Basic information

1997/2070(COS) COS - Procedure on a strategy paper (historic) The European Union and Hong Kong: beyond 1997 **Subject** 6.40.08 Relations with Asian countries **Geographical area** Hong Kong	Procedure completed

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AFET Foreign Affairs, Security and Defense Policy	CUSHNAHAN John Walls (PPE)	24/06/1997

Committee for opinion	Rapporteur for opinion	Appointed
RELA External Economic Relations	HINDLEY Michael J. (PSE)	17/06/1997

Council of the European Union

Council configuration	Meetings	Date
General Affairs	2003	1997-04-29

Key events

Date	Event	Reference	Summary
23/04/1997	Non-legislative basic document published	COM(1997)0171	Summary
29/04/1997	Debate in Council		
16/05/1997	Committee referral announced in Parliament		
03/09/1998	Vote in committee		Summary
03/09/1998	Committee report tabled for plenary	A4-0312/1998	
07/10/1998	Debate in Parliament		
08/10/1998	End of procedure in Parliament		
26/10/1998	Final act published in Official Journal		

Technical information	
Procedure reference	1997/2070(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148
Stage reached in procedure	Procedure completed
Committee dossier	AFET/4/08837

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A4-0312/1998 OJ C 313 12.10.1998, p. 0009	03/09/1998	
Text adopted by Parliament, single reading		T4-0580/1998 OJ C 328 26.10.1998, p. 0139-0186	08/10/1998	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(1997)0171	23/04/1997	Summary
Non-legislative basic document	COM(1998)0796	08/01/1999	
Supplementary non-legislative basic document	COM(2000)0294	18/05/2000	
Supplementary non-legislative basic document	COM(2001)0431	25/07/2001	Summary
Non-legislative basic document	COM(2002)0450	05/08/2002	Summary
Follow-up document	COM(2003)0544	15/09/2003	Summary
Follow-up document	COM(2004)0414	28/06/2004	Summary
Follow-up document	COM(2005)0308	08/07/2005	Summary

The European Union and Hong Kong: beyond 1997

1997/2070(COS) - 25/07/2001

The European Union continues to attach great importance to its relations with the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China. The European Union has therefore watched closely, with genuine and friendly interest, the evolution of the HKSAR in general and the implementation of the 'One Country, Two Systems' principle in particular. As in the Commission's two previous annual reports, this report aims to assess the state of development of the Hong Kong SAR and its relations with the European Union. The report concludes that the year 2000 was rich in debate and controversy both on the implementation of the 'One Country, Two Systems' principle and on the safeguarding of some collective and individual rights, which are guaranteed by the Basic Law. These are the foundation for safeguarding Hong Kong's future and prosperity. The Commission welcomes the fact that the debates, disputes and deliberations were at times accompanied by public manifestations and protests, from various sectors of interest and opinion. This demonstrates a healthy regard for freedom and democracy, although it also reveals the need for continuing vigilance. Some unwelcome remarks by Hong Kong based mainland officials, pertaining to Hong Kong's liberty to act autonomously, triggered concerns both in Hong Kong and in the international community. The swift reaction of the Hong Kong SAR Government contributed to the safeguarding of Hong Kong's autonomy. However, the controversy concerning the presence of the Falun Gong movement in Hong Kong poses a new challenge to the Hong Kong authorities to continue to ensure that the rights and freedoms under the Joint Declaration - including freedom of assembly, freedom of expression and freedom of religion ·are maintained and respected under the law. This issue will no doubt warrant close attention in the months ahead. The fair and free LegCo elections also showed the maturity of Hong Kong citizens and politicians in the exercise of their basic political rights. This constitutes a further sign of the readiness of Hong Kong people to run Hong Kong in accordance with the 'One Country, Two Systems' principle. The lively debates and discussions on the exercise of basic rights constitute the best proof that Hong Kong remains a free society. There were a large number of demonstrations and protests during the year, which mostly took place in a peaceful manner and, in general, in conformity with the laws and regulations. The Hong Kong police continued to handle these demonstrations professionally and according to the law. The European Commission welcomes the impressive recovery of Hong Kong's economy so soon after the serious Asian financial crisis. The economic recovery will no doubt help Hong Kong to face the new challenges and opportunities that will be created by China's accession to the WTO. The European Commission is confident that the capacity and ingenuity of Hong Kong people will allow them to adapt their economy once more to meet the challenges of the welcome and fullintegration of China into the world economy.

