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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

THE EUROPEAN UNION AND HONG KONG : BEYOND 1997

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1. The Dublin European Council in December 1996 "reiterated the European Union's strong interest in the future peace and prosperity" of Hong Kong. This communication seeks to lay out what the transfer of sovereignty means for the European Union and its many interests in Hong Kong, and how EU-Hong Kong relations will develop in the years to come.

2. On 1 July 1997, Hong Kong reverts to Chinese sovereignty. This peaceful transfer of sovereignty will be a unique event, and will create a unique entity, the Hong Kong Special Administrative Region of the People's Republic of China. Hong Kong has long stood as an example and a model for its neighbours throughout the region. It has always been an international crossroads: it is a trading centre, a magnet for investment, a media hub, a transit point for travellers worldwide. Hong Kong lives by its relations with the outside world, with its strong tradition of openness making it a home for the exchange of goods, finance, people and ideas. Hong Kong's future is therefore of profound importance for the international community.

European interests in Hong Kong

3. European interests in Hong Kong have many aspects:

- a deep *economic involvement*. The importance of Hong Kong as a trading centre is well established: Hong Kong is the EC's tenth largest trading partner, and one with whom the EC maintains a healthy surplus. But economic ties go beyond trade. There are over 100 European companies involved in banking, insurance, and the securities industry in Hong Kong. Some 250 European companies have their regional headquarters in Hong Kong, and some 100 European companies manufacture in Hong Kong. 115 European companies have been involved in the construction of the new Hong Kong airport project, winning almost 40% of the business. Although Hong Kong investment in Europe has been much more slow to develop, investment in the services sector has slowly increased.

Two particular points are worth noting about these extraordinarily diverse economic ties. First, all Member States are involved, with five Member States enjoying trade of over 2 billion ecu with Hong Kong. Second, recent years have seen an acceleration of economic links, with more trade and more companies settling in Hong Kong. This tends to confirm surveys indicating business' confidence in Hong Kong's future prosperity.

These economic ties have long been cemented through Hong Kong's autonomous participation in the world trading system. For example, arrangements for Hong Kong's textiles exports to the EC have been settled bilaterally for many years, with a bilateral textiles agreement under the Multi-Fibre Agreement now subsumed into the Agreement on Textiles and Clothing.

- close *personal ties*. Over 50,000 EU citizens are in Hong Kong at any one time, with some 32,000 settled in Hong Kong. This means there are more Europeans in Hong Kong than in any other city in Asia. This is reflected in the number of cultural and educational contacts between the EU and Hong Kong, with over 60 ongoing research and cooperation actions between European and Hong Kong universities.
- These ties reflect the reality that in many respects, Europeans and Hong Kong people share many of the *same values*. Hong Kong is renowned for its openness, its willingness to look at new ideas and to debate. As such Hong Kong has always proved an important channel for exchange of all kinds between Europe and Asia. This is an important facet of Hong Kong, and one which will remain a defining characteristic of Hong Kong as an SAR.
- continuing *political interests*. Although sovereignty over Hong Kong will pass from the United Kingdom, the Joint Declaration deposited as an international agreement at the United Nations will continue to regulate Hong Kong until 1 July 2047. But the EU also has a broader continuing interest in Hong Kong, as a territory of strategic importance in the region, with a developing democracy and freedom of speech and expression.

4. The breadth of these interests is the explanation of the wide range of current European links with Hong Kong, and gives every reason to believe that the ongoing development of relations in the future will be a key element in the EU's future relations with China. The implementation of the "one country, two systems" policy embodied in the Joint Declaration will be central for this continued development to become a reality: the conditions provided in the SAR will preserve the environment required for the successful evolution of European interests in Hong Kong.

Hong Kong as a Special Administrative Region.

