

**Summary of the views expressed at
the Third Meeting of
the Committee on Governance and Political Development
of the Commission on Strategic Development
held on 24 March 2006**

(Translation)

Welcome remarks

The Chairman welcomed new members, Professor LEE Chack-fan and Mr LUI Tim-leung, Tim to the Committee.

Matters arising from the last meeting

Issues to be discussed by the Committee

2. Following the proposal raised at the last meeting that the Secretariat should reconsider the list of priority issues for discussion in the light of Members' comments, the Secretariat received a letter from Hon LEE Wing-tat suggesting that workshops be organized in April and June to discuss the issues of "district administration" and "party politics". On the issue of "district administration", the Chairman said that the Secretariat could organize a workshop after the release of the consultation document on the review on the role, functions and composition of District Councils in the first half of the year, with a view to facilitating Members' discussion on the content of the document. As for a workshop on "party politics", the Chairman considered that it would be more appropriate to organise such a workshop around mid-2006 after the issue of the consultation document on the further development of the political appointment system.

Workshop on the design of overseas legislatures

3. It was agreed at the last meeting that the Constitutional Affairs Bureau and the Secretariat would organise a workshop to help Members learn more about overseas examples on how the design of their legislatures could accommodate the interests of different sectors of their respective communities. The Chairman reported that the workshop had subsequently been held on 28 February 2006 and five speakers, namely Dr SUNG Lap-kung, Professor MA Ngok, Dr LI Pang-kwong, Dr SING Ming and Sir David AKERS-JONES were invited to present their views. The Secretariat had uploaded the relevant documents including the presentation materials prepared by the five speakers

and the summary of the views expressed at the workshop to the Commission's web page.

Uploading of Members' views to the Commission's web page

4. It was also agreed at the last meeting that in order to enhance transparency, the Secretariat could upload the summary of views expressed at the meetings of the Committee and the written submissions prepared by Members to the Commission's web page. The Chairman informed the meeting that relevant arrangements had been made by the Secretariat, and invited interested Members to visit the Commission's web page.

How to ensure the Basic Law principle of facilitating the development of the capitalist economy would be realised in the process of attaining universal suffrage and in designing the model for universal suffrage

5. A Member pointed out that "a pure type of capitalism" was not practised in any places, and the present capitalist system had already incorporated quite a number of social welfare elements. Another Member opined that the concept of "welfarism" would vary from place to place due to different historical and cultural background. There was also a view that democracy or universal suffrage did not necessarily correlate with "welfarism". A Member referred to examples of places practising democratic elections to illustrate that social problems such as wide wealth gap and income disparity also existed in such places.

6. A Member pointed out that the platforms of certain democratic parties had no relationship with "welfarism". For instance, they supported privatisation of government assets, including the listing of the Link Real Estate Investment Trust and securitisation of Hong Kong Link 2004 Limited. Another Member considered that there was a broad consensus in the community on the budgetary principle of keeping expenditure within the limits of revenues as stipulated in the Basic Law, and was therefore not worried that the implementation of universal suffrage would significantly increase government expenditure on welfare and push Hong Kong towards "welfarism".

7. However, a Member opined that there was genuine concern in the community that full democratic elections might lead to "welfarism" and put further pressure on our public finance. Although democracy might not necessarily correlate with "welfarism", overseas experience suggested that it was a common electioneering strategy for candidates to make promises on provisions of social welfare to their voters. Another Member remarked that at present the public did not fully realize the impact of increased welfare spending

on the community. Moreover, a Member opined that in the case of Hong Kong, although there were clear provisions in the Basic Law regarding our public finance policy, there might be contradictions and pressure against these principles during the election process by universal suffrage. However, a Member considered that the public might not necessarily vote for those candidates who advocated higher welfare. A Member agreed that there was a need to provide assistance to the vulnerable sectors of the community, but add that a proper balance had to be maintained to avoid abuse of welfare.

8. A Member opined that “welfarism” related more directly with the election of the Legislative Council by universal suffrage than with the selection of the Chief Executive by universal suffrage. This was because elected members might be subject to pressure of voters and tend to advocate better provisions of welfare and public services. On this point, another Member took the view that we should focus our attention on the relationship between the Chief Executive and “welfarism”, as the budget of the SAR Government was principally prepared under the direction of the Chief Executive and the executive authorities, and that it was difficult under the Basic Law for the Legislative Council to succeed in moving a motion to increase public expenditure. It was therefore important for us to ensure that the policy objectives of the Chief Executive were not inconsistent with the capitalist system. For example, the systemic design of the nominating committee should ensure that the Chief Executive candidates would be accepted by different sectors of the community. Moreover, the Central Authorities had substantive power to appoint the Chief Executive. If the election platform of the elected Chief Executive was inconsistent with the provisions of the Basic Law, the Central Authorities had the power not to appoint the elected candidate as Chief Executive.

