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1. POLITICAL EVENTS

2005 was characterised by two major political events: the resignation of Hong Kong's Chief Executive Mr TUNG Chee Hwa, with the subsequent succession of the former Chief Secretary Mr Donald TSANG, and an interpretation of the Basic Law by the Standing Committee of the National People's Congress (NPCSC) on the length of term of the new Hong Kong Chief Executive. The Central Government in Beijing continued its gestures of political openness vis-à-vis Hong Kong democrats, in particular allowing them to visit Guangdong. However, the confrontation between pro-government and pro-democracy forces in Hong Kong continued throughout the year, especially on Hong Kong's political and constitutional reform. The latter two issues are analysed in the next section of this report on constitutional development.

At the beginning of the year in the traditional annual policy address, Hong Kong's leader, Mr TUNG, did not propose any radical political changes, although he did express the hope that "the ultimate aim of universal suffrage can be achieved at an early date".

At the end of February, it was revealed that Mr TUNG would be elected as Vice-Chairman of the Chinese People's Political Consultative Committee, and the Hong Kong media speculated that Mr TUNG would soon present his resignation. On 10 March 2005, the Chief Executive formally tendered his resignation for health reasons, after eight years in the post following the 1997 handover. In the press conference that followed his statement, he affirmed that he had not been asked to resign by the Central Government. Under Hong Kong's Basic Law, Mr Donald TSANG (since he was Chief Secretary) became acting Chief Executive until the election of a successor by the existing 800-member Election Committee within the following six months.

At a press conference on 12 March, Mr TSANG announced that the new Chief Executive would be elected on 10 July and underlined that he/she could serve only two years (instead of five), i.e. to the end of Mr TUNG's term. This surprise announcement led to heated political debate in Hong Kong, as it seemed to be contrary to the provisions of the Basic Law and indeed contrary to the Hong Kong Government's own previous statements. Article 46 of the Basic Law stipulates that the term of the Chief Executive "shall be 5 years".

Previously, the Hong Kong Government had repeatedly and publicly stated that in the event of the early departure of a Chief Executive, his replacement would serve the full new term of five years. This position was supported by many legal bodies in Hong Kong, including the Hong Kong Bar Association, which asserted that "neither the language nor the context and purpose of Articles 46 and 53 of the Basic Law support the contention that the new Chief Executive does not serve a term of office for 5 years as specified in Article 46". However, in a public statement on 12 March, the then Secretary for Justice, Mrs Elsie LEUNG, said that the Hong Kong SAR Government had "adjusted its understanding of the provisions of the Basic Law on the term of the Chief Executive", after taking into account the "opinion of mainland experts" and "the firm view" of the National People's Congress.

This announcement prompted an immediate reaction from the pro-democracy members of the Legislative Council (LegCo), who unanimously and firmly opposed the two-year term decision. In addition, some LegCo members announced that they might seek a judicial review of the decision. Consequently, two legal challenges were tabled in Hong Kong courts on the SAR Government's decision on the length of term of the new Chief Executive. This provoked

an immediate reaction from the acting Chief Executive, who announced that “after thorough and careful consideration” the SAR Government had decided to submit a request to the NPCSC to interpret the articles of the Basic Law concerning the term of office of the new Chief Executive. This decision was questioned by members of the pan-democratic camp and several legal associations, as they saw it as another erosion of the “one country two systems” principle and Hong Kong’s high degree of autonomy.

On 27 April, the NPCSC issued its interpretation, stating that the term of office of Hong Kong’s next Chief Executive should be two years. The Hong Kong Government immediately welcomed the ruling and, despite the general public’s muted reaction to the interpretation, there were immediately several calls from the Hong Kong legal sector to set up a mechanism to restrict the SAR Government’s future requests for interpretations of the Basic Law, in order to avoid abuses. This was the third time since the handover in 1997 that the NPCSC had issued an interpretation of the Basic Law on matters of crucial political importance to the people of Hong Kong — the previous two being the right of abode case (1999) and the interpretation on universal suffrage (April 2004).