5. The United Kingdom and China agreed to the transfer of sovereignty of Hong Kong under the Sino-British Joint Declaration in 1984. China's policies on Hong Kong and the elaboration of those policies in the Joint Declaration were reflected in the Basic Law of the Hong Kong SAR, promulgated in 1990 and due to take effect on 1 July 1997. The core principle behind Hong Kong's new status was to be "*one country, two systems*", the idea that Hong Kong would operate under a political, legal and economic system distinct from that of China. As such, Hong Kong will become a "Special Administrative Region" (SAR) of China.

6. As an SAR, Hong Kong falls under Chinese sovereignty, and foreign and defence affairs will be regulated from Beijing. A garrison from the People's Liberation Army will be stationed in Hong Kong. But in other areas, the "*high degree of*

autonomy" given to Hong Kong makes the SAR a unique experiment. The Hong Kong SAR will have a large degree of economic autonomy, remaining a separate customs territory with an independent currency and financial system. China will levy no taxes in Hong Kong. But the scope of SAR autonomy extends beyond the economic. The SAR will retain executive, legislative and judicial power. The Government will be run by Hong Kong people, laws will be made in the Legislative Council, and the final judicial Court of Appeal will be in Hong Kong. The SAR government will be responsible for maintaining public order. The Joint Declaration also explicitly enshrines rights and freedoms including freedom of speech, assembly, association and religion. A fuller summary appears in Annex 1.

7. A central theme running through the Joint Declaration and the Basic Law is the importance of maintaining *Hong Kong's international role*. Hong Kong will continue to have a distinct voice as a separate member of numerous international organisations, including the World Trade Organisation, the World Customs Organisation, and APEC. Hong Kong will be able to sign international agreements as a separate party within the areas for which the SAR is responsible. There will also be a separate Hong Kong passport, and Hong Kong will remain host to official representations from across the world.

8. Much of the political debate about and within Hong Kong in recent years has centred on the interpretation of the SAR's autonomy, and how secure the provisions of the Joint Declaration would prove in practice. To some extent, uncertainty is inevitable when entering such uncharted waters. The European Commission pointed to the importance of implementing the principles of the Joint Declaration in its 1995 Communication on China.¹ The blueprint laid out in the Joint Declaration and the Basic Law is designed specifically to ensure that Hong Kong continues to thrive. Its effective implementation remains the best guarantee for Hong Kong in the future. This will also reinforce confidence in the transfer of sovereignty in Macau in 1999, and could provide some useful pointers to settling other disputes where the issues of practical autonomy and legal sovereignty need to be tackled.

9. Most of the differences which have arisen between the United Kingdom and China in the run-up to the transfer of sovereignty have now been settled. A major exception is the issue of the *Legislative Council* ("*LegCo*"). China has not agreed to the concept of a "through train" for the LegCo elected under new electoral arrangements in 1995. In December 1996, the members of a "provisional Legislature" were selected. It is intended that this body will replace the existing LegCo on 1 July 1997, and will itself be replaced after new elections within a year. There is a clear danger that the work of the provisional Legislature before the transfer of sovereignty will create confusion about responsibility for legislation, which would be damaging for the rule of law in Hong Kong. It is essential that the procedures adopted to enact new or amended laws to govern the SAR do not open those laws to lengthy legal challenge in the months and years to come. Early elections for a new LegCo, on a free and fair basis, would be the best way to ensure that the LegCo can play its part in the governance of the SAR fully and effectively.

¹ "A long term policy for China-Europe relations", Brussels 5.7.1995, COM(95) 279 final.

10. The provisions of the Joint Declaration and the Basic Law confirming individual *rights and liberties* in Hong Kong are not only of importance to individual Hong Kong people. Respect of key freedoms such as free speech, the right of assembly, data protection and the right to form active political parties will be critical to confidence in the governance of Hong Kong as an SAR, and to the maintenance of the rule of law. Hong Kong's role as a regional hub would make any restrictions on the Press, news agencies or other information channels particularly damaging.

