports to be released to the public, and reports to be made to the people.

The role of the Industry Department is another point. In making recommendation for structural streamlining, the report proposes the merger of the Hong Kong Industrial Estate Corporation, the Hong Kong Science Park and the Hong Kong Industrial Technology Centre Corporation be merged so as to reduce the duplication of functions among the three. The Democratic Party supports this. However, because of the establishment of the Applied Science and Technology Research Institute (ASTRI) by the Government, we have asked, in previous debates, if there was a need for streamlining as a result of so much division of labour. Among the support bodies for research development, the ASTRI, the Hong Kong Institute of Biotechnology and the Hong Kong Productivity Council all have overlapping roles and functions. However, it is a blemish in an otherwise perfect thing that the report does not elaborate on how to streamline the structure or define the roles of the three. Perhaps the Government will look further into it when considering Prof TIEN Chang-lin's report.

According to information ranging from the Hong Kong Industrial Diversification Report released in Hong Kong in the early days to a recent publication, "Made in Hong Kong", by the Massachusetts Institute of Technology, government officials are in lack of technological knowledge. It is not because government officials have been in want of such ability. It is just because the training for Administrative Officers is often in the frame of "three years for one term"; they do not get involved in industrial development for long. It is really questionable whether or not it is an appropriate role for the Industry Department to co-ordinate and monitor the work of the relevant support organizations (ASTRI included). The Democratic Party holds that the Industry Department, to overcome the shortage of expertise, should bring in from outside specialists, or have them seconded to it, and that the Government should at the same time consider revising the functions of the Industry Department so as to confine the Industry Department to the roles of law enforcement, investment promotion and supervision of quality. Other functions in the areas of

development and research support ought to be re-assigned to a new set-up, one mainly staffed by specialists and placed directly under the Trade and Industry Bureau. I mean that the Industry Department should be assigned to an office mainly responsible for law enforcement. It might prove to be more flexible and effective if supporting work is entrusted to a new set-up.

The Democratic Party supports some of the CIT recommendations, including the one on the operating costs of policy group. However, we must stress that the Government resources are limited. Just last week the Legislative Council made an allocation of \$5 billion, which is not a small sum. Mr Kenneth TING has asked the Government to provide loans again. But where to borrow from? How about the form of loans? Given the current financial stringency of the Government, we have much reservation on this. The heart of the problem is how to make good use of the \$5 billion already allocated to promote technology upgrading of various industries.

Madam President, with these remarks, I submit my amendment.

Mr SIN Chung-kai moved the following amendment:

"To delete 'following the substantial depreciation of the currencies and the increasing political stability of the South-east Asian countries, Hong Kong's manufacturing industry has been steadily losing goods orders, and the Government's various policies to promote the development of the manufacturing industry have only had limited effects'; to add 'in terms of innovation and technology' after 'to enhance the competitiveness of the local manufacturing industry'; to delete 'reduce' and substitute with 'freeze'; to delete ',' from 'public utilities charges,' and substitute with 'at'; to add 'and introduce competition to bring' after 'public transport costs,'; to delete ',' from 'airport charges,' and substitute with 'and'; to delete 'and those fees which have a direct impact on the operating costs of the manufacturing industry' and substitute with 'to market price levels'; to delete 'introduce more' and substitute with 'provide'; to delete 'which are conducive to the development of the manufacturing industry' and substitute with 'for investment in scientific research and the training and development of talents'; to delete 'explore the feasibility of offering direct government' and substitute with 'offer'; to delete 'manufacturers' and substitute with 'newly-established enterprises which are innovative'; and to add '(i) the setting up of a support centre to assist businessmen in resolving taxation and legal problems they encounter while doing business

in the Mainland, and (ii)' after 'discuss with the Central Government'."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by the Honourable SIN Chung-kai to the Honourable Kenneth TING'S motion, be passed.

MISS CHOY SO-YUK (in Cantonese): Madam President, the most appropriate description for Hong Kong's manufacturing industries today is "being in the doldrums". The manufacturing industries once provided Hong Kong with infinite economic driving force. Unfortunately, the manufacturing industries today are advancing into a blind alley. The industry itself is shrinking incessantly. Fewer and Fewer workers are being employed. Competitions from outside keep coming in. More and more manufacturers go bankrupt. "The setting sun is infinitely good", however, even that is an extravagant hope to the manufacturing industries, which have for long degenerated into sunset industries.

The structural shake-up that Hong Kong's manufacturing industries now undergoes is already a painful and long journey for conventional manufacturing industries. However, the Government refuses to show understanding; on the contrary, it gives a push when one is already having a slip, driving a wedge between conventional manufacturing industries and high value-added industries to polarize them. The Government thinks that conventional manufacturing industries are incompatible with present needs, they are "standing in the way of the earth's rotation", and hindering the development of high value-added industries. So it has been standing by with folded arms, leaving conventional manufacturing industries to fend for themselves, or has even been longing for their early demise.

It is short-sighted for the Government to long for the early demise of conventional manufacturing industries. The degeneration of conventional manufacturing industries will not become fertilizers for high value-added industries, but will weaken the foundation of high value-added industries.

As a matter of fact, there will be more unemployment and frustration because conventional manufacturing industries are for the time being unable to find a way out on account of economic restructuring. More people will have to bear heavier burdens at a time of economic depression. What is more,

although conventional manufacturing industries are fundamental industries, they have within themselves many trades possessing the potentials to evolve into value-added industries. The Government should make efforts to look for them. Had the Swiss Government discarded traditional folk handicraft, then clocks and watches and axles could not have become Switzerland's hallmark products. Had the Italian Government unknowingly sentenced conventional manufacturing industries to death, Italian garments could not have led the world's fashions. Had the Singaporean Government been unwilling to look for the potentials of conventional manufacturing industries, its goldsmith industry could not have been able to offer generous terms to Hong Kong goldsmiths for them to migrate to Singapore with their families.

Madam President, at long last the Government understands that Chinese medicine and herbs can be turned into valuable assets. This is an improvement. Why cannot such a respect for Chinese medicine and herbs be further extended to other conventional manufacturing industries? If even the Singaporean Government can dig out from our conventional manufacturing industries talents to promote high value-added development, then why cannot the Hong Kong Government do likewise? The Chinese market for gold is extensive. However, its quality control and marketing network have yet to be developed. Why cannot the SAR Government develop Hong Kong into a value-added processing centre of gold and give it a position in the world market by making use of Hong Kong's favourable position in the area of marketing management and by catching up with the mainland market? Here is another example. Following the adoption of less strict control on the certificate of origin in respect of footwear by the Government some time ago, quite a few footwear factories have relocate some manufacturing processes back to Hong Kong. The Government should hold further discussions with members of the footwear industry to see whether Hong Kong has the potential to develop into an international footwear production centre. Here comes one further example. Although Hong Kong is a paradise for gourmets, its food industry lags far behind that of Taiwan. As a result, Taiwan's processed foods take up a very large share of the mainland market. In this respect, Hong Kong is in a position to catch up. Examples of conventional manufacturing industries developing into high value-added ones can be found everywhere. If the Government make efforts to explore, there are bound to be pleasing unexpected discoveries.

Madam President, I once had an appointment with some 20 manufacturers,

people who have been with fundamental industries for decades. A little work on the part of the Government, it was pointed out, can already help members of the trade solve many problems, and yet, contrary to what the Honourable SIN Chung-kai said, there is no need to use a lot of resources. The problem is that members of the trade do not know how to make their views known to the Government in order to obtain real assistance. To find as soon as possible effective ways to help members of the trade, I suggest that the Government should set up an ad hoc group so as to send officers to every sector of conventional manufacturing industries to hold meetings with them one by one in order to gain information about their problems, prospects and rooms for development, and prepare a report as soon as possible for public consultation. At the same time, I propose that the Government actively consider setting up a fund to help conventional manufacturing industries (especially small and medium sized manufacturers) in areas like market research, market development, production and sale, information technology and law for them to move over to high value-added industries.

On the other hand, even though Hong Kong's fundamental industries have moved to the north, those manufacturers are still Hong Kong companies. So the SAR Government should take care of their development and put in more efforts to seek help from the Central Government so as to help our manufacturing industries that are in the Mainland develop further by addressing problems that they experience in the Mainland, such as helplessness, poor law and order, uncertainty of regulations, and the complexity of the multitude of taxes and charges.

Madam President, finally I want to talk about Mr SIN Chung-kai's amendment, which brings up that the development of manufacturing industries should attach importance to the spirit of innovation and investment in scientific research. I fully agree with that; so does the Hong Kong Progressive Alliance. However, in order not to deviate from the intention of the original motion, which asks the Government to enhance fundamental manufacturing industries, we suggest that Mr SIN should present another motion. For this reason, therefore, we object to Mr SIN Chung-kai's amendment.

Madam President, with these remarks, I support the Honourable Kenneth TING's motion.

DR PHILIP WONG (in Cantonese): Madam President, Hong Kong's manufacturing industry is a mainstay of local economy. It can be said that the ups and downs of the manufacturing industry are bound up with economic development and people's livelihood. Over the years since the 1950s, Hong Kong's manufacturing industry has grown from nothing to actuality, progressed from small scale to big scale, spread from Hong Kong to the Mainland, and experienced all sorts of obstacles and difficulties. The growth in vitality of the manufacturing industry has provided Hong Kong with many jobs, and stabilized people's livelihood. It has also promoted growth in areas like banking, real estate, insurance, transport, foreign trade, information technology, advertisement, packaging, and printing. The growth of each trade has also accelerated the growth of the manufacturing industry. As a result, Hong Kong has become more and more prosperous economically, developing from a single-system consumers' entrepot into a major industrial city in the Far East and an international financial centre.

Hong Kong's manufacturing industry has two main features. First, its nature is one mainly of processing. Second, it consists mainly of small and medium sized enterprises. However, let us take a look of the manufacturing industries in the third world, including those in South-east Asian countries. Theirs are also mainly small and medium sized industries. Why is their economic effectiveness lower than that of Hong Kong? As far as economic policies are concerned, the policies of some third world countries towards small and medium sized industries place the emphasis on the grant of subsidies. Too much subvention and too many concessions are being granted in disregard of the principles of market economy. As a result, small and medium sized industries rely too much on government subsidies, which has the opposite effect of stifling their development. Some countries adopt less open policies, erecting tariff barriers to protect their own industries. They, therefore, cannot effectively partake of international division of labour and international competition, which consequently cast limits on their industrial development. The way in which Hong Kong's manufacturing industry develops is different from theirs. In the first place, manufacturers are closely linked up with external trade, with a marketing network formed and markets readily open to their products. In the second place, the Government adopts a policy of non-intervention, manufacturers being allowed to enjoy autonomy in their operations, and "the intangible hands" of the market to determine the fate of the factories. The Government has drawn up regulations so as to provide the manufacturing industry with a proper legal system and an environment for free competition. The Government intervenes in one way or another only when the market

mechanism gets damaged so as to ensure the proper operation of free competition. Furthermore, only in areas not reachable by market forces will the Government actively play the roles of support and promotion to create conditions favourable to the continuous and healthy development of the manufacturing industry. This includes providing various essential infrastructures and support services. Under such circumstances, every manufacturer must put in effort to improve technique, strengthen management, enhance efficiency, make rational allocation of resources, and keep on developing new products and new markets in order to catch up with market changes and keen competition.

In my opinion, today's motions deserve support in some respects, but also leave room for careful consideration. Following the onslaught of the financial turmoil, Hong Kong's manufacturing industry is facing tough challenges. To meet the needs of an age of technology-orientated economy, it is necessary to gradually reform and readjust conventional structures to strive for a breakthrough in the direction of capital-intensive and technology-intensive innovative industries. It is difficult to have this materialized unless there is more practical and effective assistance from the Government. In the case of manufacturers, the common situation is still one in which capital is inadequate, wages are high, rental burdens are heavy, expertise is not enough, the environment polluted, and internal and external demands weak. Any measure capable of lowering production costs, for example, reducing charges and fees, providing tax concessions, and increasing subsidies, will undoubtedly be welcomed by manufacturers for being able to improve competitiveness. However, we have to take into consideration the point that public charges constitute an important component of government revenue. So in the revitalization of manufacturing industry, it seems that to support manufacturers by reducing government revenue can only yield limited effects. In my opinion, to help manufacturers solve operational problems encountered in the course of setting up factories in Hong Kong, Mainland and places abroad, the Government, in considering today's motions, should holistically match with the industry's future blueprint and try to strike a balance. It is hoped that the Government will support the development of local manufacturing industry in areas like innovation funds, training of talents and technology research while making no major inroads into government revenue.

By the way, while helping manufacturers, has the Government considered that there are still many manufacturers who have had their capital frozen in their vacant factory premises? If this problem could be solved, the situation of tight budget now facing some manufacturers can be alleviated. It is hoped that there

can be government assistance in this respect.

With these remarks, I support the original motion.

PRESIDENT (in Cantonese): Honourable Members, it is now twelve o'clock noon. Yesterday I said that the meeting could end at 12.30 pm. Now it appears that it cannot end as scheduled. I, therefore, declare that the meeting is to continue. At present six Members are waiting for their turn to speak. Other might have to take turns to go to the dining hall to have their meals. The meeting now continues.

MR CHAN KAM-LAM (in Cantonese): Madam President, the amendment just now moved by the Honurable SIN Chung-kai claims that it is more meaningful to have a discussion on innovative technology. It shows that Mr SIN Chung-kai believes that innovative technology can replace manufacturing industry entirely. As far as the development of industries in Hong Kong is concerned, they in fact "know not even the ABC of it".

Every person here probably will not object to enhancing the competitiveness of Hong Kong's manufacturing industry. In this respect, what is open to discussion is the question as to what measures can overcome the predicament that the manufacturing industry is facing. According to some people, Hong Kong is becoming an "international city" mainly engaged in commercial services, and, consequently, its manufacturing industry is of secondary importance only. There are even people saying that conventional manufacturing industries, such as garment manufacturing, textile, and footwear manufacturing, are "sunset industries" that are "stale and out-of-date", and are not worthy of government support. However, the excessively uneven development of Hong Kong's economic structure was exposed by the Asian financial turmoil. Consequently, we have got to reflect upon the economic development patterns of the past.

