

# OFFICIAL RECORD OF PROCEEDINGS

**Thursday, 20 March 2003**

**The Council met at half-past Two o'clock**

## **MEMBERS PRESENT:**

THE PRESIDENT

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

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

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

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

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

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

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

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

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

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

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK, J.P.

**MEMBERS ABSENT:**

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

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

THE HONOURABLE CHAN YUEN-HAN, J.P.

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ALBERT CHAN WAI-YIP

DR THE HONOURABLE LO WING-LOK

**PUBLIC OFFICER ATTENDING:**

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.  
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

**CLERK IN ATTENDANCE:**

MR LAW KAM-SANG, J.P., DEPUTY SECRETARY GENERAL

## MEMBERS' MOTIONS

### OPPOSING WAR

#### Continuation of debate on motion which was moved on 19 March 2003

**PRESIDENT** (in Cantonese): We now resume the debate on the motion moved by Mr CHAN Kwok-keung and the amendment to the motion moved by Mr Albert HO.

**MR TAM YIU-CHUNG** (in Cantonese): Madam President, this debate is most unusual, in that we seldom split a debate into two parts. But as we were still debating the motion very late last night, you, Madam President, announced that the debate be split into two parts. But there have been drastic changes overnight. In last night's debate, some colleagues were still saying that a war might break out in any minute, that it was just around the corner. We still had some hopes at that time. We hoped that a war would not break out, and we hoped for this and hoped for that. But at Hong Kong time 10.30 am today, the United States launched a war of injustice on Iraq. The Iraqi people are now ravaged by the ordeal of war.

This motion today may have come at a most turbulent time with the strongest "smell of gunpowder". Over the last couple of months, anti-war appeals have never ceased in places all around the world. Many anti-war activities have also been organized in Hong Kong. This precisely demonstrates the aspiration of people all over the world for peace and their respect for life. That the Legislative Council can debate a motion on opposing war at this point in time shows our aspiration for peace and our hatred for hegemonism.

The President of the United States, George BUSH, issued an ultimatum to the President of Iraq, Saddam HUSSEIN, a few days ago. In his speech, George BUSH stated the three major reasons for the attacks on Iraq, one of which being Saddam HUSSEIN's long-standing hostility towards the United States and its allies. But as we all know, so far, the United States still has not been able to produce sufficient and strong evidence to prove that Iraq threatens the security of the United States or that Iraq may have supported terrorist attacks on the United States. The team of United Nations weapon inspectors and the

majority of members of the Security Council do not consider that Iraq poses an imminent danger to international or regional security. Most countries in the world also advocate the use of diplomatic pressure in tandem with weapon inspection work, taking the view that the United States should not give up peaceful solutions and hastily declare war. However, the United States are hell-bent on their own way and launched "pre-emptive" attacks on Iraq, revealing arrogance and presumptuousness on the part of the United States. To the United States, if anyone should disobey its instructions, it can "break into the house, batter the person and rob the place", attacking the terrorists by terrorist means. This mindset of hegemony will make the world order become virtually non-existent in the future. Today, the United States can wage a war on Iraq. Tomorrow, it can wage a war on Syria, followed by North Korea the day after tomorrow. Other countries may also claim that their security is being threatened and mobilize their troops to attack other countries on this ground. By then, there will be battlegrounds everywhere. What is there to speak of world peace then? Furthermore, how will the Middle East, the Arab countries, the Islamic religious factions, as well as the Iraqis who are hurt and their descendants treat the invasion by the United States and Britain? All these conflicts and confrontations are bound to pass from one generation to the next.

Over the years, the United States has posed itself as the "world saviour". Its arrogance is most nakedly revealed in a speech by George BUSH. He said to the effect that a coalition had been formed to enforce the demand for justice of the world, and that the Security Council had failed to perform its duties, so they must stand up and do their part. Article 4 of Chapter II of the Charter of the United Nations stipulates to the effect that all members must respect the sovereignty of other countries, that they must not threaten other countries by use of force and even invade the territories of other countries, and that they must not interfere with the domestic policies of other countries. The United States nevertheless has neglected the sovereignty of Iraq and the lives of the Iraqi people by vigorously bombing and devastating Iraq, not bothering to secure support from the United Nations and its traditional allies anymore. Although this saviour is flaunting a flag of justice for its acts, by taking just one look at it and it will be clear to all eyes as to whether it is a masked devil or an angel.

The waging of war by the United States on Iraq has served to highlight the extreme application of double standards by the United States towards human rights. To achieve the objective of zero casualties of its own troops, the United

States has used bombs of massive destruction to wantonly bomb out Iraq, which will definitely inflict sufferings on tens of thousands of innocent civilians. I once saw a news headline on the front page of a newspaper which read, "US troops: We are here to kill". What difference is there between this act of the United States and terrorism which it claims to be opposing? The Americans have human rights and the right to live. Could it be that civilians in Iraq do not have human rights? Could it be that they do not have the right to live? If we step into the shoes of the Iraqi civilians, how will we feel?

Madam President, the words and deeds of the United States Government over the question of Iraq are indeed an eye opener to all people in the world. What has been done by this country acclaimed to be the most democratic and freest country has provided an excellent negative example for sensible and righteous people who love peace. Recently, I have seen a news photograph on which a person in Australia in protest of war was holding a cardboard with comics on it. On the cardboard there was the national flag of the United States, but the 50 stars at the upper left corner were replaced by the Nazi swastika. I hope the United States will draw a lesson from this flag and return to the negotiation table as soon as possible.

We oppose invasion of other countries, and we also oppose invasion and subversion by other countries. Given the present development in the international arena, I am all the more determined to support the enactment of laws to implement Article 23 of the Basic Law, in order to protect national security and prevent Hong Kong from being turned into a base for invasion and subversion of our Motherland.

I support Mr CHAN Kwok-keung's motion. I oppose invasion and war, and I hope for world peace and economic prosperity.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, this morning, the Governments of the United States and Britain officially launched attacks on Iraq. On the surface, the passage of this motion or otherwise is no longer important. But we must still strongly condemn such barbarous act of the United States and British Governments. In fact, people in places all over the world are demanding the United States and British Governments to stop the war. Even their allies hold that the weapon inspectors should be given more time to collect

evidence of Iraq developing nuclear weapons. However, the United States and British Governments are hell-bent on waging war on Iraq. They disrespect the wish of people all over the world; they refuse to observe the decision of the United Nations; and they refuse to follow the tradition of rationally premising on facts and evidence. Instead, they insist on starting this war of injustice. They should indeed be condemned by people all over the world.

Regarding this war which broke out willy-nilly, people who are standing on the sidelines may congratulate themselves for not being in the Middle East and hence not having to face threats to their lives. The impact on them may only be a little financial loss due to changes in the oil price or stock prices. Anti-war activists championing for peace may be blaming themselves for not being able to reverse the decision of these barbarous states due to their own limitations. But in any case, faced with this war, could we simply stay aloof from it? Do we have no particular part to play in promoting peace? All these questions warrant our in-depth thoughts and consideration.

As we all know, in this era of globalization, it is absolutely impossible for us to stay aloof. Although the war in the Middle East may not spread to Hong Kong, who can guarantee that terrorist activities will not emerge in Hong Kong? More worrying is that in this era of globalization and information explosion, this culture of war, violence and bullying is exerting an all-directional influence on our next generation through different kinds of media. History tells us that a war affects not only those people who suffered and were even killed in the war, but also the next generation who grows up in hatred. A most obvious example is today's Israel and Palestine. Try to think about this. If our next generation grows up in this culture that advocates violence and suppression of justice by power, how will they handle interpersonal relationships in the future? How will they look at this world?

Disregarding who is going to win and who is going to lose between George BUSH and Saddam HUSSEIN, the entire world will have to pay a dear price, for this culture of wantonly engaging in military aggression and invariably resorting to violence has continued to haunt our next generation, as a result of which numerous George BUSH and Saddam HUSSEIN will be created. So, even though our strength is limited and we may not be able to stop the war, we can still do our utmost to preach a message of peace, non-violence and anti-suppression among people all over the world.

Last week, I saw a programme named "Children Forum" on bus, in which a group of children aged around 10 expressed their views on the United States' invasion of Iraq. Children who supported the war considered that war was necessary in order to exchange for peace, and that there would be peace in the world as long as such villains as Saddam HUSSEIN were eliminated. Certainly, children who were against the war immediately argued that George BUSH started this war all for the oil. Besides, a child opined that war would do damages to the economy and he therefore did not support war. The view most commonly expressed was that they did not support this war because the United States Government had no evidence to prove that Iraq was engaged in the production of chemical weapons and the United Nations Security Council had not endorsed the resolution supporting military actions against Iraq.

We are happy to see in this programme that our children are also concerned about major events in the world. But the perception of the world of some of these children is worrying, as they hold that war is an exchange for peace. This, I think, is certainly wrong. However, the arguments put forward by those children who questioned this view are worthy of our in-depth thoughts too. We must ask, "If the Security Council endorses the resolution, must we then support the war?" We all know that international politics is actually a matter of blatant negotiation on interests. The so-called resolution is nothing more than an outcome of exchange of interests. While some countries oppose the war on Iraq today, they may have frequently invaded other countries or even killed their own people. So, the so-called United Nations Security Council resolution after the exchange of interests and all the calculations does not represent justice or truth. Moreover, the argument of not supporting the war in fear of possible damages to the economy is all the more untenable. A war, if considered purely from economic benefits, may sometimes be a stimulus to the economy. Such being the case, must we therefore support the war? Children's outlook on the world is obviously influenced by that of adults, in that benefits and interests are often factored into consideration, thus obscuring the truth. Yet, it is most fortunate that a child had asked in the programme why a game of chess could not be a substitute for war. Since strategy is pivotal to both, he suggested that a better option was to resolve the problems by a game of chess.

In reality, a game of chess obviously cannot replace war. But the use of peaceful means is viable. While we always boast that our world is progressing towards civilization and advancement, being civilized and advanced may not necessarily mean that we are more capable of distinguishing right from wrong.

Conversely, in this society that we live, the line between right and wrong is sometimes getting more and more blurred. Having said that, however, civilization and advancement are inherently characterized by the human kind being able to resolve problems by peaceful and rational means. To make war, violence and suppression disappear in this world, we must endeavour to inculcate a peaceful and rational perception of the world. Whether it be the civilians or the Government, this generation of ours or the next generation, all should promote a peaceful and rational attitude to deal with problems.

Madam President, we in Hong Kong may not be able to stop this war from extending. But I believe we can stop the outbreak of many more wars in the future, so as to create a more harmonious world for our posterity. As long as we endeavour to promote and live up to the belief of peace, non-violence and anti-oppression, I believe we will succeed.

Madam President, I so submit.

**MR NG LEUNG-SING** (in Cantonese): Madam President, today, the history of international politics again witnesses another instance of power overriding justice, as the United States, a most overbearing country with the strongest military machine in the world, issued a so-called war ultimatum to Iraq to the neglect of opposition in the international arena, thus officially starting a war of injustice today and immediately dashing all hopes for peace. Overall speaking, it remains the mainstream view in the international community to advocate peace and oppose war, disagreeing that the action taken by the United States now is in any way justified and backed up by international law, and this is an unequivocal judgement.

From all the diplomatic gestures of the United States Government preceding the war, we can see that justifications are lacking for military actions against Iraq. The United States and Britain had first attempted to seek the United Nations Security Council's endorsement of a new resolution authorizing military actions against Iraq. If the past resolutions endorsed by the Security Council could already provide a sufficient legal basis, the United States and Britain would not have to take all the trouble to lobby support from other countries for their new resolution within a certain period of time. This only shows a guilty conscience on their part and goes further to prove that they are uncertain about whether their military actions are supported by any indisputable

legal basis. However, when the United States and Britain came to realize that they could not secure the support of the majority of members of the Security Council, they unilaterally issued the ultimatum. This again reflects a guilty conscience on their part, for they are worried that once the new resolution is negated, the original justifications for their military actions, which are already flimsy, will be totally negated.

