

Analysis Report: 18 Years After Hong Kong's Handover

- **After intense political mobilization, differences over political reforms remain difficult to resolve.**
- **Economic slowdown and housing market risks remain closely watched.**
- **Freedoms of speech and the press and judicial independence are challenged.**
- **The international community continues to affirm the business environment, but with close attention to democracy.**
- **Mainland and Hong Kong continue economic integration, however contradiction in social interactions have not yet abated.**
- **Cooperation between Taiwan and Hong Kong benefits the people on both sides.**

Overall Review and Analysis

Hong Kong was handed over to mainland China in 1997. The government of the Republic of China (ROC) positions Hong Kong as a "special areas" uniquely from other areas of the Mainland to maintain consistency and continuity in its Hong Kong policy, premised on Hong Kong maintaining its free economic system and autonomous status. The government annually reports on developments in Hong Kong at all levels and the status of Taiwan-Hong Kong relations. This is the 18th such report, covering an observation period from July 2014 to early July 2015.

In the 18 years since the handover, Hong Kong has generally maintained the normal functioning of its political, economic, and social systems. At the same time, Hong Kong faces the challenge of change, especially in the political and social spheres. Over the past two-plus years, political affairs in Hong Kong have largely revolved around the issue of the general election of the Hong Kong Chief Executive (hereinafter the "Chief Executive"). Groups with different positions have mobilized countermeasures, intensifying the atmosphere of confrontation in Hong Kong politics and society. During this time, the Standing Committee of the Mainland's National People's Congress passed a resolution on the 2017 Chief Executive election, triggering criticism of a sham election and leading to the 79-day "Occupy Central Movement," which mobilized people from almost every sector in Hong Kong. Pro-establishment members of the Legislative Council made a strategic error in using a parliamentary procedure of collectively walking out of the legislature, leading to a majority veto of the method of the 2017 Chief Executive election (twenty-eight votes against to eight votes in favor). The unexpected outcome led to a sudden easing of tensions. Nevertheless, the Mainland faces a difficult

task in healing the political and social confrontation and division in Hong Kong following the intense mobilization in how it handles Hong Kong policy, governance by the Hong Kong government, and Hong Kong society.

Hong Kong's economy remained stable and the business environment continued to be affirmed by international institutions. Hong Kong was ranked as the world's freest economy and also performed strongly in competitiveness rankings. However, the international community also remained concerned about democracy in Hong Kong. Britain, the United States, and other countries have repeatedly expressed hope that the Mainland authorities will allow the people of Hong Kong universal suffrage with a real choice.

Compared to the steady progress of economic integration between the Mainland and Hong Kong, the interaction between the two societies has been rife with contradiction and conflict. According to Hong Kong government statistics, in 2014, Hong Kong received 60.80 million visitors, 8.4 times the local population. Visitors from mainland China accounted for 78% of the total, representing a vast number of people bringing both business opportunities and conflict. During the period observed in this report, the people of Hong Kong continuously protested the impact of independently traveling Mainland tourists and parallel goods traders on the life of local residents. This has also spurred the Mainland people to stop visiting Hong Kong and to suggestions that the entry of Hong Kong residents to the Mainland be restricted. The contradictions between the Mainland and Hong Kong have not abated.

Personnel, economic and trade exchanges and official interaction between Taiwan and Hong Kong have continued to steadily progress. In 2014, the number of Hong Kong visitors to Taiwan reached a new record high. Total trade between Taiwan and Hong Kong surpassed US\$44.2 billion, continuing the position of the two sides as each other's fourth largest trading partner. Official contacts between Taiwan and Hong Kong are close. There have also been positive developments between both sides in promoting avoidance of double taxation on sea transportation businesses, technical cooperation on certification, cultural and creative industries, and other areas.