According to the original motion for debate today, following the massive economic readjustment by South-east Asian countries, the situation in which Hong Kong's manufacturing industries continue to lose goods orders is worrying. Last March, the Democratic Alliance for the Betterment of Hong Kong (DAB)

conducted a Survey on Business Prospects of Small and Medium sized Enterprises, visiting 92 local manufacturing establishments, among which are small and medium sized garments, textiles, electronics and toys manufacturers. According to the survey, in comparison with the situation last year, small and medium sized enterprises showing "a drop" or "a sharp drop" in goods orders totalling 42.9%. On the contrary, those showing "improvement" or "marked improvement" only take up 28.6%. With regard to the prospect of goods orders in the coming year, 41.7% of the surveyed companies show "a drop" or "a sharp drop" whilst those showing "improvement" or "marked improvement" only make up 23.1%. The manufacturing industry has not got a bright prospect for profits.

The DAB is supportive of the various recommendations made by the original motion to enhance the competitiveness of Hong Kong's manufacturing industry. For instance, reducing the various government fees and charges relating to the manufacturing industry will help lower the operating costs of the industry; introducing more tax concession conducive to the development of the manufacturing industry promotes reinvestment by manufacturers; exploring the feasibility of offering direct government loans to manufacturers and looking into the question how to rectify the situation arising from excessive cautiousness on the part of lending institutions, which are all constructive; discussing with the Central Government the extension of the right of Hong Kong manufacturers to sell their products in the Mainland will help to give Hong Kong manufacturers more opportunities to develop their businesses and also, in the words of members of the trade, "taking a vantage position," before China opens her market more upon gaining entry into the World Trade Organization. The amendment proposes to freeze government fees and charges relating to manufacturing industry and holds that the introduction of competition can push down airport charges and container terminal handling charges. The DAB disagrees with that. The amendment motion shows that the Democratic Party does not quite understand the predicament that the manufacturing industry is facing. They abuse the mechanism of "introducing competition", and know nothing about the operation of airports and piers.

First of all, let us talk about the "freeze" on various government fees and charges relating to manufacturing industry proposed by the amendment. The DAB holds that what the industry requires most pressingly is a reduction on various government fees and charges relating to manufacturing industry. Why do I say so? The DAB collected a lot of opinion from manufacturers when

conducting a survey on the operations of small and medium sized enterprises. It is being held that the various government fees and charges, such as the major ones like general sewage charges and trade effluent surcharges, constitute a heavy burden on their operations. They want the Government to reduce those fees and charges. Surely, environmental protection is worth supporting. However, it is not justifiable to impose hefty general sewage charge when the Government is offering no technical assistance in filtering sewage water. As a matter of fact, reducing fees and charges can keep manufacturers' operations in Hong Kong, help to retain jobs, and balance the structure of Hong Kong's economic development. I have a question. At a time when the economy is depressed and goods orders are dwindling, can a mere freeze on fees and charges have the power to keep them here?

The amendment also mentions the need to introduce competition to bring airport charges and container terminal handling charges to market price levels. However, I cannot help but ask, given the wording of the amendment, does the Democratic Party propose to build an additional airport or again call for an "opening up of the sky" in order to bring down the charges of Chek Lap Kok Airport? Will the introduction of competition invariably lead to a drop in charges in the case of civil aviation and cargo shipment? This topic is definitely very controversial. It is obviously too naive to imagine that all problems can be solved by the "introduction of competition".

Two weeks ago, this Council discussed the civil aviation issue in Hong Kong. That day DAB pointed out that because of the uniqueness of civil aviation, even allowing more than one local company to operate the same route will not necessarily bring in beneficial competition. To have a certain number of flights operated by more than one company is most likely to weaken each company's international competitiveness, and ultimately drive the market into the monopoly of a few multi-national companies. With regard to container terminal handling charges, the consignors, the Scheduled Passages Association and operators of container terminals recently came to an agreement with the assistance of the Government, agreeing to freeze charges for one year and setting up a consultation mechanism for fee revision. To say that there is a lack of a consultation mechanism is more accurate than to say that there is not enough competition in respect of container terminal handling charges. Furthermore, Container Terminal 9 will soon go into service whilst facilities in the container ports of South China are becoming more and more up to date. The force of competition in the market is very strong which cannot afford to be ignored. Madam President, it seems that the clock today is going very fast.

Finally, the amendment proposes to set up a support centre to assist businessmen in resolving taxation and legal problems they encounter while doing business in the Mainland. To assist Hong Kong businessmen in resolving taxation and legal problems they encounter while doing business in the Mainland is, of course, important. However, I think it deviates far, far too much from today's topic, one on enhancing the competitiveness of manufacturing industry.

I so submit in support of the original motion.

THE PRESIDENT'S DEPUTY, DR YEUNG SUM, took the Chair.

MR HUI CHEUNG-CHING (in Cantonese): Mr Deputy, a booming local manufacturing industry was the chief reason for Hong Kong economy to make an upward turn in the 1970s and proceed onto the road leading to prosperity. However, when Hong Kong economy became "fully-fledged", it flew up into the sky and switched over to services industry from manufacturing industry. Then the Government, the business sectors and the people generally held that the manufacturing industry was no longer an essential condition for Hong Kong to continue to prosper, and that its place had been taken over by service industries like real estate, finance and tourism. Not until the Asian financial turmoil attacked Hong Kong and exposed Hong Kong's economic weakness in relying too much on service industries did we realize that an economic structure not supported by manufacturing industry would easily produce bubbles in the economy and would especially be prone to influences of changes happening in the general economic atmosphere outside. There are facts proving that countries traditionally putting emphasis on the development of manufacturing industry are in a better position to face economic recession resulting from financial turmoil and can also recover from economic recession with more ease. Obvious examples can be found in Taiwan, South Korea and Singapore, which are places making economic recoveries faster than Hong Kong. It is indeed necessary for the Special Administration Region (SAR) Government to create for Hong Kong an investment environment favourable to manufacturing industry.

Surely, the manufacturing industry that Hong Kong now needs is no

longer the labour-intensive kind of the 1970s. What Hong Kong needs is high value-added manufacturing industry. Capital is very important to the development of high value-added manufacturing industry. If the Government provides tax concessions as far as possible and help to reduce fees and charges directly or indirectly relating to manufacturing industry, it surely is going to be of assistance in reducing the operating costs of the industry. Under the premise of upholding the linked exchange rate system, this is of particular importance to Hong Kong in maintaining the manufacturing industry's international competitiveness.

The problem is that for Hong Kong to have success in developing high value-added manufacturing industry, it is not enough just to rely on reduced fees and charges. If Hong Kong can reduce fees and charges, so can other places. As a matter of fact, the currencies of Hong Kong's competing rivals in Asia have really been depreciated because of the financial turmoil. Their ranges of depreciation are not something which the Hong Kong Government can make up for by reducing ordinary fees and charges. What is more, the challenge that Hong Kong's manufacturing industry now faces is not just from South-east Asian countries where cheap labour is provided. It also comes from Taiwan and Singapore, places with technological researches and technological applications more advanced than Hong Kong.

To reverse such an unfavourable situation, the SAR Government should, of course, start working on extending quality control so as to improve product quality of the manufacturing industry. Equally important is the point that the SAR Government should not act alone. It must co-operate with the Mainland. The Mainland possesses what Hong Kong lacks in, such as land supply, low costs, and lots of science and technology experts. On the other hand, Hong Kong possesses what the Mainland lacks in, for example, abundant capital, developed markets, expertise in management, and good communication infrastructures. If China and Hong Kong can complement each other, then the development of high value-added manufacturing industry will come by when the conditions are ripe. The Government should stop looking upon the Mainland as a processing zone for Hong Kong's manufacturing industry. Mutually complementary relations in terms of high value-added developments should be established instead. Hong Kong's marketing knowledge can be used to

commercialize the fruits of the Mainland's technological researches so as to turn Hong Kong into an innovation centre of high value-added products.

Mr Deputy, for the development of high value-added manufacturing industry, expertise in technology is the main driving force. The Government should, as far as possible, relax immigration controls appropriately and offer motivating factors to recruit from the Mainland as well as from places outside the country more experts in applied technology, talents that Hong Kong lacks. The Government should also encourage universities and the business and industrial sectors to have exchanges of views with clients, promote the innovation and application of technology, and cultivate the culture pertinent to the exchange of innovative ideas. To establish a secondary-stage market as soon as possible to broaden the financing channels for manufacturing industry of innovative technology, to consider relaxing the screening of financial assistance plans for industries, and to promote electronic trade services are, of course, measures required to support the manufacturing industry. While paying attention to the development of manufacturing industry of the new generation, the Government should also actively help conventional manufacturing industries that possess potential to step up the training of talents and improve the level of technological application so as to enhance the added value of the trades concerned.

Mr Deputy, these are my remarks.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy, it is tough for you. Without you, the meeting might have to stop.

Mr Deputy, having lessons learned from the financial turmoil, members of the public generally realize that it is not a healthy sign for the Hong Kong economy to rely excessively on finance and real estate, and that the people of Hong Kong have paid heavily for that. An important part of Hong Kong's current economic policy is industrial reconstruction and the enhancement of the competitiveness of Hong Kong's manufacturing industry. Today I want to discuss these two points.

First of all is entrepreneurship. Main stream opinion all along holds that one of the chief reasons why Hong Kong economy has been able to keep on

growing is that the pioneering spirit of Hong Kong people engendered by the Government's policy of "positive non-intervention", which frees enterprises from unnecessary restrictions when getting in or out of the market, has instilled vitality into Hong Kong economy. However, I want to point out that pioneering spirit is not the equivalent of entrepreneurship. Entrepreneurship has two important elements, namely, to be brave enough to take risk, and to be willing to blaze new trails. Unfortunately, most local enterprises precisely lack the courage to take risks and blaze new trails. What Hong Kong enterprises embrace is just the spirit "of going over to the smart side".

For instance, in the 1970s and 1980s, the "Four Small Asian Dragons" all faced rising labour costs and came under the pressure of competition from other emerging industrial countries, which resulted in a need to overhaul their economic structures. In the 1980s South Korea, Taiwan and Singapore, using different policies, proceeded onto the path of economic restructuring one after another, rebuilding the competitiveness of their manufacturing industries. However, Hong Kong "tried to go over to the smart side", putting in no capital to enhance productivity, relying solely on relocating procedures of production northward, still keeping labour-intensive methods of production by depending on Mainland's cheap labour, producing low-quality products by taking low risk and using little costs, and, consequently, causing productivity to be stagnant.

The Honourable Kenneth TING proposes to discuss with the Central Government the offer of tax concessions to Hong Kong manufacturers selling goods in the Mainland. This is worthy of careful consideration. Does this mean another form of "trying to go over to the smart side" and reflect the point that local manufacturers still have no courage to compete with manufacturers of other countries by improving their products' quality? Let us presume that the Central Government now does give tax concessions to Hong Kong manufacturers selling products in the Mainland. But what if China later joins the World Trade Organization? Will local manufacturers still be able to enjoy such "advantages"?

From one angle, such tactic of "trying to go over to the smart side" can be said to be flexible, nimble, capable of grasping opportunities, and able to get returns quickly with minimum investment. However, it is hard to have the best of both worlds. Because of a mentality of trying to go over to the smart side, Hong Kong industries are set on a foundation that is fragile and unstable, and lacking in long-lasting competitiveness.

In saying that Hong Kong lacks entrepreneurship, I am not trying to put

all the blame on manufacturers. As a matter of fact, the commercial activities of manufacturers are very much determined by the overall economic structure. There is a very important point, and is the second question which I want to discuss today, that is, the financing difficulties long facing local manufacturers.

To promote the development of manufacturing industry, it is necessary to have an effective system of industrial financing. Let us refer to the experience of some developed industrial countries. For instance, in Taiwan, the financially resourceful party-run enterprise of Kuomintang is the main force accelerating and restructuring the development of Taiwan industries; in Singapore, the Government, in order to promote local development of hi-tech industry, applies various policies to attract a lot of investment from multi-national enterprises; in South Korea and Japan, financial magnates, namely, hybrids produced from industrialists and financing bodies for historical reasons, provide the necessary funds for industries in the two countries; in Germany, local industrial banks, being long-term partners of Germany's industrial sector, even send representatives to manufacturers' boards of directors to take part in formulating manufacturers' long-term development plans; and in the United States, there are different channels for industrialists to obtain funds for development, including different types of venture funds. Only in Hong Kong are industrialists left to "fend for themselves".

As pointed out by Prof WONG Siu-lun, Director of the Centre of Asian Studies of the University of Hong Kong, in a research conducted in the 1970s to 1980s, most of Hong Kong's small and medium sized enterprises are short of capital. With start-up capital coming mainly from personal savings, room for development is very much limited. Local banks and financial institutions have all along made very little long-term investment in the industrial sector, most of the loans being short-term lending for one year secured on property mortgage. There is just not enough funding for enterprises to have further development. At the same time, some of the manufacturers who are interested in developing hi-tech production are required to bear all the risks themselves.

If the Government wants to promote Hong Kong's development of innovative technology, a lot of resources will have to be put in for basic and mid-stream researches. On top of this, attempts will have to be made to solve the financing problems of the industry if they want to go into operation. At a time when local financial sector is still unable to provide sufficient industrial financing, it is necessary for the Government to fill the vacuum temporarily by granting appropriations to set up start-up funds and venture funds so as to share the risks of the industry.

THE PRESIDENT resumed the Chair.

