



Six-monthly Report on Hong Kong January–June 2000

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
July 2000*

© Crown Copyright 2000

The text in this document may be reproduced free of charge in any format or media without requiring specific permission. This is subject to the material not being used in a derogatory manner or in a misleading context. The source of the material must be acknowledged as Crown copyright and the title of the document must be included when being reproduced as part of another publication or service.

Any enquiries relating to the copyright in this document should be addressed to HMSO, The Copyright Unit, St Clements House, 2-16 Colegate, Norwich NR3 1BQ
Fax: 01603-723000 or email: copyright@hmso.gov.uk

FOREWORD

This is the seventh in the series of six-monthly reports on the implementation of the Sino-British Joint Declaration on the Question of Hong Kong. It covers the period from 1 January to 30 June 2000.

Three years after the creation of the Hong Kong Special Administrative Region (SAR) under Chinese sovereignty, we continue to believe that the values of the Joint Declaration have been generally well protected and upheld by the Central People's Government in Beijing and by the Hong Kong SAR Government.

Despite the conclusion of the work of the Joint Liaison Group on 1 January 2000, we continue to take a close interest in developments in Hong Kong and in the maintenance of Hong Kong's separate social, economic and legal systems. As a co-signatory to the Joint Declaration, we retain the right to speak out on issues of concern. We did so in the period of this report over remarks made by mainland officials in Hong Kong about press freedom and trade with Taiwan. Hong Kong's essential freedoms nevertheless remain intact, and both the Central People's Government and the Hong Kong SAR Government show commitment to making a success of "One Country, Two Systems".

The key to Hong Kong's continued success as a liberal and open society and as a great international city lies in the continued observance of the principles of the Joint Declaration. We will continue to report to Parliament on their implementation.



ROBIN COOK
Secretary of State for
Foreign and Commonwealth Affairs

July 2000

SIX-MONTHLY REPORT ON THE IMPLEMENTATION OF THE JOINT DECLARATION ON HONG KONG

INTRODUCTION

1. Three years have elapsed since Hong Kong returned to Chinese sovereignty on 30 June 1997 after 155 years of British rule. The detailed arrangements for this transfer were planned and carried out in accordance with the terms of the Sino-British Joint Declaration on the Question of Hong Kong, which was ratified fifteen years ago. The Joint Declaration was a landmark agreement. It committed the People's Republic of China (PRC) to allowing Hong Kong to maintain its own way of life for fifty years after the handover; and it provided the framework for the Basic Law of the Hong Kong Special Administrative Region (SAR), which was promulgated by China in 1990.

2. The Joint Declaration states that the Hong Kong SAR Government shall enjoy "a high degree of autonomy" except in relation to foreign and defence affairs, which are the responsibility of the Central People's Government (CPG); that Hong Kong's social and economic systems and rights and freedoms will remain unchanged (for a period of fifty years); and that the SAR Government will be composed of local inhabitants. These and other provisions give substance to Deng Xiaoping's concept that Hong Kong should be governed in the spirit of "One Country, Two Systems". The British Government will continue to take a close interest in developments in Hong Kong and to report to Parliament on the implementation of the Joint Declaration.

"ONE COUNTRY, TWO SYSTEMS"

3. President Jiang Zemin, addressing the Ninth National People's Congress in Beijing in March this year, spoke of the importance of upholding the principle of "One Country, Two Systems". He said:

"..Hong Kong...is completely free to handle those matters that are within the scope of its high degree of autonomy, and the Central Government fully believes that the SAR can deal with its own affairs well."

The British Government fully supports those sentiments. We continue to believe that the CPG and the Hong Kong SAR Government remain committed to making a success of "One Country, Two Systems". However, remarks made by officials of the CPG Liaison Office in Hong Kong gave rise to two controversies during the period of this report.

