

# OFFICIAL RECORD OF PROCEEDINGS

Thursday, 26 June 2003

The Council met at Three o'clock

## MEMBERS PRESENT:

THE PRESIDENT

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

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

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

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

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

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

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

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

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

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:**

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE FREDERICK FUNG KIN-KEE

**PUBLIC OFFICERS ATTENDING:**

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

THE HONOURABLE ANTONY LEUNG KAM-CHUNG, G.B.S., J.P.  
THE FINANCIAL SECRETARY

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

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

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

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

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.  
SECRETARY FOR SECURITY

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

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

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

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

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

**CLERK IN ATTENDANCE:**

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

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

**PRESIDENT** (in Cantonese): Members will please remain standing for the Chief Executive.

**PRESIDENT** (in Cantonese): The Chief Executive will first address the Council.

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I am very glad to be here in the Legislative Council today, almost one year since the second term of the Government of the Hong Kong Special Administrative Region (SAR) commenced. I originally planned to take this opportunity to share with Members lessons I have learned, and experience gained over the past year. During the year, we faced many problems and met even greater challenges. In the battle against SARS, we won, only after paying a very dear price. To revive and reinvigorate the economy is the most pressing challenge to us. But due to the time constraint, I have to change my original plan.

Today, let me first report to Members a special piece of news. Premier WEN Jiabao has accepted the invitation of the SAR Government to come to Hong Kong from 29 June to 1 July, during which period he will attend the signing ceremony of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and the anniversary cocktail reception hosted by the SAR Government, and visit some places in Hong Kong.

Next, I would like to focus on SARS, the considerations in rebuilding the economy in the wake of the epidemic, and the National Security (Legislative Provisions) Bill that will be tabled at the Legislative Council for scrutiny. As for the other issues, I would like to leave them to other occasions or explain them in my answers to questions raised by Members later.

On the 23rd of this month, Hong Kong was removed from the list of infected areas of the World Health Organization (WHO). It signified Hong Kong's victory in the fight against SARS. That was the most unforgettable day to all Hong Kong people. On the one hand, we hail our success in overcoming SARS but on the other, we grieve for those citizens and medical and health care workers who unfortunately lost their lives in this battle. Meanwhile, we must continue to be vigilant at all times to prepare for the attacks of SARS or other epidemics on Hong Kong. Any slackening of efforts may plunge us into danger.

During the past few months, the SARS epidemic which had struck us from nowhere claimed the valuable lives of many people, taking away the dearest ones of hundreds of families. It has at the same time dealt a heavy blow to the Hong Kong economy, aggravating the already sluggish economy. The traumas brought by the SARS outbreak are engraved on our minds. To us, the epidemic is a tall challenge. But we have stood the test. We have proved to the whole world that Hong Kong has the ability to overcome an unprecedented epidemic of the century, and we have won praises from the WHO. Hong Kong has showcased the characteristics of a highly modernized cosmopolitan, characteristics in which we take great pride. The Government and society have operated with a high degree of transparency; officials and civilians have worked closely together in times of crisis; the people of Hong Kong have been rational, self-disciplined, cool-headed and law-abiding; medical and health care personnel have played their roles faithfully in their posts, demonstrating a high degree of professionalism and commitment on their part; the media have faithfully performed their duties, playing a very active role; the Civil Service has done its utmost, upholding the magnificent spirit of serving the community with a people-oriented approach; members of the public have cared for and helped each other during the epidemic, giving love and support to whoever in need of assistance. These factors are the key to the success of Hong Kong in the fight against SARS, and indeed against any epidemic in future.

Baptized by the epidemic, our society has emerged more united with greater cohesion. After the epidemic, Hong Kong will become more energetic and embrace even more vitality, laying more stress on moral values and attaching greater importance to environmental cleanliness and personal hygiene. Another important inspiration drawn from SARS is that Hong Kong and the Mainland are bound to share glory and shame together and have an interdependent relationship. It is impossible for Hong Kong to stay aloof in the event of an epidemic outbreak in the Mainland, and *vice versa*. Experiences in the last few months have proven that in order to overcome the epidemic, it is imperative for Hong Kong and the Mainland to exchange information, provide support to each other, and forge closer co-operation.

In the coming days, in order to effectively deal with SARS and other infectious diseases, it is necessary for Hong Kong to foster enhanced co-operation with the Mainland in the areas of research, treatment, prevention, control and rehabilitation with regard to communicable diseases, with a view to protecting public health.

On the other hand, closer economic co-operation between Hong Kong and the Mainland and speedy economic integration with the Pearl River Delta (PRD) will form the important impetus to the territory's economic development.

Members, over the last few years, the Asian financial turmoil, the bursting of asset bubbles in Hong Kong and an economic boom in our Motherland have pushed the local economy into a period of adjustment and transformation. This is a painful process and an onerous task. Yet, we do know that Hong Kong has many competitive edges unparalleled elsewhere. We have the necessary software and hardware required of a world-class city, including keen business acumen, advanced infrastructure, a diversified financial system, robust legal institutions, policies conducive to a free and open society, a clean and efficient Civil Service, a simple tax regime with low tax rates, professionals from a great many fields and a community with international vision. As long as we keep abreast of the times and give full play to our strengths, the strategic position and unique role of Hong Kong can never be replaced.

