



Oral evidence: [The UK's relations with Hong Kong: 30 years after the Joint Declaration](#), HC 649

Tuesday 13 January 2015

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Members present: Sir Richard Ottaway (Chair); Mr John Baron; Ann Clwyd; Andrew Rosindell; Sir John Stanley

Questions 280-388

Examination of Witnesses

Witnesses: **Lord Powell of Bayswater** and **Sir Anthony Galsworthy**, representing the Hong Kong Association, gave evidence.

Q280 Chair: I welcome members of the public to this session of the Foreign Affairs Committee and what will be our final evidence session on the UK's relations with Hong Kong 30 years after the Joint Declaration. Very helpfully filling in the gap for us on the business aspects of the relationship with Hong Kong are Lord Powell of Bayswater and Sir Anthony Galsworthy, whom I am delighted to welcome. They are both of the Hong Kong Association and have strong business links with Hong Kong—Sir Anthony Galsworthy, having formerly been our representative in Hong Kong.

Sir Anthony Galsworthy: In Beijing.

Q281 Chair: I beg your pardon, in Beijing. I am sorry, Sir Anthony. A warm welcome to you both. Let me start with a fairly general question to open the bowling. What would you say the main hurdles or obstacles are that UK firms face when doing business in Hong Kong?

Lord Powell of Bayswater: The short answer is extraordinarily few. I cannot think of an easier place to do business in the world than Hong Kong. It is easier than most European countries. There are very few restrictions in Hong Kong, which frequently appears in various freedom indexes as right up at the top. Businessmen always have to complain about something—perhaps the high cost of doing business in Hong Kong, which is partly because of the high cost of land there. Renting offices and so on can therefore be a problem. There is a bit of bureaucracy still around. There are restrictions and taxes on the sale of spirits, which UK businessmen resent. Basically speaking, I do not think that there is a better place in the world to do business.

Sir Anthony Galsworthy: I would generally agree with that.

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Q282 Chair: Would you like to make an assessment of how well the UK Government have helped here? The Foreign Office, UK Trade & Investment—are they pulling their weight in helping businesses in Hong Kong?

Lord Powell of Bayswater: I think that they are. They do a good job there and, indeed, in China as well. It is quite hard these days to distinguish the two. They are well organised in order to provide the service that business wants. They work very closely with the China-Britain Business Council, which still takes the lead in China itself, and you get good cross-border co-operation between the two organisations. Hong Kong is still a gateway to China but it is not really quite on the same scale as it once was.

It is much easier than it used to be for British businesses to operate within China itself. For south China, Hong Kong still probably plays a role as a gateway but for most of the China market, Hong Kong does not matter. The other way round, of course—a lot of the China market comes to Hong Kong. If you have tens of millions of Chinese citizens there, that is one of the things that makes Hong Kong a very attractive market and makes it important to have good UKTI support.

Chair: You are wearing your former Foreign Office hat, Sir Anthony.

Sir Anthony Galsworthy: I can speak more about activities in support of business in China, rather than Hong Kong, as that is my direct experience. Certainly, when I was ambassador, I expected to spend somewhere between 60% and 70% of my time on commercial assistance to British companies because so much of what they did then required a relationship with the Chinese Government or Chinese authorities of various kinds. It is some time since I retired, but I believe that that situation has not changed very much in the meantime. A great deal of the efforts of the embassies and consulates general still goes into commercial support.

Q283 Chair: Sir Anthony, you led the British side of the Sino-British Joint Liaison Group at the time of the change. Do you think much has changed from a business perspective? Has the Hong Kong general way of life changed substantially since the handover in '97?

Sir Anthony Galsworthy: If you are talking about the way of life of the ordinary people of Hong Kong, no, I do not find that it has changed very much. I have been a regular visitor to Hong Kong over the last 15 years. My wife was born and brought up in Hong Kong. Neither of us has found much social change in Hong Kong. The political atmosphere has changed considerably, but if you are talking about the way of life of the ordinary people of Hong Kong, I do not think it has changed a great deal.

Q284 Chair: And from the business point of view?

Sir Anthony Galsworthy: From the business point of view, I think there has been very little change. It is still a very open business environment, as Lord Powell was saying. That has always been the case in Hong Kong. It is renowned for it. It is still the case.

Q285 Chair: Lord Powell, you were in No. 10 at the time of the negotiations. Were you actually there for the signing?

Lord Powell of Bayswater: Yes.

Q286 Chair: So you are well placed to assess whether things have changed from a business point of view or generally.

Lord Powell of Bayswater: Well, they have certainly changed. One is talking about 15, 20 years on from the handover. Hong Kong is in many ways more international than it was. The proportion of Brits living and working in Hong Kong has fallen. The number of other nationalities has risen quite significantly. Business has become more sophisticated. Essentially, it remains the place that we hoped it would be when we negotiated and signed the Joint Declaration. We hoped that it would remain a free society, that it would enjoy considerable autonomy and personal liberty, and that it would enjoy the rule of law.

I cannot say we envisaged that it would necessarily enjoy full democracy, because we did not. We had never done anything to instil democracy in Hong Kong. It was just not the way Hong Kong had been governed. That was not malice or some sort of political philosophy. It was a belief that if Hong Kong was given extensive democracy, it might too easily lose it again when China took over, and that would be a terrible setback.

To be honest, I think we really did meet our highest aspirations in what resulted after 1997. There were many fears before that. People thought that Hong Kong could not possibly be a free society under Chinese sovereignty and that it could not continue to enjoy the rule of law, but it has.

Q287 Andrew Rosindell: Lord Powell, Sir Anthony, good afternoon. On the current climate of unrest that we have seen in recent months in Hong Kong, how is that affecting British business at the moment?

Lord Powell of Bayswater: In terms of strict business, it has not affected it much. I am involved with some businesses that have a lot of premises round about the area where the main demonstrations and occupation were going on. The up sales fell for a bit, but they recovered steeply in December. I do not think the actual business effect has been enormous.

What has had some effect is the perception of Hong Kong outside. It is no longer seen as quite as stable a place as it was. It was unusual to see people demonstrating in those numbers on that scale over such a long period. That is one factor that could unsettle international business but, so far, I do not believe it has. People have a lot of respect for the way in which the demonstrators behaved and pursued their case. It was pretty remarkable.

Q288 Andrew Rosindell: So fundamentally things have not changed.

Lord Powell of Bayswater: I do not believe they have changed significantly. I cannot pretend to be able to prophesy the future. More people in Hong Kong may become more politically active in future, which would not be a bad thing.

Q289 Andrew Rosindell: There have been reports that the Hong Kong authorities have pressured business to oppose the Occupy movement. Do you have evidence of that? If so, have there been any reports given to the British consulate in Hong Kong or to your own organisation about any pressure that is being brought to bear?

Lord Powell of Bayswater: None of the companies that I have been involved with have told me of any sort of pressure from the Hong Kong, and I do not believe that the Hong Kong Association's members have ever mentioned being under pressure at any of our quite regular meetings. If there was any pressure, it would be much more against Hong Kong companies run by Hong Kong people than against foreign companies.

Sir Anthony Galsworthy: I also have not heard of any cases with British companies being involved. Indeed, I have not heard of cases involving Hong Kong companies, but I agree with Lord Powell that that would be the natural target if there was a wish to pressurise companies.

Q290 Andrew Rosindell: So, in summary, at this stage you do not see any reason why British business should be cautious and not continue to work with and invest in Hong Kong as they have always done.

Lord Powell of Bayswater: I do not believe so, no.

Andrew Rosindell: Thank you.

Sir Anthony Galsworthy: May I add something to that? There are some concerns about the future. If the legislative package fails and there is no progress, I think this will be quite a serious blow to Hong Kong psychologically. I think there are concerns in business in Hong Kong that the effectiveness of government in Hong Kong could suffer in those circumstances. This is something in the future—it is fears about what might happen and, of course, might not happen, but I think that those fears do exist.

Q291 Andrew Rosindell: So there are long-term fears about prospects should this continue and resolutions are not found to settle the situation.

Sir Anthony Galsworthy: Yes.

Lord Powell of Bayswater: I would put it slightly the other way round. I would say that business would like to see the constitutional issue resolved. I cannot pretend to be a spokesman for business in Hong Kong, but I think it would find that people would say that it would be best for Hong Kong to move forward with universal suffrage at this stage not because it is the last word—there is still much that can and should be done both for future elections for LegCo and in improving the procedures for the Electoral Commission and so

on—but because it would be better to move forward than to fail and stay where we are. As Sir Anthony said, if that were to happen, business could get a bit discouraged.

Q292 Sir John Stanley: When the four major international accounting firms came out simultaneously against the Occupy movement, was that an issue of embarrassment to the Hong Kong Association, or was it supportive of their views?

Lord Powell of Bayswater: To the best of my knowledge, the Hong Kong Association did not express a view and it was not asked to express one. Let us say that it was not exactly courageous, but what led it to that, I do not know. One tries to keep a decent distance from one's auditors.

Q293 Sir John Stanley: Did I hear right that you thought it was courageous?

Lord Powell of Bayswater: No, I said it was definitely not courageous.

Sir John Stanley: I am grateful to you for that clarification.

Sir Anthony Galsworthy: I cannot add anything to that, I am afraid.

Q294 Mr Baron: It will not surprise you to learn that we have had a long list of submissions that criticise the Government's approach in not being robust enough in support of the protestors. Just to give you a flavour, Anson Chan of the Hong Kong 2020 movement accused the Government of sleeping on watch. Human Rights Watch accused the Government of being "shamefully weak" in its response and Lord Pattern has waded in, as you are probably aware, and criticised the Government for leaving it to this Committee to hold a public debate on issues relating to Hong Kong.

Meanwhile, Emily Lau said, "the Brits are mainly concerned about making money and looking after their own commercial and, maybe, political and diplomatic interests, and really have little time for tiny little Hong Kong." How would you, or the UK business community in Hong Kong, assess the UK Government's response?

Lord Powell of Bayswater: I believe that the UK business community in Hong Kong is broadly satisfied with the Government's response. The Government welcomed the commitment to universal suffrage and its implementation in 2017. It did not express a view, to the best of my knowledge, about the demonstrations and so on, but what good would it have done by doing so? As private citizens, we all know that people can demonstrate—of course they have that right—and, as I said earlier, they did so with considerable dignity. It is not a matter for the Government to comment on. It had no direct responsibility for these matters, but it did welcome the implementation of the commitment to universal suffrage, and that seemed to me to be the main point. What else did one really want Government to do? Government should not be grandstanding in this situation. Grandstanding does not work in diplomacy. It is for politicians in other circumstances, perhaps, but not in a delicate situation like that.

Q295 Mr Baron: Is it your view, both of you, that if the UK Government had spoken out in a more robust fashion, that would have made the conducting of business in Hong Kong more difficult for the business community?

Lord Powell of Bayswater: Personally—Anthony, you will have things to say—no, I don't think I do think that; but I do think it would have made things more difficult for Hong Kong. It might have given a certain degree of smug satisfaction to those who spoke out, but I think from the point of view of the interests of people in Hong Kong it would not have helped. It would have first of all misled them that Britain had any real capacity to influence what was going to happen and it would probably have persuaded the Chinese Government to be less co-operative and to see British statements as outside interference. That would not have been beneficial for Hong Kong at this very delicate moment. I do not think it is a case of business; it is more just a question of thinking about the interests of people in Hong Kong itself.

Q296 Mr Baron: Sir Anthony, do you have anything to add?

