

Nine Years After Hong Kong's Handover: An Analysis

- The Hong Kong SAR government had exercised a self-restrained autonomy, which was unfavorable to the development of the “one country, two systems.”
- There was no set date for general elections. The Hong Kong people persisted in their pursuit of democracy.
- The economy of Hong Kong was recovering, with the marginalization issue becoming the focal point.
- China and Hong Kong have been increasingly integrated, and Hong Kong will be increasingly vulnerable to the political and economic risks.
- China invested more in the Hong Kong media businesses, and more self-censorship phenomena drew concerns.
- Increasing intervention by the Chinese authorities led to international concern on the maintenance of the rule of law and autonomy in Hong Kong.
- Hong Kong media established offices in Taiwan to foster understanding of Taiwan by the people of Hong Kong and China.
- The 169 reported cases of controversies tested China's promise to keep Hong Kong “unchanged for 50 years.”

During the past year, Hong Kong's economy experienced a revival, approval of public opinion on Hong Kong SAR Chief Executive increased, and tension between the SAR government and pro-democratic forces declined. Nevertheless, the Hong Kong SAR government's self-imposed restraint on its own autonomy made the “one country” model more realistic. Increased intervention by the Chinese authorities also heightened Hong Kong's economic risks and encroached on the freedom of speech and freedom of the press in Hong Kong. The persistence of the Hong Kong people in their pursuit of democracy, however, has facilitated the progress of Hong Kong's democratization slowly.

Trade and personnel exchanges between Taiwan and Hong Kong became more

frequent in the past year. Although the Hong Kong people shared Taiwan's experience in democracy through election observation and visits to Taiwan, there remains room for improvement in communication and interaction between Taiwan and the Hong Kong SAR government. In the future, the Taiwanese government will continue to promote mutual interaction and understanding with Hong Kong, and improve services to the Taiwanese people living in Hong Kong.

The following is an analysis of the general situation in Hong Kong from July 2005 to June 2006:

- I. The Hong Kong SAR government had imposed a self-restraint on its own autonomy. Hong Kong people persisted in their pursuit of democracy.

After replacing the former Chief Executive through a by-election, Donald Tsang Yam-kuen has been cautious in executing his duties, and has spared no efforts in maintaining harmony with people from all walks of life. The Hong Kong people's support for the Chief Executive and the Hong Kong SAR government remained stable, and the general situation was more stable compared with that of the past administration. Nonetheless, the Hong Kong SAR government's disagreement with pro-democratic forces on the schedule of the general election and its self-imposed restraint on its own autonomy were unfavorable to the development of "one country, two systems."

The constitutional development package proposed by the Hong Kong SAR government transformed its harmonious relationship with pro-democratic forces to one that is confrontational. Before the Legislative Council vetoed the proposal, Beijing and the Hong Kong SAR government had actively demonstrated goodwill toward the pro-democratic forces. For instance, many pro-democratic personalities had been prohibited from entering China after the June 4 incident, but last year, pro-democratic legislators and current affairs commentators were invited to visit China. In addition, pro-democratic legislators were invited to attend welcoming banquets for visiting Chinese leaders and take part in activities of PLA stationed in Hong Kong. The media described these activities as "ice breakers" for both sides. Then, because the constitutional development package was vetoed due to boycott by pro-democratic legislators in the Legislative Council, the communication and contacts between both sides were halted.

The Hong Kong SAR government imposed self-restraint on its own authority and

thus changed the essence of “one country, two systems.” In its 2005 report, MAC stated that Tsang’s ability to safeguard Hong Kong’s autonomy and at the same time win the trust of the Chinese authorities was a test on his capability. Nevertheless, during the outbreak of pig-borne diseases in China, the Chief Executive waited for the Chinese authorities to impose ban rather than immediately stopping the importation of pork. The Chief Executive and the Hong Kong SAR government officials also emphasized from time to time that Hong Kong is not an independent political entity, and that China has authority over Hong Kong. The Chief Executive’s conduct elicited warning from the media that “the SAR government has imposed a self-restraint on Hong Kong’s high degree of autonomy, the effect of which is the same as the Chinese Central Government gradually depriving Hong Kong of its high degree of autonomy.”

Despite no definite date for general elections, the Hong Kong people persisted in their pursuit of democracy. Although the Hong Kong SAR government had proposed to increase the number of voters and seats of directly elected legislators, it was still at odds over the pro-democratic forces’ demand for a comprehensive direct election and a timetable for universal suffrage. Consequently, the proposal was not passed due to boycott by the pro-democratic legislators in the Legislative Council. For this reason, Hong Kong would not have a general election before 2008 as declared by the NPC’s interpretation of the Basic Law; there was likewise no timetable set for the general election. The Hong Kong people were however persistent in their pursuit of democracy. According to several survey results, there have always been 60 percent of Hong Kong people who want to hold a general election as soon as possible.