DR TANG SIU-TONG (in Cantonese): Madam President, the economic growth rate for the first quarter of 1999 is -3.4%, a marked improvement over the -6.8% of the third quarter of 1998 and the -5.7% of the fourth quarter of 1998. The unemployment rate remained stable on reaching a level as high as 6.3%. Furthermore, interest rates have gone down whilst the property market and the stock market have rebounded. These are indicative of the fact that the Hong Kong economy, once badly battered by the financial turmoil, is beginning to "stop bleeding". However, the local manufacturing industry is still in very bad shape, with the four mainstays of the industry, namely, textiles, toys, clocks and watches, and electronics, being buffeted from within and without and besieged on all sides. The internal problem is that costs are high because the Hong Kong dollar exchange rate is high. The external problem is that South-east Asian nations are waging strong competition by cutting prices whilst there is challenge of hi-tech from Taiwan and Singapore. In the face of all these problems, Hong Kong's manufacturing industry keeps losing competitiveness, there are sharp drops in manufacturers' goods orders and business, and staff cuts and business failures are reported every day. Inevitably there is the worry that if things keep on like that, Hong Kong's manufacturing industry might "take to its bed and could never leave it again".

Madam President, it is definitely not easy to revitalize Hong Kong's manufacturing industry. It is like waging a long war. However, we have no choice but to fight, the reason being that the financial turmoil has clearly taught us a lesson that an economic system not secured by deep roots and a sizeable manufacturing industry tends to produce economic bubbles easily and is more prone to influences from outside factors. So, it does not matter whether it is for Hong Kong's present or its future, we must put in efforts to help local manufacturing industry get out of the rock bottom.

There is an old saying: "Know thy enemy and know thyself, and you can fight a hundred battles with no danger of defeat." To win this tough war, it is necessary, first of all, to put oneself in the actual position so as to understand

Hong Kong's strengths and weaknesses. Only by so doing can the right cure be applied to bring life back to the manufacturing industry, which is being buffeted by both poverty and sickness. In fact, in the areas of access to good natural condition, favourable geographical position, and harmonious personal factors, Hong Kong is not without advantage. Two years ago, Hong Kong ceased to be a borrowed place or a borrowed space upon its return to the mother country. We may draw up for ourselves blueprint of industrial development that is for the long term and forward-looking. The financial turmoil burst Hong Kong's bubble economy ahead of time, giving us a forewarning and providing a good opportunity for Hong Kong to overhaul the economic structure. These constitute good natural conditions. With the mother country in the background, Hong Kong is supported by a strong hinterland capable of providing Hong Kong with cheap land, cheap labour, good talents in technological researches, and a massive market. These constitute a favourable geographical position. Since his assumption of office, the Chief Executive has been vigorously promoting the development of innovative technology, and there has been support from all quarters. There is also a lot of good management expertise in Hong Kong. These provide the harmonious personal factor. It can be said that there is no lack of basic conditions required to revitalize Hong Kong's manufacturing industry. A set of comprehensive and specific policies and even stronger determination on the part of the Government are what remain wanting.

"Army provisions must be sent before mobilization." Low costs, sufficient capital and a good financing system form the sole gateway leading to success in enhancing the competitiveness of Hong Kong's manufacturing industry. Under the linked exchange rate system, the Hong Kong dollar is strong, and its exchange rate stands at a high level. This is a problem that we have to face. Given such a limitation, it is essential to have government assistance. So I am in favour of the Government reducing, as much as possible, various government fees and charges relating to the operating costs of the industry. With regard to the problem of financing, I hope the Government could make further improvement to the current loan funds for small and medium sized enterprises and pump in more money so that the loans can benefit a greater variety of trades. Regarding the issue of considering granting loans directly to manufacturers, I agree that we could consider another loan scheme that adopts as its lending criteria the improvement of quality and innovation so as to offer loans to those engaged in innovation studies or working on improving quality of old products, and thus encourage the upgrading and replacement of manufactured goods, provided that there must be assurance that the use of government funds is

rational and effective.

It is worth noting that although reducing costs is one way to revitalize local manufacturing industry, it is not the only way. As a matter of fact, following the financial turmoil, Asian nations or places nearby have depreciated their currencies one after another. It is particular so in the case of some Southeast Asian nations, whose production costs are miserably low as theirs are just one half of those in the Mainland. How can Hong Kong compete with them for "being cheap and worthless"? To blaze a trail of survival, Hong Kong is required to use innovative technology as weapon to enhance the competitiveness of the manufacturing industry. According to the second report of the Commission for Innovation and Technology, for Hong Kong, the course of innovation and technology is to promote innovation in every trade, covering the improvement of technology and methods, opening up new levels of the market, and engagement in activities of higher grades. This is indicative of the point that it is necessary for Hong Kong's manufacturing industry to proceed onto the path of high quality and high added value. A blade sharp enough to cut through metal would only evolve from non-stop innovations.

Finally, it is on the question of talents. To be forever victorious, we need outstanding advisers and good generals. Although Hong Kong has no lack of management talents, there is an acute shortage of talents in forefront technological researches. I have no objection to the Government suitably relaxing immigration controls and providing motivating factors so as to recruit from the Mainland as well as from abroad technological experts. However, the Government should, I hope, understand that in addition to suitably bringing in mainland experts, the Government must also pay attention to the local training of talents in technology, and further encourage the exchanges of views with clients by universities and the industrial and business sectors for interflow of innovative ideas promoting the use of innovative technology.

Many economic miracles were created for Hong Kong by the manufacturing industry. It is hoped that the Government can make determined efforts to bring in new elements for local manufacturing industry by using the present economic readjustment as a turning point so as to bring to Hong Kong another economic miracle.

Madam President, these are my remarks.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, I take part in today's debate with great agitation in my heart. My concern is on one point only, namely, the absolute need for the Special Administrative Region (SAR) Government to set up a support centre to help Hong Kong businessmen to overcome plights encountered while doing business in the Mainland, such as blackmail, detention, assault, wrongful imprisonment, hard labour, disappearance, state of helplessness, and utter desperation. I strongly call upon the SAR Government to provide those Hong Kong businessmen with the humane and legal assistance that they are entitled to.

About one month ago, the Legislative Council referred to the Central Government 11 complaints concerning Hong Kong businessmen being wrongfully imprisoned in the Mainland. According to information presented to the Legislative Council by the Security Bureau, there have been 33 similar cases, which shows that the situation in respect of Hong Kong businessmen being wrongfully imprisoned in the Mainland has reached an intolerable level. Madam President, each case is in itself a story arousing indignation and anger, inflicting endless pains on the victims and tormenting their relatives. I do not know how I have become the convenor of a "Concern Group for Hong Kong Citizens Detained or Victimized in the Mainland" under the Legislative Council. I have carefully read over every complaint. The absurdity made me sigh and stop reading on, giving me the feeling of being far away from civilization and law. I was reading the sad stories of Hong Kong people, which took place in my country. It is easy to visualize how depressed and disappointed I was.

The cases of LUK Yuk-shing and LEUNG Wing-sum are the most famous among the cases. LUK Yuk-shing was detained in Inner Mongolia, being required to face the music for his employer for no fault on his part. Public Security officer put a gun to his head, treating him as a hostage in a bid to force him to repay over \$4 million for the company. Today he is still under house arrest and has yet to be released. LEUNG Wing-sum is even more miserable than LUK Yuk-sing. He has been under detention in the city of Jiyuan of Henan Province for three months. He is also being held as a hostage, and is required to shoulder a debt of \$1 million for his employer. Nobody knows his whereabouts. Members of his family just kept on receiving blackmail phone calls, from which howls from one being ill-treated and assaulted could be heard. Recently even the phone calls stopped coming for a while. It seemed

that LEUNG Wing-sum had vanished into thin air. Over the past two days those phone calls came again with howls from beating, which sounded like the knells of death in broad daylight. His family has no one to turn to despite their pains and sorrow and have totally lost hope in the SAR Government. They are trying to raise money themselves to ransom LEUNG Wing-sum. Madam President, where does justice lie? Is the Mainland still ruled by law? Who can speak out for our Hong Kong businessmen? Who can rescue them?

The cases of LUK Yuk-shing and LEUNG Wing-sum are not the saddest. Among the complaints received by the Legislative Council are cases of those who died in a foreign land without obtaining fair treatment. It is totally lawless. In the face of all these obviously law-breaking cases, the SAR Government just tries to muddle through, remains insensitive, and puts in no effort, its behaviour is totally devoid of the due commitments that a government supportive of humanity and the rule of law ought to have done. The SAR Government all along uses "one country" as an excuse, and cites "no intervention in mainland justice" as a pretext, disregarding completely the fate of Hong Kong businessmen. However, even in the colonial age, the British colonial government would still speak out for them when Hong Kong businessmen met with misfortune in the Mainland. Now Hong Kong has been reunited with China, yet the SAR Government is at a loss as to what to do. Hong Kong is even worse than being a colony. Hong Kong people in the Mainland can only fend for themselves and resign to their own fate. It is infuriating as well as frightening.

Madam President, according to the Government, there are six departments which can offer help to Hong Kong people in the Mainland. They include the Hong Kong SAR Government in Beijing, the Trade Department, the Security Bureau, the Constitutional Affairs Bureau, the Immigration Department, and the Trade Development Council. However, the actual situation is: "there no water for the six monks". None of the offices puts in full efforts to take up its due responsibilities. The Office of the Hong Kong SAR Government in Beijing and the Security Bureau are the most disappointing ones among them. LEUNG Po-wing of the Office of the Hong Kong SAR Government in Beijing just went all the way to Kunming to accompany the Chief Executive on a flower viewing trip, but was unwilling to go to Inner Mongolia to make a rescue. The Security Bureau perfunctorily contacted the various Public Security Offices by mail or by phone, and then waited for response in a could not-care-less manner, and it has seldom, if ever, got in touch with the families for updated positions so as to show the minimum concern or offer any consolation. There is no sense of urgency whatsoever; nor is there any genuine concern. What is bureaucracy?

That can be clearly illustrated from cases concerning the detention of Hong Kong businessmen. They should be reprimanded for this.

Madam President, the Legislative Council is not part of the SAR bureaucracy. We cannot stand by with folded arms. On the one hand, we should strive for the establishment of a mainland support centre for Hong Kong people. However, a fire nearby cannot be put out by water far away. We, first of all, have to save lives. Madam President, the Legislative Council of the Hong Kong British Government once did a remarkable job. In 1991 Hong Kong citizens AU Wing-cheung and WONG Chuen-ming were wrongfully imprisoned by the Manila Government. The Legislative Council waged a vigorous battle for them, and sought help from England by making countless queries and appeals. The Legislative Council even sent a delegation to the Philippines to argue the case on the strength of reasons, and urged Mr PATTEN to present the case directly to the then President of the Philippines Mr RAMOS. Ultimately, AU Wing-cheung and WONG Chuen-ming were released in 1996. Madam President, when Hong Kong was under the Hong Kong British Government we could still rescue citizens from foreign government in the lawful manner. Now that we have reunited with the mother country, how come that the TUNG Chee-hwa government dare not rescue citizens from our own government in the lawful manner? Is the TUNG Chee-hwa government suffering from a "one-country phobia"? I am looking forward to the SAR Government's response. I also look forward all the more to the return of those Hong Kong businessmen who are innocent. As for those who are guilty, they should be dealt with in accordance with laws.

Madam President, these are my remarks.

DR RAYMOND HO (in Cantonese): Madam President, it is the hope of many people that as the United States economy continues to prosper and the Asian economy stabilizes, Hong Kong economy will climb out of the rock bottom. It now appears that Hong Kong economy does show signs of recovery. However, its speed of recovery is far slower than those of Singapore and South Korea. The fundamental reason for this is that Hong Kong has not got enough manufacturing industry to drive the recovery forward. I hold the firm belief that everybody here knows that it is a fact that Hong Kong's manufacturing industry has been relocated to the north, and that the move is not something of recent years. How come that it is not until today, when the finance industry

and the services industry, industries long considered to be the mainstays of Hong Kong economy, have noted to collapsed then we would wake up and acknowledge the significance of manufacturing industry to Hong Kong's long-term economic development?

To put in real efforts to revitalize the manufacturing industry, it is necessary for us to know, first of all, the direction of Hong Kong's development, that is, to promote high value-added products so as to reinforce Hong Kong's economic structure. In other words, Hong Kong can give more weight to local manufacturing industry through the development of innovative technology. The development of innovative technology will help various industries in the manufacturing sector to improve and strengthen competitiveness, and also to develop new products.

It can be recalled that a similar motion was brought up in this Council last year. At that time the Secretary for Trade and Industry said that the SAR Government has all along put in efforts to provide a set of world-class supporting infrastructures for industries to encourage the development of high value-added and technology-based production so as to ensure the maintenance of our manufacturing industry's competitiveness in the world market. I am very supportive of the Government's various ideas, the reason being that the only way to revitalize Hong Kong's manufacturing industry is to satisfy market competition and gain value in the market. So we have to develop our own brands and keep on rejuvenating our products. We must stress that we are not trying to develop the most advanced hi-tech of any sort; nor are we going to replace conventional industries with industries of new technology. We are just trying to help conventional industries to improve products or production technique through the application of new technology and innovative ideas in order that manufacturers can add value to their products, cut production costs and improve productivity.

Recently, the economic report released by a bank for the month of June states that the head office of Hong Kong's manufacturing industries, by working through the internet, can monitor and improve the allocation of work procedures in overseas factories, and strengthen the links between offices and production lines, thus shortening the time between receipt of order and shipment, and improving the efficiency of stock control. I am, therefore, of the view that entrepreneurs can really improve Hong Kong's competitiveness so long as they make good use of information technology.

With regard to the grant of \$5 billion by the Government to set up the Innovation and Technology Fund to help the manufacturing industry and the services industry to develop high value-added items, I have all along offered my support. However, in my opinion, it seems that the strategy cannot solve the manufacturing industry's pressing problems. A fire nearby cannot be put out by distant waters. I am of the view that in the case of the development of high value-added items, it is not possible to have immediate full application or rejuvenation. So the Government must take steps to help Hong Kong manufacturers solve as soon as possible the problems that they are now facing.