The justifications for military actions by the United States and Britain are Resolution 678 and Resolution 687 of the Security Council. The former authorized military operations by the United States-led allied forces to dispel the Iraqi forces from Kuwait in 1991, whereas the latter set out the terms for cease fire, demanding Iraq to destroy weapons of massive destruction. The United States and Britain consider that these two resolutions are still valid and that where there is material breach of Resolution 687 on the part of Iraq, they can again be authorized by Resolution 678 to take military actions against Iraq. However, under Resolution 1441 endorsed by the Security Council on 8 November last year, while a "material breach" of Resolution 687 by Iraq was confirmed on the one hand, Iraq was given the final opportunity to discharge its obligations under Resolution 687 on the other, and Iraq was warned that further violations on its part would entail serious consequences. Therefore, even though the provision authorizing military actions in Resolution 678 still carries force legally, it is nonetheless subject to Resolution 1441 which affords a final opportunity to Iraq and issues a warning to Iraq about the serious consequences it may face. That is to say, the legal effect of Resolution 1441 is more conclusive. As there is this Resolution 1441, who shall decide that a material breach by Iraq exists and that Iraq will hence lose its final opportunity under Resolution 1441? What are the serious consequences, and how will these consequences be imposed on Iraq? According to international law, all this should rest with the United Nations, rather than the decision made by a country or two on their own. More importantly, on the question of waging a war on a sovereign state, if uncertainties still exist in respect of international law, it is only reasonable and essential to seek the explicit and unequivocal authorization from the United Nations again. Otherwise, no matter how lofty and righteous the reasons sound, it will not be a just and lawful war. Rather, it will only be a war for power and hegemony.

From this incident, we can see that it is most worrying that the United States Government seeks authorization within the United Nations framework on the one hand, but proposes the theory of defensive attacks, so to speak, on the

other. The United States has claimed that it has the right to unilaterally take actions against other countries with the use of force in order to protect its own security. I believe the leading role and influence of the United States in the international community are unquestionable. Their values and code of conduct are considered by some other members of the international community as examples to follow. If this theory of defensive attack is also applied by other countries, then the international community will only be plunged into greater chaos and dangers of terrorism or hegemonism in the future.

As the saying goes, it takes the lives of ten thousand people to earn glory for one general. A war of injustice has started today. Apart from plunging people into the abyss of misery, this war will also signify the death of the aspirations for peace and for law and order in the international community. With these remarks, Madam President, I hope the war will end soon and peace will resume.

**MR JAMES TIEN:** Madam President, the Liberal Party deeply regrets and objects that, at 10.30 am Hong Kong time this morning, the United States started to invade Iraq. It is time indeed for fellow Members to voice their views on such an important issue, and I would like to give a brief account of the socio-economic effect of the Iraqi war on Hong Kong.

Madam President, the Basic Law stipulates that the foreign affairs of the Hong Kong Special Administrative Region are to be handled by the Central Government of the People's Republic of China. Now the Central Government had make it clear that the United Nations should continue the inspection of weapons wherever possible, and the United States should not bypass the United Nations in making a case for war. The Liberal Party would rather refrain from saying specifically what the Central Government should do. And as the plan of moving a second resolution has been abandoned, and the war has already started, the amendment to the motion that urges the Central Government to exercise its veto power in the United Nations is both irrelevant and inappropriate. The Liberal Party, therefore, will not support the amendment for this reason.

Even from an economic point of view, a war will damage Hong Kong. We must not toy with the idea that Hong Kong can be left unscathed should war break out. Our primary concern is obviously human lives, and in this regard,

the people of Hong Kong are relatively safe. Nevertheless, we should bear in mind that while the United States is at war with Saddam HUSSEIN, Iraq, and al-Qaeda, this invasion — however high-minded the motives might be — will be seen in some quarters of the Arab world as an act of hostility against all Muslims. Therefore, it has many invisible enemies around the world waiting for the opportunity to retaliate.

Now we must hope for the best and prepare for the worst. It is certain that one consequence will be increased operating costs to the business community. And while some sectors will take a hard blow as a direct result, everyone in Hong Kong will suffer as rising costs spread to different sectors.

Oil price is an obvious example. Although in the last few days, oil prices seemed to have come down a bit, if the war prolongs, we can anticipate the price of oil to rise considerably over the next few months. That in turn would push up the cost of energy, freight, transportation, and so on. These service charges are not subject to immediate revision. Thus, it is the manufacturers and service providers who will have to shoulder the extra costs. The Pearl Delta River Region, which relies heavily on shipping for the delivery of goods, will also be adversely affected by a rise of oil price.

Aviation safety will also be a concern now that the United States invades Iraq. American and European travellers may be reluctant to take a flight, and inevitably, some will cancel their trips. Statistics have recently shown that there were quite a number of trips to Hong Kong being cancelled. Added to that is the fear that the new strain of pneumonia which is causing concern throughout the world will be another deterrent to tourists coming to Hong Kong. Our Government should be on alert that these may serve as a double blow to the tourism industry of Hong Kong.

Lastly, we also urge the Government to keep a close eye on developments and prepare to cope with the consequences of war, especially its economic and financial implications. The 2003-04 Budget proposes several measures to solve the deficit problem, based on the premise that the Gross Domestic Product will grow at 3% over the next three years. Now since the war broke out, it is extremely unlikely that economic growth will stay close to the original estimate. If the war lingers on, one cannot help but wonder how the Government is going to balance the books.

Madam President, with these remarks, the Liberal Party supports the original motion that this Council opposes the taking of military actions by the United States against Iraq.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, Members may think that the motion proposed by Mr CHAN Kwok-keung and the amendment moved by Mr Albert HO today, as they are worded, are already overtaken by events. If possible — probably not under the Rules of Procedure — we should really pass a motion strongly condemning the United Kingdom and the United States for waging war against Iraq, because war has already broken out. I did not plan to speak initially, but now I wish to put this down in record: I think today is a very sorrowful day for the whole mankind. When the September 11 incident occurred, I already wondered what would become of our future generations, and today, I wonder even more.

The September 11 incident was a terrorist attack on the United States. At the time, I thought that the emergence of extremism associated with a rival civilization would pose a very great threat to mankind. However, today, we witness the emergence of another kind of extremism. The United States, taking advantage of its enormous power and military strength, has launched attacks on Iraq. The biggest problem with the United States is that it has totally ignored other countries, the world order and the United Nations Security Council. It has totally ignored the United Nations and other countries and waged war unilaterally, thus shattering our perhaps wishful thinking some kind of world order would emerge. Now that the United States has done something like this, all other countries may likewise ignore the United Nations and resort to war unilaterally in the future. That way, what happened before World War I and World War II may well repeat themselves during the time of our next generation, or even during our own time. Therefore, I think that the future of mankind is really very gloomy.

United States President George BUSH once referred to the existence of an evil axis in the world comprising Iraq, North Korea and Iran. The ruling regimes of Iraq, North Korea and Iran may truly be evil. But the events of today have shown us that there is yet another evil axis — one comprising George BUSH and Tony BLAIR. They too are an evil axis, for in waging war unilaterally, they have shown a similar disregard for human lives. BUSH says

that Iraq must be stripped of any weapons of mass destruction, but let us not forget that he is using his own weapons of mass destruction to kill and harm others. When we argue that Iraq must destroy its weapons of mass destruction, should we not also advocate that the United States must do the same? Actually, all countries in the world should give up weapons of mass destruction, only that very few of them have really done so. Countries like Iraq are doubtlessly a bit worse than others, but weapons inspectors have already been sent to the country with the aim of stripping it of such weapons. Why then has the United States refused to comply with the Security Council resolution? Why is the United States unwilling to wait and let the international community take charge of the world order? Why has it waged war unilaterally? That is why I have described today as a very sorrowful day; a new evil axis has emerged in the world. If all these evil axes go on struggling against each other, who will suffer most ultimately? The ordinary masses, for sure.

My concern is the aftermath of war. What will result even if the war is won? Just another cause of terrorism, a prelude to another terrorist attack. After the war, the loser will naturally try to take revenge. I do not know how they are going to do it, but it is certain that innocent civilians will be the victims again. Human beings are really very pitiable; every time their rulers make any erroneous decisions, the world will be plunged into misery.

Today, whether this legislature is going to condemn or oppose war, we all hope that it will likewise say "no" to any country trying to wage war for any political purposes in the future. It is hoped that our anti-war position can be demonstrated most clearly. Thank you, Madam President.

**MR BERNARD CHAN:** Madam President, I suppose most people in Hong Kong are mainly interested in the war against Iraq as something that might have an impact on their lives. Will it affect prices? Will it affect jobs?

Most commentators suggest that a short war should not produce too many problems. A short-term spike in oil prices will affect our transport industry. And a slump in travel will obviously hurt our hotels and airlines. But the overall effect on our economy looks likely to be small. The Hong Kong Trade Development Council believes that the main potential impact on Hong Kong will come from consumer spending in the United States.

If oil prices rise for a lengthy period, or if the US dollar slides, the United States import demand could suffer. There would definitely be a negative impact on us directly and on our manufacturing base in the Pearl River Delta.

But if this war is over quickly, the outlook is essentially neutral or even positive. The current uncertainty will come to an end. We may see consumer confidence and markets around the world pick up again, as they did after the last Gulf War.

The world's economic fundamentals will still not be very good, but a big load will be taken off our minds.

To many people in Hong Kong, that may seem to be all that matters about a Gulf War. However, I believe that we should step back and look at the much bigger picture. To me, that bigger picture looks potentially very disturbing.

There are a lot of questions that we do not know the answers, too. Why is this confrontation with Iraq taking place — and why now? Is Saddam HUSSEIN a bigger and more immediate threat than al-Qaeda, than North Korea's nuclear programme, than the conflict between Israel and the Palestinians, or than the arms race between India and Pakistan?

Will a war in Iraq increase global stability? Or will it provoke anti-American and anti-Western sentiment? Will it reduce terrorism? Or will it produce more of it?

Will the influence of multinational organizations like the United Nations decline? Will powerful countries feel entitled to act alone, and not seek consensus?

Will we see the world split between pro-American and anti-American camps, like the United Nations Security Council being divided between the United States and the United Kingdom on one side, and China, France and Russia on the other?

What would that mean for those of us in Hong Kong who are Chinese, and yet have close ties with the United States and the United Kingdom? Will there come a time when we find ourselves with divided loyalties? Will our

companies face suspicion and distrust? The experiences of Hutchison with its activities in Panama and with Global Crossing come to mind.

Will we see a split between Westerners and Muslims? We have a significant, peaceful and law-abiding Muslim community here in Hong Kong. They play important roles in our economy and in our cultural life. Will they face divided loyalties? Will they face suspicion and distrust?

We spend most of our time worrying about the deficit, or a 1% increase in tax, or when a government official bought his Lexus. Meanwhile, out there in the big wide world, a war has just been taking place. It may be over quickly, but it might lead to major global problems in the longer term. And there is absolutely nothing that we in Hong Kong can do about it.

Madam President, I do not see any good coming out of this war — not for the world in general, and not for Hong Kong in particular. We need a peaceful and stable world. But I believe that the war in Iraq could simply result in a more divided and uncertain world in the months and years ahead.

I will be delighted if I am wrong. Thank you.

**MR MA FUNG-KWOK** (in Cantonese): Madam President, war has now begun. The people of Iraq are beginning to shed their blood; the forces of hegemonists are once more ravishing as the United States uses weapons of mass destruction and troops to invade Iraq. According to United Nations estimates, the war is likely to produce 600 000 Iraqi refugees and the Oxfam puts the figure as many as 900 000, while 11 million will need immediate humanitarian relief. The United States anticipates a total of 2 million Iraqis will be displaced by the war and rendered homeless. The World Health Organization is worried that if public facilities are damaged in the war, a host of epidemics like malaria, hepatitis, tuberculosis, cholera and typhoid fever will break out. But it seems that all these are never the concern of the instigator of war, United States President George BUSH.

So why has the United States waged this war? Is it because of the need to crack down on terrorism? If yes, then what ties does Iraq have with the terrorists? Or is it because of oil? In the contracts for postwar reconstruction awarded by the United States, it is specified that part of the costs would be met

by the proceeds from selling Iraqi oil. From this hint one can see that, while it remains to be proved that this is an oil war, there is one certainty, that the United States Government is acting most arrogantly and bent on having its way in contempt of the peacekeeping efforts of the international community. So the situation has taken an ironic turn from that of Saddam HUSSEIN against the world to George BUSH against the world.

Despite allegations made by the United States and Britain that Iraq possesses weapons of mass destruction, the inspection team from the United Nations has yet to find any proof to substantiate such allegations. The so-called evidence presented by the United States Secretary of State, Colin POWELL, before the United Nations failed to convince the world. United Nations chief weapons inspector Hans BLIX also said that Iraq's destruction of al-Samoud II missiles marked a practical step towards the destruction of weapons of mass destruction. The International Atomic Energy Agency also said that there was no evidence that Iraq was developing nuclear weapons. So when the international community agrees that the crisis should be resolved by efforts in weapon inspection, the United States has closed the door to a diplomatic solution for it is afraid that this will deny it the pretext to attack Iraq.

