

Analysis Report: 16 Years After Hong Kong's Handover

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- **Political functions are generally smooth; movements for universal suffrage are closely watched.**
- **Economic growth slows; financial stability is at risk.**
- **Social movements flourish; judicial independence is challenged.**
- **The international community recognizes Hong Kong's business environment, but closely watches the development of the political system.**
- **Integration of the Mainland and Hong Kong economies continues; conflicts exist in social interaction.**
- **Taiwan-Hong Kong relations steadily develop; cooperation and exchanges advance.**

Overall Review and Analysis

Hong Kong was handed over to Mainland China in 1997. On the premise of Hong Kong maintaining its free economic system and autonomous status, the government of the Republic of China (ROC) defines Hong Kong as a "special area", which is different from other areas of the Mainland, to maintain consistency and continuity in its Hong Kong policy. The ROC government makes an annual report on developments in Hong Kong at all levels and the status of Taiwan-Hong Kong relations. This is the 16th such report, covering an observation period from July 2012 to June 2013.

On the whole, Hong Kong has maintained the normal functioning of its political, economic, and social systems in the 16 years since the handover. Chief Executive Leung Chun-ying and principal officials were sworn in on July 1, 2012. Issues emerging from Mainland and Hong Kong exchanges, including Hong Kong residence rights and the shortages of daily necessities, were actively addressed, earning the support of the Hong Kong people. However, intervention in Hong Kong affairs by the Liaison Office of the Central People's Government in the Hong Kong, the People's Liberation Army Hong Kong Garrison, and other Mainland agencies became more apparent, undermining and bringing into dispute the "two systems" and causing scholars to initiate the "Occupy Central" movement to press for universal suffrage, adding to political uncertainties in Hong Kong. Weak external demand

slowed Hong Kong's economic growth, but tourism from the Mainland and domestic consumption remained strong, helping to stabilize employment. The Hong Kong government forecasts that the economy will grow by as much as 3.5% in 2013.

Over the past year, Hong Kong witnessed several large spontaneous mass movements, including movements opposing the national education curriculum, a dock workers' strike for higher pay, and a march and candlelight vigil on the anniversary of the Tiananmen Square Incident. All attracted a large number of participants. Since the people of Hong Kong have a strong sense of the rule of law, these movements were all conducted and concluded peacefully. The Hong Kong court strove to maintain judicial independence. However, the Hong Kong government and certain private-sector individuals proactively requested the Standing Committee of the Mainland's National People's Congress to interpret the Basic Law. Such mindset continued to challenge Hong Kong's judicial independence. The international community continued to affirm Hong Kong's business environment, but remained concerned over democracy and human rights in Hong Kong, especially the progress towards universal suffrage. Mainland China and Hong Kong further integrated their economies, but conflicts were frequent in social interactions, which created dilemmas for the Hong Kong government and made future developments hard to predict. Personnel, economic and trade exchanges and official interaction between Taiwan and Hong Kong continued to progress steadily. It is hoped that Taiwan and Hong Kong can fully utilize the functions of their mutual representative offices to cooperate more closely and continue to upgrade substantive relations between the two sides.