The European Commission recognises that the NPCSC has the power to interpret the Basic Law. However, repeated interpretations seem to be inconsistent with Hong Kong’s high degree of autonomy and judicial independence. The European Commission therefore believes that the referral of these matters to Hong Kong courts could have been an alternative course of action more in accordance with the principle of “Hong Kong people ruling Hong Kong”.

Following the interpretation by the NPCSC all legal challenges on the term of the Chief Executive were dropped, and this allowed for the election of the Chief Executive on 10 July. On 25 May, Mr TSANG submitted his resignation from the SAR Government in order to run for this post. Soon after, two legislators announced that they would seek nomination for election as Chief Executive: Mr LEE Wing Tat, leader of the Democratic Party, and Mr CHIM Pui Chung, an independent legislator. The latter two candidates failed to gather the minimum 100 nominations needed from the Election Committee to become a formal candidate (Mr LEE obtained 51 nominations and Mr CHIM obtained 21). Mr TSANG, who secured 714 nominations, was therefore declared Chief Executive unopposed and assumed office on 21 June.

After his election, Mr Tsang reshuffled his Government, the most notable changes being the appointments of Mr Rafael HUI as Chief Secretary and Mr WONG Yan Lung as Secretary for Justice. In his policy address in October 2005, Mr TSANG structured his priorities for the next one and a half years into three sections, namely: improving governance, fostering social harmony and helping the economy to power ahead.

The European Commission congratulates Mr Donald TSANG — who has a very distinguished record of public service to Hong Kong for 38 years — on his appointment as Chief Executive and looks forward to continuing full and constructive cooperation with Hong Kong on the many bilateral issues of mutual interest.

In its previous report on Hong Kong for the year 2004, the European Commission welcomed the holding of a public consultation on a draft legislative proposal against racial discrimination. In January 2005, the EU’s *in situ* presidency delivered an oral demarche to the Hong Kong SAR Government, expressing the EU’s views on the draft law. The European Commission notes that despite the SAR Government’s intention to table the bill by the end of 2005, the issue remains outstanding and encourages the Hong Kong Government to table the

bill and to ensure that the future legislation is in full accordance with the International Covenant on the Elimination of Racial Discrimination.

2. CONSTITUTIONAL DEVELOPMENTS

The European Commission, in its 2004 Annual Report, made an extensive analysis of Hong Kong's constitutional development following the NPCSC's interpretation of the Basic Law, which ruled out universal suffrage for the election of the Chief Executive in 2007 and stated that, for the 2008 LegCo elections, the equal number of legislators elected from geographical and functional constituencies should remain even if the total number of legislators were to increase. Prior to this decision, the SAR Government had already established a Constitutional Development Task Force to draw up proposals on Hong Kong's constitutional development.

After the tensions between the government and democrats resulting from the NPCSC's new interpretation in 2005 on the length of the term of the new Chief Executive, the political climate in Hong Kong seemed to improve significantly following the Central Government's declaration and gestures of a policy of openness vis-à-vis Hong Kong democrats. The visit of all sixty (but one) Hong Kong legislators to the mainland Guangdong province for the first time since the 1989 Tiananmen Square incident and their invitation to a gala dinner there in the presence of a senior mainland leader, in September 2005, confirmed this trend.

This climate changed abruptly on 19 October 2005, when the Constitutional Development Task Force published its fifth and final report setting out proposals for reforming the procedure to select the new Chief Executive in 2007 and a new Legislative Council in 2008. The report's main proposals were:

The members of the Election Committee that will elect the next Chief Executive in 2007 will increase from 800 to 1 600. The Election Committee will include all 529 District Council members, approximately one fifth (102) of whom are appointed by the Government.

The LegCo members will increase from 60 to 70, of whom 35 will be directly elected from geographical constituencies and the other half returned by functional constituencies. The five extra functional constituency seats will be returned by the 529 District Council members.

There is no timetable for the introduction of universal suffrage in Hong Kong.

Even if there is only one candidate for the post of Chief Executive, the Election Committee members will still have to vote (previously this was not the case).

Candidates for Chief Executive must not have any political affiliation — as is the case with the current system.