In recent years, we have consistently implemented unequivocal economic policies and consolidated the four major economic pillars. We have also worked to take development forward, striving hard to become a more outstanding international financial centre, logistics hub, tourism spot and an important provider of professional and producer services.

Last year, the Gross Domestic Product (GDP) of Hong Kong in the third quarter recorded a growth of 3.4% in real terms, whereas a growth of 5.1% was registered in the fourth quarter. Before the outbreak of SARS, the GDP in the first quarter this year further rose by 4.5%. The robust growth recorded for three quarters in a row clearly showed that our economic policies were heading in a correct direction, and the economy was on the way to recovery. Despite a painful and slow process of economic restructuring, results were beginning to be seen. Unfortunately, Hong Kong was attacked by the epidemic at this juncture and our economy was ravaged severely. The economic statistics for the second and third quarters of this year will fully reflect the impact of the epidemic. It is estimated that the GDP will dwindle drastically while the unemployment rate will surge.

The SARS outbreak has dealt a blow to many industries. Of the four main pillars of Hong Kong economy, logistics and business services were on the whole spared from the shock, whereas tourism was hit the hardest. The

Government introduced a series of measures in April to provide support for such sectors as tourism, hotel, catering and retail that were more seriously affected. We estimate that tourists from the Mainland will gradually increase in the third quarter of the year. With inbound mainland tourists and returning overseas tourists, we envisage another boom of tourism hopefully in the fourth quarter of the year or the first quarter next year the latest. The recovery of tourism will create a large number of employment opportunities for Hong Kong.

The financial services sector was also affected to a certain extent during the epidemic, but it should be able to recover more quickly. We expect that close to 100 companies will be listed in Hong Kong in the latter half of the year. This will be conducive not only to the financial services sector of Hong Kong, but also to maintaining Hong Kong's status as an international financial centre.

Considering that the alarming problem of unemployment has deteriorated in the wake of the SARS outbreak, the Government has endorsed a diversity of programmes to provide an additional 72 000 job opportunities and training opportunities, with a view to easing the impact of unemployment in the short term.

CEPA is scheduled to be officially signed at the end of this month. This is the result of discussions and negotiations for over a year. However, it is not a final agreement. Ongoing efforts will be made in future to enrich the contents of CEPA in the light of the development of our business relationship with the Mainland. Insofar as the present arrangements are concerned, I believe they can definitely open up new opportunities for the economic restructuring of Hong Kong, and they will definitely bring endless business opportunities for Hong Kong's service and manufacturing industries.

The fundamental problem uncovered during the onslaught of the Asian financial turmoil back in 1998 is the same as that exposed by the SARS outbreak. The home truth is that the economy of Hong Kong is overly focused. Once the economy is shocked either due to external or internal factors, there is not much room for manoeuvre. Taking note of this problem, we, therefore, in the context of CEPA, have placed much stress on zero tariff for goods exported to the mainland market. We must provide the manufacturing industry with opportunities in Hong Kong, so that they can have new considerations and development in the territory. We must create the milieu for them as far as possible. As for the service industry which is in an advantageous position, it

can give play to, consolidate and upgrade its status by expanding into the huge mainland market through CEPA.

Moreover, economic development in the PRD will certainly continue to benefit trade and the small and medium enterprises in Hong Kong. Economic co-operation between Hong Kong and the PRD and even Guangdong Province is set to be upgraded and taken forward more expeditiously. The arrangement for visitors from Guangdong Province to visit Hong Kong on a personal basis should be finalized in July. It will then give a boost to the tourism industry of Hong Kong.

The Government will also strengthen the market force and the role of the market in the process of economic development. We will earnestly observe the principle of "big market, small government", doing everything we can to eliminate the fiscal deficit of the Government. We will endeavour to stabilize the property market. We will endeavour to protect the value of our most precious land resources to facilitate the growth of the property market amid stability. In the meantime, we will increase the strength of measures to attract talents from the Mainland and other parts of the world to come to Hong Kong, in order to better the environment for investment in Hong Kong and create more employment opportunities. We will continue to vigorously invest in various kinds of infrastructure, with particular emphasis on transport links with the PRD, environmental cleanliness and personal hygiene, as well as projects relating to culture and sports. We will exert our utmost to preserve and enhance our institutional advantages to ensure that Hong Kong can claim a place in the process of globalization. With these relief measures, together with the medium-to-long-term strategies adopted to revitalize the economy, we believe the impact on Hong Kong, though by no means small, will only be transient.

Members, let me particularly emphasize here that Hong Kong and the Mainland belong to one country. The people of Hong Kong and our compatriots in the Mainland are all Chinese nationals. It is the wish of all Chinese nationals that our country will be prosperous, rich and strong. A strong and stable Motherland is fundamental to Hong Kong's prosperity and stability. Since the reunification, facts have shown that the country's strong support to us has eased the pain of economic hardships suffered by Hong Kong and provided the essential conditions for the revitalization of the Hong Kong economy. During the onslaught of SARS, the ardent support of the country was an immense encouragement to Hong Kong people and medical workers who were then fighting SARS strenuously.