Madam President, with respect to the Middle East question, the United States has always been using double standards. In the Israeli-Palestinian confrontation, the United States always harbours Israel and condones the latter's actions to answer violence with violence and to do everything to deter the Palestinians from founding their own country. The United States supplies the most advanced arms to Israel and assists it in developing weapons of mass destruction, in order to maintain its military edge and influence in the region. Despite Israel's violation of the United Nations resolution and refusing to withdraw from the occupied zone, the United States has condoned this for the last 30 years. The attack on Iraq will arouse strong anti-American sentiments among Arab nations and it will also do the same in the Islamic world. All this will make the Middle East all the more unstable. Terrorist attacks targeted on the United States and its citizens will not stop even with the fall of the Saddam regime. On the contrary, they may become more violent than ever. The military actions will cause grave consequences in the Gulf region and other places in the world.

The most obvious goal of George BUSH in waging this war against Iraq is to overthrow Saddam HUSSEIN. George BUSH also claimed that the military

action was not directed against the Iraqi people, but to "liberate" them so that they would no longer be subject to dictatorship and terrorist rule. That is a very dangerous thing to say, for the United States is saying that there must be a change of government in Iraq and to effect such a change the United States wants to have a hand in it or do the Iraqis a service. So if later on the United States and Britain think that a similar change of government should take place in North Korea, some of the Arabian countries or Palestine, then should they also despatch their troops over there and foster a new government? Any change in the government of a sovereign state shall be the internal affair of the state concerned. To attack a country because of any dissatisfaction with the government of that country is a violation of the principles enshrined in the Charter of the United Nations. Article 2(4) of the Charter points out: "All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations." From the perspectives of international law and ethics, it is grossly impossible to justify the waging of war by the United States and Britain on Iraq. If we remain silent on this military action led by the United States and Britain, we are only condoning their hegemonist actions.

The United Nations is an organization designed and engineered by the United States to maintain international order after the Second World War. As the United States has always boasted that peace should be promoted by the rule of law, the United Nations is the product of this belief. Under the United Nations mechanism, member states seek to resolve international issues through consensus reached as a result of discussions in a bid to maintain peace and security. Being a superpower, the United States would be able to secure enough support in the United Nations provided that it has a cause to fight for. The Gulf War of 1991, for example, had the backing of more than 40 countries who lent their support to the United States and joined in the war effort. After the September 11 attacks, when the United States launched attacks in Afghanistan in 2001, there was no voice of dissent in the international community.

Now China insists that the crisis be resolved within the framework of the United Nations. This is an ethical approach consistent with the interests of China. The mild approach taken by China is meant to persuade the United States and Britain to resolve the Iraqi issue through diplomatic channels. It is unfortunate that the former countries are displaying an attitude that they are determined to embark on a course of their choice, but a course that may not be

ethical. The United States and Britain are acting in total disregard of the views of United Nations Security Council member states and when they anticipated that their resolution might not be carried in the Security Council, they just withdrew the resolution. This is most disgraceful, irrational.

Now the United States Government has chosen to wage war on Iraq without seeking first the approval of the United Nations Security Council, the United States knows very well that the international community does not support such an unjust war. But it is still bent on having its way, that is a great insult to the United Nations.

Since the United States and Britain are waging a war on another country without authorization from the United Nations, other countries will certainly try to increase the strength of their national defence provide against invasion. Needless to say, an arms race will have an adverse impact on world peace. Dr Martin Luther KING once said, "Our lives begin to end the day we become silent about things that matter." I hope Honourable colleagues will work together to show the United States and British Governments as well as the international community that they oppose this unjust war on Iraq and the nationalist terrorism of the United States. Thank you, Madam President.

**MR MICHAEL MAK** (in Cantonese): Madam President, that man is called the crown of God's creation is not simply because man is made of flesh and blood, but also because he is endowed with the ability to think, feel and distinguish right from wrong. He is an entity with a soul. It is because of all of the above factors that we can live in a civilized society and enjoy the benefits of it. Unfortunately, there is a blind spot in civilized society, and that is, we do not learn the lessons from history. From the earliest of times to the modern age, man is always led by his selfish desire and he is always infested and tormented by the evils of war. This is really tragic.

Why is there an anti-war debate in this Council today? It is because we are all aware of the great costs of war, costs that defy any calculation. If we just look at the figures, we will be overwhelmed by the huge loss of lives and economic losses caused by war. The First World War caused 11.15 million deaths on the battlefields, while civilian deaths numbered about 10.12 million.

As much as \$279.8 billion was spent on the war. In the Second World War, about 15 million died in combat, with civilian casualties excluded. War expenses amounted to \$1,600 billion. Perhaps some people may think that the scale and magnitude of these two world wars are the reasons for such colossal loss of lives. So let us look at the war between Iran and Iraq which was fought on a smaller scale. The war caused about 1.5 million deaths and casualties in these two countries. Madam President, the figures cited by me just now do not include economic losses brought about by war, for these would simply be astronomical and also because the impact of war cannot be quantified. One may well quantify economic losses, but not so with human lives. Each life is priceless and there can be no replacement. In addition, the destructive effects of war on the human mind are often so disastrous that no remedy can be found. Families are shattered, orphans and widows become a common sight. Dear ones are lost, and families are thrown into despair as the bread-winners wither. Wars break up families and nations fall apart. Countless people become refugees at the loss of their homes. They have to drift and roam from one place to another. One can hardly imagine the kind of mental suffering and spiritual devastation that they have to go through. From the dawn of civilization, down through the ages and till the end of time, war is that one big blot on the history and culture of mankind. And this stain can never be removed.

Madam President, despite all these, there are signs that Iraq is very likely to possess weapons of mass destruction and chemical weapons. Saddam HUSSEIN, the President of Iraq, is notorious for being aggressive and ferocious. He invaded Kuwait, and made a blitz attack on Israel. If he is to start a biochemical war, that will certainly lead to great damages. So he is really a threat to human society. However, Madam President, I must make myself clear that we cannot condemn a nation just because of the crimes of one evil man. I am therefore opposed to war, for it will lead to a loss of innocent lives. Saddam HUSSEIN should pay for his own evil doings, and innocent Iraqi people should not be made to share his punishment. For this reason, the countries concerned should employ other punitive actions against Saddam HUSSEIN in a bid to reach a solution without putting civilians at peril. It is unfortunate that war has started and we can only hope that it will end soon and that the damages of war can be minimized. Finally, I hope that we can learn the most valuable lesson from war and that is, never start one. We must work together and build a peaceful world. I so submit.

**MR AMBROSE LAU** (in Cantonese): Madam President, the United States has waged a war on Iraq, so it will lead to suffering and loss of lives. Innocent people in Iraq will be devastated by war, made homeless and deprived of their loved ones. Human life is most precious and unique, whether it belongs to any person, irrespective of his or her race, nationality, sex or age. Wars produce refugees and ecological crises, and cause grave damage to the world economy. As a result of the United States-Iraq conflict, oil prices have soared and many airlines have applied to the Civil Aviation Department for the levy of a fuel surcharge. Apart from the aviation industry, our transport, plastics, toy industries and Hong Kong businessmen operating factories on the Mainland are all subject to some kind of adverse impact or the other. Now with the economic downturn in Hong Kong and the difficulties in restructuring, the United States-Iraq war will deal an even heavier blow to Hong Kong. According to estimates made by the Asia-Pacific Economic Co-operation (APEC), if oil prices rise by US\$10 per barrel, the economic growth rate will fall by 0.25%. In view of humanitarian grounds, world peace and economic growth, it is only natural that this Council will oppose the waging of war by the United States and Britain on Iraq without the consent and authorization of the United Nations Security Council.

Madam President, the global trend is against the war. In the afternoon of 12 March, the New York City Council passed an anti-war resolution with 31 votes cast in favour and 17 votes against. The resolution states that only when all efforts made in pursuance of the United Nations resolution to demand Iraq to destroy weapons of mass destruction fail that the United States may launch a pre-emptive strike. As New York is situated in ground zero of the September 11 attacks, it is worthy to note that its City Council has passed this resolution to condemn war. This also reflects the wish of the American people for peace.

It is incumbent on Iraq to destroy its weapons of mass destruction and comply with United Nations Resolution 1441. Iraq pins its hopes on the United Nations to avert a military showdown and that is its last hope. So if there is still any slim possibility of a peaceful and civilized way to resolve the conflict, that should be pursued to avoid war.

Addressing the International Court at the Hague on 10 March, United Nations Secretary-General Kofi ANNAN made it clear that the legitimacy of any military action taken against Iraq in the absence of support from the United Nations Security Council would be open to question. For such action would not be consistent with the United Nations Charter. The Hong Kong Progressive

Alliance holds the view that war is brutal and inhuman, and that the United States and Britain should act in compliance with the United Nations Charter and resolve the problem of Iraq's possession of weapons of mass destruction through peaceful means.

Madam President, I so submit.

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

**MR ABRAHAM SHEK:** Sorry, Madam President, I have just finished writing my speech. During the last two days, much have been spoken on the subject of war against Iraq, with allegations of imperialism, aggressions, and of human sufferings and the evil impact of war. Whether these allegations are true or otherwise, only history can tell. Further verbosity on the subject is of no avail, as the war has already started this morning. It is sad that this has happened as expected. I pray that the sufferings and the loss of lives, be they Iraqis, Americans or British, be minimized, and we can only call on Almighty God to protect the innocent and to end the war quickly.

When ROOSEVELT gave his address on the declaration of war following the attack of Pearl Harbour, he spoke with conviction of eradicating evils, sufferings and tyranny from the face of the world. The United States led this holy crusade against HITLER and the aggressive Japan. It was successful because it had the blessings of the world. The world then welcomed the United States as the saviour of mankind. The last war led by the United States was a just war. It was a war to achieve peace.

This morning when President BUSH made his declaration of war against Iraq, he spoke with sincerity. But unfortunately, he lacked the crusading ideals and conviction that his predecessors like ROOSEVELT and even his father, former President BUSH Senior, had. President BUSH this morning spoke that the United States entered into the war to give peace to the world and to get rid of Saddam HUSSEIN, and not for any other private agenda. I do not doubt the sincerity that Mr BUSH went to war not for the purpose of oil, because I believe that the American people who believe in freedom and democracy will not allow their President to go to such a base level. The Americans should be more tolerant and should not force their beliefs onto other nations, because they should

not only see the world as the United States and others, but should also see the world as a big place where there are different nationalities, different nations, different ideals and different cultures.

The very essence is that after the Second World War, when we have lost over millions of lives, all the nations came together to form the United Nations to preserve sovereignty so as to build a new order for the world, so that peace could be preserved. It takes 50-odd years to make the United Nations work. The United Nations might not have achieved the 100% success rate in avoiding wars, but think: without the United Nations, the world would not be a safe place as it is now.

This morning, the attack on Iraq is not only an attack against Saddam HUSSEIN. It is an attack on the institution of the United Nations. It dealt a death blow to the very existence of this institution which symbolizes our new world order after 1945, and this world order has been working well to achieve peace on earth. With the attack of 58 seconds on Iraq this morning, it destroyed the hard efforts of the last 58 years by all the nations in the world through the United Nations to preserve peace. As there is no reversible course for Mr BUSH to take, I hope that, after this war has come to an end, he would ensure that the world will be reinstated to the present order, and that the United Nations can bring about peace to this world. I sadly hope that the war would be over soon and that the loss of lives be minimized.

With these words, I support the motion.

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

**MR MARTIN LEE:** Madam President, five days ago, on Sunday, 16 March, Pope John Paul II appealed to the United Nations Security Council so as to prevent war. This is what he said: "But I would also like to remind the member countries of the United Nations, in particular those who comprise the Security Council, that the use of force represents the last recourse, after having exhausted every other peaceful solution, according to the well-known principles of the United Nations Charter."

Later he said, "I belong to that generation that lived through and survived World War II. I have the duty of telling all young people, and those younger

than me who have not had this experience: 'Never again war!'..... We must do everything possible! We know well that it is not possible to ask for peace at all costs. But we all know how great, how very great, this responsibility is."

On Tuesday, 18 March, that is two days ago, his Press Office Director issued this statement on behalf of the Pope: "Whoever decides that all peaceful means that international law has put at our disposition have been exhausted assumes a serious responsibility before God, his conscience and history."

Today, on 20 March, at 11.15 am, President BUSH declared war on Iraq. It dealt a very serious blow to the beautiful dream of former President Woodrow WILSON, because it was thanks to him, after the First World War, that we later have the United Nations. The current Secretary General of the United Nations, Kofi ANNAN, did his best to prevent war, but he failed. Of course we know, Madam President, that the United Nations can only function to discharge this very honoured duty if, and only if, the most powerful member is prepared to treat the weakest member as an equal, on the basis of one country, one vote. But apparently, it is not so.