The European Union and Hong Kong: beyond 1997

1997/2070(COS) - 23/04/1997 - Non-legislative basic document

OBJECTIVE: The aim of the communication is: - to draw attention to the consequences of the transfer of sovereignty over Hong Kong to China from 1 July 1997 for the EU and its numerous interests in the territory: - to sketch the likely evolution of EU-Hong Kong relations over the next few years. SUBSTANCE: The new status of Hong Kong is based on the principle of 'one country, two systems': the territory will be administered on the basis of a political, legal and economic system different from that of the rest of China. Hong Kong will become, from 1 July 1997, a 'special administrative region' (SAR) of China, with a high degree of autonomy in the economic and commercial sphere, but also in the legislative and judicial areas. The importance and extent of the EU's interests in Hong Kong are such that it will remain, especially in economic terms, a key partner in Asia, and will have a central place in EU-China relations. On the international plane, Hong Kong will continue to have a separate voice (in particular, within the WTO) and will have the right to sign international agreements in its fields of competence (essentially trade). With a view to ensuring respect for freedoms, the Chinese 'Basic Law' creating the SAR states that the rights and freedoms of the people of Hong Kong will be guaranteed. In this new context, the EU has a role to play in monitoring the smooth operation of the transition process from 1997 on: it intends to keep a watch on developments in Hong Kong through an appropriate and effective presence. 1997, far from signalling the downgrading of links with Hong Kong, should, rather, mark another step forward in the progressive enhancement of the ties between the EU and Hong Kong. The Commission proposes a number of strategic actions, based on the following considerations: - the EU should deal directly with the Hong Kong SAR as an international partner, and should maintain close and regular contacts (in particular, by stepping up the work of its Hong Kong office); - from the viewpoint of trade policy, the EU should continue to treat Hong Kong as a separate entity and as a major partner in the WTO: as an autonomous customs territory, Hong Kong will continue to have its own regime as regards rules of origin, the SGP, anti-dumping measures and textile quotas; - the EU should exercise close monitoring of the situation in Hong Kong and of respect for the rights granted to the citizens of Hong Kong under the SAR, working together with the international community and bringing EU instruments into play if necessary: the EU should analyse the situation at regular intervals and make active use of the existing institutions (common positions, joint actions, political dialogue, cooperation). The Commission intends to publish a report in 1998 on the evolution of relations with Hong Kong. - the EU should acknowledge that there is a possible case for granting visa-free access to persons living in Hong Kong, applying specific criteria (an admission facility should be defined, to be common to the Member States and reflect the interests of both Hong Kong and the Union); - the EU should explore ways to put trade, investment and cooperation relations between itself and the SAR on a more permanent footing, especially via the conclusion of formal agreements in areas such as financial cooperation, media, the environment, the development of SMUs and technological research; - the EU should develop active cooperation with Hong Kong as an Asian hub: in particular, the territory should be viewed as having, in the context of the fast-developing Asian continent, a leading role as special partner vis-à-vis the other countries of the region.

The European Union and Hong Kong: beyond 1997

1997/2070(COS) - 08/07/2005 - Follow-up document

In the 2004 Annual Report on the Hong Kong SAR, the Commission notes that, the “one country/two systems” principle, in 2004, was characterised by a trend towards greater influence of the Mainland authorities in the governance of the Territory. This is highlighted, in particular, with the election of the Chief Executive. Although, an estimated 100 000 people marched peacefully at the beginning of the year expressing their will to participate more in politics and government, the National People’s Congress decreed later in the year that only minor changes to the election system for the HK Chief Executive should be made, indicating that the move towards universal suffrage (an ultimate aim of the Basic Law) is being seriously undermined.

Notwithstanding these developments, orderly elections were held for the Legislative Council in September, which produced a record high turn-out, with 62% of voters supporting pro-democracy candidates. According to the Commission, the overall conduct of the elections was a testament to the political maturity of the SAR and showed that there is a sound base for further democratisation. Along a similar vein, Hong Kong civil society and the press continued to operate freely and became more critical during the year.

The report's authors indicate that accountability within the HKSAR is strong and point to the often vociferous criticism many members faced throughout the year from the press and interest groups. The resignation of the Health Minister in the wake of a damning report on the handling of the SARS crisis, is testament to the growing sense of accountability, a key element in any democracy.