Working to support European interests in Hong Kong

11. Confidence in Hong Kong's future, both within Hong Kong and in the international community, is based on the conviction that the SAR model will preserve the features of Hong Kong government and society which lie behind its current success. *Making the SAR a reality* and a success is therefore critical. Primary responsibility for achieving this must lie with the Hong Kong government and with the Chinese authorities. The unique nature of the SAR makes this a challenging task, but all parties seem convinced that this goal is in their mutual interests.

12. The international community also has a role to play in ensuring that the SAR lives up to its task and to the responsibilities it has been given under the Joint Declaration. Europe can play its part in helping the SAR government as an autonomous administration to operate as foreseen:

- In areas within the responsibility of the SAR government, the EU should continue to *deal directly with Hong Kong*. These areas are clearly laid out in the Joint Declaration, and this will mean maintaining a dialogue with the SAR government in these areas, including direct liaison with Hong Kong in international organisations to which it is a separate party. The Commission established an Office in Hong Kong in 1993, which has proved an effective voice for European interests in Hong Kong. The Chinese authorities responsible for official representations in Hong Kong have agreed in principle that the Office may continue to liaise directly with the SAR government. The Commission is currently finalising with the Chinese authorities agreement on the privileges and immunities that the Office will enjoy after 30 June of this year.

One of the areas of SAR government responsibility is trade policy. Hong Kong will continue to be a wholly separate entity for trade policy purposes. As a separate customs territory, it will continue to be treated in its own right in terms of origin, GSP and anti-dumping rules, and in respect of the remaining quotas on textiles as we move towards elimination in 2005. The few quantitative restrictions still maintained on exports from China will not apply to products manufactured in Hong Kong. Hong Kong will continue to be an important partner within the World Trade Organisation.

- The SAR concept is not limited to trade and economic matters. Its provisions cementing an independent administration, a distinct legal system guaranteeing the rule of law, a separate elected legislature, a free Press, and a series of fundamental rights and privileges are all core elements in the package. All the different aspects of Hong Kong as an SAR are interrelated: the business

community relies on the rule of law in Hong Kong; the financial markets need to be guaranteed accurate and free access to all types of information; maintaining Hong Kong's entrepreneurial dynamism means keeping open the free flow of ideas and debate.

The Dublin European Council underlined the EU's continuing support for and commitment to the principle that all the rights granted to Hong Kong citizens under the SAR should be fully respected. The EU should ensure permanent vigilance and keep a watching brief on developments in Hong Kong. We welcome the recent announcement that China will sign, before the end of 1997, the UN Covenant on Economic, Social and Cultural Rights, and that China is considering also signing the Covenant on Civil and Political Rights. We hope that China will also soon accept the proposition that the maintenance of the two UN human rights covenants in Hong Kong implies that the reporting requirements under those covenants should also be maintained. The international community will in any case have other ways of *monitoring the situation in Hong Kong*. In the case of the EU, this should mean regular consideration of the situation in Hong Kong, and active use of the instruments - common positions, joint actions, political dialogue, cooperation - at the EU's disposal. As a basis for such discussions, the Commission intends to publish an annual report on EU-Hong Kong relations across the board, beginning in 1998. The issue will clearly figure in the EU's political dialogue with China, and Hong Kong could be included in any future initiatives to develop cooperation in the human dimension in the region.

Both the Commission and the Member States should ensure that contact is in no way diminished after the handover: high level visits to Hong Kong should be a priority. Hong Kong depends on confidence, and alertness in the international community is an important guarantee to sustain this confidence. The interests of the international community in Hong Kong's future are very similar: the EU should work together with key international partners to pursue a common approach.

