

**THE QUARTERLY REPORT ON REVIEW OF
HONG KONG'S SPECIAL STATUS AND
IMPLEMENTATION STATUS OF THE HONG
KONG HUMANITARIAN AID PROJECT**

JANUARY TO MARCH 2021

REPORT TO LEGISLATIVE YUAN

Mainland Affairs Council

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I. Introduction

On May 28, 2020, mainland China's National People's Congress (NPC) adopted the Decision on “Establishing and Improving the Legal System and Enforcement Mechanisms for the Hong Kong Special Administrative Region (HKSAR) to Safeguard National Security” (hereinafter “Decision”). Later on June 30, Beijing announced the implementation of the Law of the People's Republic of China (PRC) on Safeguarding National Security in the HKSAR (hereinafter “National Security Law”). The law not only is in defiance of democracy and the rule of law in Hong Kong, it also harms the freedoms and rights of the people of Hong Kong. All political parties in Taiwan and the international community concurrently denounce Beijing’s moves and oppose such violation of democracy and human rights by the Chinese Communist Party (CCP) under the false pretenses of national security.

The Internal Administration Committee of the Legislative Yuan passed an extemporaneous motion on the Hong Kong Humanitarian Aid Project the same day the Decision was adopted, which “requests the Mainland Affairs Council (MAC) to submit a quarterly written report updating the implementation status of the said Project.” In addition, at the 15th meeting of the first session of the 10th Legislative Yuan, held on May 29, party caucuses in the legislature issued a joint statement further “requests MAC to submit a quarterly report reviewing Hong Kong's special status with regard to the assessment of Hong Kong's political, economic and social independence.”

Considering the profound harm done to human rights and freedoms of the Hong Kong people by the National Security Law, and by instruction of the President and the Premier, MAC mapped out the Hong Kong Humanitarian Aid Project to defend the universal values of freedom, democracy and human rights, as well as convey and provide care to the Hong Kong people. Under the existing platform for promoting Taiwan-Hong Kong exchanges, the Taiwan–Hong Kong Economic and Cultural Co-operation Council, the Taiwan-Hong Kong Office for

Exchanges and Services was established as a public service window to provide streamlined services and necessary care for the people of Hong Kong.

MAC presented the following report to the Legislative Yuan on developments in Hong Kong during this reporting period, from January to March, 2021.

II. OBSERVATIONS AND ASSESSMENT OF THE SITUATION IN HONG KONG

Hong Kong Chief Executive Carrie Lam self-assessed at the beginning of the year that, since the implementation of the National Security Law, "There have been no riots in Hong Kong." In fact, however, democracy and freedom in Hong Kong continue to come under unprecedentedly brutal suppression. Major developments in the political, judicial, economic, and social dimensions in Hong Kong and related international responses during this reporting period were as follows:

1. Politics and the Judiciary

According to statistics from the Hong Kong government, between the enactment of the National Security Law and March 22 this year, a cumulative of 100 people have been detained on suspicion of violating the law. Among these arrests, the one that sent the most shock waves was the Hong Kong government's wanton arrest of 55 pan-democrats who ran in the primaries of last year's Legislative Council election on January 6. Forty-seven of the arrested were subsequently detained on February 28 and charged with "conspiracy to subvert state power" and other offenses. International criticism argued that the Hong Kong National Security Law is basically being used as a tool to eliminate dissidents. Under the threat of this law, Hong Kong has already seen 12 political groups dissolved; more than eight members quitting Civil Human Rights Front, a

pan-democrat platform; and members quitting pan-democrat parties en masse. The UK-based Economist Intelligence Unit (EIU) released the Global Democracy Index in early February. In this index, Hong Kong's ranking plunged from 75th in 2019 to 87th. Meanwhile, its political status was demoted from a "flawed democracy" to a "hybrid regime," and its overall score on the index fell to a record low.