Sir Anthony Galsworthy: I would entirely agree with that. I think the question to ask is not whether this would have a negative impact or otherwise on Sino-British trade. It might or it might not. It depends how serious any row became, but that is not the important question. The important question is whether it would do any good—whether it would help to secure the sort of political reform in Hong Kong which we would like to see; and frankly I think it would not.

Q297 Mr Baron: Can I just tempt you a little further? Just fixing on China's response—we are dealing with the hypothetical to a certain extent, but you know the region and China very well indeed—there is a concern that there might have been a sort of business retaliation by the Chinese, and trade would have been more difficult. I think a number of us take the view that if you have got the goods, people will buy them regardless; and we saw what happened, and the trade increased in many respects, after the Dalai Lama issue. Let us put that to one side, perhaps.

Coming back to your central point about what is good for Hong Kong itself, take us through what you could see as a distinct possibility as to how China could retaliate had the Government actually been more robust in supporting the protests. Surely at the end of the day China would have had to adhere to the Joint Declaration, would it not?

Sir Anthony Galsworthy: The Joint Declaration does not cover the matters at issue in Hong Kong at the moment. They are not defined in the Joint Declaration, so it is not really possible to bring the Joint Declaration into play on those matters. I think that what you have to reckon on is a pretty strong allergy in Beijing to advice—particularly advice in public—from the British Government as to what they should or should not do or allow to be done in Hong Kong. From that point of view, if I can be slightly facetious, when we were negotiating in the Joint Liaison Group, at times we thought that possibly the best way to get what we wanted would be to advise the Chinese to do exactly the opposite. That is a slight exaggeration, but you can see the point: it does not help to promote a particular point of view

to have us advocating it, because they are deeply allergic to the idea that the British, the ex-colonial masters, should dictate to them.

Lord Powell of Bayswater: I agree with what Tony said. I was only going to add: one has got to look beyond 2017, and one hopes to see further constitutional development in Hong Kong. For that to happen, and to happen successfully, it is going to need the active participation of China. China has got to be persuaded there are things that still need to be done, which would benefit democracy in Hong Kong. Basically it is going to be the Hong Kong Government and people who have to persuade them of that. If you get off to a bad start with this one, then we will get China in a less co-operative frame of mind. I think that would be damaging to the longer-term prospects of strengthening the constitutional position in Hong Kong.

Q298 Mr Baron: Just being devil's advocate very briefly, on behalf of that long list of evidence I previously quoted to you, we are addressing this almost in a black and white fashion. There is a grey area where one suspects that we could have been more robust as a Government and yet not harmed the prospects for the people of Hong Kong. You cannot get away from the weight of evidence we have seen that suggests that there has been great disappointment with the way the British Government have approached this issue. Do you not think that we could have pushed a little bit further? Or are you perfectly happy with the stance that the Government have taken?

Lord Powell of Bayswater: I would first of all note that my experience of Select Committees, as a member of several, has been that people expressing disappointment are more in evidence in appearing before them than people who are happily satisfied with situations. I am, genuinely, broadly satisfied with the Government's response. I thought it was well judged and well modulated and it indicated our support for constitutional reform, but it did not provoke by interfering directly or, frankly, giving false hope to those who were demonstrating that there was something we could do or achieve by being more robust.

Q299 Chair: So you would not share the view of some of the witnesses, who said that the Government's position was anodyne and bland.

Lord Powell of Bayswater: I think Government statements tend not to be Shakespearian in the way they are presented.

Q300 Chair: Can I take you back to a point that we were discussing a few minutes ago? If there is a failure of the 2017 electoral package and there is trouble, what do you think might happen here? The Hong Kong Association has expressed concern about this point. Where do you think things would go, if that was the case, and what impact would it have on the business community?

Lord Powell of Bayswater: I think if there is not agreement to move forward in 2017, first of all it will have an impact on the effectiveness of government in Hong Kong, because it

will not be so legitimate, if you like. It will not have popular support. Whoever is chosen as Chief Executive will not have that support. I suspect the Government will become becalmed and unable to take tough decisions. It will feel that it does not have sufficient popular support. As you know very well, if we do not move forward in 2017, we go back—we go back to the situation in 2012. That would be a very unhappy outcome. Business would not like it because of the effect on Hong Kong.

Q301 Chair: So it is better to take half a loaf than none?

Lord Powell of Bayswater: Better to take 80% of a loaf, Chairman, than none.

Q302 Chair: It is quite an interesting point. We have universal suffrage, so for the first time, everyone will get the vote, but they will be very limited as to who they can vote for. If they do not accept that package, they go back to the current situation where the nominating committee does the electing. So you see the electorate of Hong Kong getting the vote to be 80% of the deal?

Lord Powell of Bayswater: I think at the moment it is 80% of the deal. There is more that I would love to see done, which I think is simply not practical at this stage.

Sir Anthony Galsworthy: It is also worth noting that the reforms that one hopes to see to the elections to LegCo will not go ahead either if this package does not go through. It will produce a complete stasis, not just in the Chief Executive elections.

Q303 Chair: Sir Anthony, you are an old Beijing hand, as it were. What is going on there at the moment? How high up their radar is this? They have got Macau, and perhaps Taiwan might come into this, and Hong Kong. Do you think that they are concerned about having a capitalist, democratic state on their eastern flank?

Sir Anthony Galsworthy: I do not think that that is the principal concern. I think it goes right to the top in Beijing. I think, and I was certainly told when I visited Hong Kong in November last year, that this is receiving attention right from the top in Beijing. I think that they are concerned—here, I must say, I am speaking personally and not really representing the Hong Kong Association—that a part of the population in Hong Kong has not really accepted the status quo, and they are worried that if they do not keep control of arrangements, somebody may get into power who represents that part and may create a crisis between Hong Kong and the mainland. That is something that worries them profoundly, because of, first, the implications for Taiwan and, secondly, what would be seen as the failure of the great concept of “one country, two systems”. All that has a nightmarish quality for the Chinese. So I think that the concern does go right to the top.

Q304 Sir John Stanley: With the enormous expertise you both have in this part of the world, will you tell us what construction you both place on the fact that members of this Committee totally unprecedentedly were debarred from entry into Hong Kong by the Chinese authorities in Hong Kong, I am sure with the support and possibly the instructions of the Beijing regime? That is unprecedented on any previous occasion for this Committee, including earlier visits to Hong Kong, China and indeed anywhere else in the world. As far as we know, that is

unprecedented for any Select Committee in the House of Commons. What construction do you place on that decision by the Chinese?

Lord Powell of Bayswater: For me, they just took a view that it was pouring oil on a fire. It was a very sensitive moment in Hong Kong, they thought that probably the intentions of the Committee were to get engaged in the debate out there in Hong Kong and to give prominence to different points of view and so on, and they did not want it to happen. I am not saying that I support it, but that is clearly their view, and they have the legal position to enforce a ban if they wish to do so. There is nothing in the Joint Declaration about not banning Select Committees from visiting Hong Kong.

Sir Anthony Galsworthy: I think that is broadly right. They were worried. If you think back to the time when this happened, there was still a lot of turmoil in Hong Kong. They were worried that this would add fuel to the fire. They probably envisaged pictures of the Committee meeting the demonstrators on the streets and so on and so forth. I am not saying that the Committee would have done that, but that is probably the sort of thing that was in their minds. It was very regrettable.

Q305 Sir John Stanley: Do you think that that is indicative of an extraordinary degree of fear that the Chinese authorities have about the democracy movement in Hong Kong?

Sir Anthony Galsworthy: I would not call it fear. I think it is caution.

Lord Powell of Bayswater: I think it reflects a certain obsession, bordering on paranoia, about sovereignty, which has always been at the root of everything to do with Hong Kong. As you will recall, Sir John, when Margaret Thatcher went there in 1982, she proposed that the Chinese could have their sovereignty back over Hong Kong, while Britain went on running the place perfectly happily. As you will recall also, the reaction was rather explosive.

Sir John Stanley: She went there as Leader of the Opposition and I was privileged to be with her.

Q306 Mr Baron: We have tended to focus, understandably, on Hong Kong itself, but may I question you both, given your expertise, on what is happening within China in this relationship as well? We are seeing a tremendous time of change in China. They are trying to reorientate their economy away from investment and export-led growth more towards consumer growth, partly reflecting the massive urbanisation they are seeing. We saw the 13th plenum actually make quite a bold statement about cracking down on corruption and that sort of thing. Could you paint a scenario in which China is in certain respects, with clearly defined parameters in place obviously, moving closer to Hong Kong, rather than anything else? There could in some respects be grounds for optimism there.

Sir Anthony Galsworthy: I think that China is moving strongly on the economic side to some pretty drastic reforms of the kind that you suggest. The present Chinese leadership is utterly convinced that unless it can deal with the problem of corruption, its own rule in China will be threatened. They have said so, and I think that they believe it.

I do not think that China is moving closer to Hong Kong in the way that society is organised, because as part of this reform—they would see it as a necessary part—they are also tightening discipline in the country, so that, as observers frequently point out, they are getting tougher on dissent.

Q307 Mr Baron: I meant moving closer in the sense of allowing the market a bigger role in the allocation of resources.

Sir Anthony Galsworthy: Absolutely, in that sense, yes.

Lord Powell of Bayswater: Yes. You can call it moving closer to Hong Kong, moving closer to Britain or moving closer to the free market system. But then you come to the ultimate dilemma of whether you can have a degree of economic liberty without having greater political liberty in the Chinese system.

Q308 Mr Baron: Are you both positive about the outlook for China?

Lord Powell of Bayswater: Yes. I am extremely positive about the outlook in China.

Sir Anthony Galsworthy: Yes.

Q309 Chair: That completes the formal questioning. Do you feel you have got the point of view of the business community over and made the points that you would have liked to?

Lord Powell of Bayswater: I hope so. If nothing else, one would hope that.

Q310 Chair: The message I have is that you think the relationship is strong and the prospects are good and, if handled properly, the business community will continue to prosper.

Lord Powell of Bayswater: Yes, and believes that constitutional reform should move forward in 2017, because that will create the best conditions in Hong Kong.

Q311 Chair: As proposed by the Chinese White Paper?

Lord Powell of Bayswater: Basically, yes.

Chair: Thank you both very much indeed.

Examination of Witnesses

Witnesses: **Rt Hon Hugo Swire MP**, Minister of State, Foreign and Commonwealth Office, **Stephen Lillie**, Director, Asia-Pacific, Foreign and Commonwealth Office, and **Gareth Ward**, Head of China Department, Foreign and Commonwealth Office, gave evidence.

Q312 Chair: May I welcome our second witness today, the Minister of State for the Foreign Office, Hugo Swire? Minister, welcome and thank you very much—it is good to see you back from your travels. Is there anything you would like to say by way of an opening statement?

Oral evidence: The UK's relations with Hong Kong: 30 years after the Joint Declaration, HC

Mr Swire: Briefly, if I may—I am in your hands, of course, Chair, but I have just returned from China and so it might be worthwhile if I just say a few words. In China I saw Foreign Minister Wang Yi and Vice Foreign Minister Wang Chao. We discussed developments in Hong Kong and I again repeated our concerns over the refusal of entry to your Committee. In Hong Kong I saw the president of LegCo, Jasper Tsang, Chief Justice Geoffrey Ma, a range of legislators from all sides of the debate, academics, and representatives of both the British and Hong Kong business communities.