Given the ever changing international situation and rampant terrorist activities, there are still many uncertainties in the development of the world situation. For this reason, the question of national security cannot be treated lightly. It is not only the sacred responsibility of all Hong Kong people to protect national security, but also a legal obligation that we must fulfil under the Basic Law. Therefore, the enactment of legislation to implement Article 23 of the Basic Law (Article 23) is something that Hong Kong must do to meet the requirements of the Basic Law, and an important matter of honour or disgrace of the whole nation. Indeed, an overwhelming majority of Hong Kong people do recognize their responsibility of protecting national security. Let me stress in particular that a prerequisite of the success of "one country, two systems" is that Hong Kong cannot pose threats to national security.

I do understand that human rights and freedoms have always been the aspirations of Hong Kong people, and also the cornerstone for Hong Kong as an international metropolis in Asia. It is the fundamental duty of the SAR Government to protect the human rights and freedoms of Hong Kong people. Since the reunification, the international community has been satisfied with the situation of human rights and freedoms in Hong Kong. Many opinion polls have also found that Hong Kong citizens are generally satisfied with the situation of human rights and freedoms in Hong Kong after the reunification. With regard to our purpose in enacting legislation to implement Article 23, the principle has been clear and explicit and legislation will absolutely not affect the rights and freedoms of the people. The rights and freedoms enjoyed by the people in the past will remain unchanged after the enactment of the legislation. The reason is simple. The protection of national security and the protection of human rights and freedoms are not in conflict. To a person who has no intention whatsoever to do anything endangering national security, a national security law will absolutely not affect his rights and freedoms. I believe the 6.8 million Hong Kong people will not and do not support anyone doing anything that will endanger national security. Members, Hong Kong is an international metropolis, and we certainly need to promote internationalization. However, Hong Kong is a special administrative region of our country. Particularly as our country has suffered from many disasters over the past two centuries, we should know deep in our heart the importance of our country's stability to the freedoms and rights and even the living of each and every citizen. Therefore, we must love our country. We must protect the fundamental interests of our country by enacting legislation on national security. The purpose of doing this is to protect national security. It is absolutely not our intention to undermine any of the rights and freedoms currently enjoyed by members of the public.

Indeed, the provisions in the Bill are essential to safeguarding national security. The Bill has fully complied with the international human rights standards and made reference to the relevant legislation in Western countries. It has been handled with care in accordance with common law principles. In certain aspects, the national security law in Hong Kong will not only be more liberal than similar laws in Western countries, but will even be more liberal than laws currently in force in Hong Kong. I must point out in particular that after the enactment of legislation on national security, any prosecution instituted will be subject to a trial by jury, and it will be for the Court to decide whether or not to convict. The Government will not and cannot convict any person guilty of any offence arbitrarily.

I fully appreciate that some people still have misgivings about Article 23. As Members may remember, before the reunification of Hong Kong with the Motherland, some people were concerned about their entitlement to human rights and freedoms. It has been six years now. Members can see that the human rights and freedoms previously enjoyed by the people before reunification have not been curtailed. Instead, they have been fully protected. I believe that over time, those people who have misgivings about legislation on Article 23 will again see that the human rights and freedoms enjoyed by them are not in the least affected.

After the SARS outbreak, members of the community have generally called for solidarity, co-operation and stability. I hope that all sides can co-operate sincerely in the interest of stability and unity and complete the legislative procedures in respect of Article 23 smoothly, thereby fulfilling the obligations required of us as nationals of China. Thank you.

**PRESIDENT** (in Cantonese): The Chief Executive will now answer questions raised by Members. A Member whose question has been answered may, for the purpose of elucidation only, ask a short follow-up question.

**MR TIMOTHY FOK** (in Cantonese): *Madam President and Mr Chief Executive, the Government has made an effort to revive the economy in the wake of the epidemic. Over the past week, the Government has bestowed on my sector two very generous gifts, namely, supporting the bid for the right of hosting of the East Asian Games and the three concessions offered to the film industry in its*

*development northwards. First of all, on behalf of the sector, I would like to pay tribute to the Chief Executive and the SAR Government for the support. However, may I further ask the Chief Executive what strategies and plans the Government has for promoting creative industries, audio-visual industries and cultural industries and for exploring business opportunities northwards under the auspices of CEPA? Will there be more good news to the sector shortly?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, Mr FOK, to make breakthroughs for the film industry, we have initially reached a consensus with the Central Authorities, and the signing of papers will be arranged at a later time. However, we have initially reached a consensus, and this is a significant breakthrough. I trust Mr FOK is also aware that we consider the film industry a creative industry. The Mainland is a vast market, and I believe our film industry, which is so creative, will be able to conquer the mainland market and bring new business opportunities to industry itself. This is good to the overall economic development of Hong Kong.

What can we do for other creative industries and in respect of culture? I am aware that Secretary Patrick HO, for instance, has been working very hard to facilitate development in many ways, such as working with the Central Authorities and Guangdong Province to promote development in these areas. Basically, we will do our best to take these initiatives forward, but the ultimate success still hinges on the efforts of the industries concerned.