Director of the Hong Kong and Macau Affairs Office Xia Baolong gave a public speech on February 22, where he reinterpreted and narrowed down his definition for "patriots ruling Hong Kong" to lend legitimacy and rationality to the office's rectification of Hong Kong's legislative, administrative, and judicial systems. On February 23, the Hong Kong government announced the Public Service (Election and Appointment) (Miscellaneous Amendments) Bill 2021, which stipulates that district councilors must swear oath of allegiance, and those who refuse to comply will lose their seats and be barred from standing for office for five years. In March, the CCP passed a decision to overhaul Hong Kong's electoral system. The decision entailed an amendment of Annex I and Annex 2 of the Hong Kong Basic Law, authorizing the additional establishment of a "candidate qualification review committee," where national security agencies are granted the power to command political vetting of candidates. The election reform also involved an increase in the number of seats in the Election Committee and the Legislative Council, whereas cuts were made in the number of sectors of the Election Committee that are favorable to pan-democrats and the number of directly elected geographical constituencies. These changes are expected to strengthen the institutional advantages of the pro-Beijing camp considerably. According to the poll results published by the Hong Kong Public Opinion Research Institute on April 9, around 68% of the respondents believe the modified election system runs counter to the spirit of democracy and the universal suffrage.

In terms of carrying out a purge of civil servants in the government, the Hong Kong government has asked all civil servants to sign a written-oath of

allegiance to the government in January this year. As of April 11, a total of 129 people have refused to sign the written-oath, 16 of whom belong to the Hong Kong Disciplined Services. Moreover, the media has reported a wave of resignation, triggered by the requirement to pledge loyalty, at the Social Welfare Department, Department of Health, Housing Department, Fire Services Department, and other government agencies. As far as manipulation of the judicial system, the CCP state-owned media have left clear traces of exerting pressure on the Jimmy Lai bail case in an attempt to influence the verdict. Furthermore, the case of Tang Yingjie, the first defendant trialed for offenses against the National Security Law, was heard without a jury in court. Public criticism contended that the no-jury setup of this case could be a harbinger of the government introducing the mainland Chinese legal system to Hong Kong in the future.

The international community has also paid close attention to the case of 12 Hongkongers trying to flee the city. Andy Li Yu-hin and seven others, who had been sentenced to seven months in prison on charges of illegal border crossing, finished serving their sentence on March 22, and were subsequently handed over to the Hong Kong Police. As Li was also on suspicion of violating the National Security Law, his case was taken over by the National Security Department instead. He was later convicted on charges of colluding with foreign forces, conspiracy to assist offenders, and possession of ammunition without a license. The other seven individuals, on the other hand, were indicted and detained one after another on charges of assault on a police officer, rioting, arson, and other crimes allegedly conducted during the protests against the “extradition (to China)” bill.

2. Economy

The British think tank Z/Yen group and China Development Institute in Shenzhen jointly issued the 29th Global Financial Centres Index report (GFCI 29)

on March 17. The report suggested that while Hong Kong's ranking has risen from fifth place last September to fourth place this year, it failed to return to top three. Some media outlets analyzed that Hong Kong's improvement in ranking was mainly due to Tokyo's three-place fall on the index. In addition, Hong Kong's de facto rankings actually fell in specific areas such as Business Environment (including assessments of political stability, laws, and regulations; institutions and regulatory environment; the macroeconomic environment; and other dimensions), Human Capital, etc.

It is an issue of all-time concern for all sectors of the society regarding whether there will be a capital flight out of Hong Kong due to the deteriorating circumstances. The Hong Kong Monetary Authority stated that, given the fact that total bank deposits grew 5.4% year over year (YOY) last year, and that the exchange rate of Hong Kong dollar remained close to the strong-side Convertibility Undertaking (CU), it can be said that Hong Kong remains a net capital recipient at the moment. In addition, according to statistics from the Hong Kong Exchanges and Clearing Ltd. (HKEx), a total of 154 companies went public in Hong Kong and fundraised over HK\$390 billion last year, making it the second largest Initial Public Offering (IPO) market in the world.

However, according to reports from various media outlets, mainland Chinese companies accounted for 112 of all companies filing for IPO in Hong Kong last year. These companies collectively contributed to 99% of the total capital raised. Moreover, since last year, several major international financial institutes have announced their plans to withdraw, or have been mulling withdrawal, from Hong Kong, including Vanguard, the world's second largest asset management company; the Motley Fool, the world's fifth largest investment website; Canada-based BMO Global Asset Management; US hedge fund Elliott Management; and other companies. This phenomenon has epitomized the rise and fall of Chinese and foreign capital in Hong Kong.