While the pro-government parties immediately endorsed the proposals, with the Government arguing that they represented substantial progress as they achieved maximum progress under the constraints defined by the interpretations given by the NPCSC, the members of the pan-democratic camp on the other hand categorically rejected them as being insufficient. Pro-democracy forces in Hong Kong argued that the absence of a timetable for universal suffrage and the presence of the 102 appointed district council members on the Election Committee represent minimal changes or in effect mean that Hong Kong's democratic development has come to a standstill and the prospects for progress to universal suffrage are unclear.

The government needed the support of 6 out of 25 of the pro-democracy LegCo members in order to obtain the two-thirds majority necessary in the Legislative Council (required by the Basic Law) for the reform proposals to be endorsed. The issue sparked an animated public and media debate. Several opinion polls demonstrated that the majority of Hong Kong's people had a clear preference for a full democratic system in Hong Kong as soon as possible, although some were also of the view that the government's proposals should be endorsed by LegCo as a "better than nothing" solution.

When the Legislative Council set the date of 21 December for voting on the proposals, both parties engaged in intense lobbying. The democrats called for a public demonstration in support of universal suffrage on 4 December and decided to send a delegation to the European Institutions in Brussels, London and Washington DC to seek international support for their call on the Hong Kong Government for a timetable for universal suffrage. The European Parliament showed clear support for these demands by unanimously approving a resolution on 15 December, among other things calling on Hong Kong to "set a timetable for universal suffrage". Meanwhile, Hong Kong's Chief Executive, in a television appearance on 6 December, made a plea in support of the reform package, although he clearly stated that he would not amend the proposals.

The public march on 4 December had a much higher than expected turnout at approximately 100 000 (estimates ranged from 63 000 (Hong Kong Police) to 250 000 (organisers)). The rally, which was supported by the Catholic Church in Hong Kong, illustrated the public's desire at grass-roots level for more democracy in Hong Kong. The participation in the march of Anson Chan, a very popular public figure (and former Chief Secretary), attracted much media attention and certainly helped consolidate the pan-democrats' opposition to the reform proposals.

Despite a last-minute offer from the Government to gradually abolish the system of appointed district councillors by 2016, Hong Kong's Legislative Council rejected both parts of the reform package on 21 December by the same result: 34 for, 24 against, with one abstention (the President of LegCo did not participate in the voting). The pro-democracy group of LegCo members showed coherence and solidarity in maintaining their unified opposition in this vote.

After the results, Hong Kong's Chief Executive, while acknowledging defeat, claimed that the legislature had voted against the wishes of the public, and asserted that he would not put forward other political reform proposals until after 2008 (i.e. until after a new Legislative Council had been elected). He affirmed that the debate on Hong Kong's political reforms would continue in the Commission on Strategic Development, which was established in early November by the Chief Executive as a panel for the discussion of political and constitutional matters. Mr TSANG visited Beijing after the LegCo result and received public expressions of continued support from the mainland leadership. At the same time, the pro-democracy legislators in Hong Kong continued to demonstrate their ability to remain united on the issue of universal suffrage and re-affirmed their demand for a timetable for the introduction of full democracy in Hong Kong.

In late December, the Article 45 Concern Group announced that it would form a new political party the following year. All other political parties in Hong Kong have also been announcing their intentions to reinforce their structures and capacities.

The European Commission has followed closely and with great interest the debate on Hong Kong's political reform. It hopes that the SAR Government and the members of the pro-

democracy camp will maintain and reinforce their dialogue and efforts to find an agreed solution for progress towards universal suffrage following the rejection by LegCo of the constitutional reform package. The European Commission supports early and substantial progress towards the ultimate goal of universal suffrage in Hong Kong, as set out in the Basic Law, in line with the wishes of the people of Hong Kong.