Chief Secretary Carrie Lam has said that Hong Kong is facing a critical situation over constitutional reform. Clearly this has been a period of significant political activity in Hong Kong and there are challenges ahead. At the same time my visit reminded me of how important and vibrant our bilateral relationship with Hong Kong remains, with major opportunities for Britain's prosperity. As I told Minister Wang Chao, I can only reiterate that I too fully subscribe to what the Prime Minister told Premier Li during his visit to the UK in June last year—that Hong Kong's prosperity and stability is in all our interests and that the United Kingdom remains fully committed to the 1984 Sino-British Joint Declaration.

Q313 Chair: Last September, the Foreign Secretary wrote, in response to one of our reports, that the Government describe summoning as a very serious form of diplomatic protest. Do you agree with that?

Mr Swire: Yes, I do. I know, Chairman, that there has been some discussion as to whether we should have summoned the Chinese ambassador over the refusal to let your Committee go to Hong Kong, but the usual point of summoning an ambassador is if there is some uncertainty about the UK Government's position on a particular issue and something needs to be delivered pretty firmly. There was absolutely no lack of clarity about the British Government's position on the refusal to allow your Committee entry into Hong Kong. If you look at my letter to you of 17 November, which rehearses everything that was done and who discussed what and where regarding your visit, it is a pretty lengthy list, and that only goes up to 2 December, so that is before the emergency debate and subsequent meetings. So I think we made our position very, very clear.

When I saw the ambassador, I also wanted to discuss with him other matters, not least the refusal to let Richard Graham go to China, which scuppered the leadership talks there, and I also wanted to discuss the broader aspects of our relationship with China in the wake of what is going to be an extraordinarily important year in 2015, seeing among other things the visit of Prince William, Duke of Cambridge, to China for the first time and a state visit by President Xi later in the year. Formally summoning the ambassador for something that he knew we were discussing with him and his colleagues right the way back to when we first heard of this refusal would have been not entirely a productive thing to have done, frankly.

Q314 Chair: That is not a position that I share—an analysis that I share. You agree that summoning an ambassador is a very serious form of diplomatic protest. I don't know whether, in the Foreign Office, you ever look at any of the diplomatic practice manuals. "Satow's Diplomatic Practice"—I don't know whether I have pronounced that properly—says that a Minister "wishing to communicate his government's message with the greatest

force, will summon a foreign ambassador to receive it personally.” Did you not want to use the greatest force? Did you not think it was a very serious form of diplomatic protest and a summons would be appropriate?

Mr Swire: I think we can stand proud of what we have done about the refusal to allow your Committee entry—

Q315 Chair: Well, we’re focused not just on the message, but on the way the message is delivered. The tone in which the protest is registered influences the impact that the message has.

Mr Swire: We could have summoned the Chinese ambassador, but in the light of everything else I have just explained, I didn’t think it was the right thing for us to do. Also, I have subsequently discussed this with the Foreign Minister and the Vice-Foreign Minister in China. They are totally alive to what they have done and our views of it. They have seen the words we use. We have used the words—the Prime Minister’s spokesman or me or in debates—“regrettable”, “mistaken”, “counter-productive” and “wholly unjustified” and said, crucially, that it is not in the spirit of the Sino-British Joint Declaration. Also, the ambassador was not immediately available at the time, because there was this extraordinary period, right from the early days of November, when we heard rumours that your Committee might be refused entry, but as I explained, we shouldn’t be the messenger—the Government shouldn’t be the messenger—to the Foreign Affairs Committee; we could not respond until the Foreign Affairs Committee was formally told. We have made it absolutely clear—this is something we have been trying to convince the Chinese authorities of—that there is a distinction between the proper work of the Foreign Affairs Committee and the Government. After all, it is up to the Foreign Affairs Committee to hold the Executive to account, which you are doing today. We didn’t want to blur the lines.

Returning to your original suggestion, or charge, that we should have formally summoned the Chinese ambassador, I think, in this particular instance, it would not have served any particular purpose when it was being discussed at the highest levels of Government in China right the way through. There was absolutely no doubt in anybody’s mind of the position of the Government, who thought that the refusal of entry to your Committee into Hong Kong was regrettable, mistaken, counterproductive, wholly unjustified and ultimately not in the spirit of the Sino-British Joint Declaration.

Q316 Chair: What would have had to happen for you to summon the ambassador? How much more offensive could the Chinese Government have been before you said, “I think we’ve got to summon him.”

Mr Swire: When I discussed with the Chinese ambassador and others, I have also used this other phrase, which China is always keen on—they always say they want clarity and certainty in the relationship and no surprises, and they talk about respect. I have stressed at a higher level than the ambassador—

Q317 Chair: We've got that point, Minister. In August 2013, the Spanish ambassador was summoned because of a traffic jam on the border with Gibraltar. Do you put us and our rejection below a traffic jam on the Gibraltar-Spanish border?

Mr Swire: No, I do not. I think that was probably to do with the obstruction of the Guardia Civil in terms of normal traffic. That was a specific issue, at which—

Q318 Chair: You didn't ask him in for a chat and to explain your point of view; he was summoned.

Mr Swire: Mr Chairman, I have just pointed out that we have, all the way through, stressed this. It has been an ongoing dialogue. This is a dialogue, not a one-off complaint of the mistreatment or the insult to your Committee, with which we would agree. This is an ongoing dialogue, which we still raise. This is a live debate with the Chinese as evidenced by my raising it at the highest possible levels in Beijing only last week.

Q319 Chair: Was it you personally who made the decision not to summon the ambassador?

Mr Swire: The decision was taken in the light of what else we were doing.

Q320 Chair: By yourself?

Mr Swire: Ultimately, it was up to me to choose whether to summon the ambassador or not.

Q321 Chair: So you made the decision to not summon the ambassador?

Mr Swire: Well, it was for me to see the Chinese ambassador and it was I who asked to see the Chinese ambassador on his return. It was a collective decision by the Foreign Office that, in this instance, given the fact that we were having an ongoing dialogue and discussions at every level in Beijing with our ambassador in Hong Kong, and in London, there was little point and little to be added by formally summoning the ambassador.

Q322 Chair: Aren't you just showing the same attitude to this Committee that the Chinese Government did?

Mr Swire: Well, I very much hope that is not the case and I hope that members of your Committee do not feel that.

Q323 Chair: Well, we do not easily publish reports saying that an ambassador should be summoned. We do not expect our Foreign Office to say, "No, we don't agree with you. We don't put the rejection that high." Is it not clear to you that the Committee would feel pretty strongly about it?

Mr Swire: But we feel very strongly too. We feel it so strongly that I have raised it, as I said, in Beijing, with their Foreign Minister, which is an extremely high level, and with their Vice-Foreign Minister. I have raised it and will continue to raise it.

Oral evidence: The UK's relations with Hong Kong: 30 years after the Joint Declaration, HC

Q324 Mr Baron: I just reinforce what the Chairman said. The Committee is disappointed, as I think we have made clear through the line of questioning through the Chairman, that a traffic jam in Gibraltar has taken precedence, in many respects, in the force of protest from the Foreign Office with regards to the refusal by the Chinese to allow us into Hong Kong. I think it is partly the perception it creates, whatever the detail. Most of us, if not all of us, would have appreciated a stronger line from the Foreign Office on this. The Chairman has made this line of questioning very clear and I can't see any mileage in pursuing it.

Mr Swire: If I may, just on this subject, what I have also made clear to the Chinese Foreign Minister and the Vice-Foreign Minister is that although relations bilaterally between the British Government and the Chinese Government are at a very good level at the moment, and trade is going well and we are co-operating much more on international issues that are of concern to us all—from Ebola to Iran and so forth—the relationship between the British Parliament and China has been damaged by this. There is no doubt about that. I have made that clear, not only to the Chinese ambassador, but to the Chinese Foreign Minister and the deputy Foreign Minister.

It is my view that the Chinese ambassador now has a job to do in London to rebuild trust and respect with the British Parliament, particularly in the run-up to the state visit of President Xi. I have made that clear, and that was not only when the Chinese ambassador came in. I made it clear to him then, but I have continued to make it clear to people higher up in the system and shall continue to do so. I regret it if the Committee's view is that we were not supportive enough on your refusal. I would argue to the contrary by praying in aid the letter I sent to you and the subsequent debates that we have had. We chose not to summon the Chinese ambassador, but we have also chosen not to let this one drop.

Q325 Sir John Stanley: Minister, did you put the Select Committee's recommendation that the Chinese ambassador should be summoned to the Foreign Secretary? If not, why not?

Mr Swire: These things were certainly discussed within the Foreign Office.

Q326 Sir John Stanley: I am sorry; that is not the answer to my question.

Mr Swire: As a former Minister, Sir John, you will know that we accept collective responsibility for the decision.

Q327 Sir John Stanley: That does not answer my question. Did you put this issue and recommendation to the Foreign Secretary or not?

Mr Swire: Yes, it was certainly discussed.

Q328 Sir John Stanley: And your decision, communicated to our Chairman, was a decision that the Foreign Secretary had personally endorsed?

Mr Swire: Any decision taken on this would have had the endorsement of the Foreign Secretary.

Sir John Stanley: Thank you.

Q329 Andrew Rosindell: Minister, you can see that the Committee is not happy with the Foreign Office's response to what happened before Christmas. Do you see—this is important to emphasise—that the refusal to allow elected British parliamentarians to visit Hong Kong is not just a snub to our Committee but a snub to the British Parliament?

Mr Swire: Yes. Your predecessor Committees had visited Hong Kong, and I suspect that there will be more visits to Hong Kong by your Committee or your successor Committee. The fact is that at the moment we cannot ignore the situation from the Chinese point of view. They regard this as a particularly sensitive time. In fact, they regarded it as a very sensitive time for me to go there on my way back from China at the end of last week. They had just launched a second round of consultations on nominations, which is the way that the whole democratic process is evolving in Hong Kong.

Q330 Andrew Rosindell: Do you think they understand that this is a snub to the British Parliament? Do you think they get that?

Mr Swire: Well, I would be very surprised if they didn't, because that is the point I repeatedly made to them. I said that they have shown disrespect to a parliamentary Committee that, it seems to me, has every right to go to Hong Kong. I made that point, which is why I said that the ambassador in London has a job to do to explain himself more fully, to make himself available and to help build bridges between the British Parliament and China.

Q331 Ann Clwyd: Despite all these representations and conversations, there do not seem to be any results. What happened as a result of all this talk? Let me give you an example. Some 25 years ago, I went with a parliamentary delegation on an official visit to Hong Kong. At the end of that week, three of us decided to go to China, and we booked a visit through a tour company. We got as far as the border. We got to Macau, but they stopped our tour bus at the border. The only three people who were asked to get off the international bus were the three British Members of Parliament. They could not explain at the time what had happened. Afterwards I went to see the Chinese ambassador, and he was very contrite. He said, "It was all a big mistake. One of your Members had 'journalist' listed as their occupation in their passport, and because it was the anniversary of Tiananmen Square we thought that that was going to cause some problems."

We got an apology, and we were then officially invited to China for 10 days, and we took up the invitation. They admitted making a mistake, and I can see that—if some journalist arrives into a sensitive situation such as the Tiananmen Square anniversary. Have they admitted that they made a mistake, or are they just saying, "We didn't want you there because it was inconvenient and sensitive"? I do not see any results, and it seems pretty feeble if you do not get a result.

Mr Swire: No, they have not said that they made a mistake. As we all know, immigration policy is devolved to the Hong Kong authorities but, particularly, the way they saw your inquiry—although we stressed that your inquiry was to hold the British Government to account about how "one country, two systems" was going and had been going at 30 years and 17 years later respectively—was as interference in their internal affairs. Of

course, China has responsibility for the foreign affairs of Hong Kong. That is how they chose to see it.