First, we should start with cost reduction. At present, various government fees and charges relating to manufacturing industry, transportation charges, airport charges, and container terminal handling charges all make up a substantial portion of manufacturing costs. To enhance manufacturing industry's competitiveness, I support the call urging the Government to take the lead by reducing the various government fees and charges relating to business and industry, and hold discussions with the public or private organizations concerned to keep some of the charges, such as airport charges and container terminal handling charges, at market price levels. Besides, the Government might consider giving the business and industrial sectors more tax reliefs or concessions.

There is one point that must be mentioned. Although the Government has launched the Special Finance Scheme for Small and Medium Enterprises, enterprises really benefiting from it are very few, for banks have laid down many obstacles in the screening process. Can the Government consider selectively granting loans to promising enterprises? Manufacturers in the engineering sector wrote to me pointing out that the relevant financing scheme of today just cannot help enterprises that have development potentials but are short of operating capital. It is hoped that the Government can really review and study the matter. I hold that as the Government is willing to play the supportive role, it should discuss with the Central Government matters like the right to sell goods in the Mainland, tax concessions and operational restrictions. Furthermore, we should step up our co-operation and exchanges with the Mainland so as to make good use of mainland technology and her resources of talents. This probably can also help to enhance Hong Kong's competitiveness.

Madam President, these are my remarks.

MR DAVID CHU (in Cantonese): Madam president, the onslaught of the

financial turmoil revealed the excessive reliance of local economy on the property market and the finance industry. Members of the public and the Government fully understand that to reverse Hong Kong's unfavourable situation and to maintain the steady and on-going growth of Hong Kong economy, it is necessary to direct Hong Kong economy to develop in diverse directions. To promote the growth of the manufacturing industry is precisely one such important tasks.

In his two policy speeches, the Chief Executive Mr TUNG Chee-hwa acknowledged the positive role played by industries in economic stability, presenting forward-looking ideas in areas ranging from the promotion of high value-added industries to the development of industries of innovative technology, and introducing a series of corresponding policies. In addition to the establishment of the Commission for Innovation and Technology and the implementation of the project for Cyberport, there have been the recent launch of a \$5 billion Innovation and Technology Fund and the real efforts put in to explore the feasibility of a Chinese herb centre. Although the Government is actively promoting industries of innovative technology, there appears to be inadequate support for conventional manufacturing industry.

Madam President, there is no denial that for the long-term development of local economy, industries of innovative technology are important. I, however, think that the development of conventional manufacturing industries, such as garments, electronics and plastic goods, should not be ignored either. For a long time in the past, manufacturing industry was one of the mainstays of Hong Kong economy. Following the incessant north-bound relocation of production lines in the 1980s, manufacturing industry's share in our GDP has been shrinking drastically, going down from 24% in 1980 to the current level of 6.5%, which is far lower than the 25% to 30% of South Korea and Singapore.

The shrinkage of the manufacturing industry has not only weakened the foundation of our economy but has also slowed down our economic recovery. Over the past half year, the economy of Asian countries have gradually recovered from the financial turmoil one after another. However, different sets of data indicate that Hong Kong's economic recovery lags behind those of Singapore, Taiwan and South Korea. One of the main reasons for this is that these countries or places can rely on industrial exports to propel their economic recoveries. However, mainly dependent on services industry, Hong Kong is

lacking in support from the manufacturing industry, and is, therefore, in a less favourable position when compared with them.

As pointed out by the second report of the Commission for Innovation and Technology presently released, the course of innovation and technology in Hong Kong is not designed for the development of the most advanced technology. It is to promote innovation in every trade. It is to use technology to add value to products and services so as to enhance competitiveness. This is also the overall direction acknowledged worldwide. In my opinion, to enhance the competitiveness of Hong Kong's manufacturing industry, the Government should note the following:

- (1) The Government should help to further reduce the costs of doing business, and increase the various tax relieves and concessions relating to the manufacturing industry. The Government should also, as far as possible, revise downward the charges of various public enterprises, such as transportation charges, container terminal handling charges and airport charges.
- (2) The Government should take more positive steps to improve the financing of the manufacturing industry, for example, expediting the development of the secondary-stage market and the bond market, and providing alternative channels of financing. The Government should also further improve the efficiency of the \$2.5 billion loan scheme for small and medium enterprises, and inject more money.
- (3) The Government should help to upgrade conventional industries so as to lead them to develop in the direction of high quality and hi-tech. To bring in talents in technological researches so as to promote technology-orientated and knowledge-orientated production, the Government should, on the one hand, try to finish the study on bringing in mainland technological experts without delay. On the other hand, the Government should consider adopting the recommendations of the second report of the

Commission for Innovation and Technology to set up a special group responsible for co-ordination among different departments so as to improve co-ordination and propel Hong Kong's manufacturing industry onto the path of high added value.

The path of innovative technology is the course that Hong Kong is required to take. It is hoped that the Government can start with the enhancement of the competitiveness of the manufacturing industry, and lead Hong Kong into the 21st century.

Thank you, Madam President.

MR JAMES TIEN (in Cantonese): Madam President, the Honourable Kenneth TING's motion of today is on the enhancement of the competitiveness of Hong Kong's manufacturing industry. The wording in English, "Hong Kong's manufacturing industry", is much clearer. The Honourable SIN Chung-kai changed the motion into one discussing innovation and technology industry. I will not condemn him for doing that, for he has done his work well, much better than Dr HUANG Chen-ya, who previously spoke on economic matters on behalf of the Democratic Party. However, the Democratic Party should understand that we are discussing something else. Had Mr SIN Chung-kai moved a motion on the development of innovation and technology industry, there definitely would have been support from the Liberal Party. However, what Mr Kenneth TING now brings up is our conventional manufacturing industry, that is, garments, toys, metalwork, and plastic goods. Surely, in this area there can be high added value and innovation too. But can conventional industries really achieve innovation and hi-tech? How? These are really two separate issues.

It is a pity that the Honourable LAU Chin-shek has left the Chamber. In fact the issue now under discussion serves to help Hong Kong's grassroot "wage-earners", people for whom he shows much concern. Most of them are in their 40s or 50s, perhaps only slightly educated, commanding little Chinese and English and possessing little knowledge, who cannot go into the field of information technology. How can you expect them to use computers? On the other hand, if they can stay in those old industries, they can work for a few more years, which is certainly better than leaving them unemployed for a few more

years.

Mr SIN Chung-kai made mention of free lunches. We are asking the Government to find ways to help those conventional old industries so that they can stay on longer and work better. Is that free lunch? If these workers become jobless and have to get Comprehensive Social Security Assistance (CSSA) (as we do not have unemployment assistance), then the society will have to undertake such a burden. Unemployment is a social problem; so is CSSA payment. If there are methods with which we can allow those manufacturers to stay on in Hong Kong for, say, five or 10 years longer, then everything will be okay, the reason being that by then the innovative technology industry and hi-tech industry proposed by Mr SIN Chung-kai will have progressed to such an extent that our next generation may find employment then. But how about the existing workers? Are we to let hundreds of thousands of remaining workers continue to wilt? Mr Kenneth TING's motion just calls upon the Government to do some work on that as far as possible.

Madam President, with regard to freezing or reducing various government fees and charges relating to manufacturing industry, we support the principle of "payment by the user" in respect of government fees and charges. However, if they improve their efficiency and set up more computer-aided jobs, then they can cut costs. If government costs go down, then, on the basis of the principle of "payment by the user", fees and charges imposed on the business and industrial sectors of conventional manufacturing industry can thus be reduced. It is on the basis of such a concept that we ask the Government to reduce fees and charges. We are not asking the Government to run money-losing business by handing out free lunches to subsidize existing manufacturing industry.

Madam President, Mr LAU Chin-shek also asked why in the past conventional manufacturers in Hong Kong, unlike their counterparts in other countries, did not appear to have far-sighted vision. Please bear in mind that Hong Kong's domestic market is very small in comparison with those of Korea and Taiwan, which are fairly larger. In Korea there are people manufacturing cars as well as people making mass production of television sets because they can practise protectionism and exclude foreign products from Korea. For instance, several types of Japanese electronic goods were allowed to enter Korea duty-free only recently, and local manufactures have all thus been under protection. Given such a big domestic market, it is easy!

Turning now to the United States, our largest market. They impose an import duty of 17% on products from all parts of the world, including those from Hong Kong. For the protection of American garment factories, there are even quotas for textiles and garments. Of course, you may say that these are not free lunches or subsidies for American manufacturers. With competition curbed for them, it is of course easy for their local manufacturers to survive. However, it is not so in the case of Hong Kong.

At this moment, wages in Hong Kong are high; so are rents (though they have come down a little recently). Last time I, citing examples, pointed out that if one looks for a medium sized factory of 10 000 sq ft in an old district at a cost of \$3 — \$4 per sq ft, the monthly rent amounts to \$30,000 to \$40,000. For an area of 10 000 sq ft, 100 workers can be employed. Even though currently the economy is depressed, a worker still has to be paid \$5,000 to \$6,000 a month. So 100 workers would require \$500,000 to \$600,000 a month. Payroll alone would cost \$500,000 to \$600,000 whilst rent costs just \$30,000. In my opinion, rental cost, quite to the contrary, is not the biggest problem to Hong Kong's industries. Only high wages payment would be the biggest problem. No wonder manufacturers have to go to places nearby for investment.

So you have said that Hong Kong has such a nice environment, then why would not manufacturers of Korea, Taiwan and Singapore, places just mentioned, come to Hong Kong to invest and set up factories producing conventional products like toys, garments, metalware, and plastic goods? To the contrary, Hong Kong investors would go to those places to set up factories. This proves that by now Hong Kong's overall environment is not favourable to the operation of conventional industries, that is, those just mentioned by me.

Madam President, another point that I want to bring up is the one on financing. In fact there is now an adequate supply of money in the banking system. However, because of their cautious credit policy, they will not easily lend out money. Given the current wage levels and the current operating costs, banks usually will not approve the loan applications after studying the proposals if it is made known that conventional manufacturing industries, not those involving innovation or hi-tech, are to be operated in Hong Kong. Moreover, how many people will present such proposals? I think they are very few. So in my opinion, the Government should work more on this.

Madam President, I would give support to one point in the amendment of Mr SIN Chung-kai namely, "setting up of a support centre to assist businessmen in resolving taxation and legal problems they encounter while doing business in the Mainland". The most important point is that we are still regulated by the Foreign Enterprise Laws of the People's Republic of China while doing business in the Mainland. That is to say, only 30% of products manufactured by our manufacturers in the Mainland can be sold in the Mainland; the remaining 70% have to be exported. VAT is required for the 30% that are to be sold in the Mainland. It is our hope that the Government can negotiate with the Central Government for concessions to see if it is possible to increase the domestic-sale portion and exempt products for domestic sale from taxes. This will in fact tally with the principle of "one country, two systems".

Furthermore, the new Processing Trade Custom Deposit Declaration System, recently brought into effect by China, puts restrictions on our manufacturers. It is hoped that review in this respect can also be carried out.

Madam President, I support the original motion but oppose the amendment.

MR JAMES TO: Madam President, the following speech is drafted by the Honourable Bernard CHAN. The view is his and it is also shared by me. If the Liberal Party has a term of memory long enough to recall

PRESIDENT (in Cantonese): Mr James TO, what you said seems to go against our common practice. You may say that these are your views which are shared by Mr Bernard CHAN. But you cannot say that these are Mr Bernard CHAN's views and you share his views, since you are the speaker now.

MR JAMES TO: Well, Madam President, the view is mine and it is shared by my colleague, the Honourable Bernard CHAN.

If the Liberal Party has a term of memory long enough to recall what they said in this Chamber just three weeks ago, they would not be surprised to be accused of playing double standards. In the motion debate on facilitating the financial industry, the Honourable Ronald ARCUILLI said, and I quote, "I have

been a Member of this Council since 1988, this is the first time that I hear the private sector actually asking the Government to intervene, and saying that the Government is not doing enough." The Honourable Kenneth TING also rose to lend a hand to his ally at that meeting.

In Mr ARCELLI's logic, the motion before us should be taken as the second time that the private sector asks for help. This motion even suggests direct subsidies like government loans. I am very amused at how the Liberal Party could convince me to support this motion without contradicting their party line which has been well-known to the financial sector since the debate on 16 June. Now, I see the once defender of non-interventionism listing out a whole lot of demands to the Government. To me, a joint effort from the Government and the industry is desirable. It is our only way out in the face of fierce global competitions.

I agree with most of the suggestions put forward by the motion, except one point. I wonder whether public money should be given to manufacturers in direct government loans. The manufacturing industry is an established trade in Hong Kong, and there is a wide range of loan facilities available for them in the financial market. Manufacturers, just like any businesses, can resort to private loans if they have a proven record. I am very hesitant to support such an idea, which will push the Government to endless financial commitments.

The amendment concerning government loans is more agreeable to me. Newly established enterprises with innovative businesses may have difficulties in soliciting loans at the outset. The government aid can be taken as a one-off initial support to them. I am of the opinion that the Government's role is to extend the horizon of Hong Kong businesses as far as possible. Their participation in international promotions and negotiations are indispensable. In this connection, I particularly agree with Mr TING's urge for extending the rights of Hong Kong manufacturers to sell their products in the Mainland. Entering the mainland China market has been a long-standing wish of the financial industry as well.

My last word to the Liberal Party is that: Do not play double standards with different industries. If you are not totally insensitive, you should have noticed the discontent with your position in the financial industry. The way you ditched them and turned a deaf ear to their united call has undermined your status as the spokesman of the business sector.

Madam President, I support the amendment.

MR HO SAI-CHU (in Cantonese): Madam President, the manufacturing industry has always been a major mainstay of Hong Kong economy. Because of the restructuring of Hong Kong economy, the GDP share of manufacturing industry has been shrinking, going down from 18% in 1990 to 7% in 1997. However, the manufacturing industry is still one of the major employers in Hong Kong, employing some 367 000 workers, or 11.4% of the total workforce. Thus a long term and stable industrial policy can have decisive influence over Hong Kong economy as well as workers' livelihood.