3. THE ECONOMY

Hong Kong's accelerating growth throughout 2005 was higher than forecast despite the less favourable external environment. Despite rising interest rates and high oil prices, the real GDP growth rate still reached 7.3% in 2005, following the strong growth of 8.2% in 2004. The economic expansion that began in mid-2003 had maintained momentum for 10 consecutive quarters. The strong performance was attributed to the continued surge in exports of goods and services, the acceleration in consumer spending, and sustained growth in investment. The tightening measures introduced in mainland China to curb rapid investment growth earlier in the year did not have much noticeable impact on Hong Kong. In fact, China's robust exports underpinned the demand for trading services through Hong Kong. Consumer demand stayed firm on the back of improving labour market conditions and generally upbeat sentiment. The unemployment rate fell to a four-year low of 5.3% in the last quarter of 2005 from an average of 6.8% in 2004. Consumer price inflation edged up to 1.1% in 2005.

Notwithstanding various uncertainties in the global trading environment, merchandise exports performed well in 2005, thanks to the strong mainland-related exports. According to Hong Kong Government statistics, total exports of goods rose by 11.4% over 2004 to reach HK\$2 250 billion (€232 billion), of which 94% were re-exports. Domestic exports accounted for only 6% of the export total, as manufacturing production activities have been moving out of Hong Kong. Imports increased by 10.3% to HK\$2 329 billion (€241 billion), resulting in a visible trade deficit of HK\$79 billion (€8 billion).

Hong Kong's Trade in Goods 2005

	HK\$ billion	Growth (%)
Domestic exports	136	+8.0
Re-exports	2 114	+11.7
Total exports	2 250	+11.4
Imports	2 329	+10.3
Total trade	4 579	+10.9

Source: Census & Statistics Department, Hong Kong SAR Government

Exports of services were equally robust, especially in the areas of offshore trade¹, transportation services and inbound tourism. Trade-related services were underpinned by buoyant trade flows involving the mainland. Visitor arrivals reached a new peak of 23 million, of which more than half were mainland Chinese residents. Visitor arrivals surged substantially from 15.5 million in 2003 to 21.8 million in 2004, thanks to the influx of mainland Chinese visitors under the Individual Visit Scheme. The sustained development of the tourism market and recovering consumer confidence bolstered the retail sector. The Hong Kong Disneyland theme park was opened, but the benefit to the retail market appeared more moderate than originally anticipated.

The robust economic performance sparked strong demand across almost all property sectors. Property prices continued to rise by some 30-40% in the office sector and over 10% in the mass residential sector, following significant increases in 2004. Home buying sentiment soared on the back of improving employment prospects. However, the pace of growth moderated in the second half of the year due to a sustained increase in borrowing costs. In tandem with US interest rate movements (the HK\$ exchange rate is linked to the US\$ rate), Hong Kong's prime lending rate rose from 5% to 8% during the year, and mortgage rates doubled. A consolidation trend was noted in the second half of the year, though still positive.

Fiscal balance was finally restored for the first time in eight years after the handover, with a small surplus recorded both in the operating and consolidated accounts for 2005-06. The SAR Government had suffered from substantial deficits for years due to a prolonged economic downturn and over-spending. As the economy picked up and revenue grew steadily, the fiscal targets set two years ago were achieved early. Public expenditure was kept within the target range of 20% of GDP. As an attempt to broaden and stabilise its narrow tax base, the SAR Government seems ready to take the first step towards introducing a goods and services tax. A public consultation will be launched in mid-2006, and proposals will be submitted to the government of the next term (2007-2012) for consideration. Fiscal reserves are estimated to reach HK\$300 billion (€30.4 billion) by the end of March 2006.

The process of economic integration with mainland China continued to intensify. More formalised mechanisms to facilitate exchanges of goods and services between the SAR and the mainland were introduced. On trade, the Closer Economic Partnership Arrangement (CEPA III, details in next section) entered its third phase in 2005 following its inception in 2003. On financial services, the Central Government agreed to expand Renminbi personal spending, relaxing many of the restrictions on dealing in the Chinese currency. These measures will further facilitate cross-border economic activities and promote economic integration between the two entities.

