



Six-monthly Report on Hong Kong July-December 2003

*Presented to Parliament
By the Secretary of State for Foreign and Commonwealth Affairs
By Command of Her Majesty
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FOREWORD

This is the fourteenth in a series of six-monthly reports to Parliament on the implementation of the Sino-British Joint Declaration on the Question of Hong Kong. It covers the period from 1 July to 31 December 2003.

This was an eventful period for Hong Kong. It started with the largest demonstration since the handover, when some 500,000 people took to the streets on 1 July, shortly before the Hong Kong Special Administrative Region (SAR) Government was intending to enact controversial national security legislation. The fact that half a million people could demonstrate so peacefully (there was not a single arrest) is of great credit to the people of Hong Kong. This determined and dignified expression of commitment to uphold Hong Kong's rights and freedoms was admired and commented upon internationally.

After the SAR Government withdrew the draft national security legislation the focus shifted to constitutional development. At the end of the reporting period the people of Hong Kong were waiting for details of the timetable for a formal public consultation on constitutional reform, which the SAR Government had promised would take place in early 2004.

Since the start of this year there have been further developments. On 1 January some 100,000 people marched in favour of greater democratisation. In his annual Policy Address on 7 January, Chief Executive CH Tung announced the establishment of a Task Force to examine the relevant provisions of the Basic Law and to consult the Central People's Government in Beijing before taking matters further. The Task Force has held meetings with various groups in Hong Kong to ascertain views. At the time of writing, the Task Force has just returned from its first visit to Beijing, where it held preliminary discussions on the principles and procedures of the Basic Law with officials from the Central People's Government.

Our position on constitutional reform has been consistent: we hope to see early progress towards the Basic Law's ultimate aims of the selection of the Chief Executive and election of all members of the Legislative Council by universal suffrage, at a pace in step with the wishes of the people. We understand the need for consultations between the SAR Government and Beijing and hope that it will not take too long to resolve the issues that need discussing. We are glad that the Task Force has also started to consult interested parties in Hong Kong: it is important that the views of the people of Hong Kong are taken fully into account.

This period was also an important one for UK-Hong Kong relations with visits to Hong Kong by the Prime Minister and to the UK by the Chief Executive. In a speech in Hong Kong in July the Prime Minister said that it was vital that Hong Kong continued its advance towards universal suffrage but maintained the stability that was the ultimate bedrock of its success.

It has been heartening to see the speed with which the economy is recovering post-SARS. Unemployment, which reached an historical high in July 2003, is now declining and sentiment has improved significantly, not least as a result of continued economic integration with Mainland China. The recovery is good news both for the people of Hong Kong and for the UK's substantial business interests in the SAR.

2003 was an important year for Hong Kong. It is likely that 2004 will be too. The international community continues to follow Hong Kong matters closely, as was demonstrated last year. It is important that international confidence in Hong Kong's high degree of autonomy is maintained. We shall continue to follow developments closely.



JACK STRAW
Secretary of State
For Foreign and Commonwealth Affairs

SIX MONTHLY REPORT ON THE IMPLEMENTATION OF THE JOINT DECLARATION ON HONG KONG

INTRODUCTION

1. This series of reports reflects the British Government's continuing interest in developments in Hong Kong and our commitment to the faithful implementation of the Sino-British Joint Declaration on Hong Kong. This promised a high degree of autonomy for the Hong Kong Special Administrative Region (SAR) except in foreign and defence affairs, and guaranteed the continuation of Hong Kong's social and economic systems, lifestyles, rights and freedoms. These continuing reports assess the success of those arrangements.

ARTICLE 23 OF THE BASIC LAW

2. We covered in some detail in the last report the SAR Government's moves to introduce national security legislation to meet its obligations under Article 23 of the Basic Law (BL23), which states:

“The Hong Kong Special Administrative Region shall enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government or theft of state secrets, to prohibit foreign political organisations or bodies from conducting political activities in the Region, and to prohibit political organisations or bodies of the Region from establishing ties with foreign political organisations or bodies.”