4. The CPG Liaison Office in Hong Kong is the former Hong Kong branch of the State-run Xinhua News Agency. When the name change took place in January 2000, the CPG announced that the Liaison Office would have responsibility for State functions and for liaison with all parts of Hong Kong society. The change was welcomed by the SAR Chief Executive, and many took the view that it would increase the transparency of the Office's role. However, others expressed concern that the change might signal an increase in the Office's involvement in local affairs.

5. Controversy came in April when Wang Fengchao, a Deputy Director of the Liaison Office, said publicly that the Hong Kong media should not disseminate views advocating the independence of Taiwan. Mr Wang's comments, the first of this kind by a senior Chinese official since the handover, caused widespread concern among the local community. The British Government issued a statement expressing concern and welcoming a statement by the SAR Acting Chief Executive reaffirming that the Hong Kong media remained free to report and comment on all matters of current interest. We also raised our concerns with the CPG.

6. In June, another official of the Liaison Office, He Zhiming, made some public remarks about trade between Hong Kong and Taiwan. Mr He said that Hong Kong businessmen trading with Taiwanese firms supporting Taiwanese independence were "taking a risk" and should observe the CPG's policy that "absolutely prohibited" trade with such firms. Mr He's remarks caused widespread concern locally, including in the business sector. The SAR Government responded to the remarks by reaffirming its autonomy in economic and trade

affairs and stating that businessmen operating in Hong Kong were free to choose their business partners. The British Government issued a statement making clear that, in our view, Mr He's pronouncement was at variance with the spirit of the Joint Declaration and welcoming the SAR Government's statement. We again raised our concerns with the CPG.

7. The People's Liberation Army Garrison in Hong Kong continued to maintain a low profile in the first half of 2000; the maintenance of public order properly remained the responsibility of the Hong Kong SAR authorities.

BASIC RIGHTS AND FREEDOMS

8. We continue to follow closely the SAR Government's commitment to uphold and protect the rights and freedoms enshrined in the Joint Declaration. Our overall assessment is that the situation remains positive, with rights being upheld. We shall continue to study developments carefully.

9. The British Government attaches great importance to freedom of the media in Hong Kong. The Hong Kong media has continued to be lively and outspoken. There are still varying assessments of the extent of self-censorship in the press and electronic media, and of the extent to which this has changed since the handover. Renewed concerns were expressed following Wang Fengchao's remarks (see above, paragraph 5). Debate on the establishment of a Press Council in Hong Kong has continued. The media has rejected a recommendation by the Law Reform Commission for a Government-appointed Council, but a coalition of media organisations has announced its intention to establish a non-statutory Council. Separately, a number of press organisations have drawn up a code of ethics for the media.

10. Article 23 of the Basic Law (BL23), which requires the SAR Government to enact, on its own, legislation against treason, secession, sedition or subversion against the Central Government, remains a sensitive issue. The SAR Government has not yet brought forward legislative proposals. In March, Qiao Xiaoyang, Vice-Chairman of the National People's Congress Legislative Affairs Commission, said that, while the process was in the hands of the Hong Kong SAR Government and the timing was for them, there was a pressing need to legislate; and that, since the law would cover national concerns, consultation with the CPG would be "only reasonable". SAR Government officials have reiterated that no decisions have been made as to the timing or content of any such legislation; that full public consultation would take place before final decisions were taken; and that legislation on this matter could not be in conflict with the provisions of the Basic Law. They have also indicated that they would consult the CPG before bringing forward proposals. We have previously welcomed SAR Government assurances on public consultation, and would urge that any such consultation be thorough and far-reaching. We note concerns which have been expressed in Hong Kong about the SAR Government's intention to consult the CPG.

11. We welcome the fact that the Hong Kong authorities have continued to allow peaceful and orderly public demonstrations on a range of economic, social and political issues. An estimated 40,000 people held a candlelight vigil to mark the 11th anniversary of the Tiananmen crackdown on 4 June. Practitioners of Falun Gong and other groups which have been declared illegal on the mainland are permitted to hold demonstrations in the SAR in accordance with the law.