In the past year, new pro-democratic groups such as the Civic Party and the League of Social Democrats were established. Pro-democratic forces also established a radio station to promote democracy, and prepared to hold a civilian-organized general election for the Chief Executive at the same time on March 2007 as the official Chief Executive election to highlight the undemocratic nature of the current “clique” election. The pro-democratic forces also continued to hold the fourth annual July 1st pro-democratic march to demand for a general election.

- II. Hong Kong’s economy grew modestly, with the marginalization issue becoming a focal point.

Performance of the Hong Kong became less impressive after the Southeast Asian financial crisis. The Hong Kong people were likewise losing confidence in the future

of their economy. Although SARS outbreak during the second quarter of 2003 adversely affected the Hong Kong economy, the economy started to stabilize during the third quarter of the same year. Economic growth in 2004 was 8.6 percent, indicating a gradual revival of the economy.

Economy growth in 2005 was still satisfactory. According to the Hong Kong SAR government statistics, economic growth in 2005 was 7.3 percent, slightly less than that of 2004. Economic revival increased employment; unemployment rate continued to drop to 5.6 percent, the lowest in the last four years. Hong Kong overcame years of deflation in 2004. The composite consumer price index rose to 1.1 percent in 2005, showing sign of slight inflation.

Hong Kong continued to consider economic integration with China as key for its economic development. As of the end of 2005, there were 335 Chinese companies listed in the Hong Kong Stock Exchange, raising a total capital in excess of HK\$1.097 trillion. Chinese companies accounted for 30 percent of all listed companies in Hong Kong and close to 40 percent of the total market value. China also implemented several liberalization measures last year, which included the implementation of the third phase of CEPA between the China and Hong Kong on January 1st, 2006, lifting restrictions on the scope of services provided by Hong Kong banks to personal RMB business, and allowing residents of six more Chinese cities to travel to Hong Kong on individual visits. China's 11th Five-Year Plan also incorporated for the first time Hong Kong and Macao, yet this started the controversy on whether Hong Kong would be marginalized as a result. Although the Chief Executive and high-level Chinese officials tried to appease the Hong Kong people, the marginalization issue has become a concern.

The Hong Kong SAR government and the financial and economic circles were cautiously optimistic about the expected economic performance in 2006. They believed that Hong Kong's economy would continue to grow, but the growth rate would not be as high as that over the past two years. The forecasted growth rate was between 4 to 6 percent; sluggish export, high oil prices, and the bird flu could adversely impact economic growth.

- III. Freedom of speech and freedom of the press were often compromised; Chinese investments in media companies caused concerns.

Since the Hong Kong handover, the media has been able to report and comment on

the Chinese and Hong Kong SAR governments, and the people have been able to assemble and march in protest of the Chinese and Hong Kong SAR governments. However, substantial changes have been underway. Media self-censorship has increased, all the more apparent when news reports involved political dissidents, Falun Gong activities, or political news on Taiwan, Xinjiang, and Tibet.

In its annual report, the Hong Kong Journalists Association stated that it was worried that in seeking reelection and to avoid antagonizing the Chinese Central Government, Donald Tsang Yam-kuen would progressively suppress freedom of speech and ultimately sacrificing the freedom of the press in Hong Kong, just like boiling frogs with warm water. The Hong Kong Human Rights Monitor also said that freedom of speech in Hong Kong had been further restricted in the last two years.

The apprehension about the suppression of press freedom was not totally without basis, and the chilling effect should not be ignored. In July 2005, pro-democratic personality Raymond Wong Yuk-man, a current affairs program host and commentator at Commercial Radio, criticized in his program that the Japanese, who altered their textbooks and were unrepentant, were just following the footsteps of the Chinese authorities. The Hong Kong Broadcasting Authority filed a complaint against Commercial Radio, and Wong was subsequently dismissed. Ching Cheong, a Hong Kong reporter for the Singapore-based Strait Times, has been detained for over a year because he was the first reporter to divulge news report about Zhao Zhiyang. During the Chief Executive by-election in 2005, Donald Tsang Yam-kuen criticized the editorial and program production orientation of the RTHK, which belonged to the Hong Kong SAR government. In 2006, the Hong Kong SAR government stationed its own team inside RTHK. In addition, according to news reports, the publishing house belonging to Falun Gong was vandalized by unknown persons. The printer was pressured and later refused to print materials for Falun Gong.