3. On the first day of the reporting period, 1 July, an estimated 500,000 people (some estimates put the number far higher) marched through Hong Kong, the largest demonstration in Hong Kong since 1989. A major reason for the protest was the proposed BL23 legislation which the SAR Government had intended to pass before the summer recess. However, marchers were also protesting against Government policies in general and many were calling for greater democracy in Hong Kong.

4. On 5 July Chief Executive Tung Chee-hwa (Mr CH Tung) announced that there would be three major changes to the draft National Security (Legislative Provisions) Bill, in response to concerns expressed in the community during the demonstrations. These were:

- the deletion of the provision regarding the possible proscription of a local organisation subordinate to a mainland organisation which had been proscribed by the Central Authorities;
- the introduction of a “public interest” defence for unlawful disclosure of certain official information; and
- the deletion of the provision which conferred on the police a power to search without court warrant in the exercise of their emergency investigation powers.

The Chief Executive said that the final reading would take place in the Legislative Council (LegCo) on 9 July as originally scheduled.

5. The Leader of the Liberal Party, James Tien, who also sat on the Executive Council (ExCo), went to Beijing to meet mainland officials on 3–4 July. On his return he called publicly for the Bill to be delayed until December. Following the announcement of the Chief Executive's concessions, Tien said that he would consult the business community before deciding how his party should vote in LegCo. On the evening of 6 July, the Liberal Party issued a statement asking the Government to defer the resumption of the second reading of the bill, and announcing that James Tien had resigned from ExCo.

6. The Chief Executive called an emergency ExCo meeting, and at 2.00 am on 7 July announced that he had accepted Tien's resignation; and that the Bill would be delayed. He said that the Government would step up its efforts to explain the amendments to the community in the coming days. But he also reiterated that the SAR had a constitutional duty to legislate for the protection of national security.

7. On 9 July, demonstrators held a candlelight vigil outside the LegCo building as a sign of continued discontent with the SAR Government. Organisers claimed that 50,000 people attended. Police estimates were lower, but they said that no less than 30,000 were there. The vigil had originally been planned as part of an all-day demonstration against the National Security Bill, which had been scheduled to receive its second and third (final) readings in LegCo that day. A further, smaller demonstration took place on 13 July to call for greater democracy (see section below on Constitutional Development).

8. On 16 July the resignation of Secretary for Security Regina Ip, whose portfolio included responsibility for national security issues, was announced. In a statement to the press the Chief Executive said that Mrs Ip had tendered her resignation on 25 June on personal grounds; that he had been unable to persuade her to stay; and that after careful consideration he had decided to accept the resignation and had subsequently recommended to Beijing that she be allowed to step down. The resignation would become effective on Friday 25 July (30 days after acceptance, as provided for in Principal Officials' contracts). In a statement, Mrs Ip insisted that she had resigned purely on personal grounds; that she deeply regretted that legislative work to implement Article 23 of the Basic Law had not been completed as scheduled; and that as a Chinese national and Secretary for Security she sincerely believed that she had a responsibility to promote actively "this highly important legislative task". On the same day the Chief Executive also announced that he had decided to accept the resignation of the Financial Secretary, Antony Leung (see section on the Hong Kong SAR Government below).

9. On 16 July, Gao Siren, director of the Central Government Liaison Office (CGLO) in Hong Kong said "Hong Kong is an economic city, rather than a political city. It will affect social stability if Hong Kong becomes too politicised." Gao said the Hong Kong SAR government was communicating with the public about the national security legislation. "I believe that the legislation bill will be completed with the joint efforts of Hong Kong society."

10. On the same day Foreign Office Minister Bill Rammell MP issued the following statement.

"There have been significant developments with regard to Hong Kong's national security legislation in recent days. We witnessed on 1 July the largest demonstration in Hong Kong since the handover with the estimated participation of up to 500,000 people from all sectors of society. It is a tribute to the people of Hong Kong that so large a demonstration could take place in such a peaceful manner. The march clearly showed the desire of Hong Kong people to retain the rights and freedoms they have long enjoyed.