12. A number of pro-democracy politicians have continued to face difficulties in travelling to the mainland. We welcome the news that a prominent pro-democracy legislator, Lau Chin-shek, was permitted to visit his ailing mother on the mainland in May. Chief Secretary Anson Chan said she hoped that more people holding dissenting views would be able to gain entry to the mainland to deepen mutual communication and understanding. There is, however, no evidence of a change in policy on the part of the mainland authorities, and other democrats have been denied entry to the mainland.

13. Hong Kong's report under the UN Convention Against Torture, which is one of the four UN conventions on human rights to which the PRC is a signatory, was heard as part of the PRC's report in Geneva in May 2000. We welcome the fact that this report was drafted by the SAR Government and defended in Geneva by SAR Government officials.

CONSTITUTIONAL DEVELOPMENT

14. The current Legislative Council (LegCo) term ended on 30 June. The second LegCo elections since the handover are to be held in September. The electoral framework will be similar to that for the last elections in May 1998. However, in accordance with the Basic Law, the number of members directly elected in geographical constituencies will rise from 20 to 24, while the number elected by an Election Committee will fall from 10 to six. The number of functional constituencies representing certain professional and business sectors will remain unchanged at 30.

15. There is a growing debate in Hong Kong about constitutional reform. One focus of debate is the question of the rate of progress towards the Basic Law's ultimate goals of a LegCo entirely elected on the basis of universal suffrage and a democratically elected Chief Executive. We reiterate our hope that the SAR Government will work towards the early realisation of these goals, at a pace in step with the wishes of the community.

16. In January, LegCo passed a motion calling on the SAR Government to conduct a public consultation on political reform. In June, LegCo's Constitutional Affairs Panel produced a report recommending that the SAR Government should undertake a review of Hong Kong's political system and should conduct an extensive public consultation exercise as soon as possible. The Panel recommended that, as part of a review, the SAR Government should explore various options for enhancing the accountability of senior officials to the legislature as well as studying different systems of government and making recommendations on a system suitable to Hong Kong's circumstances and acceptable to the community. LegCo debated the report and overwhelmingly approved its recommendations.

17. Another major issue under discussion is the relationship between the executive and the legislature, and the accountability of senior officials. This was the subject of debate in June when LegCo passed a vote of no confidence in the Chairman of the Housing Authority and the Director of Housing following the discovery of sub-standard piling in some public housing projects. Some observers and politicians have called for the introduction of a Ministerial system of government.

THE LEGAL SYSTEM

18. In previous reports, we have stressed the importance we attach to the principle of independent judicial power and the maintenance of the rule of law, which are fundamental to Hong Kong's success. Our last two reports (Cm 4594 and Cm 4415) set out the detailed background to the controversy following the judgment of the Court of Final Appeal (CFA) on the right of abode. Periodic protests have continued by mainlanders seeking right of abode in Hong Kong. At the end of June, in a case involving about 5,000 mainlanders, the Court of First Instance ruled that the individuals in question were affected by the National People's Congress interpretation of the Basic Law's provisions on right of abode and were not entitled to benefit from the CFA's judgments of January 1999.

19. Interest has continued to focus on the lack of formal arrangements for the rendition of fugitive offenders between Hong Kong and the mainland. The issue has been the subject of negotiations between SAR and mainland officials during the period of this report. The implementation of any agreement reached will require legislation in Hong Kong. We have made clear to the CPG and the SAR Government our view that any arrangements must be acceptable to all concerned.

INTERNATIONAL INTEREST IN HONG KONG

20. We welcome continued international interest in developments in Hong Kong. The US State Department published its latest report under the United States-Hong Kong Policy Act in April. This concluded that, in the twelve months to 31 March 2000, "Hong Kong under Chinese sovereignty has continued to develop overall in a positive direction ...", but that "there were developments that raised concerns and continued to bear close attention ...". The US State Department's 1999 report on human rights, published in February, found that the SAR Government "generally respected the human rights of its citizens" although some problems existed.