Mainland Chinese enterprises are actively using Hong Kong as a source for funding capital. China-related companies (including H-shares and red-chips) accounted for over 80% of initial public offering funds raised in Hong Kong in 2005, and made up about one-third of the market capitalisation of the Hong Kong stock market. An extraordinary HK\$294 billion (€31 billion) in equity funds was raised on the Hong Kong Stock Exchange during 2005. This ranks Hong Kong as one of the top global centres for equity raising. However, Chinese listings in Hong Kong would also bring more regulatory challenges to the Hong Kong

¹ Offshore trade refers to the trading of goods conducted through Hong Kong but without the goods passing through Hong Kong, especially as regards goods produced in mainland China.

authorities due to differences in the standards of corporate governance and problems in the enforcement of Hong Kong rules outside its jurisdiction.

In May 2005, the Hong Kong Monetary Authority introduced three refinements to the operation of the Linked Exchange Rate System. The refinements are aimed at removing uncertainty about the extent to which the Hong Kong dollar exchange rate may strengthen under the Linked Exchange Rate System, so as to reduce the usage of the Hong Kong dollar as a vehicle for speculation on a revaluation of the Renminbi. For months during the year, the Hong Kong dollar's peg at HK\$ 7.8 to 1 US \$ dollar was under upward pressure as speculators poured funds into the SAR in the hope of profiting from Renminbi revaluation, which was widely rumoured.

While the Hong Kong economy is increasingly integrating with that of China, especially with the Pearl River Delta area, the SAR is faced with new challenges of economic restructuring. Cargo diversion away from Hong Kong is one notable trend. Direct shipment from mainland China has become increasingly popular, with many Hong Kong manufacturers and traders shipping their Chinese-made goods to overseas markets directly, bypassing Hong Kong for reasons such as cost saving, logistics and proximity to the production base. In particular, Shenzhen's ports are seen as posing a formidable challenge to Hong Kong ports. Shenzhen, already one of the busiest ports in the world in terms of container throughput handled, is growing at a double-digit rate each year. The relative lead of Hong Kong as the world's busiest port is gradually being reduced. Total Hong Kong port throughput rose only marginally by 2% in 2005. Hong Kong's own container terminal operators are themselves investing heavily in developing container terminals in Southern China, while new development of container terminals in Hong Kong remains stagnant.

Hong Kong's economic prospects depend increasingly on developments in mainland China. The integration with the Pearl River Delta region presents both opportunities and challenges to Hong Kong. While the overall economy recorded resilient growth last year, long-term development will see continued gradual restructuring of the economy, displacing some less competitive industries especially those in the lower value-added sectors.

4. TRADE ISSUES

CEPA III

Free trade arrangements between Hong Kong and Mainland China continued to expand. The third phase of the Closer Economic Partnership Arrangement (CEPA III) between Mainland China and Hong Kong was signed in October 2005. It has expanded the tariff-free treatment to cover all products currently originating in Hong Kong (except prohibited articles), imported into mainland China upon application by Hong Kong manufacturers and upon the CEPA rules of origin being agreed and met. Taking the three phases of CEPA together, Hong Kong and mainland China have reached agreement on the CEPA rules of origins for 1 370 products. On trade in services, further liberalisation measures were introduced in 10 of the 27 service sectors, which were already agreed in CEPA I and II. The new liberalisation measures under CEPA III took effect on 1 January 2006. It should be noted that CEPA does not commit to potential trade or 'other' tariff lines, and is therefore characterised by low tariff line (or product) coverage.

Looking at its operation in the past two years, trade volume generated under CEPA remained fairly small. A total export value of over HK\$3.5 billion (€362 million) was registered in the first two years of its implementation, or less than 5% of Hong Kong's total domestic exports to China. While the WTO-plus liberalisation measures for services are expected to give companies in Hong Kong a head start over their competitors from other economies, it is believed that the preferences under CEPA are still far from being exploited to the full.

Competition law

The European Commission notes that there were more open discussions and debates in Hong Kong on competition legislation during 2005, reflecting the increasing public concern about market abuses and anti-competitive behaviour. Despite its firm stance in favour of a sectoral approach to competition policy over the years, the Hong Kong Government finally undertook during 2005 to appoint a Competition Policy Review Committee. The review is expected to be completed by mid 2006. The European Commission continues to urge the Hong Kong Government to consider a general competition law supported by an independent Competition Authority to help maintain a healthy competitive economic environment ensuring a level playing field for existing and new entrants to Hong Kong markets.