We see the subsequent announcement by the Chief Executive of significant changes to the proposed legislation as a positive move. We particularly welcome the decision to remove from the legislation the proposed new provisions regarding the proscription of Hong Kong organisations subordinate to organisations proscribed on the Mainland on national security grounds. This had been one of the main concerns of the people of Hong Kong and of the international community and we have repeatedly expressed our concern on this issue. We welcome the fact that the SAR Government has listened to these concerns.

We also welcome the SAR Government's decision to delay passage of the legislation to allow more time for further discussion in Hong Kong. We hope that the SAR Government will continue to listen to the views of the people of Hong Kong as it pursues this issue.

We noted carefully that a major theme of the 1 July demonstration was people's desire for faster progress towards the Basic Law's ultimate aims of electing the Chief Executive and all members of the Legislative Council by universal suffrage. In the Report to Parliament published today we have covered the progress of the debate in Hong Kong during the first half of the year concerning future constitutional development. We have restated our hope that Hong Kong would make early progress towards these ultimate aims.

We have followed the SAR Government's moves to introduce legislation under Article 23 of the Basic Law very closely because of its potential impact on the implementation of the Sino-British Joint Declaration. We shall continue to follow developments closely."

11. On 17 July the Chief Executive announced that the Government had decided it was necessary to put forward the Bill to the whole community for consultation again, in order "to win the maximum understanding and support of the community as a whole for this legislation."

12. During a visit by the Chief Executive to Beijing on 19 July, Chinese President Hu Jintao and Premier Wen Jiabao pledged the firm support of the Central Government for the SAR Government led by the Chief Executive. President Hu said that it was a necessary part of implementing the Basic Law that the Hong Kong SAR independently drafted the law to safeguard national security and reunification, and that drafting such a law was a responsibility the Hong Kong SAR had to fulfil. President Hu also said that he was aware that the Hong Kong SAR Government had decided to consult the public again over the relevant draft law. "I am confident the legislation will gain understanding, support and recognition of the broad masses of people in Hong Kong after careful and extensive consultation," said the President.

13. On 5 September the Chief Executive announced the decision to withdraw the National Security (Legislative Provisions) Bill from the legislative programme, "so as to allow sufficient time for the community to study the enactment question." He gave no indications when a new Bill might be introduced.

14. The following day the new Secretary for Security, Ambrose Lee, said the government would conduct a fresh round of consultations, listen to public views and would have to reach a public consensus when it re-introduced the laws in future. He reiterated that there was no timetable for the legislation.

15. On 17 September, Foreign Office Minister Bill Rammell issued the following statement after meeting Stephen Ip, Secretary for Economic Development and Labour in London:

"I told Mr Ip that we were pleased that his Government now intended to allow sufficient time to consult the community further about the legislation. We hope that there will be the widest possible consultation before legislation under Article 23 of the Basic Law is reintroduced into the Legislative Council. It is vital that the final legislation does not undermine the basic rights and freedoms of the people of Hong Kong.

I also repeated our hope that Hong Kong would make early progress towards the Basic Law's ultimate aims – the election of the Chief Executive and all members of the Legislative Council by universal suffrage – at a pace in accordance with the wishes of the local community."

CONSTITUTIONAL DEVELOPMENT

16. Hong Kong's current constitutional framework, including election methods, is set out in the Basic Law. It states that:

The method for selecting the Chief Executive [and for forming the Legislative Council] shall be specified in the light of the actual situation in the Hong Kong Special Administrative Region and in accordance with the principle of gradual and orderly progress. The ultimate aim is the selection of the Chief Executive [and the election of all members of the Legislative Council] by universal suffrage.

17. Annex I of the Basic Law states that "if there is a need to amend the method for selecting the Chief Executives for the terms subsequent to the year 2007, such amendments must be made with the endorsement of a two-thirds majority of all the members of the Legislative Council and the consent of the Chief Executive, and they shall be reported to the Standing Committee of the National People's Congress for approval." Annex II contains similar language on changing the method for forming the Legislative Council after 2007, but in this case, the change is to be reported to the Standing Committee of the National People's Congress "for the record".