- Another important way in which the EU can recognise the autonomy of Hong Kong is to reaffirm clearly that, for the purposes of the common visa list, Hong Kong should be assessed after the handover as it is now, on its own merits. This would reflect our confidence in the arrangements Hong Kong is making to ensure that the new Hong Kong SAR passport is secure. The SAR will control temporary or permanent movement into its territory, whether from the rest of the PRC or elsewhere. Hong Kong SAR passports will be issued under SAR authority, and will incorporate the most up-to-date anti-forgery technology available. The decision about whether to grant visa-free access lies with each Member State. But the benefits which easy travel gives to developing economic and other contacts, and the importance of demonstrating confidence in Hong Kong's future, suggest that freer access to the EU would be in the interests of both the EU and of Hong Kong.

13. At the same time as helping to ensure that autonomy is a reality, the EC should do more to encourage the continued development of ties with Hong Kong. More formal and structured cooperation would be of benefit to both sides, for example in the area of customs cooperation and anti-fraud matters, where Council directives for the negotiation of an agreement already exist. The Commission will explore ways to put *trade, investment and cooperation relations* between the EC and the SAR on a more permanent footing, including through formal legal agreements in areas within SAR responsibility. Providing more systematic support to the development of such contacts would benefit both Europe and Hong Kong.

14. There are many fields where tangible cooperation could be developed with a real mutual benefit. The autumn 1997 IMF/World Bank meeting in Hong Kong will serve as a useful reminder of Hong Kong's global financial importance, and Hong Kong is to take its place in the "G-6" of key financial players in the Pacific. Hong Kong's communications infrastructure has cemented its role as an Asian hub for Europeans. So Hong Kong's particular experience in the fields of services or the media would make these obvious starting points for further collaboration. Cooperation in the environmental field could also be to real mutual advantage, whilst the growing cooperation in areas such as business to business contact between small and medium sized enterprises, and research and technology, should be developed further. European universities increasingly see Hong Kong as a natural home for research collaboration in Asia. In all these areas, as well as in other sectors of cooperation, there is every reason to see Hong Kong continuing to act as a pivotal point of communication between Europe and Asia.

15. For many Europeans, Hong Kong is the natural first point of contact with Asia. Hong Kong therefore has a particular role to play in the EU's rapidly developing policy towards Asia as a whole. Ever since the 1994 *Asia strategy*², ties have been intensified with Asia both on a bilateral and plurilateral level, with the first-ever Asia-Europe Meeting (ASEM) held at summit level in Bangkok in March 1996. Hong Kong is not an ASEM participant, and the political side of ASEM activity goes beyond the competence of the SAR government. But as a range of different activities emerges from the Asia strategy process, with Asia in general and with China in particular, Hong Kong can be expected to play an important part. In cooperation programmes with developing Asia, for example, Hong Kong could have a useful role in providing local knowledge and contacts from a developed and open perspective.

Conclusion

16. The depth and breadth of European interests in Hong Kong make it inevitable that Hong Kong will continue to be a key partner for the EU in Asia, playing a central part in our relations with China. The EU should look forward to a vigorous and effective engagement with the SAR government within its areas of responsibility. This should involve:

- dealing directly with the Hong Kong government as an international partner, and maintaining regular and close contacts;

² "Towards a new Asia strategy", Brussels 13.7.1994, COM(94) 314 final.

- continuing to treat Hong Kong as an independent entity for trade policy purposes, as an important partner within the WTO;
- monitoring closely the situation in Hong Kong and the respect for the rights granted to Hong Kong citizens under the SAR, working together with the international community and bringing EU instruments into play if necessary;
- acknowledging that the case for granting visa-free access for Hong Kong people should be treated on its own merits;
- exploring ways to put trade, investment and cooperation relations between the EC and the SAR on a more permanent footing;
- developing active cooperation with Hong Kong as an Asian hub.

Far from being a time to downgrade links with Hong Kong, 1997 should mark another step forward in the progressive enhancement of ties between the European Union and Hong Kong.