I was sitting later at night on Tuesday listening to Prime Minister Tony BLAIR moving a motion effectively for war in the House of Commons. It was a very eloquent speech, and he relied on an important ground for war, namely, that for years, Saddam HUSSEIN has been in material breach of 17 United Nations resolutions. I call to mind in the *Bible* that on one occasion, one of the Disciples ask the Lord, "Master, how many times must I forgive my enemy? Seven times?" — Tony BLAIR could have asked, "Seventeen times?" — "No," says the Lord, "Seventy times seven". He also said, when He was about to be arrested, to His Disciples, particularly to Peter, who cut off the ear of one of the people arresting his Master, "Put away the sword," He said, "he who uses the sword shall perish by the sword".

Madam President, this war, no doubt, will be won by the Americans and the British, there is little doubt about that. And it might be over very soon. But what about its serious consequences, to the Christians, and to the relationships with the Muslims? For centuries, the wounds caused by the crusades have never healed, and it was our Pope who, in spite of his very weak conditions, visited the many countries in the Middle East not so long ago, begging for forgiveness. Are we to reopen these wounds all over again? As a

Christian, I can only recall another passage in the *Bible*: "What is impossible for men is not impossible with God". There is no doubt in my mind that it would take many years, many decades, before these wounds can be healed, if at all they can be healed. But it is going to take many efforts from many people, many Presidents, many Prime Ministers, and the goodwill of many people in the world, before peace and understanding can be restored.

With these words, I support the motion and the amendment.

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

**DR LUI MING-WAH** (in Cantonese): Madam President, war in various forms or names, be it civil war or war between nations, has all along accompanied the development of human history. Very often, a war breaks out as the party who starts the war fires the first shot for various reasons or on various pretexts. But in the final analysis, the purpose of war all boils down to the acquisition of interests, which include land, resources, wealth or power. Certainly, in ancient states, there were also instances of the rulers starting wars and fighting fierce battles because their feelings had been hurt.

Besides, war is a destructive action involving casualties. Yet, war still has a positive side. A revolutionary war will cause human societies to progress. The present territory of our Motherland was also gradually built up from continuous wars among ancient states. So is the history of the United States.

Madam President, a war breaks out often as a result of unbalanced powers. When two countries or blocs are evenly matched in terms of power, the possibility of a war between them is the lowest. After the World War II, the armament race between the two major blocs, namely, the East and the West, served to maintain a balance of powers. This explains the prevalence of relative security and peace for several decades. However, when there is a big power gap between two blocs or countries, the possibility of a war between them is the highest. When the Eight-Power Allied Forces invaded China in late Ching Dynasty, or when Japan invaded China or when Iraq attacked Kuwait, they all started invasion and war on various pretexts, but the only genuine reason was the power gap being too large.

Now, the United States has also waged a war on Iraq on various pretexts. But in the final analysis, there is only one reason and that is, the United States are in possession of a mighty war machine, whereas Iraq, compared to the United States, is only a pitiful worm.

Madam President, while we may extensively discuss the opposition to war here, I wish to say that in this world, there are only power and might, and it is very difficult to find justice. Since its reforms and opening up, our Motherland has made vigorous efforts to build up the country. This is the best strategy to defend our country and maintain security and peace. Thank you.

**MR JASPER TSANG** (in Cantonese): Madam President, when Mr LAU Ping-cheung spoke in this Council yesterday, he quoted the following lines from an essay called "Visit to an ancient battleground" written by LI Hua, a writer in the Tang Dynasty: "Who in the teeming masses have no parents to bring them up with all the care and attention, for fear that they will die young? Who does not have brothers or sisters whom they cherish as dearly as parts of their body? Who does not have a husband or wife to whom they love and respect? What towering guilt will it seize a man to take another person's life when it is nurtured in mercy and kindness."

I have no idea what the interpreters will make of these lines. I think it must be a daunting task to render them into English or any other language, while achieving faithfulness, expressiveness and elegance. Having said that, the meaning of these lines is readily understood by speakers of any tongue in the world. This essay "Visit to an ancient battleground" was written by a Chinese man of letters some twelve centuries ago and it was about the sufferings brought about by war to the people and the soldiers during the time of the Spring and Autumn Period, the Warring States Period, and the Qin and Han Dynasties.

One thousand years or so after the publication of the above essay, an English poet called Robert SOUTHEY also wrote a poem about ancient battlegrounds. It was about the site of the famous Battle of Blenheim. In 1704, the Duke of Marlborough of Britain made an expedition to Austria and joined the army led by Prince Eugene of Austria and defeated the French at this place called Blenheim. The French army was of greater military strength than the English and Austrian forces and so the Duke of Marlborough became a national hero. Statues were erected in his honour in England and biographies were written

about him. Decades afterwards, Robert SOUTHEY wrote a poem on the war. The special thing about this poem is that it was written as a dialogue between a grandfather and his two grandchildren, one of whom was a boy and the other a girl. The boy was called Peterkin and the girl was called Wilhelmine. One evening in summer, the three of them were in the lawn before their house. As the children were playing, the boy picked up a hard round object and his sister asked her grandfather what it was. The following lines are the dialogues between the old man and his grandchildren. The old man was called Kaspar. I must apologize to my interpreter colleagues for my linguistic inadequacies have prevented me from rendering this into Chinese. (*The following was delivered in English.*)

Old Kaspar took it from the boy,  
Who stood expectant by;  
And then the old man shook his head,  
And, with a natural sigh,  
"Tis some poor fellow's skull," said he,  
"Who fell in the great victory.

"I find them in the garden,  
For there's many here about;  
And often when I go to plough,  
The ploughshare turns them out!  
For many thousand men," said he,  
"Were slain in that great victory."

"Now tell us what 'twas all about,"  
Young Peterkin, he cries;  
And little Wilhelmine looks up  
With wonder-waiting eyes;  
"Now tell us all about the war,  
And what they fought each other for."

"It was the English," Kaspar cried,  
"Who put the French to rout;  
But what they fought each other for,  
I could not well make out;  
But everybody said," quoth he,  
"That 'twas a famous victory....."

"With fire and sword the country round  
Was wasted far and wide,  
And many a childing mother then,  
And new-born baby died;  
But things like that, you know, must be  
At every famous victory.

"They say it was a shocking sight  
After the field was won;  
For many thousand bodies here  
Lay rotting in the sun;  
But things like that, you know, must be  
After a famous victory.

"Great praise the Duke of Marlbro' won,  
And our good Prince Eugene."  
"Why, 'twas a very wicked thing!"  
Said little Wilhelmine.  
"Nay... nay... my little girl," quoth he,  
"It was a famous victory.

"And everybody praised the Duke  
Who this great fight did win."  
"But what good came of it at last?"  
Quoth little Peterkin.  
"Why that I cannot tell," said he,  
"But 'twas a famous victory."

(in Cantonese): Madam President, at about eleven o'clock this morning, I watched the television together with many Honourable colleagues as President George BUSH addressed the nation when the attack on Iraq began. The word "victory" is a key word in his speech. He said, "We will not accept any outcome other than victory." But what kind of victory will BUSH get? As the essay "Visit to an ancient battleground" puts it, "When the Han army attacked the Hun barbarian invaders, Yin Shan was recovered, but the loss was far greater than the gain as evidenced by the bodies of thousands of soldiers which were strewn all over the battlefield." So this is the kind of victory one gets from wars. Can this kind of victory be rightly called a victory? In the last century, it was only after two world wars had been fought that man realized the need to

set up an organization called the United Nations and to solve international disputes through peaceful means. However, once we are in the new century, there are people, that is, the Americans who state that the United Nations has failed to meet their expectations and so they are making what they call sacrifices to take on this task.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Mr CHAN Kwok-keung, you may now speak on the amendment moved by Mr Albert HO. You have five minutes.

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, some Honourable colleagues said to me that I was unlucky, for the motion debate had to be carried out in two days. Had the debate completed yesterday only, with the support of all Honourable Members given to my anti-war motion, then war could have been averted. Now there is nothing we can do about it, for war has begun. I can only say with all my sympathies that Iraq is so unlucky that it is again attacked by a superpower, the United States.

The war waged by the United States is an unjust war. The United States is a great military power with a huge national defence budget. Iraq's national defence budget is only one five-hundredth of that of the United States. How can Iraq be a match for the United States? Iraq simply cannot put up any effective resistance against attacks by the United States. What the United States is doing is bullying the weak, and that is disgraceful.

Robin COOK, the former Foreign Secretary of Britain said that the excuse used by the United States is that it has tolerated Iraq for 12 years, but Iraq still fails to disarm its weapons of mass destruction. But he also said, the United Nations passed a resolution 30 years ago, that is, Resolution 242, to demand Israel withdraw from the areas it has illegally occupied. But to date Israel has not complied with the resolution and the international community is waiting for Israel's compliance with tremendous patience. But why can more patience not be given to Iraq? It can be seen that the reasons behind it are not as simple as

we would think. So if we agree to this war, we would be becoming executioners, but nothing else.

Finally, I would like to explain to Honourable Members why this motion is so succinctly phrased. Actually, I did share Mr Albert HO's views before coming up with this wording, but then I realized that even if the United Nations vetoed the resolution moved by the United States, the United States would still send its troops to Iraq. So I simply say in my motion that this Council opposes the United States attack on Iraq. As to the contents added by Mr Albert HO in his amendment, I would think that it would not help at all. However, I agree with Mr HO and I would not object to his views. I hope my motion will be carried. Therefore, irrespective of whether Honourable Members will agree to Mr HO's amendment or not, I hope they will vote in favour of my motion. Thank you.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Albert HO to Mr CHAN Kwok-keung'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.

(No hands raised)

Mr CHAN Kwok-keung rose to claim a division.

**PRESIDENT** (in Cantonese): Mr CHAN Kwok-keung has claimed a division. The division bell will ring for three minutes.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Raymond HO, Dr LUI Ming-wah, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr Timothy FOK, Dr LAW Chi-kwong, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Michael MAK, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the amendment.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr LEUNG Yiu-chung, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Chin-shek, Ms Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Mr WONG Sing-chi, Ms Audrey EU, Dr David CHU, Mr NG Leung-sing, Mr Ambrose LAU and Mr MA Fung-kwok voted for the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 17 were present and 17 were in favour of the amendment; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 21 were present and 20 were in favour of the amendment. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

**PRESIDENT** (in Cantonese): Mr CHAN Kwok-keung, you may now speak in reply. You still have two minutes 32 seconds.

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, the United States has started the war. I do not believe all Americans agree with what their warlike President has done. The Americans have said that they have conscience and will bear responsibilities for everything the Government does. They have

said that they will not tolerate the President doing something unjust in their name and instigating an unjust, immoral and illegal war, and they will take the side of all people in the world demanding peace. The Americans have said so while President George BUSH has said that if Americans do not follow him, they are setting themselves against him. Nevertheless, the Americans have said that they will not be indifferent and they will stop the war by all means, and they will not cast a vote for this warlike President next time.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHAN Kwok-keung, as amended by Mr Albert HO, 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)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion as amended passed.

**PRESIDENT** (in Cantonese): Second motion: Small and medium enterprises funding schemes.

## **SMALL AND MEDIUM ENTERPRISES FUNDING SCHEMES**

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

I have proposed this motion on the Government's newly enhanced small and medium enterprises funding schemes (the Schemes) mainly for reasons in four areas:

First, the Schemes are practically effective. As at early March 2003, a total grant of \$1.363 billion has been approved under the SME Business Installations and Equipment Loan Guarantee Scheme (BIG), SME Export Marketing Fund (EMF) and SME Training Fund (STF), benefiting 12 500 small and medium enterprises (SMEs). The BIG has motivated the loan market to provide SMEs with nearly \$3 billion in loan for equipment and installations. More than a quarter of the applicants for EMF were first-time participants in marketing initiatives.

Second, despite the substantive effectiveness of the Schemes, the take-up rate is still low. As at early March 2003, only 8.5% of the total amount of grant provided under the EMF was approved, only 3.9% in the case of the STF, and 22.2%, the highest of all, under the SME Development Fund (SDF). It is evident that there is still much room for the Schemes to bring their desired functions into play.

Third, as indicated by a government survey, SMEs generally do not have much knowledge of the Schemes. Given that the Schemes have been enhanced, the Government should, provided it can continue to ensure public money is spent properly, take a more proactive approach in publicizing the Schemes to benefit more SMEs in genuine need.

Fourth, as Hong Kong economy is undergoing transformation and, given the volatility of the external economic environment, SMEs and banks are often trapped in a situation in which "some people fail to borrow money" and "money awaits to be borrowed". If the Government can share part of the risks, it is believed that banks will apply less stringence in providing loans to some innovative trades and industries in the commercial and industrial sectors.

