

23rd September 2006

Mr. Donald Tsang Yam Kuen
Chief Executive, HKSAR

Sir,

From Positive Non-intervention to Government's New but Uncertain Role

We note with appreciation your article published on 19 September 2006 in response to our open letter. However, your explanation has served to confuse rather than to clarify. It failed to give a straightforward answer to our simple question: has Government changed its long-standing policy of positive non-intervention, and if so, how does the new policy differ from the old?

On the one hand, your article appears to say that the change is only one of terminology, of labels, and labels are unimportant. You have merely replaced the outmoded and ambiguous term of “positive non-interventionism” with the more vernacular “big market, small government”, which you believe is more precise and more readily understood by the community.

On the other hand, you appear to say that the policy has changed because “the world has changed and so has Hong Kong”, and the government has to adapt its policy to the evolving demands of the economy. The changes in the language reflect a gradual change of the government's response.

From the public's response to your article, it is clear that “big market, small government” is far from unambiguous and your description of government's policy under the new label is hardly precise.

More seriously, your response is far from adequate in addressing the present circumstances of the HKSAR.

You will appreciate that the people of Hong Kong have never had any opportunity to participate in the choosing of governing philosophy and that while, as

Chief Executive, you may have the legal authority to intervene as you please, such governing philosophy lack the true legitimacy of being democratically determined. Thus, at the very least, it is incumbent on you to explain clearly and without any ambiguity what the Government's guiding philosophy is, how it operates and in the absence of democracy, by what processes it can be changed.

You assert "there is consensus in Hong Kong that the basic role of the Government in the economy is to provide the framework for markets to operate effectively; it should act when there are obvious imperfections in the operation of the market mechanism. "

We would welcome a clear explanation of how the Government's position as landlord of all properties in Hong Kong bar one and its land use planning and policies "provides a framework for markets to operate effectively". We would also welcome a clear explanation of how the Government's policies on immigration and education and its approach to discrimination likewise provide a framework for markets to operate effectively. The same applies to legislation on parallel importing. These are merely examples. The governing philosophy which the Government adopts affects the livelihood of the people of Hong Kong far beyond the realm of economic management.

We are not looking for an academic debate on your choice of labels - the public will be the best judge of whether these are accurate and honest slogans over time. We are interested in the substance, if any, behind the slogans. It is evident that Government's inability to explain its own governing philosophy in unambiguous terms carries three major risks to the governance of Hong Kong:

1. How can the public be assured that the ambiguous philosophy will not be used to justify Government's favoritism to vested interests when no clear working guidelines are set out? The examples of Cyberport and Disneyland are still fresh in the public's minds.
2. How can the public be confident that Government's discretionary power of intervention is now guided by an updated philosophy to deal adequately with the full force of globalization on society, including the challenges of increasing poverty and environmental degradation – issues that an unfettered faith in free market cannot easily resolve? As pointed out in last week's issue

of the “Economist” magazine, “the fact that many workers seem to be excluded from the spoils of globalization is a big challenge to orthodox economics”.

3. How should the other players in society, the corporate sector and the third sector, adjust their roles when Government is adapting a new but uncertain role? Businesses and civil society groups will not be able to realize their full potential to serve the public if they have to face an arbitrary government with no comprehensible and clear guidelines regulating its own behaviour.

As these are issues of significant public interest, we believe that it is important for you to explain how Government intends to mitigate the above risks as a matter of priority, in addition to answering the six specific questions in our last letter. It is also crucial that key stakeholders in the community be given the opportunity to shape the Government’s new role in society through informed debates and a transparent engagement process.

The Civic Party is co-sponsoring a forum with the Contemporary China Research Project of the City University on this topic and have invited various economists, social groups and politicians. We would very much hope to learn more about the Government’s view. As suggested by you, I spoke to John Tsang to extend an invitation to the forum. We enclose a flyer for the forum and we look forward to your favourable reply.

Yours faithfully



Audrey Eu
Party Leader
Civic Party