As far as the economy is concerned the economies of Hong Kong and China became more symbiotic, inter-dependant and convergent throughout 2004. Economic growth in 2004 was 8.1% for the year, unemployment fell, property and share markets rose, deflation was replaced by modest price inflation and the government deficit narrowed. Trade and financial flows between Hong Kong and the European Union continued to expand and deepen. The EU was Hong Kong's third largest supplier of goods in 2004 after Mainland China and Japan and was the third largest market for HK exports after the US and Mainland China. In the financial sector and other services EU companies continue to play a leading and influential role.

A number of issues outstanding issues persist including the lack of a competition law in Hong Kong as well as the ongoing production of counterfeit goods originating in Hong Kong. For example, Hong Kong remains the third largest provenance of counterfeit goods imported into the EU. Although some IPR progress has been made over the past year, the Report concludes that, more needs to be done.

On a final point, high-level contacts between the EU and the Hong Kong authorities continued throughout 2004. In March 2004, Pascal Lamy visited Hong Kong. Also, the Commission welcomes the WTO agreement to hold the 6th Ministerial WTO Conference in Hong Kong in December 2005.

The European Union and Hong Kong: beyond 1997

1997/2070(COS) - 05/08/2002

This document consists of the fourth annual report from the Commission on the Hong Kong Special Administrative Region (SAR). As in the Commission's previous annual reports, this report aims to assess the state of the development of the Hong Kong SAR and its relations with the European Union. In its report, the Commission believes that after four and half years after the hand-over, the implementation of the "one country, two systems " principle continues to draw the close attention and interest of the European Union. The report considers that the "one country, two systems" principle continues to function well, although its implementation causes some debate and concerns, notably in relation to the right of abode but also in relation to the exercise of other rights and freedoms. Institutional developments such as the introduction of the so-called accountability system, the election of the Chief Executive by an Election Committee and democratic development were also reported to be the subject of concern or public debate. The EU intends to strengthen relations with Hong Kong in all areas where it has retained its autonomy as provided for under the Basic Law of the Special Administrative Region. As a first step, the EU and Hong Kong signed a Customs Cooperation Agreement in May 1999, providing mutual administrative assistance including the exchange of information on possible breaches of customs law and establishing a Joint Committee to oversee its proper functioning. Moreover, the Commission welcomes the commitments given by the Central People's Government and the Hong Kong SAR Government to maintain and safeguard the "one country, two systems" principle. The implementation of the principle during 2001 showed that in broad terms, Hong Kong maintained its unique and separate identity within China. The Commission acknowledges the statement of President Jiang Zemin that the HKSAR Government should handle such issues as the Falun Gong. The safeguarding of Hong Kong's system of values and its high degree of autonomy require the full and unequivocal commitment and vigilance of both the Mainland and Hong Kong authorities. The report highlights that it is inevitable that in the coming years public attention in Hong Kong will increasingly focus on the question of democratic development. The Basic Law stipulates that the ultimate aim is universal suffrage. It also includes provision for the Hong Kong people to have their say, in 2007, in deciding the timetable according to which this should be achieved. A free and open debate on this question in the next few years will be an valuable re-affirmation of the concept of one country, two systems, and offer further re-assurance both within Hong Kong and outside that Hong Kong people really are running Hong Kong with the promised high degree of autonomy. The EU will continue to watch developments very closely, particularly concerning the possible introduction of anti-cult legislation and its effect on freedom of expression in Hong Kong.