Given the present economic depression, it can be said that SMEs are playing an increasingly important role in the territory's economic structure. According to government statistics, between June and September 2002, the number of "one to nine person" enterprises rose by 5 884 from 268 995 to 274 879. At the same time, there was a drop in the number of enterprises employing 20 persons or more, including enterprises employing 1 000 persons or more. It can thus be seen that SMEs have a profound impact on improvement in Hong Kong's overall economy and unemployment situation. This explains why the Chief Executive has, despite the high deficit, taken on board all the

recommendations made by the Small and Medium Enterprises Committee (SMEC) to enhance the Schemes by such means as suitably raising the upper ceilings of the guarantee/grant, broadening the scope of individual schemes and processing applications by SMEs with greater flexibility. As a member of the SMEC, I think this is a right decision. Nonetheless, we still have to rely on the Government to launch vigorous publicity programmes to enable the Schemes to eventually succeed. In this connection, I would like to make the following recommendations:

First, as media publicity tends to be more effective, the Government should make better use of the media to publicize the Schemes. For instance, some typical or interesting success stories can be selected for promotion through newspapers, radio or special programmes on the television. At the same time, large posters or billboards can be posted at conspicuous locations in commercial centres or factory areas to attract the attention of employers and employees.

Second, applicants for the four funding schemes launched more than a year ago have come mainly from the manufacturing, import/export and information technology (IT) sectors. According to the Report on the Review of the SME Funding Schemes published in December 2002, 70% of the industries benefited from the BIG are manufacturing industries, 35% of the industries benefited from the EMF are import/export trades, and 24% of the industries benefited from the STF are manufacturing industries. The authorities should indeed encourage a wider range of trades and industries to lodge applications under the Schemes, particularly industries that can create more employment opportunities (such as the catering and wholesale/retail industries) or industries with higher added value (innovative industries such as product design or the movie industry).

Third, instead of accepting invitations in a passive manner, the authorities should take a proactive approach by attending promotional seminars organized by trade associations and professional institutions to mobilize their support for the Schemes. Assistance should also be offer to these institutions to help them understand the keys to applying to the Schemes by such means as providing more proposal samples for reference. Let me cite the Hong Kong and Chinese Importers' and Exporters' Association to which I belong as an example. Seminars on the Schemes were organized in December 2001 and last week, and both seminars drew a full house. With an attendance of over 150, there was enthusiastic response from the audience. We simply could not stop answering

their questions. This shows that, despite the huge demand, there is a general lack of knowledge of the Schemes. Given the Schemes are a benevolent initiative of the Government, the Government should not be so parsimonious in expenditure on publicity.

Fourth, generally speaking, though it is relatively easy to fill in the application forms, the one for the SDF consists of 12 pages, more or less the same as the application forms for university research grants. Ordinary trade associations with limited manpower and resources, and non-professional or non-profit-making institutions can definitely not manage it. Of course, given that the amount of funds for each application under the SDF often involves hundreds of thousands of dollars, or even a million, the vetting and approval requirements and procedures should be strict. Meanwhile, the Government should note that, despite the low successful rates of the SDF, the cost of completing the application forms (including the preparation of a concrete proposal and a budget) is very high. Applicants are in general required to set up a task force and hold a number of meetings to discuss matters pertaining to the application. Notwithstanding this, most applicants have had their applications rejected. On the other hand, the vetting committee of the SDF has once indicated that most applications have made such common mistakes as being too commercial, lacking substance, goals, initiatives and uniqueness, producing slipshod work, being not sufficiently capable of implementing the proposal, demonstrating poor cost-effectiveness, and so on. In this respect, I think the authorities should help outsiders to better understand the vetting criteria by such means as, with the consent of the applicants, uploading some typical applications, approved or not, onto the Internet upon the completion of the vetting procedures. This can make it easier for outsiders to grasp the objectives, operational principles and vetting emphasis of the SDF so as to help raise the standard of the proposals submitted by applicants and in turn raise the success rates.

Fifth, I support the Schemes' latest arrangements. Nonetheless, there are still a number of areas that warrant further study and improvement by the Government. Under the new arrangements, applicants for the BIG are still required to make repayment to the lending institution in instalments not later than six months after the loan has been drawn. The repayment interval between subsequent instalments should not exceed three months. In my opinion, given the fact that the Special Financing Scheme for SMEs launched in 1998 recorded a bad debt rate of a mere 7.57%, it should be possible for the repayment

arrangements under the present Schemes to be handled flexibly. For instance, enterprises with a good track-record may begin repaying their loans one year after, and the repayment interval between subsequent instalments can be extended to six months or less. Among the four funds, the STF has recorded the lowest utilization rate. This may be attributed to the fact that, given the present economic slump, employees of SMEs probably cannot afford time to receive training in addition to "preserving their rice bowls". They may also be worrying about their job security or lack of progress upon the completion of training. The Government should, through launching publicity programmes, encourage employers to support their employees to take part in training programmes, so as to upgrade the business standard of various trades and industries. I hope the Government can pay close attention to the response of SMEs to the latest arrangements of the Schemes and, in the light of the demand in the market, make constant improvement to the *modus operandi* of the Schemes.

Madam President, we cannot rely merely on the Schemes to help SMEs grow. It remains crucial for the business environment to be improved and the costs lowered. Despite the sharp drop in property prices and rents in recent years and the fact that enterprises, big, medium or small, have resorted to retrenchment and pay cuts one after another and the public have had their income reduced, water, electricity, sewage, fuel and transport charges have seen no downward adjustment. Expenditure incurred by public and subvented bodies continues to rise rather than fall, accounting for more than 20% of the Gross Domestic Product. As a result, the Government has been forced to increase a wide range of taxes, including profits tax, to make up for the deficit. All of these are undermining the competitive edge of SMEs.

We would like to urge the Government to undertake to reduce non-investment public expenditure while raising taxes. Moreover, more resources should be utilized to create a better business environment at an enhanced pace. At the same time, publicity should be stepped up to encourage the public to operate businesses, enter a wide range of job markets, and take up whatever jobs provided they are lawful. This will help restore vitality and prosperity to the community. Even if Hong Kong cannot drastically improve its economy in a couple of years, it can still develop smoothly and steadily.

Madam President, I so submit.

**Mr HUI Cheung-ching moved the following motion: (Translation)**

"That, as the Government has launched the enhanced small and medium enterprises (SMEs) funding schemes, this Council urges the Government, under the premise of ensuring that the funding schemes will not be abused, to extensively publicize the schemes and strengthen co-operation with professional organizations in the commercial and industrial sectors to enable SMEs in a wider range of trades and industries to obtain timely and effective support."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr HUI Cheung-ching be passed.

**PRESIDENT** (in Cantonese): Mr Ambrose LAU will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Ambrose LAU to speak and move his amendment.

**MR AMBROSE LAU** (in Cantonese): Madam President, I move that Mr HUI Cheung-ching's motion be amended, as printed on the Agenda. While I support the objectives and spirit of the original motion, I have proposed this amendment mainly because the original motion needs supplement in some aspects:

First, although the four SMEs funding schemes (the Schemes) were launched more than a year ago, small and medium enterprises (SMEs) in general still have little knowledge of the Schemes. Furthermore, since some schemes set up by the Government to support SMEs, such as the funds launched by support institutions like the Innovation and Technology Commission and the Hong Kong Industrial Technology Centre Corporation, are targeted on technological enterprises only, many SMEs are still not clear about their eligibility for the Schemes. Nor are they clear about whether or not their trades fall in the scope of the Schemes. If the Government wishes the public to have a good understanding of the Schemes, it must strengthen co-operation with professional organizations in the commercial and industrial sectors. What is more, extensive publicity programmes pinpointing various trades and industries

must be launched to make SMEs know that the Schemes are open to all, not just certain, trades and industries.

Second, as at early March 2003, a total of more than \$1.36 billion in grant has been approved under the four Schemes. More than 12 500 SMEs, mainly from the manufacturing, import/export and IT sectors, have been benefited. These statistical data precisely illustrate that the Schemes have been effective, but the effects are felt mainly by SMEs belonging to certain trades and industries. In order to benefit more SMEs, the Government should therefore gradually extend its future publicity emphasis to various trades and industries. It is for these two reasons that I have proposed to add "strengthen co-operation with various trades and industries and professional organizations" in my amendment.

Third, should the Government really hope more SMEs from different trades and industries can benefit from the Schemes, a more flexible vetting and approval method should be adopted to encourage SMEs to apply for grants. Currently, the Government is not solely responsible for vetting and approving applications lodged under the four Schemes. The Trade and Industry Department, for instance, is directly responsible for exercising discretion to vet and approve applications for the \$300 million SME Export Marketing Fund (EMF) and the \$400 million SME Training Fund (STF). Applications under the SME Development Fund (SDF) and the SME Business Installations and Equipment Loan Guarantee Scheme (BIG) are vetted and approved by a vetting committee commissioned by the Government and relevant banks respectively. Nonetheless, given that the Schemes involve public money and the key objective of the Schemes is to help SMEs inject more resources into upgrading their productivity and expanding their markets, the Government should encourage the relevant organizations to, under the prerequisite of ensuring no abuse of public money, carry out its vetting and approval task flexibly, even though the Government has no part to play in the vetting and approving work. While "bricks and mortar" or performance can certainly serve as a basis for vetting and approval, the prospects and ideas of the applicants should not be ignored. It is possible for some newly established or innovative industries, such as software design, movie, publication, and so on, to suddenly rise to fame and significance. Under certain circumstances, ideas and talents are obviously more important than performance and property assets. In the course of vetting and giving approval, the Government and lending institutions should, taking account of the special features of different trades and industries, set different vetting and approval standards and refrain from sticking to established practices or rigidly following old rules.

Madam President, the vetting and approval procedures must be reasonably flexible in order that the financing needs of SMEs can be effectively addressed. Among the four Schemes launched by the Government, the SME Loan Guarantee Scheme to be launched by late March 2003 is particularly worthy of our concern, because bank endorsement is required. Although an increasing number of banks have started to operate mortgage-free loan schemes for SMEs, the banking sector is, on the whole, still quite conservative about lending to SMEs. One prominent feature is that, for a purchaser of property for self-occupation obtaining a mortgage loan from banks in his own name, he might be able to negotiate an interest rate as low as P-2.75. For a company securing a mortgage loan from banks, however, the interest rate will be 0.25 or 0.5 percentage point higher. Some SMEs have even revealed that, despite being a participant of the SME Loan Guarantee Scheme, they are still being charged an interest rate of up to P+1% by banks. It is evident that SMEs are generally required to pay a higher interest rate when borrowing money from banks to run businesses.

Through the SME Loan Guarantee Scheme, the Government can encourage banks to develop the SME loan market in a more flexible manner. This will not only help banks to open up the loan market, but also diversify their businesses. With more financing opportunities, SMEs will then be able to spur the recovery of Hong Kong economy. This explains why I have proposed to add "to adopt a more flexible vetting and approving approach" in my amendment.

This amendment has incorporated some of the views expressed by Honourable Members in this Council. Pursuant to the principle of readily heeding good advice, I have proposed this amendment.

I urge Honourable colleagues to support the original motion and the amendment. Madam President, I so submit.

**Mr Ambrose LAU moved the following amendment: (Translation)**

"To add "various trades and industries and" after "to extensively publicize the schemes and strengthen cooperation with"; and to delete "in the commercial and industrial sectors," and substitute with "and to adopt a more flexible vetting and approving approach, so as"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Ambrose LAU to Mr HUI Cheung-ching's motion, be passed.

**MR KENNETH TING** (in Cantonese): Madam President, this year's policy address emphasizes economic integration with the Pearl River Delta (PRD). In the past two decades, Hong Kong's small and medium enterprises (SMEs), by virtue of their flexibility and versatility, have not only become the territory's economic pillar, but also enjoyed remarkable and rapid development in the PRD. Helping SMEs to explore more business opportunities can, apart from facilitating Hong Kong's economic transformation, definitely promote the successful integration between Hong Kong and the PRD, thereby bringing prosperity to the benefit of both places.

With limited operating funds and assets, and coupled with the persistent economic slump in the past few years, SMEs are particularly vulnerable. As a result, a number of SMEs are facing cash flow problems. In addition, since loans have always been provided to SMEs by financial institutions by way of "property mortgaging", the former are facing increasing difficulty in raising money with their property having depreciated sharply in value at the moment. Failing to address this, the Government's visionary plan of realizing the integration with the PRD might eventually turn into empty talk.

Indeed, in a survey conducted last year, The Chinese University of Hong Kong suggested the Government to actively pursue its SME policies and offer ways to "facilitate financing", so as to develop such enterprises into a strategic sector. This reveals that there is consensus that this matter should be discussed from a more forward-looking perspective. I have since a long time ago started appealing to the authorities and lending institutions at the debates held in this Council to give active support to SMEs in terms of financing, and to formulate good policies to help the development of SMEs. At the recommendation of the community and the commercial and industrial sectors, the Government has recently made a number of improvements to the SMEs funding schemes. This is indeed worthy of commendation. Nonetheless, the Federation of Hong Kong Industries and the Liberal Party consider that there is still room for improvement. We hope the Government can pay attention to this point so that twice the result can be yielded with half the effort.