The US-based Heritage Foundation issued the Index of Economic Freedom, an annual report assessing performances of countries or cities in the

aspects of freedom of trade, property rights, judicial efficiency, government integrity, and so on. Hong Kong had topped the list for 25 consecutive years, and only fell slightly to second place last year. In the latest ranking released on March 4 this year, the foundation said that Hong Kong has lost its political freedom and autonomy in the last two years, essentially making it a city almost indistinguishable from other major cities in mainland China; furthermore, Hong Kong's economic policies are clearly controlled by Beijing. Therefore, the foundation removed Hong Kong (and Macau) from the index altogether. Related analysis indicated that this decision might lead to the outflow of more foreign capital or could accelerate Hong Kong's economic shift towards mainland China.

3. Society

According to statistics released by the Hong Kong government in April this year, from June 2019 to February 2021, a total of 10,242 people have been arrested or detained for participating in protests against the "extradition (to China)" bill. Among these cases, 2,521 defendants were in judicial proceedings, 614 people convicted, 50 defendants' charges withdrawn, and 186 people acquitted after trial or interrogation.

This quarter, Hong Kong continued to see suppression in the areas of online activity, arts, and culture. HKChronicles, a website providing a large quantity of personal data of Hong Kong police and pro-establishment figures, was rumored to have been blocked by the National Security Office of the Hong Kong government with the assistance of several network providers. Furthermore, "Inside the Red Brick Wall," a documentary detailing protests against the "extradition (to China)" bill, was banned from playing in cinemas shortly before its debut. Following this incident, the pro-establishment camp and pro-China media blasted the Hong Kong Arts Development Council for funding anti-government organizations to produce works that incite violence. They also blamed the government funded M+ Museum for displaying artworks that are disrespectful of

the country created by the artist Ai Weiwei, saying that it constituted a potential violation of the National Security Law. In addition, the Hong Kong media indicated that the CCP intends to establish a "central state-owned enterprise of cultural affairs" in Hong Kong, with the Sino United Publishing (Holdings), Bauhinia magazine, and other Chinese institutions acting as the key players to promote businesses in publishing, press, film and television, culture and art, and other areas. The public has criticized all these as a clear sign of the blurring of red line in Hong Kong politics, and expressed concern that the space for cultural and creative freedom in Hong Kong will gradually wither.

Freedom House issued the Freedom in the World in 2021 report on March 3. In this report, Hong Kong was rated "partly free" with a score of 52, the lowest score ever received by Hong Kong from the report. The main reason for this outcome is the implementation of the National Security Law. In addition, the Hong Kong-based think tank Path of Democracy announced its latest poll results on March 22 on "one country, two systems." The latest index for this poll was 5.48, which was 0.2% lower compared with June last year, and is a record low in the history of the poll. Moreover, 32.7% of the respondents said they intend to move overseas. Similarly, a poll in March conducted by the Hong Kong Public Opinion Research Institute found that, over 60% of the respondents have no confidence in Hong Kong's future as far as political environment and personal freedom are concerned. Related analysis noted that the poll results reflect the fact that the National Security Law did not bring stability, but has rather cast a shadow of pessimism over the Hong Kong society.

4. International Responses

The CCP has stepped up its suppression on Hong Kong's democracy and freedom. Major countries and the international community have not only condemned and expressed concern over these actions, but rolled out several countermeasures accordingly. The US imposed sanctions on six and 24 CCP

and Hong Kong government officials in January and mid-March of this year in response to the CCP's mass arrests of pan-democrats and the abuse of power on overhauling Hong Kong's electoral system. Furthermore, on March 31, the US issued the 2021 Hong Kong Policy Act Report. US Secretary of State Antony Blinken made a statement, saying that Hong Kong no longer enjoys a high degree of autonomy, hence it remains undeserving of the special status and treatment previously granted by the US.

The UK started to implement the British National (Overseas) Passport (BNO) "5 plus 1" visa policy for immigration from January 31, charting the path for Hong Kong people to acquire British citizenship. Hong Kong citizens with a BNO visa, after five years in the UK and, provided they have stayed free of criminality, have supported themselves financially, and have not left the country for more than 180 days in any 12-month period, will be able to apply for settled status. After a further year they may apply to naturalize as a British citizen. Although the CCP and the Hong Kong government counteracted by refusing to recognize BNO passports as a valid travel document or proof of identity, the UK's statistics show that as of March 19 this year, the UK government had received 27,000 BNO status applications from Hong Kong citizens. Furthermore, the US, Canada, Germany, Spain, and other major countries have successively declared that the BNO passport remains a valid travel document.