We told them that that was incorrect and that we have a moral responsibility to monitor the implementation of the Joint Declaration as we would for any other treaty lodged with the United Nations—18,000 other treaties as well. We reminded them that 250,000 British people live and work in Hong Kong at any one time, and there are 3.5 million people with British passports. We do not resile from any of our undertakings made under the Joint Declaration, but they have chosen to see this as interference in the internal affairs of China. I understand that that is why they refused your visas on this occasion.

I stress—I am certainly not a spokesman for the Chinese Government—that there is real nervousness following the events over the past few months with Occupy Central, and given that they have now launched the second round for the consultation process, in which there really is room to improve the democracy that will be on offer at the end of this process. I think they were concerned that had you gone there, it would have attracted some of the protesters and stirred things up, in the same way that subsequently they were concerned that that might happen were I to go to Hong Kong, which I subsequently did. One needs to put oneself in their shoes at that time. Still we believe, as I have rehearsed again, that it was wrong, mistaken, counter-productive, and not in the spirit of the Joint Declaration. I do not know if Stephen or Gareth want to add anything.

Stephen Lillie: I think—

Mr Swire: May I introduce Stephen Lillie, who is the director of Asia-Pacific?

Chair: I was so focused on summoning ambassadors that I have forgotten to welcome you all.

Mr Swire: And Gareth Ward, who is the head of the China department. Collectively, they are going to show you that, despite accusations to the contrary, there is residual knowledge about Hong Kong within the Foreign Office still.

Stephen Lillie: I think, Mr Chairman, that on this occasion the Chinese have taken a very firm position; notwithstanding the clear representations of the Minister that this is an inquiry into British policy, they have chosen to interpret it as an inquiry into Chinese policy, and to say that we have no right to do that under the Joint Declaration and under no circumstances in the current political environment to permit a visit. They have indicated that this is not a permanent ban on the Foreign Affairs Committee but it was the Foreign Office's objective to make clear our very deep concern and unhappiness about what they had done on this occasion. I believe that has been conveyed, including to Foreign Minister Wang Yi, and to that extent there has been a result, albeit not the full result of getting them to change their minds.

Q332 Chair: But Mr Lillie, isn't the weakness in that argument that we started this inquiry long before there were any protests in Hong Kong, and they wrote to us at that point asking

us to abandon the inquiry? Their antagonism towards the inquiry has absolutely nothing to do with the protesters whatever.

Stephen Lillie: Well, it is clear that they have chosen to view the inquiry from the start as interference in the affairs of Hong Kong. The protests have only reinforced that perception, and have made it impossible to gain any degree of co-operation, which at the beginning of the process we hoped that it might be able to get. Certainly, we did not anticipate at the beginning that they would take the completely unprecedented step with any parliamentary Committee of forbidding entry.

Mr Swire: If I might just add, Chair, that at that time, predating even the start of your Committee's inquiry, I wrote an article that appeared in the *South China Morning Post* on 14 September 2013, which said under the headline "Hugo Swire says the transition to universal suffrage can ensure Hong Kong's stability, and it is vital that people have a genuine choice in 2017". That caused concern in some quarters as well.

Chair: And we hung on every word of that article. Mr Rosindell, perhaps you could move the questioning on from the focus on this Committee to Hong Kong.

Q333 Andrew Rosindell: Minister, what in your view are the UK's ongoing obligations to Hong Kong under the joint declaration? How do you feel Britain should be concerned with what is happening in Hong Kong today, in terms of our involvement—should we have an involvement? Should we treat it as a completely foreign country to which we now have no direct connections or do we have an ongoing obligation?

Mr Swire: We absolutely have a moral responsibility and a legal right. This was an agreement entered into by two countries, one presumes in good faith, that was lodged at the United Nations, and it is very specific. It is very remarkable. I think Lord Patten said in his evidence that there were people like Milton Friedman who at the time thought it could not possibly last. Well, so far it has lasted pretty well. Lord Patten also said: "I do not think that it has done too badly so far. In many respects, Hong Kong is still a more liberal society than many in other parts of Asia that are allegedly democratic. To the extent that that has happened while China has been sovereign, China should get some credit." That is an important statement of the situation in Hong Kong.

Economically, Hong Kong is extraordinarily important to the United Kingdom. Over a third of our investment in Asia is through Hong Kong. One of the biggest investors—the biggest investor—in the United Kingdom, employing over 60,000 people, is Hutchison Whampoa, a Hong Kong-based company. It remains an extraordinarily important outlet to the world for China, not least for trading with the RMB, the tie-in with the Shanghai stock exchange and so forth. It is a vibrant and lively place. When I was in Hong Kong, as well as meeting legislators I was able to meet members of the British Chamber of Commerce, which is one of the best in the world. They are concerned about the background noise of the demonstrators and so forth, but are still extraordinarily optimistic about the future of Hong Kong.

It is fair to say that most people I engage with think the British Government's attitude towards Hong Kong and its monitoring of the declaration is, broadly, just about right. Again, it is interesting, and I think reassuring, what President Xi said on 22 September in a meeting with representatives of Hong Kong's business sector. He said that Beijing's policies towards Hong Kong had "not changed and will not change", that it would "firmly adhere" to the "one country, two systems" principle and to Basic Law, and that it would "firmly push ahead with Hong Kong's democratic development and maintain Hong Kong's prosperity and stability". That phrase was also used by Premier Li and Prime Minister Cameron during the former's visit in June last year, when they talked about the important things in Hong Kong being stability and prosperity.

I also see that the Hong Kong Association has submitted written evidence to your Committee, which is broadly in line with what we would agree. I quote the second half: "However, given the strong UK economic and financial interests involved in Hong Kong, the British Government does have a legitimate interest in the achievement of an outcome which is beneficial to the future stability and prosperity of Hong Kong. In our opinion they should therefore, basing themselves on this acknowledged interest, urge all sides to exercise calm and restraint, to refrain from action likely to damage the Hong Kong economy and to seek to reach agreement on a mutually acceptable process which can produce an administration enjoying the confidence of the people of Hong Kong." That is very much our position. I think we are absolutely aligned to that position.

We will continue to publish our six-monthly report. As you know, it was initially an annual report and at the time of handover it became a six-monthly report. There are many people who do not welcome the six-monthly report. I think it is a useful tool, but others have been less obliging about it.

Chair: We will be quizzing you on the six-monthly report shortly.

Q334 Andrew Rosindell: Minister, do you feel that because of the historical connections and the manner in which Hong Kong was handed over to China without, at that time, the democratic choice of the people being given to them—we defend that right in every other area, particularly with the rest of our territories and former colonies. They have all had the right to self-determination, but Hong Kong was never given that right. Do you not feel that because it was under our own Government's decision that this happened with China that we have not just the usual obligation, but actually, a greater moral obligation to uphold the principles of the Joint Declaration and the rights and freedoms of the people of Hong Kong, which we handed over without their consent?

Mr Swire: The rights and freedoms of the people of Hong Kong are paramount, and we believe that those are best defended, guarded and promoted in a democracy, and universal suffrage is a key part of that. I salute Lord Patten. I did not agree with everything in his evidence, but I salute the fact that he tried to move the democratic argument on before handover. Some of the improvements, as I see it, that he made were subsequently reversed, but Basic Law was where this issue of universal suffrage and "democracy" was first discussed.

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Gareth Ward: With your permission, Mr Chairman, just to add a clarification on the specific legal situation, the United Kingdom's obligations under the Joint Declaration were to be fulfilled in the run-up to the handover. Subsequent to the handover, China has obligations under the Joint Declaration, as you mentioned, on rights and freedoms and maintaining the capitalist way of life in China. The UK retains a legal interest, or locus standi, in being able to check, as a counter-party to that treaty, that China is fulfilling its obligations. That is the situation under the Joint Declaration.

Q335 Andrew Rosindell: Okay, but does China see it in the same way? Do they see that we have a moral obligation, because one of their Ministers—Hong Kong's Secretary for Constitutional and Mainland Affairs, Raymond Tam—said that the Joint Declaration had been fulfilled and that there is no such "moral obligation". Are we not being brushed aside and dismissed so that, at the end of the day, China and the Hong Kong authorities can just do what they like? Do you not think that because we have allowed that to happen and are no longer really protesting, except in a very mild way—as demonstrated by the fact that we were refused entry and not a lot has happened against what happened then—we are giving the impression that actually, it is no longer any of our business, that they can do what they like, and that there is nothing much that Britain can do any more, even though they are breaking the spirit of the Joint Declaration?

Mr Swire: No, I do not. I most particularly do not agree with that.

Q336 Andrew Rosindell: So you disagree with the Hong Kong Minister who said that.

Mr Swire: Yes, I do, and whenever a Minister from China or Hong Kong makes that assertion, we are quick to rebut it, either personally or in speeches or debates. We absolutely have rights and responsibilities. This is something we make clear, and I refer back to the Joint Declaration. The Joint Declaration is a remarkable piece of legal work, if you think about where we were back then and the fact that it is, on the whole, robustly holding up. I do not think the principle of one country, two systems has been attempted anywhere else in the world. Of course, there are tensions and pulls as democracy evolves and as Hong Kong develops. Hong Kong is a very different place today from what it was at the time of the Joint Declaration—of that there can be no doubt—but for anyone to say that in some way, handover brought to an end the Joint Declaration, or that Basic Law replaced the Joint Declaration is just not the case.

Q337 Andrew Rosindell: If you are alarmed at Mr Tam's remarks, will you rebut them? Will you make a protest?

Mr Swire: Well, I have raised this. I raised our ongoing moral responsibility and legal interest again with the Foreign Minister in China. I raised it with the head of the Hong Kong and Macau Affairs Office, Wang Guangya, in May 2014. That is not the position of the British Government.

Stephen Lillie: The Chinese Government's tendency to play down the British role in the Joint Declaration is not a new development. Even before the Joint Declaration was

signed, it was the Chinese Government's position to take back Hong Kong and they were going to do it. The Joint Declaration was a significant step forward, because that then became the matter of a bilateral agreement, but almost from day one after the handover—well, after the end of the joint liaison group at the end of 1999—the Chinese Government's position was, “You have discharged your obligations under the Joint Declaration. What matters is Basic Law.” They have always prioritised the Basic Law, although Basic Law itself is a commitment that they made under the Joint Declaration.

I think, and this is documented in the six-monthly reports, that without fail every single British Foreign Secretary since before the handover has stated in very explicit terms our moral and political obligation to Hong Kong, so that has never been in doubt from our side.

Q338 Sir John Stanley: Minister, how do you respond to the view that has been put to our Committee that the Chinese authorities, both in Hong Kong and Beijing, are going down the slippery slope—with their White Paper and the treatment that they have meted out to the peaceful protesters in the Occupy movement—of gradually chipping away and winnowing away at the spirit, if not the letter, of the Joint Declaration, and that over a period they will essentially transform for the worse the basic principles of the Joint Declaration, and certainly by the end of the 50-year period during which it is current?

Mr Swire: It is certainly not in Hong Kong's interests, and I do not believe that it is in China's interests to do that. We examined the White Paper, which at the time exercised us all considerably, and it was deemed that it did not in any way conflict with Basic Law. In fact, it says of the Hong Kong SAR—the Hong Kong Special Administrative Region—that, “It exercises a high degree of autonomy and enjoys executive, legislative and independent judicial power, including that of final adjudication”.