To start with, a flexible approach and a new way of thinking should be adopted in vetting and approving applications.

In recent years, the Government has always emphasized its determination to assist in the development of hi-tech industries in Hong Kong such as enhancing the power of integrated circuit design, and to enhance support for the technical development of SMEs. According to the Hong Kong Science and Technology Parks Corporation, a set of relevant software will often cost hundreds of thousands of dollars, which is virtually beyond the affordability of SMEs. Should the Government be able to, in the course of vetting and approving applications, apply flexibility in the light of the technology content, more SMEs will find it more confident to seize the business opportunities arising in developing hi-tech industries.

The Government has also indicated its intention to develop innovative industries. However, SMEs engaging in these emerging industries may not be able to produce any record of performance. The Government will definitely be able to further invigorate the economy and expand the sphere of SMEs in Hong Kong if it can free itself from strict adherence to old practices, adopt a flexible vetting and approval procedure, adjust its conventional approach, and help these newly-established industries to secure fund.

To provide long-term assistance to the development of SMEs, fund available under the Loan Guarantee Scheme must be sustainable. As a result, it is very important to guarantee the repayment of loans advanced. We therefore agree that the Government should adopt a flexible vetting and approval approach, that the Government must ensure no abuse of funds. We hope the Government can strike an effective balance in this respect.

Lastly, I would like to raise the point that the ratio between the number of applications made under the old schemes and the actual number of beneficiary SMEs is still low. While the approval rate of the SME Training Fund is less than 10%, that of the SME Development Fund is a mere 20%, reflecting the difficulty faced by numerous SMEs in financing. At the same time, however, the Government is facing the paradox of having no one to borrow its money. It boils down really to its poor publicity and inappropriate publicity strategies. Many SMEs basically do not know if they are eligible for the Schemes. Nor do they know through what channels they may submit their applications.

The newly enhanced Schemes have indeed made a number of improvements. Moreover, it is open to all trades and industries. As they are newly launched, the authorities should launch extensive publicity programmes. In particular, they should co-operate with various trades and industries in the commercial and industrial sectors as well as professional bodies to organize more introductory seminars tailored to the characteristics of various trades and industries, so as to give SMEs a better understanding of the details of the Schemes. In doing so, the Schemes can definitely achieve a better result.

With these remarks, I support the original motion and the amendment. Thank you, Madam President.

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, what I would like to talk about is that the Democratic Party always thinks assistance or support for SME financing should be market-led and provided mainly through such channels as banks and similar institutions. The Government should intervene only when the market is out of balance and in unusual circumstances. That is why the Government launched an assistance scheme for SMEs after the Asian financial turmoil in 1998. The scheme has operated for so many years and undergone many changes. I have no idea whether or not the Government should consider removing the funds for this scheme at an appropriate time. Honourable colleagues may think that I am saying the opposite to popular opinion, but I think that it is unnecessary for the Government to intervene in such matters if the market is operating soundly.

Last year, when we discussed the "penny stocks" incident, there were views that when the price of some stocks had fallen so much that they were delisted, then something should be done about them. At that time, some people suggested that some over the counter sales could be done. That may not be under the scope of work of the Commerce, Industry and Technology Bureau, but that of the Financial Services and the Treasury Bureau. However, that is an issue which should be discussed. When the listing prices of some stocks are so low that they have to be delisted, then we should find some place for them to engage in over the counter sales. Conversely, when the prices of some stocks go up, but not high enough to qualify for listing, then should there be some kind of a mechanism to enable people to trade in these stocks? In many foreign places such as Taiwan and the United States, there is a system of over the counter

sales. I think the Government should consider this issue from the point of view of delisting and offering another way to help SMEs.

Certainly, I think that there is room for the Government to co-operate with the Securities and Futures Commission and the Stock Exchange of Hong Kong on this. I am not sure what kind of organization would be the best for this, but we may consider organizations like the Stock Exchange of Hong Kong, and so on, and carry out some matching work in financing, that is, to find out if any companies are looking for financing or to invite some people to become shareholders, and so on. These can be the first step. As to questions like whether or not trading will be active or many people will buy these stocks, it may not be the case in the beginning. The owners of many companies would not like their companies to be taken over by others. That may be the tradition of Hong Kong people, but from the perspective of financing, the funds operated by the Government should take up such a role, especially those funds in existence. In fact, the Democratic Party supported the proposal made by the Government during the last review, that is, that financing should be led by the market. For example, we think that it is perfectly fine to entrust some credit funds to operation by the major banks.

In my opinion, I think the businessmen should find the means of financing themselves. To do business is certainly difficult, and in many cases, it is the trades associations which will encounter the greatest difficulty. I think Honourable Members who come from certain trades like Mr HUI Cheung-ching and Mr Howard YOUNG, or Members from other others would know that individual companies may have money, but trade associations and federations may face greater difficulties. It remains, of course, that some bosses of big companies may be the chairmen of particular trade associations and so the secretaries and other staff of big companies will also support the trade association concerned. That is a common thing. So with respect to SME financing, these government funds are really doing a good service to the SMEs because they are intended to help the development of these trades.

What I am trying to say is, not just individual companies need assistance, but also the trade associations as well. It is because the latter are in greater need of assistance. Both the Democratic Party and I are more inclined to offering support to trade associations than individual companies. For in terms of opening up the mainland market or foreign markets, such efforts should be made in the context of the market as a whole, and that I think would be better.

Some people conducted some political studies some time ago and tried to see whether or not welfare expenditure would rise after the Legislative Council elections. Mr NG Leung-sing often raises this issue. I said before that ever since Legislative Council elections were held, government support for the trades and industries had also increased. That is also the case with the SME funds. All these are issues which should be considered by the Government. When elections are held, there are bound to be many people who will fight for the interests of their voters and so many plans are made. The Government must be careful about this. Those candidates who are chairmen of some trade associations would want to get more interest for their associations. But the Government should strike a right balance here. Personally, I think that both the Government and the Legislative Council should be careful about this and should not make the mistake of promoting welfarism for trades and industries. I have talked about this problem a few times already.

On the other hand, the Government has also devised many plans. Let me quote some examples from the information technology sector with which I am familiar. Of course, the sector would like to get more support from the Government, but often times I have a different idea. In the information technology sector, I am inclined to urging the Government to increase its support on the demand side more than that on the supply side. Some people may ask this question, "Which is more important, assisting the information technology companies or the companies which apply information technology?" Assisting the latter would raise their information technology awareness so that they can keep a close eye on the market developments. I would think that this is more important for the situation is complementary, that is, when demand increases, information technology companies may grab a bigger market share and do more business by taking part in competition. So I think support should be focused on the so-called demand side, that is, raising the demand, rather than improving the support given to individual companies. These are views based on principles and with respect to individual funding schemes, I would think that we should be careful about them.

There are still one or two fundamental issues which the Government should consider. On this question of support for the SMEs, the Democratic Party has said many times that consideration should be given to whether or not the tax regime should be progressive. This issue has been discussed many times, but I would think that more thoughts should be given to it. The Budget this time proposes that the rate for profits tax should be raised from 16% to 17.5%. This

will not matter very much to big companies, but it does matter to small companies. So the Government should reconsider the question of introducing a progressive profits tax again.

**DR RAYMOND HO** (in Cantonese): Madam President, SMEs have always been an important engine of growth for Hong Kong economy. There are over 300 000 SMEs in Hong Kong, accounting for 98% of the total number of companies. SMEs employ staff who take up 60% of the total number of employees in the private sector. As the Hong Kong economy is undergoing a critical phase of adjustment, many large companies are making efforts to streamline or downsize. It is believed that this process will continue for some time. On the contrary, as SMEs are more flexible in their response to changes in the market, they are beginning to play a more important role in our transforming economy.

However, SMEs face a lot of difficulties and these affect their development. These difficulties include those in capital, manpower training and opening up new markets. To address these problems, the Government launched the SME Credit Guarantee Scheme in 1998. Then in the policy address delivered by the Chief Executive in October 2001, the recommendations made by the Small and Medium Enterprises Committee were accepted. A funding of \$1.9 billion was set aside to establish four funds with a total commitment of \$7.5 billion to help SMEs in financing, purchasing installations and equipment, opening up markets, enhancing training and increasing their competitiveness. These four funds include the Business Installations and Equipment Loan Guarantee Scheme, the SME Export Marketing Fund, the SME Training Fund and the SME Development Fund.

Doubtless, over the past few years the Government has given more support to SMEs and that is commendable. However, when I meet with people from SMEs, they all say that as SMEs have a lot of limitations, they will have difficulties in applying for loans, especially with respect to loan guarantees for installations and equipment. Thus, they may not be able to meet the criteria for loan approval. Therefore, I hope that the relevant authorities can take into account the actual operation conditions of SMEs and adopt a flexible approach in handling the applications. That will enable more SMEs to be benefited. It remains, of course, that any abuse of financial assistance should in no circumstances be tolerated.

Moreover, the authorities concerned should make more efforts to publicize the SME funding schemes. As far as I know, many SME operators have heard about these schemes, but they do not know about the details. That is why more publicity efforts should be made through different channels so that SME operators can know more about the schemes and submit applications. That will enable funds related to the schemes be put to best use.

Madam President, the development of SMEs is closely related to that of our economy in the future. We can see that SMEs can play a major part in the economy in some advanced countries in terms of job creation. Therefore, the Government should provide more support to SMEs and better the existing funding schemes. With these remarks, Madam President, I support the motion and the amendment.

**MR NG LEUNG-SING** (in Cantonese): Madam President, the Finance Committee of this Council approved in January the recommendations made by the authorities after a review of the SME funding schemes in order to improve the operation of the Business Installations and Equipment Loan Guarantee Scheme, SME Training Fund and SME Export Marketing Fund. The recommendations mainly involve increasing the ceiling of loan guarantee and subsidy, extending the period and scope of loan guarantee, including those on working capital and accounts receivable, and so on. At a time when our economy has yet to see any marked improvement, these kind of plans which will give the right kind of support to SMEs can really meet their actual needs.

Seen from the demand on working capital, these improvement measures may ease the difficulties encountered by SMEs in financing. Thus, they will help SMEs to maintain and expand their business and reduce the adverse impact caused by unfavourable external conditions. As a member of the banking sector, so apart from making use of this opportunity to declare my interest now, I would also like to say that I believe credit institutions within the sector would play a more active part in the improved loan guarantee schemes and facilitate the financing of SMEs. Last week, Mr HUI Cheung-ching, Miss CHOY So-yuk and I took part in a seminar organized by the Hong Kong Chinese Importers' and Exporters' Association and others on these loan guarantee schemes. As Mr HUI Cheung-ching said earlier, the Government should make more efforts to publicize the details of the new loan guarantee schemes to SME operators of all trades and industries, and it should also work with the Small and Medium

Enterprises Committee to monitor the implementation of the new schemes and any new problems that may arise. That will enable recommendations to be made to put these schemes into force and make them run smoothly.

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

**DR DAVID CHU** (in Cantonese): Madam President, the unemployment rate in Hong Kong has soared 0.2% yet again and hit 7.4%, with more than 250 000 people out of work. To effectively resolve the unemployment problem in Hong Kong, a most important method is to support the SMEs so that they can undergo restructuring and grow. We may look at the example of South Korea, which has been very successful in promoting the development of SMEs. South Korea was badly hit in the Asian financial turmoil, but in such a short period of five years, the South Korean economy has recovered. Its unemployment rate has fallen from the 9% peak to 3.1% now. Last year, the economic growth of South Korea was as high as 6.2%. As for foreign exchange reserves, although they were almost depleted in 1997, the country has accumulated US\$123 billion over the years since. That is really a remarkable achievement.

A major reason for the South Korean economy recovering from the Asian financial turmoil so speedily is its economy being led by SMEs. Before the financial turmoil, the economic lifeline of South Korea was controlled by the giant enterprises and as many as 80% of the workers worked in these giant enterprises. After the financial turmoil, the whole country of South Korea, including the Government, the banks, and even ordinary members of the public all gave their full support to the SMEs and so the country managed to recover from the recession and consumer sentiments revived. In recent years, many information technology companies have emerged in South Korea and many of them are SMEs. We all know that South Korea attaches great importance to the development of innovative knowledge-based industries. Initiatives made by the South Korean Government to support SMEs include the establishment of funds to provide financing to SMEs and setting up a second board market for SMEs. All these have helped SMEs in securing financing. Tax concessions are also offered by the South Korean Government. In addition, the South Korean Government also takes active steps to encourage financial institutions to change their lending policy from only making loans to large companies in the past to advancing loans to SMEs.