The annual report of the Hong Kong Journalists Association also said that Hong Kong media owners became members of the Chinese People's Political Consultative Conference, and that Chinese investors continued to purchase shares of Hong Kong media, which hampered the orientation of media reports. In May 2006, Asia Television Ltd. announced that China International Trust and Investment Guoan Group Corp. (CITIC Guoan Group) had acquired 22.22 percent of the company shares and would become its second largest shareholder. Because CITIC Guoan Group belonged to the CITIC Group, which is directly under the State Council of the

PRC, the acquisition induced concerns about whether the Asia Television would make itself CCTV-oriented.

In fact, survey results posted on the HKU POP SITE showed that 40 percent of the respondents believed that there was self-censorship in the media, while another 40 percent did not. In addition, 60 percent of the Hong Kong people believed that Hong Kong media would sometimes have misgivings when they criticize the Central Government.

- IV. The international community remained confident about Hong Kong's economic structure, but was concerned about the NPC's interpretation of the Basic Law and the general elections.

The international community remained confident about the investment environment in Hong Kong. For 11 consecutive years, Hong Kong has remained on top of the *Index of Economic Freedom* published by the Heritage Foundation. Hong Kong has continued to rank second in IMD's World Competitiveness Yearbook 2006. Seventy of the 100 top banks in the world have branch offices in Hong Kong.

The international community, however, was also concerned about the detrimental impacts of China's interventions in Hong Kong affairs on the "one country, two systems" model. The international community was especially concerned about issues on the NPC interpretation of the Basic Law, the failure to conduct general elections, and media self-censorship. Both the U.S. State Department's *2005 Country Reports on Human Rights Practices* and *Six-monthly Report on Hong Kong* criticized that the NPC interpretation of the Basic Law had undermined Hong Kong's autonomy. They questioned China's promise to maintain Hong Kong's rule of law and autonomy. The UK's *Reports on Hong Kong* and the UN Human Rights Committee's report on the implementation of the International Covenant on Civil and Political Rights by the Hong Kong SAR government both expressed the same concerns.

The international community was also concerned about China using Hong Kong as an intermediary to gain military advantage. In the *1999 Cox Report*, the U.S. Congress pointed out that the Chinese authorities took advantage of the special privilege enjoyed by PLA garrisons stationed in Hong Kong, that is exemption from inspection by Hong Kong police and customs, to transport sensitive U.S. military equipment. In June 2006, Amnesty International's report also pointed out that China used Hong Kong as an intermediary to sell arms and that companies under the PLA were

involved in the arms deals.

Several U.S. congressmen have openly said that their impression of Hong Kong is that the high degree of autonomy promised by the “one country, two systems” model is diminishing. They warned that if Hong Kong becomes no different from any other cities in China, then the preferential treatment given to Hong Kong by the U.S. export control policy would be abolished.

V. China and Hong Kong grew increasingly closer, and risks have increased.

Since the handover, there has been increased exchange of personnel, trade cooperation, and connection of infrastructures between China and Hong Kong. In addition to offering the aforementioned economic measures that enhanced relationship with Hong Kong, the Chinese authorities also reorganized the Committee for the Basic Law and began to collate reasons underlying the legislation of the Basic Law to reinforce its authority to interpret the law. Furthermore, the Chinese authorities actively coordinated the participation of pro-China forces in the Election Committee to prevent persons undesirable to China from being elected as Chief Executive. They also cooperated with the Hong Kong SAR government to promote education on patriotism so as to increase approval by the Hong Kong people.

China also facilitated the national studies and training exchanges of civil servants from both Hong Kong and China. Between 2004 and 2005, 16 Chinese civil servants underwent training with the Hong Kong SAR government, while 10 civil servants sent by the Hong Kong SAR government underwent training in Chinese agencies. The China National School of Administration and China Foreign Affairs University even commissioned Peking University and Tsinghua University to open national affairs studies programs for Hong Kong civil servants to enable them to better understand national affairs.

The increasing integration between China and Hong Kong also created problems. Hong Kong legislators pointed out that there was an increasing number of Chinese residents who used “individual visits” as an excuse to travel to Hong Kong and act as beggars. Legislators suspected that controlling syndicates were behind such actions. Hong Kong SAR government statistics also showed that the number of Chinese tourists who committed crimes in Hong Kong rose from 474 in 2004 to 609 in 2005. The *Hong Kong Country Risk Report Index* by the Political and Economic Risk Consultancy Ltd. (PERC) indicated that China was the main source of risks in Hong

Kong. The report stated that except for autonomy in foreign trade, Hong Kong is largely dependent on China in all other aspects. The report said that China's politics, economy, and social structure are unstable; hence, Hong Kong will experience crisis once sudden changes occur.