The main purpose of the Honourable Kenneth TING's motion is to urge the Government to pay attention to the predicament that confronts Hong Kong's existing industries and to take appropriate measures to help members of the industries to improve the business environment. This, besides enhancing the competitiveness of Hong Kong's manufacturing industry, can help manufacturing workers secure their posts. Steady development of Hong Kong's manufacturing industry can provide local employment markets with more jobs, and relieve the problem of unemployment in Hong Kong.

However, it seems that this point is being neglected by the Democratic Party, which all along clamours for "wage-earners'" interests. The Honourable SIN Chung-kai's amendment deletes from the original motion proposals that are favourable to the operation and development of local manufacturing industry, diverts the target of the original motion from the one urging the Government to assist local manufacturing industry, and inserts the part on innovation investment and training.

The Liberal Party agrees that it is necessary to build in Hong Kong a knowledge-based new economic structure, and progress in the direction of innovation and technology. (If he presents such a motion, we will give our support.) At the same time, however, surely we should not ignore the importance of existing industries. At present the manufacturing industry is being stranded in a predicament and is being buffeted from within and without, with goods orders from outside decreasing and financing at home very difficult on account of high interest rates. Failure to rectify the situation will cast bad effect on the prospect of local manufacturing industry and pose a threat to the livelihood of 360 000 manufacturing workers.

Some people might have the misconception that low-skill workers of local manufacturing industry could have new careers and join the industries of new technology or innovation industries by undergoing vocational re-training. But the truth is that many of the 360 000 manufacturing workers would find it hard to join innovation industries by undergoing vocational re-training, because industries of new technology require mental flexibility and good adaptability, and often have to recruit young workers. It is not easy for old low-skill workers to enter that field. So it is only by continually developing Hong Kong's manufacturing industry and enhancing its competitiveness can the livelihood of manufacturing workers be protected.

One of the Liberal Party proposals asks the Government to reduce various government fees and charges relating to the manufacturing industry. But Mr SIN only asks the Government to freeze them. In fact, earlier on, the Government has already promised to continue to freeze its fees and charges. We, however, consider that to be inadequate because commodity prices and rents have been on the decline following the deflation of past quarters, and yet various government fees and charges, airport charges and container terminal handling charges, which are items directly affecting the costs of manufacturing industry, have not dropped. The Government should face up to the issue and take the lead in reducing fees and charges relating to the manufacturing industry.

Furthermore, with regard to tax concessions, Mr SIN proposes to give tax concessions only to investments in technological researches and in-service training. However, most of the manufacturers now having problems in running their business are not engaged in the research of innovative technology, and it is at present difficult for them to open up this area of work. So only allowing them to have tax concessions for investment in technological researches and in-service training will not resolve the predicament they are in. Insofar as existing industries are concerned, Mr SIN's proposal is not practical.

In addition, the amendment proposes that loans be granted to innovative new enterprises only, and not directly to manufacturers. This is to ignore the importance of existing local industries and their contributions to the local economy. Many manufacturers are facing financing problems. If there is no help from the Government, they might have to close down. The Liberal Party has all along supported the development of innovative industries, but we still

have to protect the existing manufacturing industry. The two are not mutually exclusive.

Originally I did not know why Mr SIN must change the topic of this debate. I come to realize one reason on hearing his speech. He seems to have the notion that those fellow industrialists whom we are helping are persons who have switched over to other businesses after making profits and who are now in need of assistance. He thinks that it is not appropriate to help the people under such circumstances. I can tell you that those whom we are now trying to help are those who have long engaged in industries. They are all along engaged in industries that support the livelihood of many Hong Kong workers. It is, therefore, appropriate for us to help them. We are not encouraging the Government to intervene in all matters. However, we are of the view that the Government should take some actions to help them so as to protect the livelihood of some 300 000 workers. In the United States, the country most admired by the Democratic Party, they also grant loans to some small businesses and industrial enterprises, especially industrial organizations.

I think our recommendations are worthy of your support. So please vote against Mr SIN's amendment.

MR MA FUNG-KWOK (in Cantonese): Madam President, over the past decades, the manufacturing industry has made significant contributions to Hong Kong's economic development. In the 1980s, the Government's economic policy switched over to developing the finance industry and the property market. There came a shortage of labour and land. As a result, labour-intensive industries lost their superiority in competition. It so happened that China was opening up herself then. Consequently, Hong Kong manufacturers relocated their plants to the north one after another. In the Pearl River Delta, some 3 million workers are now in the employ of Hong Kong manufacturers.

Despite this, we should not disparage manufacturing industry's significance in Hong Kong economy because Hong Kong manufacturers have relocated their plants to the north one after another. At present, Hong Kong manufacturers have about 400 000 workers in Hong Kong, most of them being high-paid employees in areas like management, marketing and technology. Furthermore, manufacturing industry also brings in a lot of direct income for

other services industries, such as transportation, finance, and insurance.

After the financial turmoil, members of the public come to realize that a bubble economy built on property market and stocks would not last, and that Hong Kong, in order to be a healthy economic entity, should not rely too much on services industry either, but should undertake diversified developments. I, therefore, support the motion moved by the Honourable Kenneth TING today. The Government should adopt effective measures to enhance the competitiveness of Hong Kong's manufacturing industry, provided that intervention would not be excessive.

If manufacturing industry is absent in Hong Kong, the economic structure will become very frail. However, for the manufacturing industry to survive, it is required to develop into a hi-tech, high-yielding and capital-intensive industry. Hi-tech refers to more sophisticated technological development. It is usually a new discovery that has gone through fundamental researches and is being applied to products. So at this pivotal stage of industrial restructuring, manufacturers have to take corresponding measures of production reform, for instance, developing global communication network and parallel-design projects, otherwise they will fall behind others. It is not practical to expect Hong Kong industries, which mainly embody small and medium sized private enterprises, to invest heavily in highly risky hi-tech researches without government subsidies.

To encourage manufacturers to make investments and to bring in sophisticated industrial machines or equipment, the Government should increase the depreciation allowances in respect of industrial machines or equipment. To encourage manufacturers to adopt original design manufacturing (ODM) so as to put in resources to research and explore ways leading to high quality and hi-tech, the Government may also provide tax concessions. Similarly, for funds spent on researches or exploration there could be tax reduction of up to 150%. To forestall abuses, an annual ceiling could be set. As an alternative, it could be pegged to a company's business volume, with the limit set at, say, not more than 10% above the business volume.

Furthermore, the Government should also put in efforts to perfect the forthcoming start-up-stage market system so that small enterprises and the emerging explorations of industrial technology can raise the funds required. It is, of course, necessary to pay attention to the publicity and education for investors so as to make them understand that stocks of emerging industries are high-yielding and high-risk investments. Moreover, the Government should

encourage financial intermediaries (various investment funds) to set up Venture Capital Funds. These funds can be invested separately in stocks of different types of emerging industries or small enterprises. With risk thus greatly reduced, small investors can also invest in these emerging industries. Finally, with the application of resources in mind, it is more reliable and appropriate to have funds managed by professional investment managers to be invested in technological industries than to let government officers with no investment experience to screen loan applications.

As for granting of direct loans to manufacturers by the Government, I am of the view that first of all, careful and comprehensive study and extensive consultation must be made, a lot of government resources will have to be involved. Hong Kong has long observed the policy of positive non-intervention in the past. Although it is debatable as to whether or not such a policy is still valid today, when there is rapid hi-tech development around the world and competition very keen, it is still beyond doubt that government officials previously adopting the policy of positive non-intervention generally do not have "experience in making intervention". If they are to screen direct-loan applications submitted by manufacturers for their investment items, then there will ultimately be a lot of bad debts, and, consequently, a meaningless drain of government funds. Yet manufacturers who have genuine needs and who are potentially in a position to make repayment may be denied loans.

Besides, the Government must bear in mind that there must be corresponding economic justification behind every policy of economic intervention. Intervention should not be made blindly. For instance, in the case of the Government's participation in the development of the Cyberport, there are justifications in the background, namely, the positive spillover effect on other trades consequent upon the extensive application of the development of information technology to other services industries, and the same spillover effect from investment in researches and development on fellow producers. So the Government is justified to consider using tax concessions to encourage enterprises to invest in researches and development. As for manufacturing industries such as labour-intensive ones and low-skill ones, they are probably no longer suitable for Hong Kong's relative superiority. It is just a waste of resources to lend money to those industries. The society as a whole is not going to benefit from it.

Turning now to fees and charges levied by the Government and public

utilities. The most important method is still to bring in competition for public utilities so as to push down their fees and charges. However, most of the public utilities, such as electricity supply and airport services, are oligopolies by nature. So for the short term, it is an acceptable way out to co-ordinate with various public or private organizations in order to reduce as much as possible the various fees and charges payable for public utilities.

Finally, I agree with the recommendations set out in the original motion of Mr Kenneth TING as well as in the amendment of the Honourable SIN Chung-kai, namely, "to discuss with the Central Government the extension of the right of Hong Kong manufacturers to sell their products in the Mainland" and "to set up a support centre to assist businessmen in resolving taxation and legal problems they encounter while doing business in the Mainland". However, these recommendations should be made under the premise of not affecting the economic and legal systems of the Mainland. Following the recovery of sovereignty, the complementary relationship between China and Hong Kong in the area of economic development has been growing in importance all the time. These recommendations can promote economic co-operation between the two places and are favourable to long term development.

Madam President, with these remarks, I support the original motion of Mr Kenneth TING as well as Mr SIN Chung-kai's amendment.

MR NG LEUNG-SING (in Cantonese): Madam President, following the financial turmoil, the currencies of several South-east Asian countries have experienced sharp depreciations, which, relatively speaking, did have an enhancement effect on the competitiveness of their manufacturing industries. In Hong Kong, however, the case is different. It successfully defended the linked exchange rate system amid the financial turmoil, thus maintaining the stability of its currency, a major cornerstone of Hong Kong economy. As a matter of fact, when compared with Hong Kong, these countries already had the edge on Hong Kong with regard to production costs of the manufacturing industry even before the financial turmoil. In comparison with those countries, Hong Kong's land cost, labour cost, and other operating costs have always been higher. If Hong Kong's manufacturing industry continues to compare costs with other South-east Asian countries, it probably has to remain in an inferior position for some time. Whether it is advisable for Hong Kong's manufacturing industry to keep on making comparison with those of South-east

Asia in respect of the same grade of production is the pivotal question. Apart from some of the conventional manufacturing industries, should we look for new development outlets, for example, gradually developing innovative and high value-added products?

When seen from this angle, making reasonable adjustments to government fees and charges, charges of public utilities, airport charges and pier charges is not a fundamental solution to the problem even though it can help to ease the pressure from costs that the manufacturing industry is shouldering. Given the fact that labour cost and land cost are important ingredients of the cost factor, the production costs of local manufacturing industry are still not in a position to compete with neighbouring places. So, to enhance the competitiveness of local manufacturing industry, it is not only necessary to get the Government's utmost co-operation with regard to various operational charges, but also requires concerted efforts between the Government and members of the industry in the area of innovation and added value in order to develop new products and open up new markets. Only by so doing can local manufacturing industry have more chances for survival, and the labour factor and production structure be adjusted rationally.

In June the Government decided to shelve the revision of fees and charges scheduled for October until there is positive growth in the GDP. In fact many government fees and charges have had no revision for 18 months, with some frozen for as long as five years. There are bound to be some pressure and impact on public finance. We cannot expect those fees and charges to remain unrevised until they are at par with those of nearby places. The fees and charges of public utilities, airport and piers have got to be set by the public or private organizations concerned on the basis of business principles. Like other trades, they are also doing business in the environment of the market. Surely, with regard to transport by air or by sea, the mechanism of market competition is not quite perfect in certain aspects. Under such circumstances, the Government should take the initiative to co-ordinate all parties so as to make the relevant fees and charges more reasonable. The question as to whether or not it is advisable to bring in competition for all things to make the market mechanism perfect is a matter of strategy for cautious long-term handling of various trades. However, a fire nearby cannot be put out by distant waters. It cannot contribute much to the enhancement of competitiveness of local manufacturing industry in the short term. However, one thing is worth mentioning. With regard to the question as to whether or not the Government should directly play

the role of a lender to help the enterprises or the manufacturing industry, it is important for the Government to maintain its role in formulating and enforcing policies and abstain from going directly into the lending business.

Regarding the issue on striving for extension of the right to sell goods in the Mainland, a matter relating to opening up markets for local manufacturing industries, especially conventional ones, I am of the view that there should be further exploration and discussions. At the same time, given the fact that Hong Kong and the Mainland are benefiting each other, the Government should liaise closely with the relevant departments in the Mainland so as to strive for concessions more generously than those enjoyed by other foreign businessmen in connection with the opening up of markets in the Mainland. This, as an important mission in the Government's policy on business and industry, deserves promotion. The economic and trading ties between the two places are becoming closer following the recovery of sovereignty. Furthermore, efforts made by the country to join the World Trade Organization offers a good opportunity. It is believed that greater progress could be made than that in the past if the Government of the Special Administrative Region would help Hong Kong manufacturers to open up the massive mainland market and would strive for more co-operation with the manufacturing industry and the Mainland so that all parties can bring into full play what they are good at in respect of matters like raw materials, technology, financing, production, management and marketing and supplement each other.

Madam President, I so submit.

MISS CYD HO (in Cantonese): Madam president, in fact we support restructuring the economic structure of Hong Kong. We will support the incentives offered by the Government as long as they do not violate the free market economy principles.