Madam President, the all-dimensional package of policies adopted by the South Korean Government sheds light on the many areas that the SME-support measures in Hong Kong may improve in terms of their scope and force. Certainly, I am in full support of the Government's acceptance of the recommendations made by the Small and Medium Enterprises Committee and the various improvements made to the SME funding schemes so that they will better suit the needs of SMEs. In fact, the Hong Kong Progressive Alliance has always urged the Government to give more assistance to SMEs. In 1998, we urged the Government to set up a loan guarantee scheme for SMEs to resolve their financing difficulties. In my opinion, the Government should make more active and extensive publicity efforts on the SME funding schemes and assist SMEs in making their applications to these schemes. That will enable more companies and employees to benefit from the schemes. I hope that the Government, the Small and Medium Enterprises Committee and people from all sectors will join hands to assist the SMEs. The Government should not reduce its support to the SMEs because of its fiscal deficit. On the contrary, the Government should take more proactive steps to improve the business environment for SMEs. This will be a solution to the unemployment problem at root.

With these remarks, I support the original motion and the amendment.

**MS MIRIAM LAU** (in Cantonese): Madam President, there are over 300 000 small and medium enterprises (SMEs) in Hong Kong, representing over 98% of the total number of local businesses, and their employers and employees account for 60% of the total working population. This shows that SMEs are the lifeline of the Hong Kong economy. Insofar as the logistics industry is concerned, the role of SMEs is also vitally important. The contribution of SMEs to the logistics industry is indeed essential to the development of Hong Kong into the world's busiest container port and air freight centre as well as a logistics hub today.

Thanks to the Government's vigorous initiatives and the efforts of the industry, the logistics industry has been developing very rapidly in recent years. In fact, the logistics industry is not a new industry at all. However, with the development of the information technology, new methods of management have been introduced to gradually replace the old modes of operation, and this has prompted the industry to undergo transformation. Therefore, members of the

industry must master new techniques and acquire knowledge of modern logistics concepts. Moreover, following economic restructuring and the northward relocation of industrial production processes, it is necessary for the local logistics industry to develop in the direction of high value-addedness. It is all the more necessary for members of the industry to pursue studies or training not only to add value to themselves, but also to add value to the logistics services in Hong Kong.

The upgrading of the logistics services in Hong Kong requires the support of more SMEs, and the quality of members of the industry must be improved. According to the 2002 manpower survey on the logistics and freight forwarding industry, there were over 70 000 people engaging in the sector. But due to their very limited resources, few SMEs can set aside ample resources for the training of their workers in the face of keen competition in the industry. As a result, many SMEs still cannot avail themselves of the latest development of the logistics industry.

Although the Government has provided four SME support funds with a total commitment of \$6 billion, only a very low percentage of logistics-related SMEs has managed to secure loans under the four funds. As at the end of 2002, only 152 SMEs have benefited from the funds, and only \$23.4 million has been granted in the forms of loan guarantee and subsidies.

Given the uniqueness of SMEs in the logistics industry, they are very often not eligible to apply for funding support under these funds. Therefore, a dedicated working group has been set up under the S-logistics Project Group of the Hong Kong Logistics Development Council to specifically look into the practical needs of SMEs in the logistics industry, with a view to assisting them in their applications for loans under the four funds.

The Trade and Industry Department has earlier on increased the ceiling of funds granted under the SME Training Fund by 100% from the original \$15,000 to \$30,000. The maximum amount of grant for employers is \$10,000, whereas that for employees is \$20,000. Funds are granted for industry-related training purposes, and applicants may be granted funds up to 50% of the training costs. I welcome this increase in the amount of grant by the Government. But as I have just said, the SMEs have very limited resources and under the present economic environment, they may not be able to inject resources into training employees, and they may not be able to afford even 50% of the training costs.

Therefore, if the SMEs still have to shoulder half of the costs, it may be difficult to attract them to participate in the scheme. So, I hope the Government can consider further increasing the percentage of subsidies, such as increasing it to 75% of the training costs, in order to attract more applications from SMEs.

While Hong Kong has advantages in many areas insofar as the development of the logistics industry is concerned, and a growth was still registered in the total freight throughput in 2002, the rate of growth is actually far lower than that in the Mainland. I hope the Government can further improve the funding schemes for SMEs as soon as possible, so as to upgrade the quality of the human capital in the logistics industry, thereby upgrading the standard of logistics services and maintaining the competitiveness of the local logistics industry.

Madam President, I so submit.

**MR CHAN KAM-LAM** (in Cantonese): Madam Chairman, since the small and medium enterprises funding schemes were launched last year, \$1.05 billion has been approved during the first 11 months, benefiting 9 330 small and medium enterprises (SMEs). This has proved that the support provided by the Government is exactly what the enterprises need. Under its present tight financial situation, the Government is still willing to listen to the opinions of the industries and increase its fund allocation to the schemes. This has also shown the determination of the Government in supporting SMEs. Such measures should be applauded.

The Government intended to assist SMEs in solving their financing difficulties when it launched the SME Business Installations and Equipment Loan Guarantee Scheme (BIG). However, the success of the BIG will depend on whether the various parties can complement each other. If the enterprises are deterred by the difficulties involved in the vetting and approval of their applications, or if the banks do not relax their credit requirements, then no matter how attractive the terms of the BIG are, it will not achieve any success. In this aspect, the Government may help by enhancing publicity among SMEs and lending institutions.

Most SMEs fail to obtain bank financing because the documents they present do not meet the requirements of lending institutions. This is especially

so if their financial information is confusing, and it will intensify the financing difficulties involved. Therefore, the Government should hold joint talks in conjunction with trade associations to inculcate the concepts of corporate governance in the enterprises, to teach them how to enhance their financial management and understand the actual financing situations. Meanwhile, the departments concerned may draft up a checklist to provide the basic information required by lending institutions. The checklist should be provided to SMEs for free, so as to reduce any possible obstacles in their loan applications.

On the other hand, banks all along have stressed on the "brick and mortar culture" in vetting and approving loan applications. This is the crux of the problem of tightening banking credit faced by SMEs. Although the Government cannot force the banks to relax their lending policy, we feel that the Government may encourage the banks to factor in "quality of the enterprise" and "past records" in vetting and approving the loans to tie in with the loan guarantee provided by the Government, thereby making the BIG more effective.

The SME Training Fund (STF) has attracted the largest number of applicants among the four SME funding schemes. So far, more than 10 000 people have received grants for enrolling in courses. The Government has just announced that it will increase the ceiling by 100%. It can be anticipated that more people will be encouraged to further their studies and to better equip themselves. This will further promote the trend of training in the industries. However, while increasing the size of funding in order to boost the demand, the STF still has to be supported by adequate supply of training programmes. In the past, the Government and other subsidized organizations had launched a lot of training programmes. However, the training programmes or contents were criticized of not meeting the needs of the market, thereby wasting public funds. In the light of past experience, the Government should step up its communication with tertiary institutions, and to study what kinds of courses are in great demand by the market, and how the relevant courses should be organized. Meanwhile, the Government should listen to the voices and suggestions of users, which can be reference for reviewing the effectiveness of the courses.

Next, I would like to discuss the issue of support provided to the various industries. According to the information provided by the Government, among enterprises that have applied for and eventually received grants under the SME funding schemes, most of them belong to such traditional industries as the

manufacturing industries and import and export trade, whereas the support for certain emerging industries such as the innovation and technology industries has been inadequate. Let us take the electronic games industry as an example. It is reported that the total global turnover of electronic games amounted to over US\$30 billion last year. Another research study reveals that the total spending on entertainment industries in the coming year will amount to \$7 billion in Hong Kong. On the other hand, although the 2002 Asia Game Show held last year in Hong Kong successfully invited nearly 100 overseas and local companies to participate in it (which can be described as our launch of an event of bringing our cyber entertainment industries to the international arena), the financial subsidy provided to each participating local company was just \$10,000. From this, we can see that the support provided by the Government in this aspect is still inadequate. Although there are more than 10 companies specializing in the development of games in Hong Kong, nearly all of them are "tiny companies". They do not have the financial strength to pay for games development costs which could easily involve an investment of \$2 million to \$3 million. It is never easy even if they wish to raise the required fund by applying for bank loans through the BIG. So under such circumstances, how can the cyber entertainment industries in Hong Kong develop and excel?

Conversely, if we look at other parts of the world, the governments of other countries are all actively promoting the development of creative industries. Britain is one of the pioneers in this. Earlier on, the Legislative Council Secretariat prepared a detailed research report on the development of creative industries in Britain. It highlights the fact that the British Government has provided the driving force to promote the development in three ways, namely, the training of talents, assisting the development of export trade and the provision of financing channels. And Britain is considered the pioneer in promoting creative industries systematically. Besides, Korea has also introduced the policy of "exempting military service for development of games software" (such preferential treatment is not available in Hong Kong because we do not have to serve military service), established a games support centre for the industry and allocated 50 billion won to set up a low-interest loan fund. As a result, Korea has emerged as the sixth largest games development country in the world. The Chief Executive stressed in his policy address that the Government would actively promote the development of creative industries. We think that the Government should speed up its communication with the industry and experts

in this field, and study how to make use of the SME funding schemes to provide effective support to the creative industries.

There will not be any place in the world that would have the ideal funding schemes capable of taking care of all the SMEs in a comprehensive manner. But still we have to do our best to exploit the full effectiveness of the SME funding schemes. For this reason, we strongly hope that the Government will continue to monitor the performance of the SME funding schemes, and regularly review the situation, so as to benefit more SMEs, thereby ensuring that public funds are utilized properly. Thank you, Madam President.

**MR HENRY WU** (in Cantonese): Madam President, the Trade and Industry Department has recently launched the enhanced SME funding schemes to assist SMEs in improving their business environment. These schemes are meant to encourage SMEs to continue to make investment and that is certainly helpful to the recovery of the Hong Kong economy. Therefore, I support the original motion and amendment to urge the Government to extensively publicize the schemes, strengthen co-operation with the commercial and industrial sectors and adopt a more flexible vetting and approving approach so that SMEs in a wider range of trades and industries can obtain timely and effective support.

The Trade and Industry Department has launched the enhanced schemes due to the unsatisfactory results in the applications for the original funding schemes. This may also be due to insufficient publicity at the initial stages, especially when publicity efforts used to focus too much on the commercial and industrial organizations to the neglect of other trades such as the financial services trade. As a result, it is a pity to see that many other trades have overlooked these schemes.

However, after the authorities have made a review of the situation and accepted views from the market, the enhanced schemes are launched immediately. A series of measures aiming at improving the effectiveness of the funding schemes have been proposed and various kinds of publicity activities stepped up. It is stressed that these funding schemes welcome applications from SMEs from all trades, instead of just those from commercial and industrial organizations. In this way, more SMEs in need of assistance can benefit from the schemes. I really appreciate the sincerity of the Trade and Industry Department in helping the SMEs, and its willingness to heed advice and make

improvements. This kind of constant pursuit of excellence has really set an example for other government departments and organizations, especially the Financial Services and the Treasury Bureau.

Why am I saying this? Madam President, let me share my personal experience with Honourable Members. Owing to the division of various policy areas, the financial services sector, including securities, futures and bullion trading, has always been a policy area under the Financial Services and the Treasury Bureau. However, the Bureau has always stressed the importance of Hong Kong as an international financial hub, and so the SMEs in the financial services sector are always overlooked.

An obvious example lately was the approach taken by the Financial Services and the Treasury Bureau on the issue of abolishing the minimum brokerage commission. On 14 January, some senior members of the securities trade and I had a meeting with Secretary Frederick MA. We expressed the strong views of the trade on the proposed abolition of the minimum brokerage commission. In the morning of 15 January, Secretary MA ignored the strong opposition from the sector and sent a letter in support of the abolition of the minimum brokerage commission to the Hong Kong Exchange and Clearing Limited (HKEx). In the meeting of the Legislative Council Panel on Financial Services on 16 January, members requested the Financial Services and the Treasury Bureau to provide a copy of the letter to the HKEx to them for reference.

Madam President, could you imagine how long it took for a letter which contains that copy to reach Members of the Council? It should have reached Members in a few days' time, but it was delivered to Members on 10 March, that is, after 53 days, or two months. That illustrates a fact, that a simple task as this takes the authorities almost two months to do it. Does it show that the authorities are not respecting the Legislative Council or that they are terribly inefficient? From this it can be seen that it is a total impossibility for the sector to expect even the slightest support or assistance from the authorities.