I met the chief justice, Geoffrey Ma, in Hong Kong on Thursday, and we talked about the issue that all of this is dependent on—the independence and robustness of the judiciary, and he was very clear. He said that the judiciary in Hong Kong is fully functioning, the law schools are well attended with good people coming up and that the rule of law is paramount, and is not influenced. He was very positive about that.

I pray in aid the fact that there are a rotating number of senior British judges, some retired and some not. I ran into Lord Phillips of Worth Matravers in the park on the way to see him. Lord Neuberger has said that he would not go out there and take part in judicial proceedings if he did not think the judiciary was independent; from memory, I think that has been echoed by the former Attorney-General, Lord Goldsmith, as well. The robustness of the judiciary is absolutely key in ensuring that the people of Hong Kong continue to enjoy the autonomy that the White Paper, among other things, alludes to.

A good game to play, if you like, and one which we played in Hong Kong, is, “Do you think China is going to look more like Hong Kong in 50 years' time, or do you think that Hong Kong is going to look more like China in 50 years' time?” That was a question I put to, among others, the business community, and the common sense was that they would both begin to look more like one another; there would be movement on both sides.

As I say again, and as Lord Patten said, there were people at the time of the Sino-British declaration who didn't believe that the one country, two systems structure would exist. It has now existed for 30 years—well, it's 17 years since the Joint Declaration—and I think it will continue to exist for its remaining period. And there is no time limit on it; it is not just for 50 years. It will probably continue—one would hope—beyond that.

I say again, Hong Kong is a different place from what it was at that time, and it is not possible to believe that Hong Kong will not evolve in some other direction going forward; but the fundamental principles must be robustly defended. There is a perfectly cogent argument, which says what is being offered at the moment in terms of the movement towards democracy, or a democracy that all of us in this room would recognise, goes some way beyond anything that has been attempted so far. It may not be perfect in terms of who you can actually vote for, but the principle of universal suffrage is there, and the negotiations have now started in earnest, during the second round, on who will constitute the nomination committee and how many candidates will then end up being allowed to be voted for at the end of the day.

Q339 Chair: We will be pressing that point in detail.

Minister, I do not want to cut you short in any way. We have got through about a fifth of the questions so far, so if we could stay focused in the answers—

Mr Swire: We are available to you for as long as you need us.

Q340 Chair: That is much appreciated and very welcome.

Can I turn to the work of the consulate in Hong Kong? It is one of the largest consulates. Why is that, and what are the most important aspects of its work?

Mr Swire: I think the consulate in Hong Kong is in a different position from other consulates around the world. It reports straight back to London. Obviously, given the history of Hong Kong, it is multifaceted, as I say. There are over a quarter of a million British people living and working in Hong Kong at any one time, and it looks after our extremely healthy trade relationship, which it supports with UKTI. It also is extraordinarily important—I pay tribute to our Consul-General Caroline Wilson, who I think does an excellent job there—in bringing together people from different groups. Certainly, when I was there, there were people who were able to come and meet and discuss these issues which we are discussing this afternoon, in the privacy of the consulate. Some said “We have never sat round a table like this together, to discuss these issues.” There is a huge role politically there, in terms of bringing people together, in the Consul-General, but, Gareth, if I may turn to you.

Gareth Ward: You rightly point out, Mr Chairman, that it is a large consulate—95 staff and a significant operational budget of £1.4 million for next financial year. I think it is large for three reasons. First, Hong Kong is the UK's second largest export market in Asia, behind only China, and there is a big prosperity and trade promotion role there. I could go into more detail if you wish.

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Secondly, it is the depth of the political relationship, the bilateral relationship, and the range of issues that we cover. Thirdly, it is a hub post, which provides a lot of services to other Foreign Office posts, in particular on the consular side, where it is the consular call centre for 33 posts in the Asia Pacific region, and let us not forget the consular services directly to the 260,000 Brits who are resident there and the 500,000 Brits who travel there each year. If there are any particular areas you would like me to go into further, I can.

Q341 Chair: Could you give me an example of a key policy where you have worked with the Hong Kong Government, and the results?

Gareth Ward: A key policy that we have worked on over the last two years has been renminbi internationalisation. Hong Kong's share of the global renminbi market is currently 62%. It is a fast growing market, growing 70% year on year, and because Hong Kong is the hub, and because British financial services companies are so well represented there—some of the 120 British companies with headquarters in Asia Pacific—we have a renminbi policy forum, which is run by the consulate, which allows privileged access and relationships, and definitely has contributed to the fact that London is now, after Hong Kong, the most important renminbi centre outside China.

Q342 Chair: Could you give me some idea of the chain of command here? Is Hong Kong directed from the Foreign Office here in London, or does it come from Beijing?

Gareth Ward: The Consul-General reports to me, as head of the China department, and is countersigned by Stephen, as the director, so it reports to London, which is unusual for a consulate. Of course, the consulate co-operates very much with mainland posts, so with the embassy in Beijing and, in particular, with the consulate in Guangzhou—the Pearl river delta is increasingly interacting with Hong Kong as an economic entity. That reporting relationship means that Hong Kong issues get the extra scrutiny that they require.

Q343 Chair: Is that historical—is that the way it has always been?

Gareth Ward: That's the way it has been since handover, yes.

Q344 Chair: Is there any local co-operation at all? I am sure that there is some co-operation between Beijing and Hong Kong, but what is its extent—how far does it go?

Gareth Ward: There is a quarterly meeting of posts in the China network, in which Hong Kong is invited to participate and to which it does send staff. There are particular policy initiatives. As I say, the Pearl river delta initiative is a joint initiative between our consulates in Guangzhou and Hong Kong that aims to capture the benefits of the infrastructure that is being built between Hong Kong and the mainland. Around renminbi issues there is co-operation with Shanghai and stock connect, which is a new initiative to allow foreign investors to invest in two renminbi-denominated stocks through Hong Kong.

Mr Swire: If I may just add, Mr Chairman, that reinforces the point that Hong Kong is an important hub for inward investment and trade into mainland China. To give an example, in 2013, an estimated 11.2% of the total two-way trade between the UK and the mainland—

some £4.7 billion—was routed through Hong Kong. So there are enormous commercial tie-ups between the consulate and mainland China.

Q345 Mr Baron: Minister, you are probably picking up a theme, which is that we have had a lot of evidence criticising the UK Government's approach to or support—if you like—of the protestors. May I turn to the six-monthly reports? You mentioned them yourself. I think the next one is due for presentation to Parliament soon, taking us up to the end of last year. Can you give us any insight into that? Will it deviate from previous reports? Will it hold, for example, that there has been no breach of the Joint Declaration? Does the Foreign Office still believe that one country, two systems continues to work well?

Mr Swire: I do not know whether I have any drafts of that report, but you are absolutely right that it is imminent in the next week or two. It is the 36th in a series of reports to Parliament since 1997 on the implementation of the Sino-British Joint Declaration. As you say, it covers from 1 July to 31 December 2014, which of course covers the 30th anniversary of the signing of the Joint Declaration. Mr Lillie, on my right, spent the whole of Christmas reading the 18 past versions of the Joint Declaration, which says something about either the Joint Declaration or Mr Lillie's Christmas—I am not sure, but he is absolutely steeped in the six-monthly reports.

The draft conclusion that I can share with you is that we say that our report to Parliament reflects the importance that we still attach to the continued faithful implementation of the Sino-British Joint Declaration on Hong Kong. We say that in the previous report we concluded that one country, two systems worked well; that although we believe it has been put to the test, it continues to function in general; and that the rights and freedoms enshrined in basic law and the Joint Declaration continue to be generally respected. As it covers the period up to 31 December 2014, it will not come as a total surprise to you that all the problems surrounding your visit to Hong Kong are also included in the report.

Q346 Mr Baron: Mr Lillie obviously had a tremendous Christmas, but can I pin you down a little? Perhaps you would like to bring Mr Lillie in—I don't know. We are getting evidence to suggest that the younger generation in particular—those involved in the protests—feel as though their voice has been excluded from the reports. How are the reports constructed, how do the evidence sessions work and how do you gather the evidence? That would give the Committee an idea of how it is put together and how representative it is.

Stephen Lillie: First, the reports are drafted by our colleagues in the Consulate General. They send their draft back to us, and we work through it with them. We discuss areas of possible disagreement and areas that might have been left out. Once we have an agreed text at official level, we submit it to the Minister and, ultimately, to the Foreign Secretary, who writes the foreword. It is really the distillation of six months of diplomatic activity by the Consulate. They don't hold evidence sessions but, as part of their ongoing day-to-day work, the political team and the Consul-General are constantly analysing what is going on in Hong Kong, monitoring the media and talking to legislators, officials, business and civil society. There is a very wide range of opinion, and if one goes back over the 35 reports—I didn't do this on Christmas day, I hasten to add—one sees that a very wide range

of different opinions are captured. I am not sure that I recognise the perception that voices are being excluded.

Q347 Mr Baron: May I just quiz you on that? To what extent are the reports amended when they come back to London? The view is that it isn't capturing the protest debate or the younger generation. Those reports may be in the local Consulate's draft, but how does your final version differ from the draft?

Stephen Lillie: We are monitoring the situation from here, too, so we will amend the report if we believe there are issues that haven't been fully captured. The differences are not generally great, and normally the biggest discussion covers the terms of the Foreign Secretary's foreword, which is effectively the main political opinion that is expressed. If we look ahead to the 36th report, it will inevitably give a very full account of the protests from the early days of Occupy Central being conceived through to the beginning of the specific student protests, after which things snowballed and Occupy Central was launched. The report will talk about the different motivations, which of course, in a significant part, are about the question of democracy and universal suffrage, but there are very many other concerns. This is something that many people discussed with the Minister when we were in Hong Kong last week. There are issues on livelihood and the wealth gap.

Q348 Mr Baron: Minister, I put it to you that we have had some witnesses describe the six-month reports as "anodyne" and "weak." Other witnesses have been less kind, but I think they have overegged it. What is your response to those criticisms?

Mr Swire: I haven't seen anything worse than "anodyne" or "weak," but I read them with interest. People must make up their own minds about this report. Ultimately, the reports serve a useful purpose. They are a good marker and are a good way of marking to Parliament what we have been doing every six months. Despite some on the other side who would like us to desist from producing the reports, we will continue to do so. I think the reports are a pretty fair reflection of what is going on on the ground. When you watch television and read reports, you sometimes get one view coming through, which is often not the only view. We should never forget when we see the protestors and Occupy Central in Hong Kong that some of them, as Stephen Lillie just said, were on the streets for different reasons. In all this, being a democracy, we shouldn't forget that a very significant part of the population didn't want these protests to go ahead at all. My concern emanating from all this—this was voiced to me by the British business community and some members of the LegCo—is the long-term damage.

Hong Kong is not immune to street protests—of course there is a healthy tradition of street protests, as there is here in the UK—but the difference is that we haven't previously seen such a lengthy street protest in Hong Kong. The potential to polarise society in Hong Kong is quite concerning.

Hong Kong is not immune to street protests—of course, there is a healthy tradition of street protests, as there is here in the UK—but the difference is that we haven't previously seen such a lengthy street protest in Hong Kong before. The potential to polarise society in Hong Kong is quite concerning. Stephen Lillie referred to some of the other, underlying

problems and tensions in Hong Kong—affordability of housing, the disparity of wealth, the crowding of some of the communities, and so forth. Those are real underlying issues, and I very much hope that once the constitutional arrangements are over and behind us, the Government in Hong Kong can concentrate on some of these underlying tensions, which have undoubtedly been exacerbated by the recent scenes we have seen with the protests.