9. Members generally agreed that the ultimate aim of attaining universal suffrage had been clearly stipulated in the Basic Law and that this basic direction of constitutional development should not be swayed by other issues. A Member also pointed out that the provisions of the Basic Law had explicitly laid down the basic policy regarding the HKSAR’s development, including that the socialist system and policies shall not be practised in Hong Kong, and that the previous capitalist system and way of life shall remain unchanged. The Basic Law had also stipulated that the HKSAR should follow the principles of keeping expenditure within the limits of revenues in drawing up its budget, strive to achieve a fiscal balance, and take the low tax policy previously pursued in Hong Kong as reference. These specific provisions had greatly reduced the possibility of the HKSAR moving towards “welfarism”. A Member remarked that similar provisions such as Articles 107 and 108 of the Basic Law were not included in the Sino-British Joint Declaration. It was at the insistence of the members of the Basic Law Drafting Committee that such provisions were

included in the Basic Law to ensure Hong Kong's prosperity and stability. A Member opined that since the Drafting Committee had included relevant provisions in the Basic Law to strike a balance between universal suffrage and maintaining a capitalist system, it was not necessary for the Committee to dwell on issues of principle. Instead, the Committee should proceed immediately to discuss the model for universal suffrage.

10. On the other hand, a Member considered that although relevant provisions had been set out in the Basic Law, there was the issue on how to ensure that the Chief Executive would adhere to these provisions in the face of political pressure (for example, when the budget was not endorsed by the Legislative Council). A Member pointed out that when the ultimate aim of attaining universal suffrage was established in the Basic Law, the provisions relating to the capitalist economy were included at the same time. This showed that when the Basic Law was being drafted, it had already been anticipated that the Government would face the pressure of public demand, and was therefore entrusted with the responsibility to consider effective ways to uphold the Basic Law principles of facilitating the development of capitalist economy and meeting the interests of different sectors in the community when implementing universal suffrage.

11. As regards the public finance policy and fiscal position of the HKSAR, a Member considered that Hong Kong residents should assume greater civic responsibilities (including tax liability) as their civic rights (including electing the Chief Executive and the Legislative Council by universal suffrage) were further enhanced. As such, the Government should actively consider measures to broaden the tax base and introduce a Goods and Services Tax. A Member opined that the tax regime should balance the interests of various sectors. As such, it was necessary to examine measures to broaden the tax base while maintaining a low tax regime. Moreover, a Member opined that a simple tax regime is a cornerstone of Hong Kong's success. As overseas countries levied a higher tax rate, they could provide a relatively higher level of social welfare. However, at a time when Hong Kong's competitors were implementing various tax reduction measures, we should cautiously examine the ramifications of introducing a Goods and Services Tax in Hong Kong. He maintained that the constitutional development of Hong Kong should be conducive to enhancing its competitiveness and that our political structure should not be designed without regard to the need to sustain economic development.

12. On the interrelationship between implementing universal suffrage and safeguarding the interests of the business sector, a Member considered that political structure and economic development were inseparable and that Hong

Kong should never become a welfare state. He opined that the business sector was generally in support of the ultimate aim of attaining universal suffrage. Having said that, they would like to have more discussions in the community on how to attain universal suffrage, so as to promote mutual understanding and appreciation of their concerns. A Member opined that consideration should be given to preserving the interests of the business sector in the design of future political structure in order to fulfill the Basic Law provisions on meeting the interests of different sectors of society.

13. The Chief Executive made the following comments:

- (a) The HKSAR Government would resolutely and rigorously promote the constitutional development of Hong Kong towards the ultimate aim of attaining universal suffrage in accordance with the principles and provisions of the Basic Law. The political and economic systems as stipulated in the Basic Law were parts of an overall design. In implementing universal suffrage, it was necessary to ensure that the four principles underpinning the design of the political structure would be fully realised, and “facilitating the development of the capitalist economy” was one of these basic principles, and was the essence of the “One Country, Two Systems”. This principle was stipulated in the Basic Law, and was absolutely not a “new obstacle” or “delaying tactic” as referred to by some people.
- (b) The Committee agreed that we should preserve Hong Kong’s position as a major international trading and financial centre. To maintain Hong Kong’s prosperity and stability, the capitalist system and way of life previously adopted would have to remain unchanged.
- (c) Members generally agreed that the implementation of universal suffrage should not affect Hong Kong’s economic development. Nor should it affect the long established principles of our public finance policy, i.e. “low and simple tax regime” and “keeping expenditure within the limits of revenues”, as well as our economic policy of “Big Market, Small Government”. The above principles of our public finance policy had been accepted by the community. As such, in the process of attaining universal suffrage and in designing the model for universal suffrage, we should take into account the impact of the related arrangements on the economic development and fiscal position of Hong Kong.
- (d) The Government recognised that there were concerns in the community about the relationship between universal suffrage and

“welfarism”. In fact, overseas experience had shown that in certain countries where democratic electoral systems were implemented, their tax rates were higher and the tax bases were wider. Politicians in these countries were facing more public pressure for enhancement of public services. The issue was worthy of serious consideration, and should be discussed widely with different sectors of the community with a view to addressing concerns and striking a proper balance.