**MR TIMOTHY FOK** (in Cantonese): *Madam President, perhaps I have eager anticipation. May I ask another question?*

**PRESIDENT** (in Cantonese): Mr FOK, you may only ask a follow-up question.

**MR TIMOTHY FOK** (in Cantonese): *Will the Chief Executive tell us whether the sports facilities in Hong Kong will be enhanced?*

**PRESIDENT** (in Cantonese): I am sorry, Mr FOK. This is not part of the question that you asked earlier.

**MR TIMOTHY FOK** (in Cantonese): *Then I will line up for another turn.*

**PRESIDENT** (in Cantonese): That will be fine. Thank you.

**DR DAVID LI** (in Cantonese): *Madam President, and Mr Chief Executive, if Hong Kong is to restore prosperity, there must be solidarity among its people. Solidarity is very important. Does the Chief Executive have any means to increase the solidarity among Hong Kong people?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President and Dr LI, our recent fight against SARS has actually shown the solidarity among Hong Kong people and how advanced Hong Kong is as a civil society. It has been demonstrated that with solidarity, we are capable of making lots of achievement over a relatively short period of time.

Hong Kong is a pluralistic society where divergent views abound. This in itself is nothing bad; rather, this is a healthy phenomenon. All of us may study, discuss and even argue over any issue, but at the end of the day, and most importantly, we must have a common goal. A common goal is most important because it can enable us to achieve solidarity more easily; my government colleagues and I have been working in the direction of finding a common goal ever since the reunification. I hope that Members can also work hard in this direction. However, in the course of finding a common goal, we may at times run into some fundamental differences. For example, with respect to the enactment of the National Security (Legislative Provisions) Bill, we do have some fundamental differences. Such fundamental differences are unhealthy, not good to Hong Kong. That is why all of us must work even harder to reach a consensus. We must seek to reach a consensus with a common purpose and direction, so as to achieve solidarity among ourselves.

**MR ANDREW CHENG** (in Cantonese): *Madam President, SARS is admittedly a natural calamity, but the impacts of the outbreak are probably caused by the authorities' handling of the virus, by human errors in other words. Hong Kong's death rate and health care worker infection rate are the highest in the world. The Government dared not enquire Guangzhou of the epidemic situation*

*during the early days of outbreak; it failed to react decisively to the outbreak of the virus in the community, nor did it offer adequate protective gear to front-line health care workers. Worse still, Mr TUNG has refused to conduct any independent investigation; the present arrangement under which the Secretary is responsible for investigating himself will only make people think that Mr TUNG is trying to harbour his subordinate and gloss things over. May I ask Mr TUNG whether he thinks this is fair to all those health care workers who have fought against the virus so bravely at the front line? Can this really make the lessons learnt?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, first of all, let me emphasize that we feel very sorry for all those who have died of SARS. Every one of us in the Government feels very sorry for them.

SARS, being an unforeseen calamity, has produced inestimable impacts on Hong Kong. Actually, in many ways, the SARS virus is still a mystery to the whole world. But the latest experience of other places shows us that the virus may attack again after it is contained. Therefore, our prime task now should be to protect the health and safety of Hong Kong people. The most important task now is to take stock of our fight against SARS in the past three months. We should then learn from our experience and make good preparations lest SARS may attack us again. We do not have too much time left. The review we have to conduct this time around is a highly professional review which must be led by a person with a deep understanding of the entire health care system and public hygiene framework of Hong Kong. For this reason, I have asked Dr YEOH to take charge.

All the members of the SARS Expert Committee are the world's most distinguished and authoritative experts and academics in the fields of epidemiology, pathology, public hygiene and hospital management. They are the most experienced in their respective fields and are best qualified to assist us in conducting the investigation. I can promise Members, and I am sure Dr YEOH can promise likewise, that the review will be conducted with the utmost objectivity, impartiality and openness. Dr YEOH has especially established two sub-groups under the SARS Expert Committee, namely the hospital management and administration sub-group and the public hygiene sub-group, chaired respectively by Sir Cyril CHANTLER and Prof Sian GRIFFITHS. These two sub-groups will ensure that the Committee can carry out the review and make recommendations objectively and impartially. Our

aim is to complete the review and publish a report before the end of September. I hope Members can withhold drawing conclusions until after reading the report. Before they read the report, they are advised not to jump to any judgement. After the release of the report, we may consider what next steps should be taken. I wish to tell Members that our only concern now is the health and safety of the public. We will try to complete the report as quickly as possible, and the studies must focus on events instead of the responsibility of any individuals if the review is to yield the best results, is to be completed very quickly. We know our responsibility clearly. We will move in this direction. I hope Members can wait patiently for this report.

**MR ANDREW CHENG** (in Cantonese): *Madam President, in the Mainland, a minister, municipal government officials and even more than 1 000 cadres have been dismissed due to their improper tackling of the SARS outbreak. The Central Government has taken such a drastic and decisive step to penalize those responsible, but it seems that the SAR Government has simply been trying to protect its own officials. The Mainland is launching reforms and making progress by drawing lessons from its bitter experience, but it seems that what the SAR Government has done to deal with SARS will only make the masses more discontented and even lead them to march in the streets on 1 July to protest against the Government. Mr TUNG has so stubbornly refused to set up an independent commission of inquiry. May I ask whether this is due to his worry that such a commission may come up with findings which may make him suffer the same fate of dismissal as that of the Beijing Mayor and the Health Minister?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, our efforts of fighting against the recent SARS outbreak have won the commendation of WHO and many countries in the world. If I am asked to look back and examine whether the work could have been done better, my answer will of course be "yes". I have explained many times before that we were sort of rather passive at the very beginning due to our ignorance of the virus. However, later on, we managed to turn active and even take offensives to end the outbreak soon enough. Let me tell Mr Andrew CHENG that the background and circumstances of places do vary, which is why it is not appropriate to make any comparison. We must never politicize the issue. Our most important task now is to protect people's safety and health. The SARS Expert Committee has to submit its report in September and tell us what actually happened. It will take stock of our

experience, so that we can learn lessons from it and know what improvements should be made and what steps should be taken immediately. We do not have much time. This is no time for politicking. Rather, this is the time for making good preparations to protect people's health and safety.

