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REPORT

on the Third and Fourth Annual Reports by the European Commission on the
Hong Kong Special Administrative Region
(COM(2001) 431 - COM(2002) 450 - C5-0620/2002 - 2002/2276(INI))

Committee on Foreign Affairs, Human Rights, Common Security and Defence
Policy

Rapporteur: John Walls Cushnahan

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PROCEDURAL PAGE

At the sitting of 16 January 2003 the President of Parliament announced that the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on the Third and Fourth Annual Reports by the European Commission on the Hong Kong Special Administrative Region and the Committee on Industry, External Trade, Research and Energy had been asked for its opinion.

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had appointed John Walls Cushnahan rapporteur at its meeting of 11 September 2002.

The committee considered the draft report at its meetings of 19 February and 24-25 March 2003.

At the latter meeting it adopted the motion for a resolution unanimously with 1 abstention.

The following were present for the vote: Elmar Brok chairman; Geoffrey Van Orden and Christos Zacharakis, vice-chairmen; John Walls Cushnahan, rapporteur; Ole Andreasen, Per-Arne Arvidsson, Alexandros Baltas, André Brie, Glyn Ford, Jas Gawronski, Alfred Gomolka, Vasco Graça Moura (for José Pacheco Pereira), Ulpu Iivari (for Véronique De Keyser), Efstratios Korakas, Joost Lagendijk, Cecilia Malmström, Pedro Marset Campos, Miguel Angel Martínez Martínez (for Rosa M. Díez González), Emilio Menéndez del Valle, Philippe Morillon, Pasqualina Napoletano, Raimon Obiols i Germà, Arie M. Oostlander, Reino Paasilinna (for Klaus Hänsch), Jacques F. Poos, Lennart Sacrédeus (for Michael Gahler), Jacques Santer, Amalia Sartori, Jürgen Schröder, Ioannis Souladakis, Ursula Stenzel, Charles Tannock, Karl von Wogau, and Matti Wuori.

The opinion of the Committee on Industry, External Trade, Research and Energy is attached.

The report was tabled on 27 March 2003.

MOTION FOR A RESOLUTION

European Parliament resolution on the Third and Fourth Annual Reports by the European Commission on the Hong Kong Special Administrative Region (COM(2001) 431 - COM(2002) 450 - C5-0620/2002 - 2002/2276(INI))

The European Parliament,

- having regard to the Third Annual Report by the European Commission on the Hong Kong Special Administrative Region (COM(2001) 431),
- having regard to the Fourth Annual Report by the European Commission on the Hong Kong Special Administrative Region (COM(2002) 450 – C5-0620/2002),
- having regard to its resolution of 8 October 1998 on the Communication from the Commission on the European Union and Hong Kong: Beyond 1997 ¹,
- having regard to its resolution of 9 February 1999 on Building a Comprehensive Partnership with China ²,
- having regard to its resolution of 11 April 2002 on the Commission Communication on A EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a More Effective EU policy ³,
- having regard to its resolution of 5 September 2002 on the Commission Communication on Europe and Asia: A Strategic Framework for Enhanced Partnerships⁴,
- having regard to its resolution of 19 December 2002 on Hong Kong⁵,
- having regard to the 2003 Policy Address made by HKSAR Chief Executive Tung Chee-Hwa,
- having regard to its resolution of 26 October 2000 on the First and Second Annual Reports by the European Commission on the Special Administrative Region of Hong Kong⁶,
- having regard to Rule 163 of its Rules of Procedure,
- having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the opinion of the Committee on Industry, External Trade, Research and Energy (A5-0112/2003),

A. whereas sovereignty over Hong Kong was transferred from the United Kingdom to the People's Republic of China on 1 July 1997,