As a matter of fact, I have talked about the problems faced by SMEs in the financial services sector as a result of the delineation of policy areas among government departments, on many occasions including the meetings of the Council, the meetings of the Panels as well as on other occasions. But my

comments and views have never received any positive response. As I was tired of the cold shoulders of the Financial Services and the Treasury Bureau and I did not want to wait for so long, so at the end of January I approached the Trade and Industry Department to enquire if it could brief the financial services sector on some of the services or schemes that would be helpful to the sector's development. Not only was my request instantly accepted, but also the Department was very co-operative and so talks on the funding schemes were held smoothly. I would like to commend this kind of positive outlook of the Trade and Industry Department and the efficiency and serious attitude it takes to handle matters. I hope that other departments will learn from it, as the line from a government announcement of public interest puts it, this is the kind of quality service we need today.

Madam President, as the Securities and Futures Ordinance will come into force on 1 April, and coupled with the drop in trading volume and possible fierce competition amid the economic downturn, the securities trade will have to face a new business environment. In order to offer some assistance to the sector to prepare it for the future challenges, two days ago my office organized a seminar on how the securities trade should rise to these new challenges. A session was conducted in the form of a talk given by the Trade and Industry Department on the details of the SME funding schemes. The objective was to enable companies in the sector to gain a better understanding of the various kinds of assistance offered by the Government, so that they can see a ray of hope in these gloomy times of an economic downturn.

Madam President, it is my earnest hope that such funding schemes can continue. More extensive publicity efforts should be made on these schemes among different professional sectors and more such activities should be carried out in co-operation with them. This will make people from different trades and industries feel the care and support from the Government in this time of uncertain economic prospects and difficult business.

Madam President, I so submit.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Mr HUI Cheung-ching, you may now speak on Mr Ambrose LAU's amendment. Your time limit is five minutes.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, I am very pleased that a total of 10 Honourable colleagues have spoken on this motion moved by me. This Council comprises different voices from different trades and industries as well as enterprises of varying scales. These voices will definitely be extremely valuable reference for the Small and Medium Enterprises Committee (SMEC) in its continuous effort to improve the small and medium enterprises funding schemes (the Schemes).

I support the amendment moved by Mr Ambrose LAU. The amendment seeks not only to support my motion in principle, but also delivers to the Government the message that the vetting and approval arrangements for the Schemes must be reasonably flexible before the financing needs of SMEs can be addressed in a timely and effective manner. Indeed, quite a number of SMEs and colleagues in this Council have coincidentally reflected to me the importance of exercising flexibility in vetting and approval. I hope that the Government can, apart from responding to new developments whenever necessary, introducing constant improvement to the Schemes and enhancing publicity, conduct a review to examine the flexibility of the vetting and approval policies so as to enable the Schemes to help more SMEs.

Madam President, I so submit.

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, first of all, I am very grateful to the valuable suggestions made by Honourable Members today on the motion of support for SMEs. The motion moved by Mr HUI Cheung-ching and the amendment moved by Mr Ambrose LAU urge the Government to extensively publicize the funding schemes, strengthen co-operation with professional organizations in the commercial and industrial sectors and to adopt a more flexible vetting and approving approach on the premise of ensuring that the funding schemes will not be abused, so that more SMEs may benefit. The motion and the amendment are fully consistent with the approach taken by the SAR Government in providing active support to SMEs. The Government is aware of the fact that

SMEs are a pillar of our economy, so we have accepted the recommendations made by the Small and Medium Enterprises Committee and launched many support measures. These include the four funds with a total commitment of \$7.5 billion with which I think Honourable Members are very familiar, that is, those aimed at assisting SMEs to raise their productivity, improve manpower resources, open up markets and enhance their competitiveness on a full scale.

I would like to brief Honourable Members on the developments in our measures to improve these four funds, then I will talk about how we will make more SMEs know more about these funds so that they can benefit from them.

On 24 January this year, the Finance Committee of the Legislative Council endorsed the recommendations made by the Small and Medium Enterprises Committee to improve these funds. On 24 February, the Trade and Industry Department launched the enhanced SME Training Fund, the SME Export Marketing Fund, and by the end of this month, the enhanced Business Installations and Equipment Loan Guarantee Scheme will be launched. By that time, the Business Installations and Equipment Loan Guarantee Scheme will be renamed SME Loan Guarantee Scheme to reflect the wider scope of loan guarantee provided by the Government.

When these improvement measures are in place, the assistance and loan guarantee which each SME may obtain from the above-named three funds will be raised from a maximum of \$1.02 million to \$4.07 million. These include:

- (1) A maximum amount of \$2 million on business installations and equipment loan guarantee from the SME Loan Guarantee Scheme, with a maximum loan guarantee period of five years. In addition, SMEs may also apply for the new Associated Working Capital Loans guarantee at \$1 million, and \$1 million guarantee from the Accounts Receivable Loans. These will make the total loan guarantee amount to \$4 million;
- (2) A maximum subsidy of \$30,000 from the SME Training Fund; and
- (3) A maximum subsidy of \$40,000 from the SME Export Marketing Fund.

In addition, in order to facilitate the application for the SME Training Fund, applications submitted within 30 days of the completion of the relevant training courses will also be entertained.

These improvement measures will further encourage SMEs to make investments in their business installations and equipment, assist them in solving working capital problems, encourage them to open up markets on the Mainland and overseas, as well as providing more training for both employers and employees and on a more comprehensive scale.

Since the launch of these SME funding schemes in end 2001/early 2002, more than 19 000 applications have been approved. The total loan guarantee/subsidy granted is more than \$1.4 billion. More than 12 000 SMEs from various trades and industries have benefited from these schemes. With the assistance from the Business Installations and Equipment Loan Guarantee Scheme alone, more than 2 000 SMEs have borrowed a total amount of more than \$2.9 billion from various credit institutions. In addition, close to 4 000 SMEs have been assisted by the SME Export Marketing Fund, of which about 27% of these SMEs have taken part in export marketing activities for the first time. As for the SME Training Fund, more than 6 300 SMEs have benefited from the Fund, with close to 10 000 employers/employees involved. These figures show that more and more SMEs are aware of these funds and they are actively using them.

After the introduction of the improvement measures to the SME Training Fund and the SME Export Marketing Fund, the initial responses have been satisfactory. Before the launching of the improvement measures, the SME Training Fund used to receive about 230 applications per week, while the SME Export Marketing Fund used to receive about 70 applications. After the subsidy amount for these two funds was raised in 24 February, the Training Fund have received more than double of the former number of applications, that is, about 440. As for the Export Marketing Fund, the increase is more than two times, that is, about 240 applications per week. I believe when the new SME Loan Guarantee Scheme is launched by the end of this month, it will help more SMEs resolve their working capital problems.

Mr SIN Chung-kai mentioned earlier that more support should be given to trade associations. This we very much agree. The SME Development Fund

has provided about \$60 million of assistance to various trade associations. The sum includes more than \$8 million of assistance to promote the application of information technology among trade associations.

Ms Miriam LAU and Mr CHAN Kam-lam mentioned earlier the unique characteristics of SMEs in the logistics and cyber entertainment sectors. I would like to point out that the four SME funding schemes are open to all trades and industries. We shall step up our publicity efforts among various trades and industries so that more SMEs, including those from the logistics and other innovative technology industries may benefit.

The targets of these SME funding schemes are SMEs in various trades and industries in Hong Kong, including the service industries and manufacturing industries. For this reason, the Government has been promoting these funds through various channels so that the SMEs will come to know and make good use of these funds so that they can be brought into the fullest play.

The Trade and Industry Department disseminates information on its funding schemes through the Support and Consultation Centre for SMEs and the Virtual SME Information Centre. For more than a year in the past, the Trade and Industry Department has also held talks and seminars with more than 30 business associations, SME associations, trade associations and industry support organizations where information about the various funding schemes are given in the publications and on the websites of these organizations.

Apart from publicity efforts on these funding schemes in co-operation with business and professional groups, the Trade and Industry Department also promotes these funding schemes through the following channels:

- promotion of the funding schemes among SMEs in joint effort with lending institutions in the loan guarantee scheme, various training institutions, and institutions engaging in overseas marketing activities, and SMEs are encouraged to submit applications for funding;
- SMEs which have succeeded in their applications are invited to share their experience in talks and seminars so that more SMEs are encouraged to apply for these funding schemes;

- television and radio announcements on the funding schemes are broadcast on televisions and radios;
- advertisements are placed in newspapers, magazines, and various publications, public means of transport and related facilities;
- introduction on the new funding schemes and on-line application services to e-Cert subscribers, both personal and organizational, in Hong Kong through the e-Cert News published by the Hongkong Post;
- the distribution of information leaflets and posters in various district offices; and
- exhibitions on various funding schemes in trade fairs and seminars which have SME as a target group, for example, in the SME Market Day organized by the Hong Kong Trade Development Council.

Mr HUI Cheung-ching has mentioned earlier that we should disseminate more information through the Internet. We will certainly look into that.

In a bid to complement the introduction of various improvement measures, the Trade and Industry Department is launching a new round of promotion activities. We will co-operate with more professional groups and support organizations in business to publicize the various improvement measures of the funding schemes. In order to encourage SMEs of the services sector to make good use of the loan guarantee schemes, we will step up our communication with various trade organizations in the services sector and co-organize more talks. For example, the Trade and Industry Department has recently taken part in seminars held for SMEs in the import/export trade and in the securities business to introduce various funding schemes to seminar participants. The Department will promote the various funding schemes among SMEs in other trades over the next few months.

Mr Henry WU mentioned the SME funding schemes offered by the Trade and Industry Department and expressed appreciation for these services. We are very grateful for his support. I would like to point out that the SAR Government as a whole attaches great importance to SMEs and I trust that the Financial Services and the Treasury Bureau is no exception.

We have always adhered to one principle in taking forward these funding schemes, and that is, to make the best use of these schemes so that the greatest and the most effective support will be given to the SMEs, while ensuring public money is used properly.

In view of the above, the Trade and Industry Department has streamlined the application procedures of these funding schemes in order to save the time used by SMEs and other institutions in filling out forms and preparing the documents required. Thus, vetting and approval can be completed within the shortest possible time. I have personally gone through some of these forms and I am sure that they are very simple and easy to fill in. In the middle of last month, we started to accept applications for the SME Training Fund within 30 days after the completion of the training courses concerned. The purpose of this is to handle applications in a more flexible manner so that more SMEs can be benefited.

The performance pledge made by the Trade and Industry Department with respect to applications for these funds is follows:

- completion of vetting and approval procedures related to applications for the Loan Guarantee Scheme within three working days;
- completion of vetting and approval procedures relating to the Export Marketing Fund within seven working days;
- completion of vetting and approval procedures relating to the Training Fund within 12 working days; and
- notification of the results of application to institutions about two months after the application deadline for the SME Development Fund.

Since the launching of the funding schemes, the vetting and approval for more than 90% of the applications can be completed within the time limit undertaken by the Trade and Industry Department, and so the SMEs are assured of timely support.

Moreover, in order to ensure that public money is put to the best use, when the Trade and Industry Department vets the applications for the funds, it will see to it that the company/organization which is making the application meets the criteria and that the money will be used in a way which meets the scope and requirements of the funds and in a cost-effective manner.

Take the example of the SME Loan Guarantee Scheme. In order to prevent abuse of the Scheme, we have made reference to the recommendations made by the Audit Commission on the former SME Credit Guarantee Scheme. We state clearly in the contract we have entered into with the lending institutions that the Scheme is targeted on SMEs with a good reputation, a clean record and which are able to prove their potentials for business growth. The contract will also state that the lending institutions shall not make use of the Scheme to help SMEs pay off or restructure any loans secured from any lending institution. This is meant to prevent lending institutions from transferring problematic loans to the Government. In this regard, I am grateful for the support which Honourable Members have shown for our enhanced schemes.

Madam President, the Government is committed to assisting the development of SMEs. The four funding schemes are important measures with which we provide assistance to SMEs. We will work together with the Small and Medium Enterprises Committee, and we will keep a close eye on the responses from SMEs to these improvement initiatives and gauge their needs. We will also review the effectiveness of the funding schemes from time to time.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Ambrose LAU to Mr HUI Cheung-ching'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.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the amendment passed.

**PRESIDENT** (in Cantonese): Mr HUI Cheung-ching, you may now speak in reply. You still have three minutes 25 seconds.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, as I pointed out when I spoke on Mr Ambrose LAU's amendment, the amendment in principle supports my original motion and conveys a message to the Government that the vetting and approving approach must be flexible to benefit more SMEs.

I urge Members to support the motion as amended. Thank you.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr HUI Cheung-ching, as amended by Mr Ambrose LAU, 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)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion as amended passed.

**NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 2 April 2003.

*Adjourned accordingly at ten minutes past Five o'clock.*