The European Union and Hong Kong: beyond 1997

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The purpose of the Commission's 2002 Annual Report is to assess developments taking place in Hong Kong's SAR as well as Hong Kong's relationship with the European Union. In particular, it analyses progress on the implementation of the 'one country, two systems' principle and reviews developments on the legislative, institutional and human rights front. An assessment of economic developments and main EU-Hong Kong relations is equally covered in the Annual Report for 2002.

The Report begins with a thorough assessment of the 'one system, two countries' principles and the impact this is having on democratisation, human rights and freedom of speech in Hong Kong.

On a number of occasions, the Central Chinese Government in Beijing has reiterated their adherence to the principle, stating that the policy of 'one country, two systems' combined with the Basic Law of the Hong Kong SAR must be implemented in a comprehensive and accurate manner. Activities throughout 2002 appear to bear this approach out. Falun Gong, which is banned on mainland China is given leave to practice in Hong Kong and it does so in venues run by government departments such as Leisure and Cultural Services Department. Moreover, the right of assembly and demonstration was permitted on numerous occasions, albeit under a controlled manner. Of particular concern to the political establishment in Hong Kong, as well as its citizens, was the question of Article 23 of the Basic Law, which requires the HKSAR to enact laws "to prohibit any act of treason, secession, sedition and subversion against the Central People's Government". The sensitivity of this matter, which treads a fine line between freedom of speech and sedition, aroused much debate throughout 2002. The issue was open for public debate and as such generated much comment – a record 97 000 submission and 340 000 signatures. The Report's authors acknowledge that Article 23 will need to be monitored closely by the EU as it evolves into the Basic Law of Hong Kong. However, the fact that views were expressed freely is an indication of the openness and freedom of Hong Kong.

Regarding the Economy of Hong Kong, the Report notes that the year 2002 underwent a serious adjustment process following on from the Asian financial crisis. Two issues captured the public's attention, namely the fiscal deficit and unemployment, both of which peaked in 2002. On the external front Hong Kong's exports of goods and services to Mainland China continued to increase. The SAR government actively pursued the proposal of building a bridge linking Hong Kong, Macao and Zhuai. The Western corridor linking Hong Kong and Shenzen is due to be completed in 2005.

A number of high profile exchanges between the EU and Hong Kong SAR officials also marked the year 2002. In November 2002 an agreement between the EU and the HKSAR was signed on the readmission of persons residing without authorisation. It will enable Hong Kong and the EU to ensure, on a reciprocal basis, the rapid and effective identification and return of persons entering or remaining illegally in their respective territories. Counterfeiting and Intellectual Property Rights continue to exercise considerable concern amongst EU companies doing business in Hong Kong. Recent seizures in Hong Kong of counterfeited pharmaceutical products were again highlighted by the EU pharmaceutical sector. As far as EU interests are concerned with Hong Kong, the EU was Hong Kong's third largest supplier in 2002 after Mainland China and Japan and was the third biggest market for Hong Kong's exports after Mainland China and the United States. Total bilateral trade decreased to EUR 29.6 billion (imports from Hong Kong: EUR 19.9 billion/ exports to Hong Kong: 19.9 billion – in other words a EUR 10 billion Euro surplus for the EU.)

To conclude, the Report notes that, Hong Kong's economic adjustment is understandable given the recent changeover. It suggests though that the people of Hong Kong should remain confident about future economic developments and continue to take full advantage of the assets the SAR as an international financial centre and services-oriented economy has to offer them.