¹ OJ C 328, 26.10.1998, p. 139

² OJ C 150, 28.5.1999, p. 16

³ P5-TA(2002)0179

⁴ P5-TA(2002)0408

⁵ P5-TA(2002)0630

⁶ OJ C 197, 12.7.2001, p. 387

- B. whereas the Sino-British Joint Declaration of 1984 and the Basic Law of 1990 guaranteed that, after the transfer of sovereignty, the existing economic system and way of life would remain unchanged for 50 years,
- C. whereas the European Union continues to support the 'one country, two systems' principle on which Hong Kong's present and future autonomy under China is based, and whereas the European Parliament has been a staunch defender of this autonomy,
- D. whereas this principle has continued to function well, although its implementation in certain areas has raised some concerns,
- E. whereas many groups have expressed serious concern at the proposed implementation of Article 23 of the Basic Law, which would provide for heavy penalties, including imprisonment, for treason, sedition, subversion and theft of state secrets, but whereas precise definitions of these crimes have not yet been produced,
- F. whereas the large demonstration held in Hong Kong on 15 December 2002 illustrated the genuine concern that Article 23 laws must not undermine existing human rights and civil and religious liberties,
- G. whereas the European Parliament has maintained a constructive dialogue with the Government of the HKSAR,
- H. whereas the HKSAR Chief Secretary for Administration, Donald Tsang, visited the European Parliament for an exchange of views with the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy on 22 November 2001, whereas HKSAR Financial Secretary, Antony Leung, participated in meetings in the European Parliament in November 2002, and whereas Henry Tang, Secretary for Commerce, Industry and Technology for the HKSAR Government visited the European Parliament on 27 January 2003,
- I. whereas Hong Kong was, in 2002, named the world's freest economy for the 9th consecutive year (Heritage Foundation Index of Economic Freedom),
- J. whereas, however, Hong Kong has just gone through 4 ½ years of deflation; aware of the increasing deficit of almost HKD 70 billion and of increasing unemployment, which currently runs at 7-8%,
- K. whereas, under the Basic Law, Hong Kong is a separate customs territory, and whereas, as such, it is a member in its own right of the World Trade Organisation (WTO), and whereas the EU welcomes its constructive participation in the Organisation,
- L. whereas the accession of China to the WTO strengthens Hong Kong's economic position in the region and the establishment of free trade areas that are open to the outside world is a development factor which may acquire major significance for Hong Kong in the future,
- M. whereas Hong Kong must continue to stimulate and develop its economic activities if it wishes to remain competitive now that China has joined the World Trade Organisation and also in the light of the growing integration with China itself,

- N. whereas Hong Kong is an important economic partner with which the European Union also continues to have an interest in maintaining good relations,
- O. whereas many EU companies are involved in the banking, insurance and securities industries in Hong Kong and many more have their regional headquarters in the HKSAR,
- P. whereas, in economic and trade terms the HKSAR is closely linked to the West, making it ideally suited as a strategic link between Europe and Asia,
- Q. whereas, in a Joint Statement issued after the 21 May 2002 meeting in Brussels HKSAR Chief Secretary Donald Tsang and European Commission President Romano Prodi announced that Hong Kong and the European Union had agreed to build a closer and stronger partnership,

Institutions

- 1. While acknowledging that the new accountability system has only been in existence for a short time, takes note of the criticism that it concentrates power in the hands of the Chief Executive and has the potential to politicise the civil service;
- 2. Welcomes the commitment given in the 2003 Policy Address to maintain "a small but responsive and accountable government and a permanent, meritocratic, professional, politically neutral and clean civil service";
- 3. Believes that the promised review of constitutional developments post 2007 should prepare for the election of the Chief Executive in 2007 and the Legislative Council in 2008 on the basis of universal suffrage;
- 4. Expresses its concern that recent measures relating to Hong Kong's civil service that either have been or will be implemented in the political and economic fields could demoralise and undermine that service, which is universally respected for its professionalism and integrity;

Rule of Law

- 5. Considers that the rule of law implemented by independent courts exercising the power of final jurisdiction guarantees the autonomy of Hong Kong, and believes that a reinterpretation of the Basic Law should never be sought from the Standing Committee of the National People's Congress once a decision has been made by the Court of Final Appeal;
- 6. Stresses that any legislation introduced under Article 23 must not interfere with the exclusive jurisdiction of Hong Kong courts; regrets the decision of the HKSAR government to ignore the legitimate and strongly supported demand for the publication of a white bill on proposed Article 23 legislation, to be followed by a second round of public consultation;