21. A US Congressional report published in February 2000 (the Seventh Report of the Speaker's Task Force on the Hong Kong Transition) commented on events and developments in Hong Kong in the period from 27 May 1999 to 31 December 1999. It expressed concern about the implications of the right of abode controversy but concluded with a "largely positive" assessment of the preservation of Hong Kong's freedoms.

22. The European Commission's second annual report on Hong Kong was published in May 2000. It commented on some difficulties in Hong Kong in 1999 but concluded that the "One Country, Two Systems" principle "remains intact and is generally working well".

23. The UN High Commissioner for Human Rights, Mrs Mary Robinson, visited Hong Kong on 29 February on her way to mainland China. She met the Chief Executive and other senior SAR Government officials as well as politicians and non-governmental organisations.

HONG KONG'S WIDER ROLE

24. Our last report (Cm 4594) commented on the SAR Chief Executive's vision of Hong Kong as the most cosmopolitan city in Asia as well as a major Chinese city. This vision was endorsed by the Hong Kong Commission on Strategic Development in a report published in February. The British Government continues to believe that Hong Kong's success as an international city depends directly on the SAR's autonomy and on the preservation of Hong Kong's freedoms.

25. Within its area of autonomy, the SAR Government has continued to develop relations with a wide range of countries. For example, the Chief Executive visited the US and Canada; the Chief Secretary, the US, Europe and Brazil; and the Financial Secretary, the US, Canada, Europe and Israel. High-level visitors to Hong Kong included the Prime Ministers of Singapore, Denmark and Spain.

ECONOMY

26. The SAR Government has full autonomy in the area of economic and financial decision-making. The first half of 2000 saw a sharp upturn in GDP growth, driven by increased exports, domestic consumption and investment. GDP growth in the first quarter was 14.3%, and the SAR Government has revised its forecast for 2000 as a whole to 6% (compared with growth of 2.9% in 1999). However, deflation remains present, unemployment remains high by Hong Kong standards and real interest rates have risen. Residential property values are still well below their 1997 peak. There has also been considerable stock market volatility in the first half of 2000.

27. The SAR Government is now reporting a budget surplus for 1999-2000, following earlier forecasts of a substantial deficit. The SAR Government is, however, carrying out a review of public finances which will explore options for widening the tax base.

28. The CPG has continued to avoid any involvement in Hong Kong's economic affairs. There was some media speculation that the CPG might have encouraged the Hong Kong company Pacific Century CyberWorks in its bid for Cable and Wireless Hong Kong Telecom. In the event, Cable and Wireless decided to accept the Pacific Century CyberWorks bid in preference to the deal offered by SingTel (of Singapore). The SAR Government made clear that this deal was a purely commercial matter for the companies concerned.

29. Progress towards accession by China to the World Trade Organisation (WTO) has been widely welcomed in Hong Kong, which is the mainland's largest single trade and investment partner. Hong Kong's separate membership of the WTO will be unaffected by China's accession.

BILATERAL RELATIONS

30. The post-handover relationship between the United Kingdom and Hong Kong has continued to develop through exchanges in a wide range of areas, including the environment, civil service reform, information technology, legal matters and law enforcement.

31. In the period in question, British parliamentarians and Hong Kong legislators met on several occasions, beginning in February when a nine-member delegation from LegCo, led by

Edward Ho, visited the UK. The programme for their visit included a meeting with John Battle, Minister of State at the Foreign and Commonwealth Office.

32. Members of the Foreign Affairs Committee, led by the Committee Chairman, visited Hong Kong in June, at the end of a visit to mainland China, in furtherance of the Committee's inquiry into the role and policies of the Foreign and Commonwealth Office in relation to the PRC. Other British MPs who visited Hong Kong included, in April, a delegation from the All-Party China Group.