Q349 Chair: When we started this inquiry, I too started reading some of the six-monthly reports, trying to find out what the Government’s position was. They tended to give rather factual reports of what was going on, rather than any expression of opinion. Could that be construed as a weakness of those reports?

Mr Swire: We talk in this report about constitutional developments; we comment on the refusal to allow your Committee’s visit; we talk about the reform process; we talk about the rule of law, confidence in the legal and judicial systems—we make comments about all of this. We talk about the state of the Joint Declaration.

Q350 Chair: Could I give you an example? On democracy, you say—or the Foreign Office says—“We hope Hong Kong will move towards a consensus”.

Mr Swire: Yes.

Chair: Fine. But that is not saying if you think democracy is a good thing or a bad thing.

Mr Swire: No, I think we have said repeatedly that we believe—all of us in this room, I would imagine, would agree—that democracy is a good thing and democracy underpins stability and prosperity, which is what we want to see.

Q351 Chair: Let me be a bit more precise. You haven’t said whether or not you welcome the White Paper and think it’s got it right.

Mr Swire: We have said that we welcome the fact that the second round has now been launched in Hong Kong. It’s live: this is a period—

Chair: Well, that’s easy.

Mr Swire: What’s not easy is to steer the right line between encouraging these moves towards democracy and being perceived to interfere, because at the end of the day, it is our belief—we have been absolutely consistent in this—that these matters can only be resolved by the people of Hong Kong, the SAR Government and the NPC Standing Committee. It is not for the UK Government to try and prescribe what democracy ends up looking like in Hong Kong. We are supportive of universal suffrage; as democrats, we are of course supportive of democracy; but beyond that, I do not think it is for us to prescribe what system they get.

There is no such thing as a perfect democracy. The question that the people of Hong Kong have to ask themselves—particularly LegCo, which has the power to endorse these reforms or not—is whether getting something is better than getting nothing at all. If these new changes are not endorsed by two thirds of LegCo, the end result will be that in 2017, the

Chief Executive will end up being elected by exactly the same process as before—1,200 people in a nomination committee—and you can push the 2020 date for universal suffrage for LegCo beyond that.

Q352 Chair: So would you advise LegCo to accept the proposals?

Mr Swire: I would advise LegCo to use this opportunity—and Carrie Lam has said there is a genuine opportunity to improve and change between now and the next—

Chair *indicated dissent.*

Mr Swire: You shake your head with some disbelief—you may well be right—but my glass—

Chair: I just think the question could have been answered yes or no.

Mr Swire: No, because in all fairness I think it's more complicated than that. My glass is half full. I think the Chinese Government, the NPC Standing Committee and the SAR in Hong Kong genuinely have taken into account what the protesters have been protesting about—they are concerned about that. We have seen how nervous they are about a perception of foreign interference and I think they want to move the thing on.

Where that ends up, I don't know; but what I have said in Hong Kong and elsewhere, and will continue to say, is that I urge people to really look at what is on offer, to try and get a better deal if they want to. But ultimately it is LegCo that needs to be persuaded, and there are only a small number of people who have to change the way they vote, because without them endorsing any proposal, it's not going anywhere.

Q353 Chair: Minister, I only go down this line of questioning because the witnesses before you—Sir Anthony Galsworthy and Lord Powell—were models of clarity in saying that they thought, in their advice, that LegCo should accept it.

Mr Swire: They're diplomats. I'm just a Minister.

My view is that LegCo need to ask themselves, if they do not get any move on the status quo, if they do not get any improvement on what is on the table now, are they better endorsing what is on the table? Does that take them further down the road toward democracy or not? My answer would be pretty simple: if they do not endorse the proposals on the table now, or those that may be on the table in a few months' time, after this period of consultation, then the status quo applies; then, you will have a Chief Executive elected in 2017 by the existing nomination committee of 1,200, which is not, I would suggest, as democratic as it could be, and that's an understatement; and you will not have universal suffrage—the ultimate goal for LegCo—in 2020. So you have to ask yourself: does that take us further down the road towards representative, understandable, transparent democracy, or not? I think it answers itself.

Chair: I think I interpret that as encouraging LegCo to accept what is on the table.

Oral evidence: The UK's relations with Hong Kong: 30 years after the Joint Declaration, HC

Q354 Andrew Rosindell: Minister, what do you say to the witnesses we had last year who said to this Committee that the high degree of autonomy guaranteed in the Joint Declaration had gradually been eroded? Do you think they have a point?

Mr Swire: I think it is an ongoing concern, but if you refer back to what I read out from the White Paper and the comments I read out from President Xi, and if you read what we say in our six-monthly report, you will see that Hong Kong does continue to enjoy a degree of autonomy. I say again that it is very remarkable that, this far down the line, the consensus—shared even by Lord Patten—is that one country, two systems is working well and the autonomous state of Hong Kong is broadly accepted.

Q355 Andrew Rosindell: You do not think it has been eroded at all?

Mr Swire: I think we have to be vigilant, but I return to the issue: one of the key points as far as I am concerned is the freedom of the press and the independence of the judiciary.

Q356 Andrew Rosindell: You do not think that currently there has been any erosion?

Mr Swire: I think we need to be vigilant, but the system is still standing. It has been under strain, and that is what we will be saying, I think, in our six-monthly report, but it is still standing the test of time.

Q357 Andrew Rosindell: You are confident, Minister, that the rule of law remains intact in Hong Kong?

Mr Swire: I am reassured by the Chief Justice of Hong Kong and by the British judges who travel there periodically throughout the year that judicial independence is alive and well and robust, yes.

Stephen Lillie: When we measure the high degree of autonomy in Hong Kong and whether one country, two systems is operating, we look at whether the commitments made in the Joint Declaration and reflected in the Basic Law are happening. So on the judiciary and the independence of law, we ask: are the courts functioning normally? Are there concerns about interference in the judicial system? Is the Hong Kong Government exercising its powers? Is LegCo legislating on the issues that are reserved to it?

I think we take a very clear view that all those things are happening, but what we try to do in the six-monthly reports—as one who has over many years either contributed to or edited these, I take responsibility for the alleged blandness—is describe issues that are relevant to the rights and freedoms of Hong Kong. Self-censorship is something we have talked about repeatedly in reports—whether there is self-censorship or intimidation of the press. I think we have been very explicit in acknowledging concerns about that and the debate about that, but we make a distinction between the fact that those issues are being talked about and there are concerns about self-censorship and the fact that Hong Kong's legal rights and

constitutional arrangements, in our view, remain robust, and people can go to law to defend their rights and freedoms.

Gareth Ward: If you will permit one addition, this has been a testing period for the political and judicial institutions in Hong Kong. We have been following very closely the way the protests have been handled, both the law enforcement response and the judicial measures to take injunctions and the clearance procedures, and, at least at this draft stage, we will be reporting that their response has been proportionate, that the rule of law has stood up to the test, and that the judicial processes have been followed—due process, habeas corpus, proper approach to arrest and investigation of the small number of incidents that do appear to have been disproportionate.

Mr Swire: I reiterate that we are vigilant about any erosion. We are comforted by what the judges, both British and Hong Kong, are saying about the rule of law. The other rider to that, which I think is of equal importance, is freedom of the press, and we do have some concerns about erosion there.

Q358 Ann Clwyd: In contrast to what you seem to be saying about press freedom, several of the witnesses have voiced concern about the erosion of press freedoms. They talk about the six-monthly reports, which you say have noted the concerns, but which do not go far enough in condemning threats to press freedoms. I will be interested to know how you have done that.

Mr Swire: You will forgive me for being unable to comment in detail on the six-monthly report. It is at draft stage, and I have probably said more than I meant to already, but we certainly refer to press freedom.

Look, we have been following some of the attacks on some chief executives of some newspapers and so forth in Hong Kong recently. Any attack on a journalist or a newspaper is utterly reprehensible, as evidenced by the reaction of millions of people in Paris the day before yesterday. I have met with the press when I was in Hong Kong and I would say it is a pretty lively free press, and there seems to be a lot of it. You hear about allegations of intimidation of some newspapers—the one called *Apple*, I think, which has come under a degree of intimidation—but we are very mindful of the accusations that self-censorship is a big issue. I raised our concerns about erosion of press freedom and some of the allegations that were being made with Wang Guangya, the head of the Hong Kong and Macau office, in Beijing in 2014.

We will continue to monitor this very closely, but on the whole, my assessment would be that of course we view these stories about intimidation and so forth extremely seriously, but there is probably enough press in Hong Kong to compensate for anyone who is self-censoring.

Ann Clwyd: Mr Joshi, of the Foreign Correspondents' Club in Hong Kong—*[Interruption.]*

Sitting suspended for Divisions in the House.

On resuming—

Chair: We will continue now that we have a quorum. I don't know whether other colleagues will turn up. Ann, you talking about the press.

Q359 Ann Clwyd: Jitendra Joshi of the Foreign Correspondents Club said, "Journalists have clearly expressed their concerns about the erosion of press freedom to officials from the UK consulate, but there was a feeling among many that the UK perhaps has a moral responsibility to speak out, and some would say that it has not spoken out as forcefully as it might have done." What would you say to that?

Mr Swire: I would repeat again that I raised our concerns about press freedoms with Wang Guangya, the head of the Hong Kong and Macau Affairs Office in Beijing, in May last year. We spend a considerable amount of time on the six-monthly report going into this. The SAR Government have said that they will continue to respect and value press freedom, but we are concerned—there is no shying away from it—about reports threatening the freedom of some of it. It is worth caveating that by saying that, at a time when the BBC and various websites were blocked in mainland China, they were not blocked in Hong Kong, as far as I am aware, which therefore suggests that there is a greater degree of freedom in Hong Kong than elsewhere. That was seen to be in line with its unique position.

I said to Mr Rosindell that there are three things that concern me about Hong Kong: first, the polarisation caused by the protests; secondly, the independence of the judiciary, and I have told the Committee that I am reassured by what I hear from UK judges and from the Chief Justice himself; and thirdly, no doubt about it, the independence and freedom of the press. We have read those reports, and we have heard the attacks on the New Media group chairman, Jimmy Lai, and others, and we are very concerned about that. I have raised it with the Minister responsible for Hong Kong and Macau affairs in Beijing, and we will continue to raise it with the SAR Government, who tell us that they are committed to press freedom.

Q360 Ann Clwyd: You will continue to flag it up, then?

Mr Swire: Yes, we certainly will, and we very much flag it up in our six-monthly report. Further than that, the Hong Kong Journalists Association wrote their 2014 annual report, which I am sure your Committee has considered, "Press freedom under siege."

Q361 Mr Baron: Minister, may I turn us to the FCO's statements regarding constitutional reform? You have touched on that, but it might be worth dwelling on it for a moment. In his evidence to the Committee, Lord Patten said that progress to universal suffrage has perhaps been slower than was hoped for at the time of the signing of the declaration. What is your view on that? Do you agree?

Mr Swire: I have read what Lord Patten said, and I would be interested to read Lord Powell's evidence if he was asked the same question—of course, I haven't had access to that because he was in front of your Committee just before me. I wonder whether he would agree with that sentiment. The point about the Joint Declaration is that it doesn't allude to any kind

of universal suffrage or democracy. That comes out of Basic Law, so I think there has been some confusion between Basic Law and the Joint Declaration in that respect.

Earlier, I was invited to come down on one side or the other as to whether I endorsed the package. The truth of the matter is that there is no package yet, so to speak. There is a five-stage process overall and, in terms of the consultation, the second round has just been launched—I repeat again that Carrie Lam said that there is plenty of room to change the architecture of democracy.