With regard to the comments made by Mr Kenneth TING, mover of the original motion, and those by Mr James TIEN, I would like to clarify several points. Firstly, it is the question as to whether or not there is any relationship between Hong Kong's manufacturing industry and innovative technology. When we first started our term of office, Mr James TIEN took me and Miss Emily LAU to TAL for a visit. TAL is a very big garment manufacturer in Hong Kong. They concluded an agreement with a department store in the

United States, whereby information of production lines and that of marketing network are closely linked up with each other using information technology. Prof TIEN Chang-lin mentioned such a method of marketing and promotion in the first report of the Commission on Innovation and Technology. So there is not no link between innovative technology and manufacturing industry. They can be linked up with each other. Therefore, I am of the view that the amendment of Mr SIN Chung-kai and the original motion can co-exist. Voting for the original motion does not necessitate opposition to Mr SIN Chung-kai's amendment.

Secondly, the original motion asks the Government to do four things. Granting that the Government has the four things done, does it mean that Hong Kong's factories will stay here to manufacture goods ordered so as to provide local workers with job opportunities? Why do I raise such a query? The reason is that I just heard Mr James TIEN talk about the right to sell products in the Mainland. If Hong Kong manufacturers want to have the right to sell products in the Mainland, they have to set up factories in the Mainland, selling in the Mainland 30% of their products and exporting the remaining 70%. If we talk about the right to sell products in the Mainland, the factories will have to be set up in the Mainland, not in Hong Kong. Would colleagues from the Liberal Party enlighten us with some explanation later. Perhaps we do not have enough information on this.

Thirdly, it is on the rental issue. I am of the view that when talking about rent, we should not just mention the rent of factories engaged in production. We ought to take into consideration the rents paid by workers for their homes. At present, our workers have not reached a stage of affluence rendering each of them able to afford a big house measuring 1 000 sq ft, a 29 television set, or even a car. With their income, our workers can hardly make both ends meet. It is necessary to enable the workers to live on before we can think of lowering their wages. At present, our workers are not so affluent that each of them can afford to have two vacations annually. They have not reached such a standard of living. If we still hold that it is necessary to lower workers' wages in order to improve competitiveness, claiming that high wages are affecting operating costs and taking up huge shares of the costs when compared with rent for factory premises, then I am not going to accept such reasoning. At present, for a unit in a public housing estate, the monthly rent at least costs \$1,200 - \$1,300. How much can be left after the payment of rent for a worker earning some \$5,000 a month and supporting a family of four? I hope that the

business and industrial sectors in Hong Kong can be fairer. Before giving an answer to the question as to whether or not the workers' wages are too high, they should take into account the overall living expenses in Hong Kong and do not just consider the rent of factory premises.

Madam President, we are mainly calling into question these few points. It is hoped that colleagues from the Liberal Party can enlighten us when they deliver their speeches later. Basically we support Mr SIN Chung-kai's amendment. We will make a decision on whether or not to support the original motion after hearing the explanation of colleagues from the Liberal Party. Thank you, Madam President.

MRS SOPHIE LEUNG (in Cantonese): Madam president, I am gratified to learn that after a long debate lasting two days there are still so many people so keenly interested in the industry. I think Miss Emily LAU probably still remembers that we came across at the Public Accounts Committee some records indicating that in 1991 Mr Kingsley SIT already questioned why Hong Kong's industries had to relocate to the north. He cited one reason, namely, high land costs and rental costs. The gradual increase of inequitable industrial policies was the second reason. Mr SIT was a surveyor among all the Members then, but even he was not engaged in industry. Today I heard quite a few colleagues highly praising industry, and discussing industrial problems in some detail. But how many people do understand the miserable situation of the industry? So I also want to speak on it. Please bear in mind that Hong Kong's industries always begin as small ones. Hong Kong has the so-called "cottage factories". What are "cottage factories"? They were all run by those who started out as workers. On gaining some experience or confidence in their skills, they collaborated with a few partners or fellow workers to set up their own factories. I believe that quite a few colleagues have had contacts such constituents. What have they done wrong? For more than 10 years they have weathered those inequitable industrial policies mentioned by Mr Kingsley SIT, and the recent financial turmoil. Even nowadays they are often branded as "unscrupulous employers". Why must they suffer all the wrongs? Why are they still so worried today? The reason is that for some 10 years the Government's policies have never taken account of the situation of Hong Kong's industries.

Madam President, ever since I first joined the Legislative Council, it has come to my notice that I can develop a skill which every person can develop too,

that is, to listen and to read at the same time. I have the feeling that it is possible to do two things with one mind. Today I have just read an article on Hong Kong in the June issue of *Fortune*. Excuse me for using both Chinese and English. The article is entitled: "Can Hong Kong Stay Great?" It makes mention of Milton FRIEDMAN, a world figure who pulled the strings of world economy between the 1980s and 1990s. According to the article, "Milton Friedman once famously remarked that if you want to see how capitalism works, go to Hong Kong." From 1960s right up to the recent days, Hong Kong has been so eulogized by many. Our industries were very prosperous between the 1960s and the 1980s. Then we brought in the so-called "services industry". The article states further that "From 1960s onward, it has ruthlessly shed the businesses of the past for those of the future. Today 85% of Hong Kong economy is in services, the highest share on earth." So please note one point, namely, it was we who expelled the industries. Every person played a part in having the industries expelled. So long as a person has made mention of the term "unscrupulous employers", that person has played a part in expelling the industries away from Hong Kong.

Furthermore, if we in Hong Kong do not start to do some work to safeguard some industries, what other new sources of income do we have? For a long time we have been "fishing in each other's waters". The property market is also a case of "fishing in each other's waters." According to what an honourable colleague just said, it seems that any investment in connection with the property market is wrong. Do we have to see how many pieces of brick a Member of this Council has when he is required to declare his interests? Everybody has a house or flat. Is such an investment wrong? What is the percentage of such investments in your overall personal assets? Are such investments wrong? Everybody in Hong Kong thinks that every person should have a house or flat for dwelling. We encourage them to have their own homes. Is this wrong?

Now turning to the topic of earning foreign exchange, over the years Hong Kong has been regarded as a miracle-making place. However, our sole sources of wealth are, first, foreign investments, second, our tourist industry, and, third, industries, that is, the industries discarded by us. Our textile industry and garment industry can be considered the sunset industries. With them turning into sunset industries, where else can we earn foreign exchange? Similarly, our watch-making industry is facing many uncertainties as well as predicament unknown to outsiders. It is said that the footwear industry wants

to come back to Hong Kong. But is Hong Kong in a position to take them back so that they can earn foreign exchange for us? These, in my opinion, ought to be further considered by us in detail.

Today I have heard quite a few Members speak on the industries in this Chamber as well as in the Ante-Chamber. One of them deserves commendation. He is Mr LAU Chin-shek. Though a representative of the workers, he was able to point out the predicament in which the industries are caught. We should learn from him. Please do not stand up and speak on the industries by relying on the few speeches drafted by your assistants.

Thank you, Madam President.

MRS SELINA CHOW (in Cantonese): Madam President, first of all, I have to point out that, in my opinion, it is an affront to both the Liberal Party and this Council for Mr Bernard CHAN to abstain from attending this meeting and yet expressed some strong views on Liberal Party through another colleague. I think Mr Bernard CHAN is trying to link this debate with the motion debate brought up by him last time. With regard to the questions as to whether the two should be so linked together and whether his argument is somewhat misleading, my colleague, Mr Ronald ARCELLI, will reply specifically later. I think we must be clear about the Liberal Party's position regarding the industrial and business sectors, and the industrial and business sectors' views regarding the extent of government involvement or methods to be used to help the development of business and industries. This is an important topic. In the past we often said that the Government cited positive non-intervention as an excuse. The Government probably will not say that again. But the question remains: Under what circumstances should the Government play a role? How should it make the judgement and under what circumstances should assistance be offered? These are what all Members, especially those representing the business and industrial sectors, ought to be clear about. So everybody says that the Liberal Party understands these issues better.

Today's motion debate is aimed at the entire manufacturing industry, not just part of it, as Mr SIN Chung-kai did. Though I also strongly support innovative technology, intellectual property and high value-added industry, today's motion debate is not on those matters. Today's motion debate is about the manufacturing industry: The development of Hong Kong's manufacturing

industry over the last few decades; how Hong Kong progressed to its present position by relying on the manufacturing industry; the global competition and new development in the Mainland now confronting the manufacturing industry and the positive role that should be expected of the Government. These constitute the core of today's motion debate. Mr SIN Chung-kai has proposed an amendment, changing the meaning of the whole motion. What has it become? Sorry, I have to say that he did so in order to manifest accountability to his functional constituency. This is not altogether inexcusable. We also understand the importance of innovative technology. But that is not the theme of our discussion today. Therefore, we certainly will not support Mr SIN Chung-kai's amendment. If he wants to present his views, he may move another motion on this subject.

First, I want to reply to Miss Cyd HO's questions, who said that workers getting pay cuts were pitiable. Coming to pay cuts, who will go for it? Employers also do not like that. What employers want most are higher bonus payments and pay increases as that can imply only one thing, namely, companies are making profits to the pleasure of everybody. This is the best. Who would want to face pay cuts? However, the question is about Hong Kong's overall competitiveness. We have to face the fact that in comparison with countries which also have manufacturing industries, especially those in Asia or Southeast Asia, Hong Kong's wages are high. Indeed we can agree to Miss Cyd HO's views, because from her angle, nobody will say that it is good to have pay cuts. Workers surely will say that their wages are not high. Furthermore, given the fact that the wage level has always been like that, they certainly will say no if they were asked to have their wages reduced a little. But the problem is that we have to face the reality that the rents and other costs in Hong Kong are high by international standards, and so are wages. This is an irrefutable fact.

Moreover, I also want to make one more point. In my understanding, the speech just delivered by Mr James TO was endorsed by Mr Bernard CHAN. I must respond to some words used therein. He alleged that the Liberal Party had abandoned or cast aside (he used the word "ditch", a very strong word) the financial services industry. I think that is too strong and even smacks of an attempt to incite resentment and sow discord. The reason is that we definitely will not and cannot cast aside our financial services industry, a new business the development of which is very important to Hong Kong. On the one hand, given the fact that ours is a party that places much emphasis on the economic aspects, it is just impossible for us to do that. On the other hand, to do so is very stupid. The truth is that it is not so. Many of our colleagues have done much work and put in a lot of efforts in these aspects. I consider such

comments to be most unfair to us.

Having said that, Madam President, I just want to offer my support to Mr Kenneth TING's original motion and present a strong case justifying objection to Mr SIN Chung-kai's amendment.

MR RONALD ARCELLI: Madam President, I had not actually intended to speak on this debate, but when I saw the text of a speech drafted by the Honourable Bernard CHAN, I thought that there must be a very serious misunderstanding on his part. Yes, I did in fact say what he quoted me as saying during the debate on his motion on 16 June. But I will read his motion for the record and it is as follows, "That, in view of the Government's continuing effort to open and liberalize the financial market, this Council urges the Government to ensure a level playing field for all local and overseas market participants; apart from being a market regulator, the Government should act as an active facilitator by designating specific officials to help sustain local financial development and promote Hong Kong's financial services throughout the world."

I have no quarrel with the Government promoting Hong Kong's financial services throughout the world. However, I do have problems with the Government being asked to designate specific officials to help sustain local financial development as an active facilitator, and I do have a little problem again with an indication that in Hong Kong, we do not have a level playing field for local and overseas market participants in Hong Kong. And that is why I said what I have said at that debate and I think I am right.

In his speech on 16 June, Mr Bernard CHAN quoted 158 financial companies as supporting his motion, and I remember very clearly that Dr the Honourable David LI, who represents the banking sector, criticized our Honourable friend, Mr CHAN, fairly severely. Now, if Mr CHAN professes to represent sectors outside of the insurance industry, it was equally surprising that the Honourable FUNG Chi-kin amended his motion, which Mr CHAN asked every one of us to vote against. Be that as it may, the Liberal Party does not, and I repeat, does not, did not and never will have double standards in terms of the private sector, the role of the private sector, the Government, the public sector and their role. As far as we are concerned, we believe, and have always believed, in market economy, we are one of the freest markets in the world. In fact, if Hong Kong was so unattractive, I wonder why the Bank of International Settlement chose to open an office in Hong Kong

PRESIDENT (in Cantonese): Mr ARCUILLI, excuse me for interrupting. Please speak on today's motion. Do not speak too much on a previous question or those in the past. I suggest that you respond to Mr James TO's speech. Mr ARCUILLI, please continue.

MR RONALD ARCUILLI: Madam President, I know the rules and I am only saying what I am saying, simply because at least half, if not, a greater portion of the speech by the Honourable James TO drafted by Mr Bernard CHAN actually referred to his own debate and the history of this debate. But what I am really saying is this. If you look at Mr Bernard CHAN's motion and the Honourable Kenneth TING's motion today, you can see the difference.

I think as far as that is concerned, that is self-evident. But if it were not, the words that I quoted from Mr Bernard CHAN's motion should clearly differentiate his from Mr TING's motion. The latter simply and understandably says that as far as the Government is concerned, there are various things that the Government can do, but there is not a single word in Mr Kenneth TING's motion today asking for the Secretary for Trade and Industry to designate officials to help and to be an active facilitator in terms of promoting the manufacturing industry of Hong Kong. We all know that as far as manufacturing is concerned, in terms of both the local industry as well as the government policy, with the relocation of a lot of what we call not high value-added manufacturing plants and businesses onto the Mainland, and as a result, we have in fact remaining in Hong Kong the more high value-added businesses. That is very simple. Mathematics and economics dictate that. Where we have a very intelligent workforce that demands and can command high wages, business dictates that we have to go to the higher end of the business. And that is why apart from anything else, we are now moving into the high-tech area and all sorts of different areas.

Of course, the service industry is again part of high value-addedness. But I think as far as Hong Kong is concerned, we do need to sustain a workforce of some 300 000 to 350 000 people in the manufacturing sector. I

think the Government can do something to make life easier for our manufacturers and so forth. We have had debates before in this Chamber about tax incentives and we know the Government's attitude regarding that, but I think times have in fact changed and we are stuck with a fairly high-cost base. The entire thrust of Mr Kenneth TING's motion today is that the Government ought to really re-examine some of the issues, if not all of the issues, and that is set out in his motion.