7. Expresses its serious concern with regard to several aspects of the proposed Article 23 legislation particularly the proposals relating to the proscription of organisations outlawed in mainland China on national security grounds and the totally inadequate appeal mechanism, which runs contrary to the spirit of Article 35 of the Basic Law;
8. Notes that although no agreement has been reached on the mutual rendition of offenders, believes that any future agreement on this issue must guarantee that in both jurisdictions the trial proceedings would be in accordance with the ICCPR and that in no circumstances would capital punishment be used;

Human Rights

9. Reiterates its call for the establishment of a Statutory Human Rights Commission - which will assume even more significance when Article 23 legislation is introduced - as such a body would ensure an effective balance between this legislation and respect for fundamental human rights;
10. While welcoming the commitment in the 2003 Policy Address to consider introducing legislation against racial discrimination, believes that this legislation should be enacted immediately to give effect to the International Convention on the Elimination of All Forms of Racism;
11. Welcomes the establishment of the Race Relations Unit within the Home Affairs Bureau but believes it is essential that an independent body is set up to deal with discrimination, with statutory backing and enforcement powers;
12. Calls on the HKSAR administration to implement the recommendations of various United Nations human rights treaty monitoring bodies;
13. Urges the HKSAR government to undertake immediate measures for a just and humane solution to the problem of families split between Hong Kong and mainland China, including those whose family members had to return to mainland China after having their permanent residence in Hong Kong revoked by the re-interpretation of the Basic Law by the Standing Committee of the N.P.C.;
14. Is critical of the continuing situation where some members of the Legco are denied access to mainland China; in this context, calls on the EU Council Presidency and the Commission to raise the issue with China;
15. Expresses its concern at the inconsistent approach of HKSAR authorities with regard to its immigration policy and in particular criticises the decision to deny entry to Mr. Harry Wu in April 2002;
16. Expresses concern at the comments made by the Chief Executive to the LegCo on the 14 June 2001, when he described the Falun Gong as an "evil cult"; is further concerned by

the speculation that the administration conducted a study of anti cult legislation in other countries, states therefore its strong opposition to any move on the part of the Hong Kong authorities to ban the Falun Gong; urges the authorities to recognise that the great majority of practitioners in no way threaten the authority of the government but equally believes the Falun Gong should pursue its right to practice in a responsible and non-confrontational manner;

17. Acknowledges the excellent work being done by the Office of the Ombudsman, the Privacy Commissioner's Office, the Equal Opportunities Commission, the Independent Commission Against Corruption, and urges the HKSAR government to ensure that they have the necessary resources to operate independently in the discharge of their tasks;

Economy

18. Welcomes the strategy outlined in the 2003 policy address to conclude negotiations by June 2003 on the main aspects of the Closer Economic Partnership Arrangement (CEPA) with mainland China;
19. Seeks assurances that it will be compatible with WTO rules especially those pertaining to sectoral coverage of Free Trade Agreements;
20. Urges the HKSAR, in the context of CEPA, to provide a clear definition of a "Hong Kong company or enterprise" and also further clarification on the issues of the rules of origin and import licensing;
21. Supports the strategy of economic integration with the Pearl River Delta (PRD) as outlined by the Chief Executive in his Policy Address as a potentially important and exciting initiative which will revitalise the Hong Kong economy;
22. However, in expressing support for both the CEPA and the PRD initiatives, underlines the fact that these should be implemented on the basis of the "one country, two systems" and should not undermine this in any way;
23. Supports the view that the introduction of fair competition laws and practices would strengthen the Hong Kong economy;
24. Urges Hong Kong to keep improving its legislation against money laundering and its anti-terrorism measures in the financial field;

