

Analysis Report: 14 Years After Hong Kong's Handover

Mainland Affairs Council

- Political institutions function normally and progress is made on universal suffrage
- The economy continues to expand, though external pressures remain
- Social movements increase and the Tiananmen Square Incident becomes a part of Hong Kong's collective memory
- A spate of foreign-related events spark controversy over separation of powers on "foreign affairs"
- The international community affirms political reform process and the business environment in Hong Kong
- Integration of the Mainland and Hong Kong economies and Renminbi operations attract attention
- Taiwan and Hong Kong relations continue to develop as economic and cultural cooperation deepens

I. Overall Review and Analysis

Hong Kong was handed over to mainland China in 1997. The government of the Republic of China (ROC) treats Hong Kong as a "special area", unique from the Mainland area, in order to maintain consistency and continuity in its Hong Kong policy, and premised on Hong Kong maintaining its free economic system and autonomous status. The government therefore annually releases report on overall developments in Hong Kong and the status of Taiwan-Hong Kong relations. This is the 14th report, covering the period from July 2010 to June 2011.

The overall political, economic and social systems of Hong Kong have continued to function normally in the 14th year since the handover. Despite that the Hong Kong government was forced to withdraw or amend several major policies, calling into question its ability to govern, the bureaucracy remained efficient and honest overall. Progress was made on universal suffrage. The international community hopes that a consensus can be reached through rational discussion among the Mainland China, the Hong Kong government and

people of Hong Kong so universal suffrage can be implemented promptly, in keeping with the Basic Law and general expectations of the Hong Kong people.

Following slower economic growth in 2009 due to the global financial crisis, Hong Kong's economy has recovered and continued to expand as the global economy improves. The economy was boosted by strong performance in Asia and emerging markets, measures by mainland China to stimulate Hong Kong's economy, and accelerated public investment. During the period observed by this report, the people of Hong Kong could still take to the streets to protest actions by mainland China or the Hong Kong government. The press remained generally free, but media self-censorship continued to be of concern. Intensifying public protests and tougher law enforcement by the Hong Kong police also attracted public attention.

In terms of international relations, the international community continued to affirm political reform process and the business operating environment in Hong Kong. Hong Kong also ranked high on several international ratings. Nevertheless, over the past year, Hong Kong faced several foreign-related incidents, including the kidnapping and murder of its residents abroad, and Mainland China's state-owned enterprises in Hong Kong were involved in international commercial disputes. These incidents led to extensive discussions on the separation of power between the Mainland and Hong Kong on "foreign affairs." As the Hong Kong Court of Final Appeal sought an interpretation of the Basic Law from the Standing Committee of the National People's Congress on one case involving an international commercial dispute, follow up developments will be especially worth watching.

Relations between Taiwan and Hong Kong continued to develop strongly over the past year. In 2010, more than 2.3 million Taiwanese people visited Hong Kong and over 648,000 Hong Kong people visited Taiwan, the highest since 1986. Two-way trade between Taiwan and Hong Kong reached around US\$39.44 billion, a 28.9% increase compared with the previous year. Taiwan and Hong Kong were also each other's fourth largest trading partner. In addition, the governments of Taiwan and Hong Kong established the Taiwan–Hong Kong Economic and Cultural Co-operation Council (THECC) and Hong Kong–Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC), respectively. This platform has had a positive effect in promoting exchanges and cooperation between the two sides. The two sides reached consensus on several issues during their first joint meeting last year and have subsequently arranged meetings, visits, and forums on various topics. A second joint meeting

is scheduled to be held in Hong Kong this year to further upgrade Taiwan-Hong Kong relations.

The renaming of Taiwan's representative office in Hong Kong and establishment of Hong Kong general office in Taiwan are carefully watched by the outside world and widely considered to be the most important indicators of the improving relations between Taiwan and Hong Kong. The two sides have communicated extensively and will hopefully achieve concrete results soon. The Mainland Affairs Council also hopes that the Hong Kong government will actively consider granting visa-free entry to Taiwanese visitors to create a more convenient and friendly environment for interaction between the two sides.