17. The Council is invited to note and to endorse the contents of this communication.

ANNEX 1 Background to Hong Kong as a Special Administrative Region
ANNEX 2 European economic interests in Hong Kong

ANNEX I

HONG KONG AS A SPECIAL ADMINISTRATIVE REGION

Background

In 1841, British forces seized Hong Kong island. Kowloon was ceded in 1860 and a 99 year "lease" on the New Territories and some 235 islands was signed in 1898. With the land covered by the lease amounting to some 92% of Hong Kong's total land area, it became clear that Hong Kong's future would have to be clarified well ahead of the 1997 termination of the lease. China had consistently claimed full sovereignty over the whole of Hong Kong, but had also stressed its wish for a peaceful settlement. In 1982, negotiations between the United Kingdom and China began with the common aim of maintaining the long-term stability and prosperity of Hong Kong. The result was the Sino-British Joint Declaration of 1984, an international agreement deposited in the United Nations.

Hong Kong as a Special Administrative Region

The underlying principle behind the Joint Declaration is the idea of "one country, two systems", which means that whilst Hong Kong will fall under Chinese sovereignty, it will retain its current social, administrative, legal and economic characteristics. The "one country, two systems" approach represents an explicit desire by China for Hong Kong to remain different from the rest of the PRC. As such, Hong Kong will become a Special Administrative Region (SAR) of the People's Republic of China (PRC) on 1 July 1997, and this status will remain unchanged for at least 50 years. The Joint Declaration was transposed into Chinese law by the Basic Law of the Hong Kong Special Administrative Region (April 1990). The National People's Congress retains the power to amend the Basic Law.

A UK-China Joint Liaison Group (JLG) was set up to help implement the Joint Declaration and to flesh out the details. This will continue to meet until 2000. The JLG has often been bedevilled by political friction and disagreements, on issues including the legislative system, infrastructure projects, and the civil service. But the number of outstanding issues is now relatively small.

The SAR model grants Hong Kong a "high degree of autonomy", and "executive, legislative and independent judicial power". The only areas explicitly placed within the responsibility of Beijing are foreign and defence affairs.

- (i) **Executive.** The SAR will be headed by a Chief Executive, whose functions include signing legislation, making appointments to government and the judiciary, conducting external affairs for the SAR, granting pardons, and acting as a channel of communication to the Chinese government. The chief executive must be a permanent resident of Hong Kong, a Chinese citizen with no right of abode in a foreign country, and resident in Hong Kong for at least 20 years. The term of office is 5 years, renewable only once. The original method of selecting the Chief Executive is appointment by China after "selection by elections or through consultations held locally", but the ultimate aim is selection by universal suffrage after nomination by a "broadly representative nominating committee in accordance with democratic procedures".

The Chief Executive will appoint an Executive Council, made up of permanent Hong Kong residents, who are to be consulted about most major policy decisions. The Chief Executive is obliged to explain if he goes against the will of the majority in the Council.

A Commission Against Corruption is a formal institution of the SAR.

Principal officials of the Hong Kong SAR Government must be Hong Kong residents with no right of abode elsewhere, and should have been resident in Hong Kong for 15 years. The Government must act within the law, and be accountable to the Legislative Council (Legco).

Civil servants above a certain rank must be permanent residents, and all swear an oath to uphold the Basic Law and the Special Administrative Region. English can continue, alongside Chinese, as an official language.

- (ii) **Legislature.** Under the terms of the Joint Declaration and the Basic Law, the Legislative Council will be responsible for lawmaking in Hong Kong. This includes the right to overrule a veto from the Chief Executive with a two-thirds majority: though the National People's Congress in Beijing also has the power to annul Legco laws it considers contrary to the Basic Law in areas of central government responsibility. Legco also approves budgets and taxation, ratifies senior judicial appointments, conducts debates on matters of public interest, and scrutinises the executive (including mandating a commission of enquiry if the Chief Executive is suspected of serious wrongdoing).