**MR CHAN KWOK-KEUNG** (in Cantonese): *Madam President, may I ask how many trades and industries are expected to benefit from CEPA? How many foreign businessmen will come to Hong Kong for investment? And, how many jobs will be created for Hong Kong?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, CEPA covers three aspects, namely, trade in goods, trade in services and trade and investment facilitation. Under CEPA, goods with Hong Kong as the place of origin can be imported into the Mainland with zero tariff, and our services industries are also given greater opportunities to expand into the huge mainland market. I am sure that CEPA will give a new impetus to Hong Kong's economic recovery and bring forth new opportunities to Hong Kong in the course of economic restructuring. In the medium-to-long term, CEPA will consolidate the status of Hong Kong as Asia's world city and create yet more jobs. CEPA will provide investment opportunities in Hong Kong for both the local commercial and industrial sector as well as foreign investors. In addition, many overseas companies may consider the possibility of setting up their Asia-Pacific headquarters in Hong Kong. The local commercial and industrial sector are likely to be able to develop the manufacture of upmarket products, brand name goods and high value added goods, because the mainland market is so large. Traditional industries such as the garment industry will also enjoy the unusual opportunity of access to the mainland market.

In fact, the whole world is able to see that China possesses the greatest potentials of economic development, and it will become the largest of all markets in the world. There is nothing like the China market in the rest of the world, which is why all countries and economic regions hope that they too can benefit from such an arrangement. We have already obtained what others can only dream about. I can also tell Members that the arrangement will give a new impetus to our relationship with the Pearl River Delta (PRD). We have therefore invited Mr HUANG Huahua, Governor of Guangdong Province, to attend the signing ceremony, because I do think that the arrangement will produce far-reaching effects on our future co-operation with the PRD.

I have said so much, but Mr CHAN Kwok-keung has asked me how many jobs will thus be created and what measures the Government will take. The Government will help the commercial sector create an environment necessary for the sector and professionals to "conquer the world". But honestly, after that, the commercial and industrial sector and professionals must "conquer the world" with their own hands. What the Government can do is to create the necessary environment. I do not think that CEPA is an arrangement on printing banknotes. Therefore, the number of additional jobs and the amounts of additional inward investments and capitals will all have to depend on the efforts made by Hong Kong people to get more business opportunities. But I have confidence in the people of Hong Kong. With this arrangement, everybody will work hard to look for opportunities. This explains why I have talked about more jobs and more inward investments. But we must work hard to make all this possible. The Government will of course do its best to help.

**MR LAU WONG-FAT** (in Cantonese): *Madam President, the Financial Secretary said in public last week that the economy of Hong Kong would fully recover six to nine months later. May I ask Mr TUNG whether the Financial Secretary had explained to him the basis of this projection? If yes, will Mr TUNG please brief the Council accordingly, so that the people of Hong Kong can share the joy of this optimistic projection?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I am sorry that I could not hear the first sentence of Mr LAU clearly. Will he please repeat it?

**MR LAU WONG-FAT** (in Cantonese): *Madam President, my question is: The Financial Secretary said in public last week that the economy of Hong Kong would fully recover six to nine months later. May I ask Mr TUNG whether the Financial Secretary had explained to him the basis of this projection? If yes, will Mr TUNG please brief the Council accordingly, so that the people of Hong Kong can share the joy of this optimistic projection?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, whether it is the Financial Secretary, the Chief Secretary for Administration or the Secretary for

Justice, I review regularly with them their respective portfolios. When it comes to the economy, we have of course talked about such issues as the time of economic recovery, how high the unemployment rate of next month will be, what more we can possibly do, and so on.

I wish to emphasize to Mr LAU that we do have some sort of view regarding our economic recovery and prospects. I already mentioned all this just now, but perhaps I might have spoken for just too long. Anyway, we do have a view.

Why do we project that the economy will recover six to nine months later? What are the justifications? We do have justifications for the projection. To begin with, this morning, or perhaps yesterday, the United States announced that it would lower its interest rates again. Following the reduction, the United States will see the lowest interest rates in 48 years. People all think that the American economy will turn around in the fourth quarter of this year. Everybody knows that the recovery of the American economy is very important to Hong Kong. Second, people initially thought that SARS must have hit the mainland economy very badly, but the latest signs are that the mainland economy will after all continue to grow orderly. This is also a piece of good news to Hong Kong. Third, for quite some time already, the exchange value of the greenback has been dropping. This is also good to Hong Kong, because Hong Kong can thus become more competitive. Fourth, SARS has no doubt inflicted severe harm on us, but it has also produced another result. What is that result? It has lowered our operating costs, further enhancing our competitiveness. We also see the strong exports of the Mainland, and with this, more visitors will start coming to Hong Kong. So, in view of all these external and internal factors, we do think that we can be cautiously optimistic about our economic prospects.