Madam President, I am grateful for the latitude you gave me in my comments on the Honourable James TO's speech, and I urge all Members to support Mr Kenneth TING's motion and not to support the amendment.

MR HOWARD YOUNG (in Cantonese): Madam President, today's meeting has lasted very long. It is surprising that there are so many colleagues keenly interested in industrial development. It is especially so in the case of those in the trade.

I want to respond to a few points briefly. Some Members referred to the speeches delivered by other Members of the Liberal Party. Among these is the issue on domestic sale mentioned by our party chairman. Yesterday, when I was speaking in a radio programme, I also talked about the question of domestic sale. In his speech, Mr TIEN first stated that the domestic-sale area denotes the market in Hong Kong. He said that Hong Kong is just a city with a population of 6 million, that, given the small size of the market, it is difficult for products manufactured in Hong Kong to have further development in a locally-based market, and that to survive, it is absolutely necessary to open up markets outside Hong Kong. Surely, domestic sale also involves the issue concerning the percentage of products to be put on the domestic market by factories set up in the Mainland. In the days preceding the reunification, many manufacturers who had factories in the Mainland frequently asked if it was possible to open up markets in the Mainland as it was not possible for those factories operating in the Pearl River Delta to have all products exported. I know that since the reunification, with the practice of "one country, two systems", many trades including the manufacturing industry and the tourist industry have been actively considering ways to bring benefits to both sides under the principle of "one country, two systems". Though someone remarks that "it is not possible to

have the best of both worlds", businessmen will still try to secure the most favourable position. Pointing out that the designs and procurement of raw materials are usually done in Hong Kong, irrespective of whether their factories are set up in Hong Kong or in the Mainland, manufacturers often wonder if it is possible for them not to be regarded as foreign investors so that they can open up markets in the Mainland. The situation also applies to travel agencies. In the days preceding the reunification, foreign travel agencies were not allowed to operate in the Mainland. Can Hong Kong travel agencies now set up branches in the Mainland? As for domestic sale, many businessmen in fact do want to further open up their own markets under the principle of "one country, two systems". It has been particularly so after the reunification. So local enterprises or businessmen are likely to benefit from our proposals.

Turning now to the question of wages. The Liberal Party certainly is very much concerned about workers' wages because an enterprise just cannot go into service or production if no worker is prepared to work for it. With regard to the issue on wages, we have to understand that Hong Kong's manufacturing industry in fact has to compete with the rest of the world. I have just stated that it is not possible to rely totally on the domestic market. Regarding wage levels, if those in other parts of the world were higher than those of Hong Kong, I believe we would have a very strong competitive edge and there would be much room to enhance our competitiveness. The fact, however, is that we are facing competition from Southeast Asian countries. According to a report that I read today, movements of wrist watches are being sold in Burma for US\$0.01 a piece. Many people, therefore, want to use those places as production bases. As a matter of fact, the production costs in many places are lower than ours. When a comparison is made, it is hard for Hong Kong to compete on account of high wages. Just as rightly pointed out by Miss Cyd HO, inflation has been high over the last decade. How are the workers to maintain their livelihood under high inflation? Please bear in mind that, from the economics perspective, labour shortage is a prime factor leading to inflation. Of course, capital shortage or a tight money market can also lead to inflation. However, labour shortage is being universally considered to be one of the prime factors easily causing inflation.

Finally I would like to talk about the amendment. We are not holding that Mr SIN Chung-kai's amendment is totally wrong. Our view is that if the

motion only talks about innovation and technology, we in the Liberal Party can support many of his suggestions. However, today's question is principally on the industries, the manufacturing industry. Is it true that innovation and technology have nothing to do with the industries? The answer is certainly in the negative. If, however, all relevant matters are lumped together, then the theme might become confused. Two weeks ago, we had a debate on the aviation policy. Aviation is connected with many matters, such as the tourist industry, hotels, and mechanical engineering. Why do we not have a debate on all of them at one go? The reason is that to do so will cause confusion to the theme. For this as well as for other reasons, Members of the Liberal Party are not prepared to support the amendment today. However, if Mr SIN presents another motion on innovation and technology in the future, we are prepared to look into the matter with him so as to promote the development of Hong Kong.

Madam President, I so submit.

PRESIDENT (in Cantonese): Mr Kenneth TING, you may speak on Mr SIN Chung-kai's amendment. You have five minutes.

MR KENNETH TING (in Cantonese): Thank you, Madam President. I am happy that many colleagues are also interested in this issue as it means that this Council is also interested in the industries.

I would like to reply to Miss Cyd HO's questions first. In fact I fully support Mr SIN Chung-kai's suggestions on innovation and technology and high added value. If he incorporates his suggestions into my motion, I believe they are going to be of assistance to industries. However, the problem is that Mr SIN's amendment only urges the Government to help manufacturers who are "innovative, able to invest in scientific researches and using innovative technology". All the measures that can lower the production costs of existing manufacturers are deleted. This is not practical under the present circumstances. Therefore, we should not support his amendment.

On the other hand, I wish to point out that Mr SIN believes that current container terminal handling charges (THC) can be lowered automatically by

introducing competition. Such a proposal indicates that Mr SIN probably is not too familiar with the operation of import and export trades or that he has not attended the panel meeting. The reason is that during the panel meeting it was clearly explained that all THC problems originated from the "price difference" imposed by foreign shipping companies on the pretext of collecting charges from Hong Kong manufacturers on behalf of container terminals. It is not just a matter of pricing.

At present, Hong Kong manufacturers are being forced to pay the world's highest THC mainly because the various major shipping companies have formed an alliance and reach mutual agreements with container terminals, thus jointly monopolizing the service and imposing standard charges. Given the fact that 80% of the local manufacturers often have to consign their goods to shipping companies specified by overseas customers, they have no freedom to choose shipping companies or terminals. We cannot but look forward to the Government's intervention in order that the Government can negotiate with those shipping companies on behalf of the manufacturers, people with no bargaining power, so as to strive for reasonable charges. So it is not possible for Hong Kong to implement suggestions similar to those made by Mr SIN, that is, to bring charges to a reasonable level just by introducing competition.

Madam President, I must stress that most of the manufacturers for whom we are today urging the Government of the Hong Kong Special Administrative Region (SAR) to offer assistance did not lose their competitiveness on account of poor operations. They are hit by the aftermath of the financial turmoil. The SAR Government should, therefore, take extraordinary measures at a time when things are extraordinary so as to reduce the manufacturers' costs and enhance the competitiveness of the manufacturing industry. We are not trying to get free lunches. We just want to enhance our competitiveness. Proposals contained in the amendment of Mr SIN just cannot help the manufacturers to overcome the perils or problems at a time of hardship. In view of this, the Liberal Party and the Federation of Hong Kong Industries oppose Mr SIN's amendment. I call upon Members to support my motion.

Thank you, Madam President.

SECRETARY FOR TRADE AND INDUSTRY (in Cantonese): Madam President, please pardon me for reading out my prepared speech very quickly.

I did not know that this debate would continue into today. I have a lunch appointment, and somebody is right now waiting for me.

I am very grateful to Mr Kenneth TING for moving this motion today and to Mr SIN Chung-kai for his amendment. I must say that the Members who spoke a moment ago all put forward many valuable opinions about how we can possibly increase the competitiveness of our manufacturing industries. Let me take this opportunity to give some feedback to Members' views on the motion, and to explain the policy of the Government in this respect.

First, many Members alerted us to the loss of orders experienced by our manufacturing industries. The Government is also very much concerned about this phenomenon. Undeniably, our manufacturing industries are now facing very keen competition from our neighbours. The export value of our products is also decreasing, though there have been some signs recently that the speed of decrease is slowing down; and, if our re-export trade is also put into the calculation, the drop in our overall export value has indeed slowed down very considerably over the first four months of this year.

The reasons for the continuation of our decreasing export value since 1998 are many. One reason is the shrinking demand in the region and other markets as a result of the Asian financial turmoil. Another reason is the increase in off-shore trade. When we look at this matter, we must note two factors at the macro level. First, because Hong Kong is an outwardly-oriented economy, our export performance is influenced to a large extent by external economic factors. Second, Hong Kong is now undergoing a period of economic restructuring, moving towards a knowledge-based economy. During this period of restructuring, it is inevitable that we will face some difficulties and challenges.

Given the current economic circumstances, we are well aware of the importance of maintaining and enhancing the competitiveness of our manufacturing industries. As a matter of fact, the Government has been doing its very best in various policy areas to maintain an excellent business environment in Hong Kong. For example, the Government has always upheld the objective of maintaining a low tax regime. For this reason, the principles of "user pays" and "full cost recovery" are applied in the determination of government fees and charges. These principles can ensure that the costs of the services provided are paid by the users themselves, not taxpayers in general. In view of the downturn of our economy, the Government froze most of its fees

and charges in February 1998. And, on 11 June this year, following a review of the financial position of the Government, the Financial Secretary announced that the adjustments of government fees and charges would be deferred until the economy recovers. So, I must point out that most government fees and charges have not seen any adjustment for 18 months already; and, for charges on water supplies and sewage disposal, there has been no adjustment for even five years. Since the fees and charges for most government services are now unable to cover the costs involved, taxpayers have to subsidize the users of these services. If we keep on lowering industry- and commerce-related charges, or if we keep on deferring the adjustment of government fees and charges, taxpayers will have to subsidize the users concerned more and more. This is not fair, and also runs against our long-standing policy of maintaining a low tax regime.

Members also expressed concern over public utilities charges. On 1 January this year, the Hong Kong and China Gas Company Limited voluntarily froze the gas charge and the monthly maintenance charge at their levels of last year. The two power companies have also responded to the appeal of the Secretary for Economic Services and frozen their electricity charges this year. And, since 1 May, the China Light and Power Company has put in place a new measure which offers concessions to non-domestic customers with high electricity consumption. Besides, in the 1997-98 intermediate review on the scheme of control agreements, the Government also reached an agreement with the two power companies, under which the formulas for calculating some rates of returns and depreciation periods are revised. In the long run, this will reduce the costs of electricity supplies and the pressure of charge increases.

For public transport charges, the major public transport operators in Hong Kong have also offered their help by freezing their fares in 1998 and the first half of 1999. Some individual public transport operators have even said that they will continue to freeze their fares this year.

As for container terminal handling charges, the liner conferences have agreed to freeze handling charges this year, and also promised that transparency will be enhanced in future revisions of charges, and consultation conducted among consignors. We are also taking active steps to assist the container terminals to lower their costs and increase market competition and transparency, so as to reduce the transportation costs of manufacturers in Hong Kong and the Pearl River Delta. As for airport charges, the Secretary for Economic Services already explained the position of the Government during the motion debate on

"enhancing the status of Hong Kong as an aviation centre" held on 23 June. In order to keep airport charges at reasonable levels, the Airport Authority is currently implementing a series of measures to cut expenditure, so as to improve the cost-effectiveness of its operations.

Members also talked about tax concessions. The Government has always maintained the principle of keeping wealth in the pockets of the people. Our low tax rates and simple tax regime are in fact the best means to ensure that our industries and businesses can always have the maximum amounts of capitals needed for business investments. Besides, many other countries impose customs duties on imported goods including industrial raw materials; this has increased the costs of manufacturing in these countries. But we do not levy any customs duties. And, in order to make our tax regime and business environment more competitive, we carried out a comprehensive review on our profits tax regime in 1988-99, and a number of measures have since been put in place:

- (1) The rate of corporate profits tax has been reduced from 16.5% to 16%.
- (2) All expenditure spent by enterprises on their purchase of industrial installations and machinery has been made 100% tax deductible, if such installations and machinery are used by the enterprises themselves for production-related purposes. This measure can encourage manufacturing industries to purchase machinery for the purpose of enhancing their efficiency and productivity.
- (3) The range of tax deductible scientific research has been expanded to cover market research, feasibility studies and other research work related to industries, commerce and management science.
- (4) A memorandum of understanding has been signed between the Mainland and Hong Kong on the avoidance of double taxation, so as to enhance the competitiveness of Hong Kong manufacturers in the Mainland.

These measures can all benefit the manufacturing industries, and with the

added effects of tax rebate and rates reduction this year, I believe that the various trades and industries in Hong Kong can be greatly relieved as a result. Moreover, in order to encourage manpower training, we have, starting from 1998, raised the tax deductible rate for personal training by 50%, thus increasing the relevant allowance from \$20,000 to \$30,000 a year.

Many Members are also concerned about the issue of loans for enterprises. In August last year, the Government introduced a \$2.5 billion loan scheme called the Special Finance Scheme for Small and Medium Enterprises (SMEs) with a view to assisting SMEs in coping with their problem of tight liquidity. Some 2 600 applications have been approved since the commencement of the scheme, providing credit guarantee to some 2 200 enterprises. Of all the successful applicants, 59% are engaged in manufacturing industries, and they account for a total loan amount of some \$1.34 billion. These figures can show that the scheme is helpful to Hong Kong manufacturers in securing finance.

As for the proposal that the Government should extend loans to enterprises directly, such an idea was in fact studied in detail by the Government during the review of the Special Finance Scheme for SMEs early this year, but it was not taken on board by the Government which did not have any relevant personnel, experience or mechanism to vet individual applications and to determine appropriate interest rates. Besides, Madam President, there is also a question of basic principles, one which involves whether or not the Government should make use of public money to extend loans to private enterprises at favourable interest rates. This involves a question of basic principles, and I do not intend to deal with it here. But I must state here that the position of the Government on this issue is very clear.

Besides, some Members also think that loans should be extended for the purpose of financing new enterprises based on innovative ideas. Actually, with a view to promoting the starting up of new enterprises based on technological innovations, and in order to encourage people with both the technological expertise and a business mind to develop technology-based businesses, we will introduce a scheme under the Innovation and Technology Fund which is due to commence operation shortly. This new scheme aims to provide financial assistance to small technological enterprises, so that they can start their business research projects even before they have any investment capitals. Such an assistance is given in the form of matching grant, however, if the business venture in question proves to be commercially fruitful later on, the amounts of

financial assistance will be recovered in stages. And, under some special circumstances, we will also consider the possibility of extending loans.