Environment

25. Is aware that although some improvements have taken place, there is still criticism of the environmental policies of the HKSAR government, as documented by the Hong Kong Foreign Chambers of Commerce Association; welcomes therefore, initiatives that have been promised in the 2003 Policy Address, including proposals for a "polluter pays" principle scheme, a pilot emissions trading scheme between Hong Kong and Guangdong, further recycling, nature conservation and water management measures, and calls for their swift implementation;

Further areas for EU-HKSAR Co-operation

26. Calls on the Commission to explore possible areas for co-operation between the European Union and the HKSAR where there can be exchanges of experience and ideas, particularly in the fields of education, the environment, and cross-border co-operation, and to provide the necessary resources to facilitate this;
27. Instructs its President to forward this resolution to the Council, the Commission, the governments of the Member States, the Government of the People's Republic of China, the Government of the Hong Kong Special Administrative Region, and the Legislative Council (LegCo).

EXPLANATORY STATEMENT

Introduction

In April 1997 the European Commission published its policy approach to Hong Kong in its Communication entitled "The European Union and Hong Kong: Beyond 1997".

Since then the European Commission has produced four Annual Reports on developments in Hong Kong, to which the European Parliament has responded. This is the third report by your Rapporteur on Hong Kong.

1. Institutional Development

a. Election of the Chief Executive

The Election Committee re-elected Mr. Tung Chee-hwa as Chief Executive in March 2002, with support from 706 of the 800 member election committee, a system which has been strongly criticised by pro-democracy groups in Hong Kong. During his second term in office, Mr. Tung introduced significant changes to the cabinet system in July 2002, creating a "ministerial" type government where the "principal officers", are accountable only to the Chief Executive. The aim of this change was to make policy makers more accountable for their decisions. However there are concerns that these principal officers are not answerable to the Legislative Council (Legco) and that such a system may even politicise the civil service and concentrate power in the hands of the Chief Executive.

b. Legislative Council Elections

The Basic Law, which is Hong Kong's mini-constitution, sets out electoral arrangements for the first three Legco elections. The third election will take place in 2004 when the number of directly elected seats on the basis of universal suffrage will be increased from 24 to 30 in 2004. The remaining 30 seats will be elected on the basis of functional constituencies as outlined in previous reports.

There has been criticism that Legco has become somewhat sidelined. Several legislators stepped down at the last election, arguing that the government tended to ignore the Legco. The decline in voter turnout at the last election has been interpreted as voters feeling that Legco is increasingly irrelevant. However, a constitutional review has been promised to determine the institutional arrangements to be employed beyond 2007. It is the view of the Rapporteur that the election of the Chief Executive in 2007 and the 2008 Legco elections should take place on the basis of universal suffrage.

2. Rule of Law

The Sino-British Joint Declaration was the basis for the return of Hong Kong to rule by the People's Republic of China. The Joint Declaration, as an international agreement, guaranteed the autonomy of Hong Kong in all areas apart from defence and foreign affairs. Hong Kong's laws and its "common law" legal system would remain in place and form Hong Kong's "Basic

Law". The independence of its courts and their right to exercise the power of final adjudication were assured.

The rule of law is the cornerstone of the autonomy of Hong Kong and over the last five years, a number of questions have been raised regarding this issue. The most recent one related to the proposed legislation to be introduced under Article 23.

Article 23

HKSAR has a legal obligation under Article 23 of the Basic Law to "enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government". Despite this, it is to be regretted that the HKSAR authorities ignored the widespread demand (supported by the European Parliament's resolution of 19 December 2002) for the publication of a white bill and a second round of public consultation. Although the blue bill that was published on the 21st of February 2003 is a substantial improvement on its original consultation document of September 2002, fundamental concerns remain.

The proposal that would allow the Secretary for Security to ban groups outlawed in mainland China on national security grounds was retained, some critics claim that it goes beyond the scope of the original objectives of Article 23 legislation.

Hong Kong law already empowers the Secretary for Security to ban organisations on national security grounds. The bill provides that if an organisation is proscribed on the mainland for national security reasons, then Hong Kong's secretary for security has to decide if it is necessary to ban subordinate or linked groups in the territory.

