



European Communities

EUROPEAN PARLIAMENT

WORKING DOCUMENTS

English Edition

1985-86

28 June 1985

A SERIES

DOCUMENT A2-54/85/ANNEX

ANNEX

to the report drawn up by Mr H.J. SEELER
on behalf of the Committee on External Economic Relations

on the future development of economic and trade relations
between the European Community and Hong Kong

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OPINION OF THE POLITICAL AFFAIRS COMMITTEE

PE 96.940/fin./Ann.

O P I N I O N

(Rule 101 of the Rules of Procedure)
of the Political Affairs Committee

Draftsman: Mr Sean FLANAGAN

On 28 February 1985, the Political Affairs Committee appointed Mr Sean FLANAGAN draftsman of the opinion.

The committee considered the draft opinion at its meeting of 19 June 1985, and adopted the draft opinion on 19 June 1985 unanimously.

The following took part in the vote: Mr FORMIGONI, Chairman; Mr HÄNSCH, Vice-Chairman; Lord DOURO, Vice-Chairman; Mr FLANAGAN, draftsman; Mr ANTONIOZZI, Mr BERNARD-REYMOND, Mr BALFE (deputising for Mr NEWENS), Mr BOUTOS, Mr CHRISTENSEN (deputising for Mrs HAMMERICH), Mr CHRISTIANSEN (deputising for Mr WALTER), Lady ELLES, Mr EPHREMIDIS, Mr FELLERMAIER (deputising for Mr SEEFELD), Mr FILINIS (deputising for Mr SEGRE), Mr GALLUZZI (deputising for Mr CERVETTI), Mr HABSBURG, Mr PELIKAN (deputising for Mr AMADEI), Mr PRAG, Mr VGENOPOULOS (deputising for Mr PLASKOVITIS) and Mr WEDEKIND (deputising for Mr BLUMENFELD).

POLITICAL ASPECTS OF ECONOMIC AND TRADE RELATIONS BETWEEN THE
EEC AND HONG KONG

Recent Actions by Parliament

1. On the basis of a Report drawn up by Mr Pelikan on behalf of the Committee on External Economic Relations on economic and commercial relations between the European Community and the People's Republic of China, the European Parliament adopted a resolution in April 1984¹. In the political field, the Report² drew attention to the decision of the Council of Ministers in April 1983 to hold six-monthly meetings with the People's Republic of China (PRC) within European political cooperation between the Political Director of the Foreign Affairs Ministry of the country holding the Community Presidency and an Ambassador of the PRC. The resolution expressed Parliament's 'appreciation' of this decision, but the report went further and called upon the Council to upgrade regular consultations with China at ministerial level.

2. The Opinion of the Political Affairs Committee, drafted by Mr Denis, emphasised the need for closer relations between the Community and China, particularly on the level of meetings between the delegations of Parliament and the National People's Congress of China; this was reflected in paragraph 18 of the resolution.

3. The motion for resolution tabled by Mr Seeler³ instructs the Commission to conduct an analysis of the political developments in the area which may result from the transfer of sovereignty over Hong Kong to the PRC, and from Hong Kong's resultant commercial and economic role.

¹ Report: Doc 1-1345/83. Resolution: OJ C 127/210, 14.5.84

² Report, para. 31

³ Doc. 2-720/84

Hong Kong Today

4. The population of Hong Kong in 1945 was less than 750,000; today it stands at 5,300,000, 98% of whom are Chinese. Hong Kong is the third largest financial centre in the world and the largest in Asia; the world's third busiest container port; and the largest exporter of high quality garments, of watches and of toys in the world. At present Hong Kong island and the southern part of the Kowloon Peninsula are a Crown Colony of the United Kingdom, whereas the New Territories are leased until 1997 from the PRC. The Chinese Government has consistently held the view that the whole of Hong Kong is Chinese territory, but that, until it is returned to China the status quo should be maintained until changed by peaceful negotiation. Such a process was launched in 1982 and brought successfully to a conclusion on 26 September 1984, when the United Kingdom and the PRC initialled a draft agreement between them.

The Draft Agreement

5. In their Joint Declaration the British and Chinese Governments agree that a proper negotiated settlement is conducive to the maintenance of the prosperity and stability of Hong Kong and to the further strengthening and development of relations between the two countries on a new basis. The Chinese Government declares that the recovery of the Hong Kong area is the common aspiration of the Chinese people and that it has decided to resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997. For its part, the British Government declares that it will restore Hong Kong to China on that date.

6. Noting that the Chinese Constitution stipulates that special administrative regions may be established where necessary, the Chinese Government says that Hong Kong will become such a region in 1997. The Chinese National People's Congress will enact and promulgate a Basic Law stipulating that the socialist system and socialist policies

practised in the rest of China will not be extended to the Hong Kong SAR and that Hong Kong's capitalist system and life-style shall remain unchanged for 50 years.

7. Under the provisions of the draft Agreement, China will in 1997 establish a Hong Kong Special Administrative Region (SAR) which will enjoy a high degree of autonomy, including independent finances, and be invested with executive, legislative and independent judicial power. Laws currently in force in Hong Kong will remain basically unchanged, as will the territory's social and economic systems. Freedoms of the person, speech, the press, assembly, association, travel and movement will be ensured by law. Private property will be protected as will ownership of enterprises and foreign investment.