What is our role in all this? Because I think it is so excellent, I will just put in front of you the written evidence given to you by the Hong Kong Association: “In our opinion they”—that is us, the Government—“should therefore, basing themselves on this acknowledged interest, urge all sides to exercise calm and restraint, to refrain from action likely to damage the Hong Kong economy, and”—this is critical—“to seek to reach agreement on a mutually acceptable process which can produce an administration enjoying the confidence of the people of Hong Kong.” Now, an Administration can achieve the confidence of the people of Hong Kong by being more accountable to and representative of the people of Hong Kong.

Lord Patten says that he hopes that democracy in Hong Kong will be further advanced by 2015—that is his own view; as I said earlier, some of the reforms he enacted were immediately reversed upon handover—but I take a different view. I think it is a slow, tortuous path, which is why I really do urge members of LegCo to look at what is currently on offer and to seek to fashion it in a different way if that is what they want to do. However, at the end of the day, at the risk of infuriating the Committee, I stress again that the decisions about the minutiae of what democracy looks like in Hong Kong and the constitutional settlement that they reach must be, and are properly, up to the people of Hong Kong, the SAR Government and the Government in Beijing.

Q362 Mr Baron: May I suggest, Minister, that your line that it is difficult to fall off the fence on one side or the other because we are not sure what the package is takes us only so far? As a Committee, we are requesting clarity from the Foreign and Commonwealth Office. For example, the FCO has repeatedly said that the people of Hong Kong should have “a genuine choice” and “a real stake in the outcome” of the 2017 Chief Executive elections. What does that actually mean?

Mr Swire: A genuine choice can mean something different from what we would regard as a genuine choice and from what other democracies around the world regard as a genuine choice.

Q363 Mr Baron: What does it mean from your point of view?

Mr Swire: In terms of British democracy, I would say that a genuine choice was the ability to vote for whichever leader you chose to vote for. The qualification levels for becoming a party leader in the UK are clearly different, but if I may phrase the—

Mr Baron: And to chose the candidates themselves.

Mr Swire: Well, the candidates are chosen in different ways in different democracies, whether through primaries in the United States or the way we do it here in the UK. There is no exact template, but clearly choice is important. The first thing is universal suffrage—everyone can vote—and widening the levels of choice is another issue.

The other thing to point out is this: I discussed this issue with the president of LegCo, Jasper Tsang, and he said that even if you end up with three candidates—the qualification to become a candidate is another issue; it is extraordinarily complicated, with the nomination committee and the different thresholds—I think I am right in saying that there will be three of them, or possibly four.

Stephen Lillie: Up to three.

Mr Swire: Whichever of them end up as candidates, they will then have to submit themselves to the electorate, which is universal—suffrage in Hong Kong will be universal—and therefore have their own manifestos. They will have to distinguish themselves from each other, otherwise they will not get elected. At that point, that becomes a genuine choice.

Q364 Mr Baron: Minister, we are splitting hairs, because the bottom line is that it is the choice of the candidates themselves that is important. You described various different political systems in the west—primaries and so forth; whichever one you choose, they do not restrict the nature of the candidates themselves. They do not try to put forward a limited choice. We are trying to seek absolute clarity. One cannot help but get the feeling that the FCO is being intentionally ambiguous in order to avoid taking a clear stance on this. I come back to my original question: the FCO has used terms such as “genuine choice” and “a real stake in the outcome” of the 2017 elections—what exactly does that mean?

Mr Swire: I think it means very clearly—I think we are being very unambiguous—that we are saying that we want a package to the benefit of all the people of Hong Kong to be endorsed, because we very much want to see this road to a purer form of democracy undertaken by 2017 and, ultimately, in 2020. That is the stark choice, because if they do not agree it with two thirds of LegCo, none of this is going to happen—not even what we don’t know is going to be proposed at the end of this consultation period. That is the choice that the people are going to have to make, that is the choice that the demonstrators are going to have to take on board, and that is the choice for the members of LegCo. I can tell you that there is a robust discussion among people in LegCo who take very absolutist positions to the public. Some of them, a good number of them—it remains to be seen how many—recognise that something is better than nothing. It may not be pure or perfect, but this does represent a genuine improvement on the status quo.

Q365 Mr Baron: There is a risk that the Liberals may be ahead of the FCO on this. Am I not correct in saying that the Deputy Prime Minister, on 30 September, requested an urgent meeting with the Chinese ambassador stating, “It is essential that the people of Hong Kong have a genuine choice of chief executive in 2017, through universal suffrage”? That would suggest that the Deputy Prime Minister is somewhat ahead of the FCO, wouldn’t it?

Mr Swire: We are all for universal suffrage.

Q366 Mr Baron: Yes, but he is applying it specifically to the 2017 elections.

Mr Swire: Yes, and we want them to have universal suffrage.

Q367 Mr Baron: So the FCO definitely believes in universal suffrage, and genuine and free choice of candidates for the 2017 elections?

Mr Swire: The FCO definitely believes that democracy is the best way of underpinning freedoms, liberty, and the prosperity and stability of the people of Hong Kong.

Q368 Mr Baron: With respect, Minister, that does not answer the question. I am talking about these 2017 elections.

Mr Swire: But, with all due respect, we do not actually know. You are asking me to—

Q369 Mr Baron: Define universal suffrage, then.

Mr Swire: Universal suffrage is the right for everybody over a certain age to vote. The issue here is the nomination committee, and who will be eligible to be voted for. That is the kernel of the argument.

Q370 Mr Baron: Okay. Just pursuing this a little, do you think that the NPC's August decision allows for genuine choice in the 2017 elections?

Stephen Lillie: The Minister will say if I am not being ambiguous enough. It is clear that Beijing, by common consent, has ordained a fairly restrictive framework for 2017. We are not arguing with that. They have been clear that there will have to be a 1,200-person nominating committee that will choose the candidates that the electorate of Hong Kong will then choose between by universal suffrage. The big question now is: is it possible to devise detailed arrangements, within the terms of the NPC decision, that allow up to three candidates to emerge from the nominating committee who do not all look exactly the same, with the same range of policies and the same political affiliation? Is it possible to have three candidates who broadly come from across Hong Kong's political spectrum, from the pan-dems to the more pro-Beijing parties?

Our assessment is that it is still possible to come up with arrangements that would allow that, and that is very much what the debate in Hong Kong is now about. It is about who can be put forward for consideration by the nominating committee, whether it is possible to get a good range of people going in there, and whether the nominating committee will operate in a transparent way, so that people are not immediately blackballed because they have particular political beliefs. We believe that it is possible for that to come out.

If by genuine choice we mean unlimited choice, it will not provide that; but if we mean having candidates who are distinct—for argument's sake, having candidates who are pro-business on one hand and pro-livelihood on the other—I think that is possible. *Mr Swire:* There are also the issues surrounding the actual composition of that nomination. There

were some people demonstrating who want to have civil society as one of the groups represented on the nomination committee. I think civil society is specifically ruled out, or certainly not in the Basic Law at all.

Gareth Ward: If you want, we can go into the detail more. For instance, some members of the nominating committee are elected by a franchise and some are not. Those sorts of changes would, of course, make the nominating committee element, which is the first threshold, more representative. You asked whether the FCO was being ambiguous. We are taking into account whether and how our public statement will play into the debate. We have heard from a range of parties in the most important element now, which is LegCo, that it is not necessarily going to be helpful to the objective that we have set out—universal suffrage and genuine choice—for us to be pushing certain models.

Mr Swire: That is rather a key point, if I might say so. There will always be those who urge the British Government to get involved in something more and to say more, but the people at the coal face, of all political parties, in LegCo really do not think that it would be very helpful for the UK to get involved in the detail. That would be contrary, anyway, to our view that this must be for them to decide, along with the NPC Standing Committee and the SAR.

Q371 Mr Baron: Very briefly, Minister, the problem we have is that we have listened to a body of evidence that suggests otherwise—people who do think that there is a role for the Government to be more robust in its support of the protesters. In responding to Mr Lillie’s answer, there was an element of ambiguity. Can I ask for a straightforward answer? Do you think that the NPC’s August elections allow for genuine choice? Yes or no?

Stephen Lillie: Yes.

Q372 Mr Baron: If that is the case, why has the FCO not stated its support for the decision?

Stephen Lillie: We have welcomed the green light for universal suffrage that the decision gave. That was our very first response, and it displeased a lot of people in Hong Kong. The point is that the NPC’s decision is the framework, and what now needs to happen is that there has to be a detailed Bill to the Legislative Council, which will cover more specifics than the NPC framework. We have to see that Bill before we can say that we have achieved genuine choice.

Mr Swire: If I may, I will just refer to a statement that we put out on 31 August in response to the NPC decision, in which we stated: “We welcome the confirmation that China’s objective is for the election of Hong Kong’s Chief Executive through universal suffrage. The UK’s position has always been that the detail of the constitutional package is for the Governments of Hong Kong and China and the people of Hong Kong to decide in line with the Basic Law. While we recognise that there is no perfect model, the important thing is that the people of Hong Kong have a genuine choice and a real stake in the outcome. We recognise that the detailed terms that the National People’s Congress has set for the 2017 election will disappoint those who are arguing for a more open nomination process. We hope that the next period of consultation will produce arrangements which allow a meaningful

advance for democracy in Hong Kong, and we encourage all parties to engage constructively in discussion to that end.”

I think that this is what it boils down to. Will any package put to LegCo represent a meaningful advance for democracy? It may not be the perfect model, but will it represent a meaningful advance for democracy in Hong Kong? That is the question, it seems to me.

Q373 Mr Baron: Let us move on. It will not surprise you that we are going to focus on the criticisms of the UK’s response to recent events and pursue that a little more. You have picked up the tenor of the line of questioning: there is real, deep concern out there. We have heard what you have said in your response, Minister, and indeed your officials. Can I put this to you? We have had no shortage of witnesses who have accused the UK of abrogating its responsibility to speak out in support of pro-democracy protests. In other words, we have used the language of genuine choice. We have used words like “regrettable”, and all the rest of it. Some would say that that has been far too weak, given the extent of the alarm that this has caused. You would obviously refute that. What comfort can you give the people of Hong Kong that the British Government is there with them at their time of need, should it arise in the future?

Mr Swire: I think we have been very consistent in the statements that we have made, talking about prosperity, stability and democracy. We cannot be clearer than that. I do not know when members of your Committee—obviously not collectively, but individually—were last in Hong Kong and talked to anyone on the ground there, but I am personally reassured, having just been to Hong Kong, that we have got it just about right. That was talking to the British business community as well as very polarised members of LegCo. In terms of what the protesters want, some want one thing and others want another.

There are underlying tensions, which some of the demonstrators are demonstrating about, and we have talked about the affordability of housing, job opportunities and so forth—issues not unknown here, actually. However, at the end of the day it boils down to whether they can have an apples-and-pears outcome to all this—an all-singing, all-dancing western-style democracy—or whether what is happening represents a genuine move in the right direction.

This is something that was not really envisaged at the time of handover; it was born out of Basic Law, and we should, in a sense, respect how far it has come. Put yourself in the position of the Government in Beijing: we have an entirely different form of Government, as was thought of under “one country, two systems”, but what we are seeing is moving the goalposts—it is difficult to argue that this is not moving things on. It may not be moving them on to the destination we want, but maybe this is not its final destination; maybe this is a significant move on the path towards a kind of democracy that we would be more at ease with.