33. The close relationship between the British and Hong Kong legal communities continued. Mr Justice Li, the Chief Justice of Hong Kong, visited Britain in March, and Mr Justice Woo, Chairman of the Hong Kong Electoral Affairs Commission, led a delegation to the UK in May. Lord Woolf, the then Master of the Rolls, visited Hong Kong in April. In May, new appointments to the Court of Final Appeal included the addition of Lord Millett to the panel of foreign judges.

34. The British Council continued to promote Britain as a valued partner for trade, investment, culture, research, science and technology, innovation, social development and education. The Council's English Language Centre in Hong Kong teaches 40,000 individuals each year; it remains the Council's largest such operation in the world.

35. Hong Kong remains a key trading partner for the UK and a priority market for Trade Partners UK (British Trade International). The importance of UK/Hong Kong trade relations was reflected in visits to Hong Kong in the first half of 2000 by Patricia Hewitt, Minister for Small Business and E-Commerce at the Department of Trade and Industry, and an accompanying business delegation; by Sir David Wright, Chief Executive of British Trade International; and by three Ambassadors for British Business. In addition, Trade Partners UK supported visits by seven British groups to trade fairs in Hong Kong and seven trade missions to the market. With support from Trade Partners UK, the British Consulate-General staged major seminars in Hong Kong on innovation and e-commerce, both in the context of the UK/Hong Kong Memorandum of Understanding on IT Co-operation.

36. The British Government has continued to support the Hong Kong SAR Government's efforts to obtain visa-free access for holders of the Hong Kong SAR passport who travel abroad. Since the SAR's inception, SAR passport holders have had visa-free access to the United Kingdom. A total of 71 countries and territories now offer visa-free access to SAR passport holders, while 86 offer this privilege to British National (Overseas) (BN(O)) passport holders. In the European Union negotiations to agree a new EU Common Visa List and Regulation, we have supported a proposal to include the Hong Kong SAR passport on the visa-exempt list. In parallel, we continue to seek opportunities to lobby for visa-free access for holders of the BN(O) passport.

BRITISH NATIONALS (OVERSEAS)

37. We take seriously our obligations in respect of BN(O)s and remain committed to maintaining quality consular, passport and visa services for them. This includes a quick and efficient passport service and access, where possible and on request, to British consular services.

38. In our last report we recorded the actions which HM Government had taken on behalf of Wu Man, a BN(O) who was arrested in Thailand in June 1999 and subsequently removed to mainland China to face unspecified criminal charges. We have continued to monitor Mr Wu's case, although we have no formal locus to intervene on behalf of BN(O)s who are also Chinese nationals and who are detained in mainland China. In early June, we again asked the mainland authorities for further details of the trial, and if our consular staff could attend in an observer capacity. The mainland authorities declined these requests. Mr Wu was tried on 23 June and pleaded guilty to the charges against him. As at 30 June, he was awaiting sentence. We are continuing to follow this case.

VIETNAMESE BOAT PEOPLE

39. We have continued to support the SAR Government in their efforts to resolve the remaining problem of Vietnamese boat people (VBPs) in Hong Kong. The Home Office has

continued to accept and process applications from VBPs in Hong Kong for re-settlement with relatives in the UK. In February, the SAR Government announced a widening of the local re-settlement scheme for the 1,400 remaining VBPs in Hong Kong. By 23 June, all had left the remaining refugee camp at Pillar Point for re-settlement in the Hong Kong community.

CONCLUSION

40. We concluded our last report with a positive overall assessment of the implementation of “One Country, Two Systems”. Six months later, and three years after the return of Hong Kong to Chinese sovereignty, that remains our assessment, notwithstanding some controversies during the period of this report.

41. Hong Kong’s continued success remains dependent on the Hong Kong SAR Government’s continued exercise of the high degree of autonomy promised in the Joint Declaration.