- (e) The Committee had held three meetings since last November to discuss the principles and concepts of universal suffrage. He proposed that the Committee should conclude the relevant discussions at the fourth meeting to be held in May. The Secretary for Constitutional Affairs would prepare a discussion paper in this regard. With the conclusion of discussions on the principles and concepts of universal suffrage, the Committee could proceed to discuss the possible models of a universal system for selecting the Chief Executive and electing all Members of the Legislative Council.
- (f) Regarding the suggestion by a Member to review the schedule of meetings of the Committee to avoid overlapping with the meeting dates of the House Committee and the Finance Committee of the Legislative Council, the Secretariat would examine the feasibility of revising the schedule and inform Members of any changes as soon as possible.
- (g) He encouraged Members to continue to put forward their views by post or email outside the meetings. Upon receipt of the written submissions, the Secretariat would arrange circulation to other Members and uploading to the Commission’s web page to facilitate interaction and exchange of views among Members.

14. The attendance list is attached.

Secretariat to the Commission on Strategic Development
May 2006

策略發展委員會
管治及政治發展委員會第三次會議
2006年3月24日

Third Meeting of
the Committee on Governance and Political Development
of the Commission on Strategic Development
24 March 2006

出席人士

Attendance List

主席 :

Chairman :

The Chief Executive

行政長官

官方委員 :

Official Members :

Head, Central Policy Unit
Director, Chief Executive's Office

中央政策組首席顧問
行政長官辦公室主任

非官方委員 :

Non-Official Members :

Mr CHAN Chung-bun, Bunny, B.B.S., J.P.

陳振彬先生, B.B.S., J.P.

Mr CHAN Tak-lam, Norman, S.B.S., J.P.

陳德霖先生, S.B.S., J.P.

Mr CHAU How-chen, S.B.S., J.P.

周厚澄先生, S.B.S., J.P.

Prof CHEN Hung-ye, Albert, J.P.

陳弘毅教授, J.P.

Mr CHEN Nan-lok, Philip, S.B.S., J.P.

陳南祿先生, S.B.S., J.P.

Prof CHENG Kwok-hon, Leonard

鄭國漢教授

Mr CHEUNG Chi-kong

張志剛先生

Mr CHOW Charn-ki, Kenneth

鄒燦基先生

Ms CHOW, Wendy

周君倩女士

Mr CHOW Yick-hay, B.B.S., J.P.

周奕希先生, B.B.S., J.P.

Mr CHOW Yung, Robert

周融先生

Mr HOO, Alan, S.B.S., J.P.

胡漢清先生, S.B.S., J.P.

Ms KO Po-ling, M.H.

高寶齡女士, M.H.

The Hon LEE Cheuk-yan

李卓人議員

The Hon LEE Wing-tat
Dr LEUNG Mei-fun, Priscilla
Mr LIE-A-CHEONG Tai-chong, David
Dr LO Chi-kin, J.P.
Mr LUI Tim-leung, Tim, J.P.
Mr MOK Hon-fai
Mr NG Sze-fuk, George, B.B.S., J.P.
Mr SZE Chin-hung, Jerome, J.P.
Mr TAM Kwok-kiu, M.H.
Miss TAM Wai-chu, Maria, G.B.S., J.P.
The Hon TIEN Pei-chun, James, G.B.S., J.P.
Mr WANG Xiao-qiang
Mr WONG Wai-yin, Zachary
Mr YU Kwok-chun, S.B.S., J.P.
Dr ZHOU Ba-jun

李永達議員
梁美芬博士
李大壯先生
盧子健博士, J.P.
雷添良先生, J.P.
莫漢輝先生
吳仕福先生, B.B.S., J.P.
施展熊先生, J.P.
譚國僑先生, M.H.
譚惠珠女士, G.B.S., J.P.
田北俊議員, G.B.S., J.P.
王小強先生
黃偉賢先生
余國春先生, S.B.S., J.P.
周八駿博士

列席

In Attendance

Secretary for Constitutional Affairs
Permanent Secretary for Financial Services and the
Treasury (Treasury)
Government Economist
Deputy Secretary for Constitutional Affairs (1)

政制事務局局長
財經事務及庫務局常任秘書
長(庫務)
政府經濟顧問
政制事務局副秘書長(1)

因事未能出席

Apologies

The Hon CHEUNG Hok-ming, S.B.S., J.P.
Ms FONG, Janie
Mr FUNG, Daniel R., S.B.S., J.P.
Prof KUAN Hsin-chi
Mr LAU Nai-keung
Prof LEE Chack-fan, S.B.S., J.P.
The Hon MA Lik, G.B.S., J.P.
The Hon SHEK Lai-him, Abraham, J.P.
Mr WONG Kong-hon, S.B.S., J.P.
Mr WONG Ying-ho, Kennedy, B.B.S., J.P.

張學明議員, S.B.S., J.P.
方文靜女士
馮華健先生, S.B.S., J.P.
關信基教授
劉迺強先生
李焯芬教授, S.B.S., J.P.
馬力議員, G.B.S., J.P.
石禮謙議員, J.P.
黃光漢先生, S.B.S., J.P.
黃英豪先生, B.B.S., J.P.