Members are also concerned about the business environment for Hong Kong businessmen in the Mainland. We can well appreciate this concern. With the economic reforms of the Mainland, and as the Mainland opens up itself increasingly to foreign trade, Hong Kong businessmen have made more and more investments in the Mainland, and their business dealings with the Mainland have also increased. In view of this, the Beijing Office of the Special Administrative Region Government, the Trade Department and the Hong Kong Trade Development Council (TDC) have all tried to maintain regular contacts with the relevant mainland authorities; their aim is to keep themselves abreast of the latest developments in the laws, regulations and administrative measures relating to economic matters and trade in the Mainland, so that they can disseminate the relevant information to Hong Kong businessmen in good time. In addition, the 10 mainland offices operated by the TDC can also assist Hong Kong businessmen in solving their problems by providing them with the information, liaison and referral services required.

When necessary, the Trade Department and the TDC will also arrange meetings between Hong Kong businessmen and the relevant mainland officials, so that they can discuss matters relating to laws and taxation and other problems. On those significant questions of common concern to Hong Kong businessmen generally, we will also reflect their views to the relevant mainland government departments through our contacts with them. For example, last year, when the Mainland introduced a series of measures to combat smuggling, the Director of Trade immediately went to Beijing, where he visited the relevant authorities and reflected the concerns of Hong Kong businessmen over the implementation and impacts of these measures. Recently, we are pleased to note that when the relevant mainland government departments implement the new measures relating to the processing trade, they are very receptive to the views reflected by Hong Kong businessmen.

We hope that through the above-mentioned channels, we can continue to secure improvements to the business environment for Hong Kong businessmen in the Mainland. We are also aware that with the economic and trade relations between Hong Kong and the Mainland getting closer and closer, we will need to maintain even closer contacts with the relevant departments of the Central Government. We are currently still negotiating with the Central Government

on the specific forms and arrangements for such contacts, and we hope that we can make an announcement at an appropriate time later.

There is also the request to extend the rights of Hong Kong businessmen to sell their products in the Mainland and to extend the tax concessions enjoyed by them. On this, I must point out that since the reunification, both the Mainland and the SAR have adhered strictly to the principle of "one country, two systems". Under Article 116 of the Basic Law, the SAR will maintain its status as a separate customs jurisdiction. For this reason, while those Hong Kong people who invest in the Mainland and set up their production lines there are also given the same privileges enjoyed by other foreign investors, they must at the same time meet all the relevant obligations as other foreign investors do, and they must also obey the relevant laws of the Mainland.

Madam President, I must point out here that such a request actually involves a very important principle, a very important problem, because if Hong Kong is to maintain its independent membership in the World Trade Organization (WTO), it is essential that we must maintain the status of Hong Kong as a separate customs jurisdiction. This is not just a question of maintaining our membership in WTO; this also involves the fact that an increasingly blurred customs boundary between Hong Kong and the Mainland will inevitably lead to many problems. One latest example is the Cox Report of the United States, in which a doubt is raised as to whether or not Hong Kong can in fact comply with the internationally agreed arrangement on the control of strategic commodities, that is, the arrangement of preventing strategic commodities including high-tech computers from entering China. A blurred customs boundary between Hong Kong and the Mainland will seriously affect how foreign governments and their representative assemblies look at us on this matter.

Members may also be aware that the Mainland is currently negotiating with its trade partners on its accession to the WTO, and as a result of its eventual accession, the Mainland may have to open up some of its industries and markets to encourage foreign investments. Like other members of the WTO, the SAR will of course benefit from the new opportunities arising from the liberalization of the mainland market. But I am sure that we will have a far stronger competitive edge as we try to capitalize on China's accession to the WTO, because we are a window of the Mainland on foreign trade and economic activities, and we are far more familiar with the business environment there.

The inter-departmental study group led by the Financial Secretary is currently conducting a special study on the new opportunities which may arise from China's accession to the WTO and its resultant policies on market liberalization. Opportunities for the retail and wholesale businesses are one of the topics covered in the studies of the inter-departmental group. We hope that with the assistance of the study group, the commercial sector of Hong Kong, especially SMEs, can make a start ahead of others in making plans to develop the mainland market.

Madam President, in the long run, the competitiveness of Hong Kong manufacturing industries will have to depend on their own initiatives to create a relative competitive edge for themselves, and on their positive efforts to develop their own business opportunities. With the advent of the 21st century, we are about to enter a knowledge-based era in which innovation and technologies will provide the impetus for long-term economic development. That is why the Government has been doing its very best to create a good environment conducive to the development of innovation and technologies by our industries. Specifically, the Government has been trying to assist our industries to increase the values of their products and services through the provision of different types of technology infrastructure and funding schemes. That way, it is hoped that our industries can enhance their productivity and competitiveness in the next century.

With a view to further enhancing the development of our hi-tech and high value-added industries, the Chief Executive announced in his policy address last year that all the major recommendations made by the Commission on Innovation and Technology in its first report would be accepted. The Commission has recently published its final report, in which further recommendations are made as to how we should seek to promote industrial innovation and upgrade our technological standards. We will positively consider these recommendations, in the hope of providing fresh impetus to the development of our industries.

But even with all those measures I have mentioned, Hong Kong manufacturers must still sustain their traditional quest for excellence, uphold their spirit of innovation and seek continuously to upgrade their production efficiency. Over the years, Hong Kong manufacturers have succeeded in maintaining their competitiveness mainly by raising their production efficiency and by manufacturing their products with the most cost-effective methods. This strength has enabled us to retain a considerable market share despite very

keen price competition. As pointed out in the TDC report of November 1998, although some overseas buyers may choose to buy goods from ASEAN suppliers who are noted for their low prices, Hong Kong manufacturers have still remained quite competitive in the supplies of many types of products, including upmarket fashion, gifts, watches, toys and so on. Besides, in the case of many American and European Union importers who have built up a strong and reliable trade partnership with Hong Kong, they will not easily switch to order goods from other places simply because of some short-term price concessions. So, in view of our past success and experience, we do encourage our manufacturers to sustain this strategy to enhance their competitiveness.

Madam President, in a market economy, our entrepreneurs are unquestionably the ones best suited to provide leadership for our commerce and industries. And, the Government has always been playing the important role of a support-provider; it has been trying hard to create a business-friendly environment in which our various trades and industries can give full play to their potentials through competition in the market. We believe that through such an excellent complementary partnership, we can continue to bring fresh impetus to our manufacturing and other industries, thus enabling us to grasp the new opportunities brought about by the new millennium.

Madam President, earlier in the debate, Mr SIN Chung-kai gave many comments on behalf of the Democratic Party concerning the recommendations made in the final report of the Chief Executive's Commission on Innovation and Technology. Since the Government is still studying the recommendations of this report, I do not intend to respond to Mr SIN's comments here. This report also deals with the relationship between high technology and traditional industries. After listening to the comments of some Members, I notice that they have a slight misunderstanding of the policy and intent of the Government. Actually, our advocacy of innovation and technology certainly does not mean that we are going to neglect the needs of traditional industries. In fact, more often than not, traditional industries are able to upgrade their competitiveness, productivity and product quality through the development of innovation and technology. The Government will continue to provide the most appropriate assistance to all trades and industries, including the manufacturing industries. Some Members criticized that the Government had virtually abandoned the manufacturing industries, leaving them to survive or perish on their own. I must state very emphatically here that such criticisms are totally incorrect. The Government has never abandoned the manufacturing industries; instead, it has

been providing huge assistance to these industries over the past few decades. For example, as early as the 1960s, the Government already assisted in the setting up of the Hong Kong Productivity Council, and this has been followed by the establishment of industrial estates and an industrial technology centre. Besides, the TDC has also been vigorously promoting and supporting the export of Hong Kong industrial products.

Miss CHOY So-yuk said that she had held many discussions with industrialists, and quoted many of them as complaining that even if they had any proposals, they simply did not know which government departments or officials they should approach. I am really puzzled, and I fail completely to understand why they should think that way, because, first, inside the Government, there is the Trade and Industry Bureau and the Industry Department. Our doors are always open, and all people can approach us at any time. Besides, in the industrial sector, there are also many associations and chambers of commerce, such as the Federation of Hong Kong Industries and the Chinese Manufacturers' Association of Hong Kong, and other trades and industries also have their own associations. The industrialists can actually submit their proposals to the Government through all these organizations. That is why I cannot accept such a criticism.

As for the decline of the manufacturing industries, it is actually a long-standing problem which involves a myriad of reasons. So, it is impossible for me to deal with each of these reasons here today. Suffice it to say that Hong Kong is a completely open economy, a very tiny economy. That being the case, if its manufacturing industries rely mainly on export for their very survival, and if various different factors no longer favour any huge investments in the manufacturing industries, then neither this Government, nor the former government, nor even any other government, can arrest the decline of these industries by making use of public money. This is simply impossible.

Mr CHEUNG Man-kwong said that the Government should provide assistance to those Hong Kong businessmen who encountered legal or other problems when operating their business in the Mainland. Since I am not responsible for the policy on such matters, I do not have any information on hand which can enable me to respond to Mr CHEUNG's comments. But I will refer the matter to the Secretary for Security for feedback and explanation. Meantime, however, I wish to clarify one point. Mr CHEUNG said that the Government had once said that six organizations, including the Trade

Department and the TDC, could in fact provide such assistance. But I must emphasize, as I pointed out just now, that the assistance provided by the Trade Department and the TDC is limited only to those problems which businessmen encounter in the course of operating their business. It is impossible for these two bodies to provide any assistance with respect to the law or other problems, or those problems mentioned by Mr CHEUNG Man-kwong. As for the Security Bureau, I understand that the Secretary for Security and her colleague, Mr Y S LUK has already done a lot of work in this respect. I am sure that when the Secretary for Security gives her responses to Mr CHEUNG Man-kwong's remarks, she will be able to explain to him the work we have done so far.

Finally, Madam President, let me just spend one or two minutes on expressing some personal feelings of mine. Last time, when I answered Members' questions in this Council, when I spoke on a press report that I was making a declaration of patriotism, I also expressed the same feeling. Honestly speaking, I think that as Chinese people living in Hong Kong, we should not always think only about what benefits our country will give us. Have we ever considered what we can give to our country? "One country, two systems" is in fact the biggest benefit which our country has given us. We are allowed to maintain our original system while living under the same country as the rest of our fellow countrymen do, and the SAR is not required to pay any taxes or other fees to the Central Authorities. So, we should not always talk only about what additional benefits the country can give us. Instead, we must ask ourselves, "What more can we do for our own country?"

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr SIN Chung-kai to Mr Kenneth TING's motion be passed. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr SIN Chung-kai rose to claim a division.

PRESIDENT (in Cantonese): Mr SIN Chung-kai has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Please be reminded that we are now going to vote on the amendment moved by Mr SIN Chung-kai to Mr Kenneth TING's motion.

PRESIDENT (in Cantonese): Voting shall now start.

PRESIDENT (in Cantonese): If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Michael HO, Dr Raymond HO, Mr Eric LI, Mr CHEUNG Man-kwong, Mr Ambrose CHEUNG, Mr SIN Chung-kai and Mr LAW Chi-kwong voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Mr Edward HO, Mrs Selina CHOW, Mr Ronald ARCELLI, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr CHAN Wing-chan, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr Howard YOUNG, Mrs Miriam LAU and Dr TANG Siu-tong voted against the amendment.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr LEE Wing-tat, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Miss Emily LAU, Mr SZETO Wah and Mr MA Fung-kwok voted for the amendment.

Miss CHAN Yuen-han, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr HO Sai-chu, Mr CHAN Kam-lam, Mr YEUNG Yiu-chung and Miss CHOY So-yuk voted against the amendment.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, seven were in favour of the amendment and 13 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 21 were present, 12 were in favour of the amendment and eight against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negated.

PRESIDENT (in Cantonese): Mr Kenneth TING, you may now reply and you have four minutes 55 seconds out of your original 15 minutes.

MR KENNETH TING (in Cantonese): Madam President, I shall be very brief. There are only two points. In the first place, the Secretary for Trade and Industry just stated that if the right to sell products domestically was 30%, the Cox Report's impact on the SAR might intensify, and tariffs might be affected too. I think the right to sell products domestically has nothing to do with these. Furthermore, I want to make an appeal. If Members do not support my motion, they are strangling all the industries and must, therefore, be held accountable to

some 300 000 workers.

I call upon Members to support my motion. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Kenneth TING, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

Mr James TO rose to claim a division.

PRESIDENT (in Cantonese): Mr James TO has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Voting shall now start.

PRESIDENT (in Cantonese): If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Mr Edward HO, Dr Raymond HO, Mr Eric LI, Mrs Selina CHOW, Mr Ronald ARCELLI, Mr Ambrose CHEUNG, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr CHAN Wing-chan, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr Howard YOUNG, Mrs Miriam LAU and Dr TANG Siu-tong voted for the motion.

Mr Michael HO, Mr CHEUNG Man-kwong, Mr SIN Chung-kai and Mr LAW

Chi-kwong abstained.

Geographical Constituencies and Election Committee:

Miss CHAN Yuen-han, Mr Andrew WONG, Mr Jasper TSANG, Mr LAU Chin-shek, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr HO Sai-chu, Prof NG Ching-fai, Mr MA Fung-kwok, Mr CHAN Kam-lam, Mr YEUNG Yiu-chung and Miss CHOY So-yuk voted for the motion.

Miss Cyd HO, Mr Albert HO, Mr LEE Wing-tat, Mr Martin LEE, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Miss Emily LAU and Mr SZETO Wah abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 16 were in favour of the motion and four abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, 12 were in favour of the motion and nine abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was carried.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 14 July 1999.

Adjourned accordingly at seventeen minutes past Two o'clock.