Furthermore, the European Union (EU) released its annual report on Hong Kong—Hong Kong Special Administrative Region: Annual Report for 2019. It stated that the Hong Kong National Security Law is used to suppress democratic forces, stifle dissent, and curtail diversity. Hong Kong's high degree of autonomy and principles of democracy have been severely eroded. The rapid deterioration of the situation has led to questions over whether the CCP is willing to comply with the "one country, two systems" guidelines and the Basic Law to honor its international commitment to the people of Hong Kong. In addition, the report remained confident in the integrity of Hong Kong judiciary, but expressed worries that the judges' decisions might be subject to the National Security Law. As a

result, the report is unsure of the extent to which the judicial system can protect the rights and freedom of people in Hong Kong. The report also shed light on the effect of National Security Law's wide-ranging extraterritorial jurisdiction over foreign individuals or entities, and discussed the law's potential impact on the citizens, companies, and related interests of the EU .

III. IMPLEMENTATION STATUS OF THE HONG KONG HUMANITARIAN AID PROJECT

On July 1, 2020, the Taiwan-Hong Kong Office for Exchanges and Services (hereinafter "Exchanges and Services Office"), the specially established public service window under the Hong Kong Humanitarian Aid Project, began formal operation. The Office provides consultation and assistance to Hong Kong people coming to Taiwan for study, employment, investment, entrepreneurship, immigration, and residency, as well as customized services to transnational enterprises and international organizations for relocating to Taiwan. It also pragmatically handles matters related to humanitarian assistance and care for the people of Hong Kong based on national security considerations, in accordance with existing laws and regulations, and through public-private partnerships. A review of the operations of the Exchanges and Services Office during this reporting period is as follows:

1. The Exchanges and Services Office has so far handled more than 2,000 phone calls and emails pertaining to services provided since its opening. The majority of the cases involve inquiries about coming to Taiwan for study, employment, investment and entrepreneurship, and immigration and settlement. All inquiries were handled by specialists of the Section of Consultation Services at the Exchanges and Services Office in accordance with current laws, regulations and implementation measures or after further consultation with relevant agencies. It has also submitted a summarized review to relevant agencies (institutions) for improvement or deliberation in

regard to the opinions and feedback reflected by Hong Kong people, including: facilitate the process of visa application and quarantine requirements for Hong Kong students recently admitted to universities in Taiwan.

2. The government has drafted guidelines for handling matters regarding Hong Kong residents who come to Taiwan for humanitarian assistance under the situations covered by Article 18 of the Act Governing Relations with Hong Kong and Macao. It would render decisions in such cases based on a joint review of the threat level of applicants' personal safety and liberty, along with the degree of emergency hazard in individual cases. Each case would be duly handled in conformity with humanitarian principles and related laws and regulations. The Exchanges and Services Office would then step in to provide further assistance and guidance when it comes to study, employment, and daily care on a case-by-case basis. Moreover, for Hongkongers who were permitted to stay or reside in Taiwan, additional guidance would be provided. At present, we already have several successful cases where applicants have settled in, whether studying or working, and led independent lives in Taiwan.
3. Furthermore, to actively provide care for the study, employment, and living conditions of Hong Kong people relocating to Taiwan, the Exchanges and Services Office has visited Hong Kong students, Hong Kong civil groups and related organizations, to understand the problems faced by them. Liaison channels have also been established in order to coordinate resources from the government and private sector to provide timely assistance.
4. The Exchanges and Services Office will continue to update information on its webpage, including the FAQ section; database information on study, employment, investment, entrepreneurship, and immigration; directions for relocation to Taiwan by international corporations; and CliffsNotes guides on living in Taiwan, among others. This allows those who have inquiries to find useful answers conveniently whenever needed.

IV. CONCLUSION

Since the enactment of the National Security Law, the MAC has closely watched developments in Hong Kong and shown solidarity with world democracies in support of freedom and democracy in Hong Kong. It has also taken concrete actions to provide humanitarian aid and care. In addition, the MAC has taken into account the developments of Hong Kong to monitor any potential risk of Taiwan's national security, public order, national interest, etc. The MAC will also strengthen the review and regulating mechanism employed in Taiwan-Hong Kong exchanges. In the future, the MAC will continue, on the existing foundation, to enhance related measures and assess the necessity to adopt contingency plans in a timely manner, so as to protect Taiwan's national security; ensure the interests of the people are not compromised by the changing situation in Hong Kong; and defend universal values.