Legco members again have to be permanent residents, though up to one-fifth of Legco members can have right of abode overseas or be non-Chinese citizens. The question of the method of choosing Legco members has been controversial, but the Basic Law includes some specific indications for the future. For example, in the SAR Legco's second term, 24 of the 60 members should be elected by geographical constituencies through direct elections, rising to 30 members for the third term. The ultimate aim is described as the election of all the members by universal suffrage.

The Basic Law also provides for the election of deputies from the SAR to the National People's Congress.

- (iii) **Legal System and Public Order.** The Joint Declaration stated that the "laws currently in force in Hong Kong will remain basically unchanged". The judiciary will operate independently, the system of trial by jury will continue, and basic principles such as the right to a fair trial and presumption of innocence will be maintained. Hong Kong will have its own final Court of Appeal, and have jurisdiction over all cases except "acts of state such as defence and foreign affairs".

The Joint Declaration lays out that the SAR government is responsible for public order, and the Chinese garrison to be stationed in Hong Kong "shall not interfere" in the local affairs of the region, and will abide by SAR law. The SAR is responsible for enacting laws against "any act of treason, secession, sedition, or subversion" against the PRC government, as well as against political activities by or links with foreign political organisations.

- (iv) **Individual Rights.** The Basic Law lays out the rights and duties of permanent and non-permanent residents of Hong Kong, including "freedom of speech, of the press and of publication; freedom of association, of assembly, of procession and of demonstration; and the right and freedom to form and join trade unions, and to strike." Also listed are freedom to vote and stand in elections for all permanent residents, freedom of the person, against arbitrary arrest, privacy of communications, freedom of movement, travel and emigration, freedom of conscience and religious belief, freedom to engage in academic research, and access to legal advice and to legal remedy.

The provisions of the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and international labour conventions applying to Hong Kong are to remain in force, although China has made clear that it does not consider itself obliged to continue reporting requirements in respect of Hong Kong under international instruments to which it is not a party.

- (v) **The Economy.** The Basic Law explains that "the socialist system ... shall not be practised" in the SAR, and that the "previous capitalist system" shall remain unchanged. Hong Kong's status as an international financial centre should be protected. The right to private property will be maintained, and land leases issued before the transfer of sovereignty respected.

Public finances will be independent. No taxes raised in Hong Kong will be remitted to Beijing (even the costs for the Chinese garrison in Hong Kong will be met by Beijing). Public finances will pursue a policy of a balanced budget, with the current policy of low taxation as a point of reference. Budget growth should keep within GDP growth.

Hong Kong will have autonomous economic, monetary, and financial policies, with a separate currency and reserve fund, and freedom of capital movements. Hong Kong will remain a free port with a free trade philosophy and free access for shipping. It will be a separate customs territory. Export quotas, tariff preferences and other arrangements obtained by the SAR will be used exclusively by the SAR. The SAR will issue its own certificates of origin.

The SAR will participate in relevant international organisations and international trade agreements as an independent entity, such as the World Trade Organisation and the World Customs Organisation.

- (v) External Relations. Though Beijing will be responsible for foreign affairs and defence, and will open a branch of the Chinese Ministry of Foreign Affairs in Hong Kong to conduct foreign relations, the SAR will conduct "relevant external relations" on its own, in areas such as the economy, trade, finance and monetary affairs, shipping, communications, tourism, culture and sport. SAR representatives can have a separate voice in PRC delegations to organisations reserved for states, identifying themselves as "Hong Kong, China". It can participate autonomously in organisations not limited to states. International agreements to which Hong Kong is a party and the PRC is not can continue in force in the SAR.

The SAR has the authority to issue passports and other travel documents and to apply immigration controls.

The SAR can maintain official or semi-official economic and trade missions in third countries.

Consulates and other official missions established in Hong Kong by states which have diplomatic relations with China will be maintained.