Intellectual Property Rights

The European Commission recognises and welcomes Hong Kong's efforts in the field of IPR protection. The SAR Government has initiated a number of legislative changes to strengthen its legal framework on IPR. The measures on combating local production of pirated digital media have been effective to the extent that some large-scale production has been driven out of Hong Kong. And some recent government efforts go beyond the Hong Kong boundary into Mainland China to educate mainland Chinese enterprises on the importance of IPR protection and brand building. However, the European Commission is still concerned by significant quantities of pirated and counterfeit goods that are transhipped and/or re-exported through Hong Kong to the EU (Hong Kong was the third largest provenance of counterfeit goods seized at EU borders in 2004).

The Commission is concerned that Chinese companies continue to register in Hong Kong using names identical or similar to foreign companies' names. The Commission looks to the Hong Kong SAR government to modify its company law to prevent the misappropriation of European company names. The Commission also remains concerned that owners of patent rights to pharmaceutical products are not adequately protected under the current system of registration in Hong Kong, which allows registration of generic products without reference to the original patent holder.

Sixth WTO Ministerial Conference in Hong Kong

Hong Kong very successfully hosted and chaired the World Trade Organisation's Sixth Ministerial Meeting (WTO MC6) in December 2005. Despite a few thousand demonstrators, predominantly South Korean farmers, who attempted to disrupt events, the meeting went smoothly and concluded with an agreement. The Hong Kong Declaration served as a launch pad for continued negotiations in 2006. Excellent facilities, good organisation by the Hong Kong authorities and the impeccably planned and controlled policing by Hong Kong forces enhanced Hong Kong's reputation as an orderly and efficient global city.

Liberalisation of textile quotas

The lifting of the textile quotas after the phasing out of the WTO Agreement on Textiles and Clothing (ATC) over 1995-2004 saw some significant changes in the export patterns and role of Hong Kong. After hefty decreases of close to 40% in the first half of 2005, exports of clothing domestically produced in Hong Kong recorded a sudden surge, reversing the negative growth trend in the earlier period. The phenomenal growth is believed to be associated with the increase of local production under the outward processing arrangements (OPA) to avoid the quota restrictions re-imposed by the EU and the US. Finished products under OPA are eligible for “made in Hong Kong” labels.

Wine tax

The European Commission is disappointed that the Hong Kong SAR Government did not reduce the excise duty on wine despite the fact that a review was carried out in late 2004. Although the Financial Secretary pointed out the economic benefits of a rate reduction to businesses and consumers in his 2005-06 budget statement, the duty was maintained at 80%. The extremely high duty on wine continues to be a cause for concern among wine-producing countries, in particular as regards its detrimental effects on trade between Hong Kong and the EU.

Civil aviation

During 2005, contacts and meetings between the services of the European Commission and the civil aviation authorities of the Hong Kong SAR Government provided further clarifications regarding the need for amending existing bilateral air services agreements between Hong Kong SAR and EU Member States in order to bring these into conformity with Community law. The European Commission has invited the Hong Kong SAR Government to restore, in the mutual interest, legal certainty to these agreements as a matter of priority. To this effect, the European Commission has proposed a “horizontal agreement” between the Community and Hong Kong SAR that would provide a sound legal basis for all existing agreements.

5. EU-HONG KONG RELATIONS

Business relations

The EU is well-represented in many sectors of the Hong Kong economy. In terms of foreign investment, the EU was the third largest source of direct investment for Hong Kong in 2004 after the British Virgin Islands and mainland China. The cumulative value of direct investment from the EU in that year amounted to HK\$425 billion (€44 billion), accounting for 12% of the total, well ahead of the US (6.9%) and Japan (4.2%).

The EU was Hong Kong’s third largest supplier of goods in 2005 after China and Japan, and was the third biggest market for Hong Kong’s total exports (re-exports and domestic exports together), after the US and mainland China. According to Eurostat, total bilateral trade between the EU and Hong Kong rose by 6.8% in 2005 to reach €31 billion (HK\$300 billion).