- VI. Civilian exchanges between Taiwan and Hong Kong remained active; the media urged for improvement in official relations.

Civilian exchanges between Taiwan and Hong Kong has remained active since the handover. Hong Kong is also an important intermediary of cross-strait trade. Trade between Taiwan and Hong Kong in 2005 was approximately US\$32.62 billion, up 2 percent from 2004. Cross-strait trade via Hong Kong in 2005 was approximately US\$19.69 billion, up 14.1 percent from 2004. During the same period, the number of visits to Hong Kong from Taiwan exceeded 2.732 million, while those from Hong Kong to Taiwan exceeded 335,000, up 17.4 percent and 6.2 percent as compared with 2004, respectively.

To enable the Hong Kong public to better understand the Taiwan experiences in freedom, democracy, and globalization, the ROC government invited people from all sectors of Hong Kong to visit Taiwan and observe elections. The ROC government hoped that personal visits and first hand experience would foster better understanding of the diverse development of democracy in Taiwan and achievement of Taiwan's open economy. There were 63 groups and 1,225 visits to Taiwan from Hong Kong in 2005. These included people from the political circle, academia, business, social organizations, students, and media. Their activities in Taiwan involved democratic politics, economic development, educational reform, medical services, cultural arts, news broadcasting, and religious activities.

Studying in Taiwan is also one way to better understand Taiwan. In addition to assisting local universities to recruit students in Hong Kong, the ROC government also organized a delegation of university representatives to participate in the 2006 Education and Careers Expo held by the Hong Kong SAR government. The delegation drew the attention of major Hong Kong media and was widely reported. The ROC government likewise attached importance to the care and services for Hong Kong and Macao students staying in Taiwan. Through visits to these students and by organizing seminars and subsidizing the students' social groups, such as the Federation of Hong Kong and Macao Students in Taiwan, to hold activities, the ROC government gained a better understanding of their living conditions in Taiwan and

was able to provide necessary assistance.

In addition, the MAC also welcomed Hong Kong's media such as Wen Wei Po to have reporters stationed in Taiwan. This helped promote a better understanding of Taiwan for Hong Kong people, and the MAC hoped that the Hong Kong media not subject to the restrictions of circulation in China would engage in fair reporting in China. This is aimed at enabling Chinese people to better understand Taiwan.

Due to frequent exchanges between Taiwan and Hong Kong, accidents and emergencies happened occasionally such as the plane crash in Penghu and bus accident in Jioufen. The ROC government took the initiative to provide assistance to the family members of the Hong Kong victims and the Hong Kong SAR government. However, due to the special political status of the Taiwan representative office in Hong Kong, it is not easy for the representative office to assist Taiwanese residents in the event of emergencies in Hong Kong. For instance, during the 6th WTO Ministerial Meeting held in Hong Kong in December 2005, anti-globalization protesters worldwide demonstrated in Hong Kong. Some demonstrators were arrested after they clashed with the police; among those arrested were 12 Taiwanese residents. The Taiwan representative office in Hong Kong spared no efforts in immediately providing assistance. Yet due to the aforementioned reason, the Hong Kong SAR government did not actively provide assistance after the incident, making it difficult for Taiwan to communicate and verify information with the Hong Kong SAR government. Nevertheless, due to efforts by MAC staff members in Hong Kong and assistance from the local residents, the 12 Taiwanese residents were ultimately released. The incident showed that official relationship between Taiwan and Hong Kong was limited, which is disadvantageous to providing efficient services to people from both areas.

In addition, the Hong Kong SAR government had unreasonable demands or delays during the processing of visa applications by Taiwan's deputy ministers and higher officials or major personalities, or during the processing of working visas applications of employees of the Taiwan representative office in Hong Kong. The Hong Kong SAR government has yet to establish a representative office in Taiwan, which is disadvantageous to official communications and increases the difficulty of handling urgent cases. Timothy Ka-ying Wong, a Hong Kong scholar, has said that, compared to the efforts made by Taiwan on Hong Kong affairs and China's proactive attempts to woo Taiwan, the Hong Kong SAR government's efforts toward promoting

Taiwan-Hong Kong relationship is far inadequate. Wong recommends that the Hong Kong SAR government lift the ban of official visits to Taiwan, invite Taiwan's opinion leaders to visit Hong Kong, and define a clear and consistent status for the Taiwan representative office in Hong Kong. This will help prevent the current ambiguity where the Taiwan representative office is regarded as an official entity when assistance from Taiwan is needed and regarded as a private entity when otherwise.