Q374 Mr Baron: Your line of argument—it is a reasonable one, Minister—is that it matters less whether we are at an acceptable end, than what our direction of travel is; that is more important to the Foreign Office at the moment. Some would argue that the FCO’s policy on China has been a failure, based on the realistic belief that appeasement, if you like, is the best

way to deal with a nation you have no power or leverage over. Where do you draw the line between those two?

Mr Swire: Well, I have heard that said too. I would be interested in any evidence that we have appeased China.

Q375 Mr Baron: We could point you to a body of evidence. There is no shortage of witnesses who have said that that is exactly what they think is happening here, so where do you draw the line in that distinction?

Mr Swire: But in all fairness, there are other people out there who would say that our relationship with China is extremely good at the moment. We attract more inward investment from China than from any other country to renew our critical infrastructure—from companies such as Huawei to MTR, whom I saw in Hong Kong, who are trying to get some of the rail franchises. Our bilateral trade figures are extremely good. Democracy is opening up slowly in Hong Kong. Hong Kong is booming, and China is rapidly transforming itself and beginning to co-operate with the western community—the civilised world—on issues that it simply had not done before: counter-terrorism, Ebola, discussions on cyber, Iran—all these other issues, which were perhaps unthinkable 10 or 15 years ago.

From my perspective, we are entering into a new relationship with China. Of course there are going to be tensions. It is absolutely ridiculous to think that the British and the Chinese come to the same problem thinking the same things—we are two entirely different cultures—but we need to understand these other cultures and respect each other before we can have these discussions. I would refute the suggestion that we have, in any way, kowtowed to China; I think we are a genuine partner for China, and it is rather an old way of looking China that some of these people have perhaps been suggesting.

Q376 Mr Baron: So the direction of travel from the FCO's point of view is more important than where we are on the journey at this point in time? That is a fair summary?

Mr Swire: I think we are on a journey to greater democracy and accountability. What we want is good Government in Hong Kong, strong Government in Hong Kong, underpinned by democracy.

Q377 Mr Baron: But you would not disagree with what I have just said?

Mr Swire: I would not disagree; I don't think that what you and I would understand as proper democracy is on the table at this point.

Stephen Lillie: Mr Chairman, with respect, may I just come back to this point that we were not doing enough to support the protests? I think we were very outspoken, and the Foreign Office, collectively, made a number of very clear statements in support of the freedom of people to demonstrate in Hong Kong. We were fully supporting their right to demonstrate, but of course we could not support everything they were demonstrating in favour of. The students were demanding the resignation of the Chief Executive of Hong Kong—we could not support that. They were demanding the taking back by the NPC of its

decision, which is also not going to happen. There is a distinction as regards our support for the principle of peaceful and legitimate protest, but I think we are right not to support everything they are protesting for.

Q378 Mr Baron: Okay, but Mr Lillie, your intervention encourages me to come back one more time. Yes, I accept some of the points you make, but there is a balance here. Certainly the sense of it, from our point of view, is that not enough is being done by the FCO. I will read you briefly just two lines from one commentary, a bit of evidence that we have had. This is talking about the Minister's response to the protest: "You would have searched in vain for a spine in the statement by Her Majesty's government. It bore so many unmistakeable marks of the mandarins that I wonder it was not drafted in elegant calligraphy. 'Regrettable' and 'counterproductive' were the harshest words that the amiable Hugo Swire"—there you go, Minister, at least something, you're amiable—"could muster. How the Chinese ambassador, whose previous stint was in North Korea, must have trembled." This is not in isolation.

Mr Swire: The only bit in that article that I would agree with is about my amiability, clearly.

Chair: That is because you didn't summon the ambassador.

Mr Baron: You are far too amiable; that's the point.

Mr Swire: Without being tempted down that line again, we can trade quotes. For instance, there are others, such as the Hong Kong Association, who clearly think that we have got the balance just about right. There are others, Members of LegCo whom I spoke to, who think that we got the balance just about right. The business community in Hong Kong, I believe, reckon we have got the balance just about right. I would be very surprised if the previous two people who gave evidence to your Committee did not think that we had got the balance just about right.

Chair: They did think you had got the balance—

Mr Swire: I rest my case, Chair.

Q379 Chair: You are correct, but the question is, does the business community represent the wider body of opinion? It is just one constituency.

Mr Swire: It is certainly a constituency—a rather important constituency, because it is the one that employs people in Hong Kong.

Chair: Absolutely, and what you want if you are a business is calm—

Mr Swire: Stability.

Q380 Chair: Stability. So going along with what the Chinese have suggested, you do it, but you cannot just pray in aid, for the totality of your argument, the views of the business community.

Oral evidence: The UK's relations with Hong Kong: 30 years after the Joint Declaration, HC

Mr Swire: Indeed. That is why I was quick to say that it was, as well as the business community, Members of LegCo from all parties and academics.

Q381 Chair: From what I hear, LegCo is going to reject the package.

Mr Swire: That remains to be seen. We don't know what the package is.

Q382 Chair: The evidence that we have had from Members of LegCo is that they will vote against it unless there is a choice of candidate. In other words, unless anyone can stand as a candidate, they will vote against it.

Mr Swire: That is certainly the stated position of some Members of LegCo, but whether—

Chair: The leader of the largest party.

Stephen Lillie: But, Mr Chairman, that is partly because of the voting rules in LegCo, which require a two-thirds majority, so it only requires one third of LegCo to vote against in order to block it, which on present projections is what will happen.

Mr Swire: We should not forget also the rather tortuous route. This is a five-stage process, of which an endorsement by LegCo is, I think, the third. It has gone through two stages already, and if it is endorsed by LegCo—just imagine, let us suspend our disbelief—then it has to go up in front of the Chief Executive. If he endorses it further, it then goes back to the NPC Standing Committee, which has to endorse it again, so there is some way to go even if LegCo ends up endorsing it. If LegCo does not end up endorsing it, then as I said earlier—I have said it a number of times—we are looking at the brakes being put on democracy, the 2017 elections for the Chief Executive being held under the same rules as hitherto and certainly, I would submit, no prospect of universal suffrage for the election of LegCo in 2020.

Chair: That is interesting. The final question is from Ann.

Q383 Ann Clwyd: Almost the final question. It was suggested by one of the witnesses that some countries are tougher in private with the Chinese than the UK is. For instance, Germany really talks tough. Do you recognise that?

Mr Swire: Germany certainly sells a lot of things to China and the reason that the Germans do that, as I think Lord Patten has commented, is that they make things that the Chinese want, so they have very good trading figures with China. Also, the Chancellor of Germany travels to China several times a year with her entire Cabinet, I've been told, so they invest a lot in the relationship. But by definition a private conversation is a private conversation. I don't think that to oxygenise it in Parliament, meaning that it is being looked at by the media and the Chinese Government, would be very useful. I say this as somebody who was a shadow Minister, as others were, and who was in the Northern Ireland Office for two and a half years and has been in the Foreign Office for two and a half years: it is very

easy to paint the Foreign Office—Margaret Thatcher was once alleged to have said, which I don't believe she did, "They represent foreigners over here."

To my way of thinking, the Foreign Office is a robust institution. It is very easy to give the Foreign Office answer—to talk about the mandarins, the supine Foreign Office selling out British interests. That is not what I see, but sometimes these things are complicated. Sometimes there are better ways of going about your business than megaphone diplomacy. I reject again Lord Patten's assertion about megaphone diplomacy. It is sometimes useful to take people with you by not shouting from the rooftops. Our relationship with China is increasingly sophisticated and increasingly mature. That is not to say that we roll over at every opportunity in front of their demands.

Gareth Ward: I regularly meet European partners, the US and others to discuss a range of issues, including Hong Kong. One measure of how willing we are to raise these issues is the fact that we have a human rights dialogue. The Germans do have that, it is true, but not many other European partners are willing to put the time and effort into that. In terms of the amount of contact we have had with both the Beijing and the Hong Kong Governments on the issues of constitutional reform in the last six months, I am confident that no other country has had as much.

Mr Swire: And Premier Li has described the UK and China as indispensable partners.

Q384 Chair: Do you think we should play a role in bringing about a compromise on this?

Mr Swire: Again, it is a question of whether you believe we should be shouting from the rooftops or trying to do what we are good at, which is bringing people together to get them to discuss matters. That is a role that we continue to play—advising people to talk, to engage in dialogue. This is an opportunity that won't come around again any time soon, and I think they owe it to themselves to use the next few weeks and months up until, I think, March—it then has to be agreed in June—to really look and see what is on the table and to try to move the goalposts in the way they want to, and then to make a decision. Then it will be up to LegCo as to whether they endorse it at that time.

Q385 Chair: I welcome that answer. If you think you can move it along, so much the better. Could you tell us a bit about your visit to China? I couldn't help noticing this. We heard a lot about you when you were in China, but we had to dig deep to find out that you had even been to Hong Kong. Eventually, we found a Twitter thing saying you had had a "Good discussion with political, business and legal circles." That was it. Was there any reason why you downplayed the PR around the Hong Kong visit?

Mr Swire: It was on my way back to the UK. I almost didn't get there because of various flight problems. The principal reason for my trip to China was to open the British consulate-general in Wuhan, which is worth seeing.

Chair: We would like the chance!

Mr Swire: It is a vast and growing city in mainland China. I opened that. It is the first office we have opened in China in the past 14 years, and that is hugely significant for us. I wanted also to have some meetings in Beijing, which I did, with, as I said, both the Foreign Minister, Wang Yi, and the Vice Foreign Minister, Wang Chao. As I said, I discussed, among other things, the refusal to allow you into Hong Kong and I made all the points that I have shared with you this afternoon. Then I was coming back via Hong Kong. The reason I particularly wanted to go to Hong Kong now was the impending general election we are having here in May. My chance of getting out there again—it would not have been very easy, so I was very insistent, you will be glad to hear, that I was travelling to Hong Kong briefly at a time to suit me.

Chair: Fine.

Mr Swire: May I also invite others who are watching this to subscribe to my Twitter account so that they can see my activities? I am very keen to grow the numbers.

Chair: We had to dig deep, as I said, to find it.

Mr Baron: That deep!

Q386 Chair: Are the dates of the visit of the Duke of Cambridge in the public domain? I am not asking you to say if they are not.

Mr Swire: I think that the Duke is attending various things and also pursuing his own interests in combating illegal poaching of wildlife—something that he is very committed to. Again, that is a perfect example of where we are increasingly working in partnership with the Chinese.

Q387 Chair: That is a very important subject. I am someone who takes a keen interest in what is going on in east Africa at the moment. If you say that it is in the public domain, would you mind letting us have the dates? It might steer when we publish this report.

Gareth Ward: We need to double-check the dates. If it is acceptable, we will come back to you once we have double-checked that.

Chair: If you were able to give it to us even in confidence, we would keep that confidence.

Q388 Ann Clwyd: May I just ask you about the protesters? I understand that 30 of them have been summoned to appear at a police station. Do you have any more information about that?

Mr Swire: Only that I met a member of LegCo who has also been summoned to appear. We talked about the robustness of the judicial system in Hong Kong. I am clear that their cases will be looked at in a fair and impartial way. It would be invidious for me to comment on a live interest. All I would say is that we had reports that a good number of people had been arrested in mainland China for protesting in support of the protests in Hong

Kong. I asked Ministers when I was in China and said that I was very concerned about that, and it was noted. We have our forthcoming human rights dialogue in which these issues can be reflected and raised.

Chair: Minister, that completes our questioning. Thank you very much. Could I just convey the point that while our questioning is robust, it is not personal? It is our job to scrutinise the Foreign Office and whoever represents it. I thank you and your colleagues for coming along and giving as clear answers as you felt able to do. Thank you very much indeed.