In theory, the Secretary for Security does not have to order such proscription and may choose to allow the group to continue to operate in Hong Kong but genuine worries exist that the new provisions could be used by Beijing to exert pressure on the HKSAR.

Furthermore, the bill says that the Secretary for Security does not have to give the banned organisation an opportunity to be heard or to make representations in writing before ordering its proscription. Additionally, the appellant does not have to be given "full particulars of the reasons for the proscription in question" and court proceedings may be held in the absence of "the appellant and a legal representative appointed by him". The court may appoint another lawyer, not of the appellant's choosing, to represent him/her.

This restricted appeal mechanism runs contrary to the spirit of Article 35 of the Basic Law which grants "the right to ...access to the courts" and the right to "choice of lawyers for timely protection of their lawful rights".

Interpretations of these provisions suggest that it has been included to serve as a warning, to discourage groups that are banned on Mainland China from using Hong Kong as a base. It could allow PRC concepts of national security to become influential in Hong Kong.

3. Human Rights and Fundamental Freedoms

The following suggestions are made to strengthen Hong Kong's human rights and freedoms.

a. Human Rights Commission

The previous report called for the creation of a Statutory Commission for Human Rights and this becomes more important given Article 23 legislation and the importance of striking a balance between security concerns and basic human rights.

b. Racial Discrimination and Race Relations

The last report called for a racial discrimination ordinance, and although there was a reference to it in the Chief Executive's annual Policy Address, there should be a firm commitment to produce legislation in this area.

In 2002 a Race Relations Unit (RRU) was established within the Home Affairs Bureau to deal with enquiries and complaints on race discrimination, administer the Equal Opportunities Funding Scheme and as the secretariat to the Committee on the Promotion of Racial Harmony. However, the RRU is weakened by the fact that it has no enforcement powers.

c. Implementation of UN human rights treaty monitoring bodies

Six United Nations human rights treaty monitoring bodies have called for the full implementation of six human rights treaties including the International Covenant on Civil and Political Rights in the HKSAR. In the case of the International Covenant on Economic, Social and Cultural Rights, deep concern was expressed that although the HKSAR had adopted the observations of the Committee, it has "not implemented the recommendations" and has "acted in breach of them".

d. Falun Gong

China has banned the Falun Gong movement since 1999 as an "evil cult". However, it is officially registered and allowed to practice in the HKSAR under the rights granted in the Basic Law.

Nonetheless, recent comments by the Chief Executive have raised alarms, most notably on 14 June 2001 when he described the Falun Gong as "undoubtedly an evil cult". The decision taken by the HKSAR government to study the anti-cult laws of other countries further increased concerns.

Additionally, fears exist that the HKSAR government could be pressurised by the Chinese authorities into taking a stronger line on the Falun Gong and that the proposed Article 23 legislation could be used in this regard.

e. Immigration Policy

There have been a number of controversial incidents, which point to inconsistency in the approach of the HKSAR authorities on the issue of immigration. The first involved Mr. Li Shaomin, a Hong Kong based American professor of Chinese origin, who was convicted and expelled from China on a charge of allegedly "spying for Taiwan". He was allowed to return to Hong Kong and this was heralded as demonstrating the merits of the "one country, two systems" policy. However, it should be noted that Mr. Li has since returned to America.

The other case is that of Mr Harry Wu, another Chinese-born American, who following his exposition of China's exploitation of prison labour, was also convicted of allegedly "spying for Taiwan" in 1995 and expelled. He had visited Hong Kong a number of times before and after the handover, yet in April 2002 he was denied entry to Hong Kong and deported to America.

Additionally, prior to the Chinese President's visit in May 2001, some 100 Falun Gong

followers were denied entry to Hong Kong by the immigration authorities although the planned demonstration was officially recognised.

4. The Economy

a. The Hong Kong economy has undergone several difficult years following the Asian financial crisis of 1997-8, although there are signs that Hong Kong is emerging from this slowdown. A WTO report on 18 December 2002 stated that Hong Kong's open trade and foreign investment regime has been crucial for withstanding external shocks such as the Asian financial crisis and the global economic slowdown in 2001.