But I still wish to say a few words on one particular issue. I mean, I am a bit worried about the property market. The drastic drop of property prices since the SARS outbreak will reduce consumption desire and increase the number of negative equity asset owners. People's confidence will also be adversely affected. And, all this may in turn affect the stability of the banking system, though I also think that things will not be that bad really. In any case, we cannot allow property prices to drop endlessly. As I already pointed out, we do not only hope to see a stable property market; we still hope that property prices can rise again. What then can we do? I have already instructed

Secretary Michael SUEN to — but he is not here now. *(Laughter)* Anyway, he has been studying the matter very seriously. I hope we can draw some conclusions soon.

**MS LI FUNG-YING** (in Cantonese): *Madam President, this morning, the media reported that the Housing Department (HD) would delete large numbers of posts and halt the outsourcing of housing estate management. I would like to ask the following question. The SARS outbreak is only just over; the unemployment rate is still very high; and the Government is injecting huge resources into relieving the unemployment problem and encouraging domestic consumption. Can one thus say that the present measure of the HD actually runs counter to the overall policy of the Government? In addition, just three years ago, in an attempt to induce its workers to resign and achieve downsizing, the HD persuaded these workers to form companies of their own to take up the outsourced management of housing estates. Now, all of a sudden, the HD says that the outsourcing exercise will be stopped. The point is that the workers have already resigned and set up their own companies. May I ask Mr TUNG whether the HD is trying to kick down the ladder?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, we have expressed the hope of scaling down the Civil Service to 160 000 people in 2006-07. We have come up with this figure only after careful studies. How can this objective be achieved? One way is to introduce the second voluntary retirement (VR) scheme, and the other is natural wastage through staff retirement, and so on. We believe that these two ways can enable us to achieve the objective. About 5 900 civil servants are involved in the latest VR scheme. The Secretary for the Civil Service is conducting studies on this matter. I hope that all Policy Bureaux will also re-examine whether the objective of downsizing to 160 000 can be achieved, and whether it is at all feasible. This is the long-term objective.

As far as my understanding goes, the measure of the HD is within the parameters set down. The HD is not saying that the deletion of posts will take place as soon as tomorrow. Instead, it aims to complete the whole process over a period of three to four years. The HD has not gone beyond the parameters set down; its measure is within the parameters. After the SARS outbreak, we will still proceed step by step by sticking to these parameters and our original plan.

On the question of unemployment, as I have said, we do notice that the unemployment rate is very high. That is why we have created 72 000 jobs and training opportunities. And, the HD is not going to delete the two to three thousand posts immediately; rather, they will be deleted over a period of three to four years.

**MS LI FUNG-YING** (in Cantonese): *Madam President, the high unemployment rate may persist; Mr TUNG said the measure concerned will be phased in; and, some government departments are also talking of layoffs. In view of all this, does Mr TUNG think that it is necessary to conduct a comprehensive review on the policy?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I believe the unemployment rate will still rise next month because the effect of the SARS factor will still be felt. But I think the economy will start to recover gradually after that. What can ultimately bring down the unemployment rate? We must ultimately rely on the impetus of our own economy. I believe that after the SARS outbreak, the economy will start to recover. I have said that life will be very difficult for us in the second quarter, and that it may still be the case in the third quarter. But afterwards, things will change for the better. After all, we must depend on economic recovery to bring down the unemployment rate.

**MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, I wish to ask the Chief Executive a question on Hong Kong's economic co-operation with the Mainland. CEPA aside, may I ask the Chief Executive what other strategies the Government will adopt to foster Hong Kong's further economic integration with the Mainland, particularly with the PRD?*

**CHIEF EXECUTIVE** (in Cantonese): Mr YEUNG, the economic integration with the PRD is actually a matter of key importance to Hong Kong. Since March, I have met with Governor HUANG Huahua several times to discuss our long-term development. How can both places go about their long-term development by complementing each other's strengths? What are his views on this? And, ours? The fact is that the views of both sides are very similar.

I believe that the scope of economic development for Hong Kong as a single city will be very limited. As we can all see, cities all over the world have experienced very slow economic growth, but the case of regional economy is just the opposite. So, it is natural for us to integrate with the PRD. At the same time, the leadership of Guangdong Province, namely the provincial party secretary and Governor alike, have all said several times to me that the achievements of Guangdong today are largely attributable to the active input of Hong Kong in the early days of the country's reform and opening. They also envisage that for still quite some time to come, Hong Kong will continue to play an important role in the development of Guangdong. We therefore share the view that we must all make efforts to foster co-operation between Hong Kong and the PRD.

The Greater Pearl River Delta comprising Hong Kong, Macao and the PRD itself is an economic region full of energy and vitality. I believe this is in fact the most energetic economic region in the world. In the months to come, my colleagues and I will work proactively on the development of the Pearl River Delta. Members will be able to see our efforts, and we will also consult them.

**MR YEUNG YIU-CHUNG** (in Cantonese): *What about the progress of the Hong Kong-Macao-Zhuhai Crossing?*

**CHIEF EXECUTIVE** (in Cantonese): There have not been any substantial changes since the last occasion I talked with Mr YEUNG, because the project involves the natural environment and ecology, and detailed assessments are required. We will grasp the work in respect of this project. The State Planning Commission, now renamed National Development and Reform Commission, is proceeding with the project. I hope that we can complete the work as soon as possible and inform Members accordingly.