- (vi) Other signs of autonomy. Chinese people will require permission to enter the SAR from other parts of the PRC. The Basic Law states that central and local government should not interfere in the running of the SAR, and need approval from both the SAR and Beijing to set up an office in Hong Kong. Hong Kong will have a regional flag and emblem.

The Basic Law also emphasises the SAR's autonomy in other areas, such as education, health, science and technology, culture and copyright, professional qualifications, sport, social welfare, and labour law. Special mention is made of the continuing work of non-governmental organisations in these fields.

ANNEX II

EUROPEAN ECONOMIC INTERESTS IN HONG KONG

Not only is Hong Kong a major trading partner of the EC (see statistics attached). The scale of European economic activity within Hong Kong is considerable. Of the 2,068 companies which have established regional headquarters or offices in Hong Kong, 597 (29%) have EU-based parent companies. This compares to 501 from Japan, and 344 from the United States. The EC's interests also range across many fields of economic activity:

- (i) **Trading.** Trading still represents the major European economic interest in Hong Kong, reflecting its continued place at the heart of the Hong Kong economy (the trading and retail sector accounts for a quarter of the Hong Kong economy). Some 43% of the EU companies which have established regional headquarters or offices in Hong Kong are engaged in trade.
- (ii) **Manufacturing.** In spite of the shift in the Hong Kong economy away from manufacturing towards the services industries, there remain some 91 EU-invested industrial establishments in Hong Kong. The EU is the third largest investor in manufacturing in Hong Kong, responsible for investments totalling some HK\$6.5 billion (0.65 billion ecu) at the end of 1994, with the United Kingdom, the Netherlands and Germany the main investors.
- (iii) **Communications.** Ten EU-based air carriers currently operate at Hong Kong international airport. As for shipping, major EU shipping interests are well established in Hong Kong. In addition, European brands have captured a significant share of the portable phone market in Hong Kong.
- (iv) **Financial Services.** With Hong Kong now established as one of the world's major financial centres, EU financial services institutions have a major stake in Hong Kong. Out of the 151 licensed banks incorporated in Hong Kong in August 1996, 47 were incorporated in the EU, with another 57 EU banks maintaining representative offices in Hong Kong. Over the period 1990-95, EU banks ranked third in Hong Kong in terms of both assets and lending, following local and Japanese banks.

As for insurance, more EU insurance companies are established in Hong Kong than from any other part of the world: 82 of the 222 registered insurance companies in Hong Kong in August 1996 were incorporated in the EU. EU-based companies also play an important part in securities and commodities trading, and in investment services.

- (v) **Construction.** EU companies have been major beneficiaries of the enormous construction works linked to the construction of the new Hong Kong airport. EU companies have been awarded around one-third of the contracts for the New Airport Programme, with some 41 contracts and 147 consultancies totalling some HK\$35 billion (3.5 billion ecu) by March 1996. Companies from the United Kingdom, the Netherlands, France, Belgium and Spain have been the major beneficiaries.

TRADE TREND BETWEEN THE EC AND HONG KONG
Ecu Millions - Eur 12

YEAR	IMPORTS	EXPORTS	TOTAL TRADE	BALANCE
1980	3 674	2 166	5 840	- 1 508
1984	5 172	3 981	9 153	- 1 191
1985	4 819	4 551	9 370	- 268
1986	5 300	4 229	9 529	- 1 071
1987	5 507	4 777	10 284	- 730
1988	6 320	6 769	13 089	449
1989	6 431	7 022	13 453	591
1990	5 909	6 597	12 506	688
1991	6 404	7 409	13 813	1 005
1992	5 908	8 782	14 690	2 874
1993	6 428	11 390	17 818	4 962
1994	6 571	13 170	19 741	6 599
1995	6 675	14 683	21 358	8 008

From 1980 until 1995, EC imports almost doubled, exports increased sevenfold, total trade increased more than three times and the EC balance of trade was transformed from a deficit of 1 508 mecu in 1980 to a surplus of 8 008 mecu in 1995.

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