Hong Kong has experienced deflation since 1998 and the Real Effective Exchange Rate of the Hong Kong dollar is almost 20% lower than at its peak in 1998. This has been a painful adjustment process and estimates suggest that 130,000 HK households have negative equity mortgages.

Additionally, unemployment is at record levels of between 7% and 8%, and more than 10% of the population is on welfare.

There was an attempt in 2002 by the Chief Executive to reform the stock market but share prices slumped and millions of dollars were wiped off the value of listed Hong Kong companies.

The budget deficit for 2002 is still likely to be HK\$70bn and was earmarked in the annual Policy Address as a critical issue. Fears have also been expressed that Hong Kong may be forced to devalue its currency.

On 5 March 2003, Financial Secretary Anthony Leung made his 2003-2004 Budget Speech, seen as both a sober diagnosis of the challenges facing Hong Kong and a useful prescription for returning Hong Kong to fiscal health, and this is obviously very welcome. Another recently announced measure, the plan to impose a new tax on Hong Kong's foreign domestic helpers, a levy aimed at retraining local workers who would otherwise end up on welfare, has inflamed feelings among the significant numbers of domestic helpers predominantly from the Philippines, Indonesia and Thailand, and has led to protests from some of these governments.

b. On a more positive note, Hong Kong's total trade in December 2002 was up nearly 17% on December 2001. Air cargo increased 19.6% in 2002. 117 foreign companies have set up or expanded operations in Hong Kong in 2002 including the relocation to Hong Kong of Phillips.

Since the last report, building work has started on Hong Kong Disneyland which is due to be completed in 2006. This should provide additional employment for the HKSAR in the construction and services sectors.

The WTO report referred to above also noted that Hong has had to face considerable structural adjustment associated with its economic integration into China.

c. Pearl River Delta

Concerning the Pearl River Delta (PRD), the HKSAR Governments officially endorsed the

strategy of economic integration in the 2003 Policy Address. New initiatives will cover co-ordination in regional infrastructure projects, development of logistics services, development in the western part of the PRD, co-operation in the financial sector, improving market regulation and education. A University of Hong Kong study has shown that some 11 million workers are employed by Hong Kong companies in manufacturing facilities in the PRD. Flows of people and goods across the boundaries will be further liberalised and facilitated. A new bridge linking Hong Kong, Macao and Zhuhai is now under consideration by the governments concerned. The PRD displays great flexibility in meeting changing market conditions as one of the world's leading power bases in manufacturing.

d. Closer Economic Partnership Arrangement (CEPA)

CEPA, the proposed agreement with mainland China will cover three areas, trade in goods, services and investment facilitation. The target date for the conclusion of CEPA is June 2003.

5. Environment

There were pollution controls proposed by the Chief Executive in 1999 to make Hong Kong the "green model for Asia", namely to reduce emissions and to clean up the harbour. Although some progress was made in this area, particularly the conversion of Hong Kong's taxi fleet to LPG, much more needs to be done.

In a recent survey carried out by the Better Hong Kong Foundation, between 60 and 80% of respondents said they are dissatisfied with Hong Kong's air and water quality and noise pollution. The commitments in the 2003 Policy Address to create a "polluter pays" principle scheme, a pilot emissions trading scheme with Guandong, further recycling, nature conservation and water management measures are therefore welcome. However, they must not simply be aspirational and should be implemented without delay.

20 February 2003

OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

for the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

on the Commission's Fourth Annual Report on the Hong Kong Special Administrative Region - 2001

(COM(2002) 450 – C5-0620/2002 – 2002/2276 (INI))

Draftsman: Per Gahrton

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Per Gahrton draftsman at its meeting of 8 October 2002.

It considered the draft opinion at its meetings of 3 December 2002, 23 January 2003 and 20 February 2003.

At the latter meeting it adopted the following conclusions unanimously.