**MISS MARGARET NG** (in Cantonese): *Madam President and Mr TUNG, the community in general, including many professionals, are extremely discontented with the Government's brutal approach to the enactment of Article 23 legislation. And, foreign governments, including our second largest trade partner, have also issued statements, expressing the concern that the mechanism for proscribing local organizations having links with the Mainland will seriously affect the operation of "one country, two systems". I know that the Government thinks*

*that there is an absolute need to enact Article 23 legislation, but why must it so obstinately and unreasonably insist on enacting such legislation in July? Second, why has an official working for Mr TUNG said that even if 200 000 people take to the streets, the Government will not change its mind all the same? What number of people taking to the streets does it oblige Mr TUNG to listen? Third, why has another official working for Mr TUNG reacted so slightly to the concern of the international community? Does it mean that the SAR Government no longer attaches any importance to the confidence of the world or investors in Hong Kong?*

**CHIEF EXECUTIVE** (in Cantonese): I do attach very great importance to the confidence of international investors in Hong Kong. I meet with many foreign visitors to Hong Kong every week; sometimes, when no foreign visitors come, I will still talk to people overseas over the phone. I can tell Miss NG, very certainly, that international investors do not actually object to the enactment of Article 23 legislation by Hong Kong. They can all appreciate that this is something we must do. They all understand this very clearly.

The White House has recently made some remarks. I look at these remarks that way. I also understand American politics quite well, because I have lived there for many years, and I know that the White House can easily be misled by anyone who cares to go there and say something. I think it is wrong to mislead people like this. We will work harder to explain the real situation to our friends in other parts of the world, or to governments which are concerned about Hong Kong. We will do the best we can to explain the real situation. As I pointed out earlier on, the piece of legislation presented by us is far more lenient than those in many other countries.

Miss NG asks whether we are trying to force through the legislation. During the consultation period, we received about 100 000 submissions; government officials have attended 300 meetings and interviews; the Legislative Council has conducted 30 hours of meeting; and, the Bills Committee concerned has also met for nearly 100 hours. I have got all that on a sheet of paper here, and I can actually go on citing the information. The fact is that there has been sufficient consultation, and we have listened to many opinions. The Government has also made the necessary changes after listening to people's views, and these changes are welcomed by the community in general. Therefore, as I said just now, Miss NG, this is really the time for enacting the legislation. I hope that Members can all understand that the legislation

concerned does not only enable us to discharge our duty as Chinese nationals, but is also good to Hong Kong itself. The reason is that the legislation can uphold Hong Kong people's freedom and civil rights.

**MISS MARGARET NG** (in Cantonese): *Madam President, according to Mr TUNG, the White House can be misled very easily, and Mrs Regina IP has even remarked that the White House has issued its statement just because it is ignorant of the Bill. How can Mr TUNG so lightly dismiss a statement as being ungrounded, saying that the issuer has issued it simply after listening to the brief comments of some? Does Mr TUNG have any justifications for this view of his? When it comes to public opinions, has it ever occurred to Mr TUNG as to why so many professionals who are usually calm, sensible and reluctant to take to the streets have also decided to do so this time around? Has it ever occurred to him that he has just listened to half of the opinions expressed? And, the main point is that Mr TUNG has not answered this question of mine: If even 200 000 people taking to the streets cannot make the Government change its mind, then, just how many of us should do so to make Mr TUNG listen?*

**CHIEF EXECUTIVE** (in Cantonese): Miss NG, you have asked several questions really.

First, I wish to tell Miss NG that people in other countries are exposed to many different views, and the judgement one makes is necessarily based on such views. I am honestly believe that they have been misled to draw such conclusions this time around. We will make more efforts to explain the real situation to them. I have many friends in the United States, and as I said just now, their views are different. They support the action of the SAR Government. So, I can say that supportive views can also be heard in other countries.

The people of Hong Kong have the right to take part in marches. We in the Government will uphold their right and seek to ensure order during any marches. People may take part in marches to voice their views. But will a highly politicized march do any good to Hong Kong? No. Because others will perceive ours as a divided and highly politicized society. Foreign investors may thus become cautious. Therefore, I hope that Members can consider the matter in the overall interest of Hong Kong.

**MR AMBROSE LAU** (in Cantonese): *Madam President, I only wish to ask half a question, because as if he were able to foresee the future, Mr TUNG already answered the other half of my question in his reply to Mr LAU Wong-fat just now. Therefore, I only wish to ask half a question. According to him, the property market is our greatest worry. I agree with him. A moment ago, he said that he would instruct Secretary Michael SUEN to work out some ways to salvage the property market. In view of this, I may as well also ask Mr TUNG to instruct Mr SUEN to consider two measures. The first one is the extension of the land auction moratorium and the other is the downward adjustment of the property conveyance stamp duty to the level of 1998-99, so as to stabilize the property market and boost property transactions. How does Mr TUNG consider these two measures?*

**CHIEF EXECUTIVE** (in Cantonese): Mr LAU, personally I do not have any particular views about these two measures. My focus is on the larger issue of stabilizing the property market. I hope that property prices can rise steadily. I will relay your suggestions to Mr SUEN for consideration among others, because these two measures must be looked at in the holistic context of the market.