8. The Hong Kong SAR will retain its status as a free port and a separate customs territory as well as that of an international financial centre. The free flow of capital into and out of the territory will continue and the Hong Kong dollar will circulate and remain convertible. The SAR will be allowed to maintain mutually beneficial economic relations with Britain and other countries, and under the name 'Hong Kong, China', to maintain and develop economic and cultural relations and to conclude relevant agreements with states, regions and international organisations.

9. Both Governments agree that, during the transitional period between the date of entry into force of the Joint Declaration and 30 June 1997, Britain will remain responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability and that China will give its cooperation in this connection. They also declare that in order to ensure a smooth transfer of government in 1997, and with a view to the effective implementation of the Joint Declaration, a Sino-British Joint Liaison Group will be set up.

10. The Hong Kong SAR will be directly under the authority of the central Chinese Government (that is, not through a provincial government). With the exception of foreign affairs and defence, it

will enjoy a high degree of autonomy, including executive, legislative and independent judicial power and have authority to conduct its own external affairs in appropriate areas (including those relating to economic, trade, financial and monetary, shipping, communications, tourism, cultural and sporting matters.)

11. The region's government and legislature will be composed of local inhabitants, with the chief executive being selected by election or through consultations held locally and appointed by the Chinese Government. Principal officials (equivalent to Secretaries) will be nominated by the SAR chief executive and appointed by the Chinese Government. The SAR legislature will be elected, and the executive authority will be required to abide by the law and be accountable to that legislature. In addition to Chinese, English may also be used in government and in the courts, and the SAR will also be able to use a regional flag and emblem of its own as well as displaying the Chinese national flag and emblem.

12. Subject to the principle that foreign affairs will be the responsibility of the Chinese Government, representatives of the Hong Kong SAR will be able to participate, as members of Chinese delegations, in diplomatic negotiations directly affecting its interests. This will also apply to membership of Chinese delegations in international organisations or conferences in appropriate fields limited to states and affecting the Hong Kong SAR. In addition, using the name 'Hong Kong, China', the SAR will on its own be able to maintain and develop relations and conclude and implement agreements with states, regions and relevant international bodies concerned with economic, trade, financial and monetary, shipping, communications, tourism, cultural and sporting matters. It will also be able to participate in international organisations and conferences not limited to states, and to establish economic and trade missions overseas.

13. The Hong Kong SAR Government will maintain 'the rights and freedoms as provided for by the laws previously in force in Hong Kong, including freedom of the person, of speech, of the press, of assembly, of association, to form and join trade unions, of correspondence, of

travel, of movement, of strike, of demonstration, of choice of occupation, of academic research, of belief, inviolability of the home, the freedom to marry and the right to raise a family freely'. Religious organisations and believers will be able to maintain their relations with religious organisations and believers elsewhere, and religious bodies will be able to own schools, hospitals and welfare institutions.

14. The provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic and Social Rights as applied to Hong Kong will remain in force.

15. On 25 September the Foreign Ministers meeting in New York adopted the following statement on the agreement reached between the United Kingdom and the People's Republic of China on the future of Hong Kong.

'The European Community welcomes the initialling of the agreement about the future of Hong Kong between the Governments of the United Kingdom and the People's Republic of China. This is an impressive achievement which augurs well for the future of Hong Kong as a prosperous and stable community. As a result of this agreement, the Community looks forward to maintaining a close and fruitful relationship both with the People's Republic of China and with the future Hong Kong Special Administrative Region on the basis of its continuing participation in international economic arrangements.'

Future political relations between the Community and Hong Kong

16. Political relations between the European Community and Hong Kong SAR will, after 1997, fall to be conducted with the PRC and not with the British Government. The basis of close and constructive political relations between the Community and the Hong Kong SAR will therefore be a good relationship with the PRC. In the view of the Political Affairs Committee this type of relationship can be secured by the Community in the political field in various ways -

- (a) by continuing growth in mutual trade between the Community and PRC;
- (b) by comprehension by the Community and the Foreign Ministers meeting in European political cooperation of the external policies of the PRC, especially when expressed in the United Nations;
- (c) by renewed efforts by the Ten to establish common positions in European political cooperation so as to express an increasingly coherent and comprehensible stance on matters concerning the PRC, such as policies towards South East and East Asia.

17. On 5 April 1984 a meeting was held at ministerial level in Paris, on the troika pattern, with the Chinese Foreign Minister, Mr Wu Xueqian. It was the first meeting with China at ministerial level, previous contacts having been between officials (China's Ambassador in the capital of the country holding the presidency) (see paragraph 1 above). An exchange of views was held on the major issues of international policy (East-West relations, the Middle East).

Parliament's role

18. The Political Affairs Committee considers that the European Parliament can play an important role in the future relations between the Community and the Hong Kong SAR. In particular, Parliament should

- (a) give all the support possible to the work of its delegation to the National People's Congress of China;
- (b) study the possibility of seeking contacts with the Hong Kong Legislative Council in order to ensure close Parliamentary relations both before and after the restoration of Hong Kong to the People's Republic;
- (c) welcome the action by the Foreign Ministers of the Ten to strengthen their relations in European political cooperation with the PRC;

(d) welcome the guarantees of human rights contained in Section XIII of the PRC Government's basic policies on Hong Kong (see paragraphs 13 and 14 above⁴).

⁴ Annex 1 to the Joint Declaration: Elaboration by the Government of the PRC of its basic policies regarding Hong Kong.