The following were present for the vote: Peter Michael Mombaur, acting chairman, Yves Piétrasanta, vice-chairman, Jaime Valdivielso de Cué, vice-chairman, Per Gahrton, draftsman, Gordon J. Adam (for Massimo Carraro), Niall Andrews (for Seán Ó Neachtain, pursuant to Rule 153(2)), Per-Arne Arvidsson (for Guido Bodrato), Sir Robert Atkins, Luis Berenguer Fuster, Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Dorette Corbey (for Carlos Westendorp y Cabeza), Willy C.E.H. De Clercq, Marie-Hélène Descamps (for Marjo Matikainen-Kallström), Jan Dhaene (for Caroline Lucas, pursuant to Rule 153(2)), Concepció Ferrer, Francesco Fiori (for Godelieve Quisthoudt-Rowohl), Norbert Glante, Alfred Gomolka (for Dominique Vlasto), Michel Hansenne, Hans Karlsson, Bashir Khanbhai, Dimitrios Koulourianos (for Konstantinos Alyssandrakis), Bernd Lange (for Erika Mann), Werner Langen, Rolf Linkohr, Eryl Margaret McNally, Elizabeth Montfort, Bill Newton Dunn (for Colette Flesch), Reino Paasilinna, Paolo Pastorelli, Elly Plooi-j-van Gorsel, John Purvis, Bernhard Rapkay (for Harlem Désir), Christian Foldberg Røvsing, Paul Rübig, Umberto Scapagnini, Ilka Schröder (for Marianne Eriksson), Esko Olavi Seppänen, W.G. van Velzen, Alejo Vidal-Quadras Roca, Myrsini Zorba and Olga Zrihen Zaari.

CONCLUSIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, as the committee responsible, to incorporate the following points in its motion for a resolution:

- having regard to the first, second, third and fourth annual reports by the Commission on the Special Administrative Region of Hong Kong (COM(1998) 796 – C4-0100/1999), (COM(2000) 294 – C5-0500/2000), (COM(2001) 431), (COM(2002/0450),
 - having regard to its resolution on the communication from the Commission ‘*Building a Comprehensive Partnership with China*’¹,
 - having regard to its resolution of December 2002 on the situation in Hong Kong²,
- A. whereas Hong Kong is an important economic partner with which the European Union also continues to have an interest in maintaining good relations,
- B. whereas since the 1997 hand-over, the ‘one country, two systems’ policy has been complied with overall and the Joint Declaration of 1984 and Basic Law of 1990 guarantee the continuity of the economic system and way of life for a period of fifty years after the hand-over,
- C. whereas the accession of China to the WTO strengthens Hong Kong’s economic position in the region and the establishment of free trade areas that are open to the outside world is a development factor which may acquire major significance for Hong Kong in the future,
- D. whereas a transparent and stable legislative framework reassures investors, regarding, *inter alia*, the opportunity for firms established in Hong Kong to trade freely with Taiwan,
- E. whereas the tax base has diminished and there is no Value Added Tax,
- F. whereas numerous economic operators have criticised the bill on Article 23 and believe it is detrimental to Hong Kong,
- G. whereas Hong Kong must continue to stimulate and develop its economic activities if it wishes to remain competitive now that China has joined the World Trade Organisation and also in the light of the growing integration with China itself,
1. Welcomes the fact that Hong Kong has been affected only to a limited extent by the Asian crisis, but is concerned by the stagnation of growth, given that its GDP for 2001 is estimated at 0%;
2. Is concerned at the rate of unemployment which has continued to rise since 1997 and

¹ C5-0098/2001

² T5-0630/2002

is currently estimated at 7.4%;

3. Notes that prices in the property sector are still very high;
4. Believes that the ‘one country, two systems’ principle should be strictly observed in order to safeguard Hong Kong’s uniqueness;
5. Urges Hong Kong to keep improving its legislation against money laundering and its anti-terrorism measures in the financial field;
6. Calls for Article 23 to be submitted for public consultation and for the government to publish a ‘White Bill’;
7. Encourages Hong Kong to respect human rights and the rule of law, which cannot but have positive repercussions on the country.