The European Union and Hong Kong: beyond 1997

1997/2070(COS) - 28/06/2004 - Follow-up document

This report constitutes the Annual Report 2003 on Hong Kong SAR. The Commission states that the year was especially eventful for the Hong Kong SAR. Hong Kong was affected by its worse epidemic in decades, an outbreak of Severe Acute Respiratory Syndrome (SARS), which caused many economic losses and revealed some weaknesses in the health system. On the political side, after an unprecedented protest march that gathered half a million persons on July 1 and the resignation of the Chairman of the Liberal Party from the Executive Council, the Hong Kong Government withdrew its controversial 'Article 23' draft bill on national security on 5 September. The EU, which issued three statements expressing concern over the proposed legislation, and called for early progress towards universal suffrage in the latter statement welcomed the withdrawal of the bill. While the October District elections reflected public dissatisfaction with the government's handling of the national security bill and the SARS epidemic, the political debate rapidly shifted to democratisation of the Hong Kong political system, as a way to improve governance, and has since come to the forefront. In this context, the SAR Government had previously announced a timetable for the launching of a public consultation on constitutional development. The designation of a Task Force on constitutional development by the Chief Executive in January 2004 and the starting of a consultation process with the Central authorities of Beijing have however superseded these plans. At the same time, Hong Kong pursued further economic integration with Mainland China, notably through the signing of CEPA, a free-trade arrangement that will ensure access for Hong Kong products and services to the Mainland market ahead of China's WTO implementation timetable. The economy rapidly recovered from the consequences of the SARS outbreak and resumed encouraging growth in the second half of the year. EU-Hong Kong relations were marked by steady development and friendliness. Total bilateral trade

slightly decreased to EUR 27.3 billion, but the EU remained Hong Kong's third largest trading partner and foreign investor. The EC-Hong Kong readmission agreement came into force in March 2004 and perspectives for further contacts in the field for migration bode well of the development of our cooperation. The European Commission welcomes the passage in 2003 of new legislation in mergers and acquisitions in the telecommunications sector, but remains concerned about the lack of general competition legislation in the SAR. Efforts in combating cross-boundary intellectual property rights violations also need to be intensified. The Commission welcomes the renewed dynamism of Hong Kong's people and its economy and is encouraged by the greater involvement of citizens in political life, something that was facilitated by the various civil movements which were active throughout 2003. The EU remains fully in support of the preservation of the specific status recognised for Hong Kong SAR under the 'One country, two systems" principle, and the respect for human rights and freedoms enjoyed by Hong Kong citizens, as enshrined in the Basic Law. It is therefore to be hoped that early progress will be made towards the Basic Law's ultimate aim of election of the Chief Executive and Legislative Council by universal suffrage, bearing in mind the aspirations of Hong Kong people for further democratisation, as shown by the events of 2003.

The European Union and Hong Kong: beyond 1997

1997/2070(COS) - 08/10/1998 - Text adopted by Parliament, single reading

In adopting the report by Mr John CUSHNAHAN (PPE, Irl.) on relations between the European Union and Hong Kong beyond 1997, the European Parliament deplored the fact that the complex and less than fully democratic electoral system applied in the 1995 elections had been retained in 1998 with further restrictions on the franchise, so that pro-democracy parties had secured only one third of the seats on the Legislative Council, despite having won a clear majority of the popular vote. It noted with satisfaction the interest which Hong Kong voters had demonstrated in democracy (the turnout for the elections had been 53.3%, representing 1.5 million voters), and urged that close consideration be given to establishing a system to elect the Chief Executive, directly or indirectly, at the end of the first two mandates in 2007. It regretted that the 36 Hong Kong delegates to the National People's Congress had been appointed by a Selection Committee in a less than transparent fashion and that members of the Democratic Party had been totally excluded from the process. It reiterated its attachment to the maintenance of the rule of law and the independence of the judiciary in Hong Kong and called on the Government of the Hong Kong Special Administrative Region (HKSAR) to grant permanent residency and the right of abode to all current Hong Kong permanent residents who had obtained foreign passports. Member States were urged to grant visa-free entry to holders of HKSAR passports and to the 3 million Hong Kong British National (Overseas) passport holders. It was concerned that refusal by a single member of the Schengen Pact to do this would effectively deny these passport-holders visa-free access to 13 of the European Union's Member States. Recalling the importance it attached to freedom of expression, it called on the Government of Hong Kong to ensure that the Basic Law did not violate the provisions of the International Covenant on Civil and Political Rights. Taking the view that the EU should fully support the international autonomy of Hong Kong, Parliament called for cooperation to be developed on a large scale in order to strengthen the EU's relations with Hong Kong. It called on the Commission and Council to monitor closely the financial and economic autonomy of the HKSAR, and welcomed the Commission's intention to produce annual reports on political and economic developments in Hong Kong. In this context, Parliament considered that the Commission's Office in Hong Kong should be able to play a role in producing this annual report and in strengthening links between Hong Kong and the EU. The Office's resources should therefore be increased. Parliament called on European companies operating in Hong Kong and in China via Hong Kong to observe ILO core labour standards.

The European Union and Hong Kong: beyond 1997

1997/2070(COS) - 15/09/2003 - Follow-up document

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.