

Analysis Report:

12 Years After Hong Kong's Handover

Mainland Affairs Council

- Institutions function normally, though the international community remain concerned over Beijing's commitment to Hong Kong
- The Mainland introduced measures to boost Hong Kong's slowing economy
- The international community was confident in Hong Kong's investment environment but also had concerns over progress with universal suffrage
- Increased integration of the Mainland and Hong Kong has raised debates over Hong Kong's autonomy
- Taiwan-Hong Kong relations broke new ground where official interaction steadily developed

I. Overall Review and Analysis

The overall political, economic and social systems of Hong Kong continued to function normally in the 12th year since the handover. The international community continued to have confidence in Hong Kong's investment environment. However, it was concerned about democracy in Hong Kong and called on mainland China to honor its commitments on "one country, two systems" and high degree of autonomy. Over the past year, Hong Kong faced several challenges, including the impact of the financial crisis, establishment of direct cross-strait transportation links, and Mainland's announcement to build Shanghai into an international financial center, among others. However, the Mainland also carried out various measures to support Hong Kong's economy, which aimed to further integrate Hong Kong with the Mainland, economically and socially. As Hong Kong became increasingly integrated with the Mainland, there were concerns over its autonomy. The public also continued to focus on Hong Kong media's self-censorship regarding its reporting on China.

Taiwan-Hong Kong relations have made breakthroughs over the past year. Trade, cultural, and personnel exchanges remained warm in the private sectors, while official contacts continued to develop. The Mainland Affairs Council welcomed the positive developments in Taiwan-Hong Kong relations. The governments of Taiwan and Hong Kong adopted measures to relax visitor entry for people on both sides, which made personnel exchanges more convenient. Both sides also facilitated cross listing of Exchange Traded Funds (ETFs) between the stock exchanges of Taiwan and Hong Kong. In addition, to actively enhance financial exchanges between the two sides, Hong Kong-listed companies were allowed to make a secondary listing on the over-the-counter market in Taiwan. In terms of official contacts, officials from both sides met and interacted at seminars, forums, and other public forums, while working-level meetings to promote bilateral relations were also held. The two sides reached a consensus under which Taiwan would soon establish the Taiwan–Hong Kong Economic and Cultural Co-operation Council with the Cross-Strait Economic Cooperation Committee (CSECC) as one of its subcommittee. In turn, Hong Kong would establish the Hong Kong-Taiwan Business Cooperation Committee under the Hong Kong Trade Development Council (HKTDC) to serve as a counterpart of the CSECC. These two institutions were thus responsible to further promote cooperation in trade, investment, tourism, and other areas of interests between the two sides through exchanges and discussion. Officials of the two sides would actively participate in this new communication platform and carry out exchange visits at appropriate time. Furthermore, since Taiwan had agreed to the establishment of a Taiwan office by the Hong Kong Tourism Board, the HKTDC also planned to open a branch office in Taiwan. The Hong Kong government even took a step further by saying that it would consider the possibility of establishing an official or semi-official office in Taiwan, if the conditions and environment were matured. The breakthroughs in Taiwan-Hong Kong relations represented a rare opportunity [for both sides]. Taiwan hope that based on the principle of mutual benefit, both sides could commit to promoting measures beneficial to the well-being of the people of Taiwan and Hong Kong as well as enhancing interaction and normal official contact.