

PROGRESS REPORT OF THE SUBGROUP ON ECONOMY
(12 DECEMBER 1987)

Chairman, Vice-Chairmen, Fellow Members,

The eighth meeting of the Subgroup on Economy was held in Guangzhou from 29 to 30 October 1987. Five members (from mainland and Hong Kong) were absent with apologies. The members present, in the spirit of democratic consultation, further studied and discussed the revised draft of Chapter 5 on "The Economy of the HKSAR" article by article in accordance with the opinions raised by the fifth plenary session, the relevant special group of the CCBL and other sources. New proposals for amendment were put forward.

At this subgroup meeting, members agreed that some articles in the revised draft be modified, merged and abridged. The following substantial amendments to the contents were made :

- (1) To be more precise, the original article "The HKSAR shall maintain a basically balanced budget" was amended to read "The drawing up of the HKSAR budgets shall follow the policy of maintaining a basic balance between income and expenditure".
- (2) No amendment was made to the paragraph "The system regarding the issue of Hong Kong currency shall be prescribed by the laws of the SAR". The paragraph "The issue of Hong Kong currency shall have sufficient currency reserve" was amended to read "The Hong Kong currency at issue shall be covered by freely convertible foreign currency reserves of no less than 100%".
- (3) The heading of Section 3 "External Trade" was amended to read "External Trade and Economic Relations". The provisions "The HKSAR shall adopt a free external trade system. The HKSAR shall decide its external trade policy on its own" should read "The HKSAR shall adopt a free trade and economic system, and decide on its own policies regarding external trade and economic relations".
- (4) The Chinese term for "enterprises" as in the heading of Section 4 "Industry, Commerce and other Enterprises" was changed from "產業" to "行業".
- (5) It was decided after discussion that the provisions regarding such procedures as the drawing up of the budgets and final accounts of the HKSAR, auditing and reporting to the Central People's Government for the records should be included in the relevant sections under Chapter 4 on "The Political Structure of the HKSAR". The relevant provisions were therefore deleted from this Chapter.

On Section 5 (Land Leases), Section 6 (Shipping Management) and Section 7 (Civil Aviation Management) under this Chapter, members present unanimously held that since the provisions of these three sections were of substantial importance and there was legal basis for their drafting, their contents should not be amended. But as far as the placement of these provisions were concerned, it was proposed that

- (1) All articles in these sections remain unchanged and be included in Chapter 5 of the Basic Law. This was the view of the majority of members.
- (2) Some members proposed that Sections 5, 6 and 7 remain unamended and be included in the Basic Law as an appendix. But it should be stated that the Basic Law and the appendix would be of equal legal effect.

We request the sixth plenary session to consider where these provisions should be placed.

The provisions of the revised Chapter 5 on "The Economy of the HKSAR" are reported as follows for further consideration.

Subgroup on Economy

(The provisions are included in the Collection of Draft Provisions of the Various Chapters Prepared by the Subgroups of the Drafting Committee. See Articles 103-147.)