**MR SZETO WAH** (in Cantonese): *Madam President, may I ask the Chief Executive whether "膚淺" and "naive" are the same in meaning? During the last Chief Executive's Question and Answer Session, he dismissed Mr Albert CHAN as being "膚淺". Was he actually trying to copy the former State President JIANG Zemin who dismissed a Hong Kong journalist as being "naive"? If yes, was he taking a page out of another's book? (Laughter)*

**CHIEF EXECUTIVE** (in Cantonese): Well, I really do not know whether I should say your Chinese is better than mine or my English is better than yours. (Laughter) "Naive" and "膚淺" are different in meaning.

**MR SZETO WAH** (in Cantonese): *How different? (Laughter) Would you please explain the difference to me? My question is precisely on whether they are the same in meaning. If their meanings are different, please enlighten me. Let me put it this way. Since I do not see the difference between the two expressions, should I be regarded as "膚淺"? So, please enlighten me and tell me how I can avoid becoming "膚淺".*

**CHIEF EXECUTIVE** (in Cantonese): I dare not do so. *(Laughter)* A person who is "naive" can be described as "天真" in Chinese, and one who is "膚淺" is "shallow" in English.

**PRESIDENT** (in Cantonese): Mr Chief Executive, it is exactly 4.02 pm now. According to convention, the Chief Executive's Question and Answer Session is one hour in duration. But there are still 15 Members waiting to ask their questions, so would you let them ask a few more questions?

**CHIEF EXECUTIVE** (in Cantonese): Just one or two more?

**PRESIDENT** (in Cantonese): Thank you, Chief Executive. I will let Members raise two more questions.

**DR LUI MING-WAH** (in Cantonese): *Madam President, Mr TUNG mentioned earlier that CEPA, which is long awaited in the industrial and commercial sector, would be signed soon. The sector has high hopes of the arrangement. To the industrial sector, however, if we consider it from a cost perspective, a sole reliance on zero tariff cannot induce a large number of foreign investors to set up factories in Hong Kong. Some people have therefore expressed the wish that the Government can allow the industrial sector to take on imported labourers at a ratio of three to one. This has to do with the business environment. Will the Government tell us its policies in this regard?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, Dr LUI is very competent indeed, for he has been able to invest in the setting up of a rather high-tech factory in Hong Kong without the blessing of any arrangement. I hope that the impending zero tariff arrangement will be helpful to his investment. I do not know whether it will help, but I hope it will.

In fact, as I mentioned earlier, the purpose of this arrangement is to create a more business-friendly environment for Hong Kong people to give play to their strengths. The Government still has to provide support in many areas. We must further create a favourable environment to attract more people to invest in Hong Kong.

Yesterday, I met with members of the film industry and we talked about the training of talents. Hong Kong used to have the best talents when the film industry was in its heyday. But it has been the case for quite some time that some talents have been lost; some have left for the Hollywood; and some have retired. What should we do to train talents? The industry certainly has to work hard to this end, but government support is still essential.

Similarly, on the question raised by Dr LUI earlier, reviews have actually been conducted within the Government. I know that the Financial Secretary, Mr Antony LEUNG, and many other colleagues are looking into this issue. I hope Members give more opinions to Financial Secretary Antony LEUNG, Secretary Henry TANG and Secretary Stephen IP in the days to come, so that we can look into what can be done to enable the Government to give effect to its measures, thereby bringing CEPA into proper play.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, Mr TUNG mentioned some time ago that studies would be conducted on setting up in Hong Kong a centre similar to the Centers for Disease Control and Prevention (CDC) in the United States. Will Mr TUNG tell us the progress of these studies? What is the scale of this centre in the mind of the Government? Does the Government hope that this centre can become the premier disease control and prevention centre in Asia?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I fully agree that our disease prevention centre can become the best in Asia because we have such an excellent team of medical and health care personnel in Hong Kong. As to the scale of this centre, its composition, and so on, these will be part of the job of the Expert Committee mentioned by me earlier. The Expert Committee will advise the Government on how an organization similar to the CDC can be set up effectively in Hong Kong in the context of the existing system, how this new organization can operate in tandem with the other established public hygiene institutions in Hong Kong, and how the views of various organizations can be collected and collated. I hope the proposals in this regard can be made available in September for Members' reference.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, although studies will be conducted by the Expert Committee, the Government should anyhow have some thinking of its own, such as whether it would like the centre to be the biggest in Asia. Besides, the Government should also have a timetable in mind, that is when the objective is expected to be met. Certainly, the Expert Committee will point out whether the Government's thinking is feasible. But for the time being, what does Mr TUNG have in mind concerning the scale of this centre and what is the timetable for implementation?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I must tell Miss CHOY that I really have nothing to tell her. The only thinking that I have in mind is that I am thinking about setting up such an organization, an organization that can truly protect the interest of Hong Kong people. Besides, I believe this centre will be among the best in Asia, because we do have many brilliant medical and health care workers.

**PRESIDENT** (in Cantonese): Mr Chief Executive, thank you for answering questions from 12 Members.

#### **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 2 July 2003. The Chief Executive will now leave the Chamber. Will Members please stand.

*Adjourned accordingly at seven minutes past Four o'clock.*