EU companies are leading market players in financial services in Hong Kong. In 2005, the 132 licensed banks in Hong Kong included 33 incorporated in the EU. In the insurance sector,

EU companies ranked first in the number of overseas insurers operating in the SAR. Of the 86 foreign insurance companies authorised in Hong Kong, 30 were incorporated in the EU.

EU companies with regional headquarters and regional offices based in Hong Kong amounted to 376 and 707, respectively, in 2005. There were 32 630 EU nationals residing in Hong Kong at the end of 2005.

European Commission/Hong Kong official relations

During 2005, there were many more high-level contacts between the European Commission and the Hong Kong SAR Government than in previous years.

The President of the European Commission, Jose Manuel BARROSO visited the Hong Kong SAR on 18 July 2005 to highlight the importance the European Union attaches to the “one country two systems” principle. This was the first official visit by a European Commission President to the territory.

President BARROSO held bilateral talks with Hong Kong’s Chief Executive, Mr Donald TSANG, after which a joint statement was issued wherein they “*agreed that Hong Kong and the European Union should develop, broaden and deepen cooperation in areas of common interest*”. During his visit, President BARROSO also met fifteen Hong Kong legislators and made a keynote speech at an event organised by the European Chamber of Commerce in Hong Kong.

In April 2005, the Commissioner for Trade, Peter MANDELSON, visited Hong Kong to meet with the Hong Kong Government (the Secretary for Commerce, Industry and Technology, Mr John TSANG) and senior representatives from among Hong Kong textile traders and manufacturers to discuss issues relating to the EU-China discussions on textiles, and on the World Trade Organisation Ministerial Conference to be held in December 2005.

In November 2005, the Taxation and Customs Commissioner, László KOVACS, paid a two-day official visit to the territory. The main purpose of this visit was to enhance customs cooperation on supply chain security and the protection of intellectual property rights. The Commissioner officiated at the opening of the 6th EC-HK Joint Customs Cooperation Committee and had bilateral discussions with the Hong Kong Secretary for Financial Services, Mr Frederick MA (to begin discussing with Hong Kong the need to improve transparency and the exchange of information in order to facilitate the enforcement of measures to prevent the avoidance or evasion of taxes, and to explore and develop measures to improve cooperation between the EU and Hong Kong in this area), and the Permanent Secretary for Commerce, Miss Denise YUE, and the Commissioner of Customs, Mr Timothy TONG. The sixth EC-HK Joint Customs Cooperation Committee was held in Hong Kong on 18 November 2005. Various issues were discussed, such as the protection of intellectual property rights, measures to combat cigarette smuggling, and the promotion of customs cooperation in order to ensure the security of the supply chain.

In December 2005, the Commissioners for Trade and Agriculture, Mr Peter MANDELSON and Mrs Mariann FISCHER-BOEL, led a 150-strong EU delegation, comprising European Commission officials, European Parliament officials and members of civil society, to the Sixth Ministerial Conference of the WTO in Hong Kong from 11 to 19 December (see the Trade section of this report).

The Sixth Plenary Session of the EU-HK Business Cooperation Committees took place in Brussels on 25 May 2005. The Committees, which comprise the leaders of major companies in the EU and Hong Kong, re-affirmed their commitment to promoting and expanding trade investment and understanding between the respective business communities. Amongst the topics discussed was the increase in trade and investment opportunities in the expanded EU one year after enlargement, the evolution of business opportunities under the Closer Economic Partnership Arrangement (CEPA) and the Pan Pearl River Delta initiative.

In order to discuss and explore possible content and means to deepen, develop and broaden cooperation between the EU and Hong Kong in areas of mutual interest, five consultative seminars were held in Hong Kong during 2005 and early 2006 by the Hong Kong Office of the European Commission with over 200 representatives of various sectors of Hong Kong society: trade and economy on 5 October 2005, EU Heads of Mission on 13 October 2005, environment and health on 15 November 2005, civil society and NGOs on 22 November 2005, and academic and research representatives on 16 February 2006.