18. As noted above, one of the central themes of the demonstrations on 1 and 9 July was the call for greater democracy in Hong Kong. On 13 July the Democracy Development Network organised a pro-democracy rally attended by some 10–20,000 people, a long-planned event that had been delayed by the onset of SARS earlier in the year. In reaction to the rally, Secretary for Constitutional Affairs Stephen Lam said: "We have taken heed of the views from various sectors about constitutional development. When conducting the review on constitutional development, we will ensure that there will be sufficient time for public participation".

19. During his visit to Hong Kong on 23 July the Prime Minister touched on the subject of constitutional reform in a speech to the British Chamber of Commerce. He said: "Our position has consistently been that we hope that Hong Kong will make early progress towards the Basic Law's ultimate aim of election of the Chief Executive and all members of the Legislative Council by universal suffrage. So what is vital is that Hong Kong continues its advance, as set out in the Basic Law, but maintains the stability that is the ultimate bedrock of your success here". (The full text of the Prime Minister's speech can be found on www.britishconsulate.org.hk – under "press releases".)

20. At the end of July the Chief Executive told the press that preparations had begun for a review on constitutional reform and confirmed that the public would be consulted in 2004. On 23 September the Secretary for Constitutional Affairs said that the Hong Kong government would work closely and build consensus with different sectors and political parties while dealing with constitutional development after 2007. He also said that the review would be proper and thorough, and there would be adequate opportunity for the public to take part in consultations.

21. Mr Lam was quoted as saying in LegCo on 8 October that the Government would make a decision before the end of the year on the timetable for the review on constitutional development and public consultation. On the same day, Premier Wen Jiabao, in the margins of the ASEAN summit in Bali, was quoted as saying that in order to safeguard the rights and freedoms that Hong Kong enjoyed under the Basic Law, the SAR needed "gradual development of democracy".

22. Speaking after a LegCo constitutional affairs panel meeting on 20 October, the Secretary for Constitutional Affairs said: "the clear message I want everybody to know is that I hope to start the task of public consultation in early 2004, as we need to listen to views in society on what proposals we should consider over the constitutional reform of 2007."

23. We noted in our previous report that Mr Lam had said that the SAR Government was still studying the question of whether the Basic Law's present system, under which the Chief Executive is voted in by a 800-strong election committee, could be changed to universal suffrage for the 2007 Chief Executive election. On 12 November Mr Lam announced the outcome of these deliberations. He said:

“The Constitutional Affairs Bureau has conducted detailed internal research on the scope of paragraph 7 of Annex I to the Basic Law, and has sought legal advice from the Department of Justice. Our conclusion is that if there is a need, amendment to the method for selecting the third term Chief Executive may be considered. However, any proposal put forth must be handled in accordance with the principle of gradual and orderly progress and in the light of the actual situation in Hong Kong as stipulated in the Basic Law, and according to the procedures and requirements set out in Article 45 and Annex I of the Basic Law”.

Mr Lam went on to say:

“The Chief Executive has stated that it is the clear duty of the current Administration to pursue democratic advancement according to the Basic Law. The Administration will make full use of the coming three years to carry out the review on constitutional development and to conduct public consultation in a serious and proper manner”.

24. Mr Lam added that the Administration would therefore commence public consultation on constitutional development within 2004, and start listening to and gathering views early that year; as necessary, deal with the procedures stipulated in the relevant Annexes of the Basic Law in 2005; and, as necessary, enact any local legislation in 2006. Mr Lam said that the Government would make a decision before the end of the year on the detailed timetable, and thereafter report to the Legislative Council. He emphasised that at that stage the Government did not have any pre-determined package of proposals. “We consider that the proper and responsible way is to consult widely and to consolidate the views gathered from various sectors of the community, before putting forth our final recommendations”.

25. The question of constitutional reform arose during the Chief Executive's visit to Beijing on 3 December (see below). President Hu Jintao was quoted as saying, “The central authorities pay close attention to Hong Kong's constitutional development, with an unequivocal principled stance. The constitutional development in the Hong Kong SAR must be orderly and gradual, based on the provisions in the Basic Law of Hong Kong and the reality of Hong Kong. We believe that the community in Hong Kong will be able to arrive at a broad consensus on this”. It was reported that President Hu had told the Chief Executive that the Central Government was “deeply concerned” about Hong Kong's political development.

26. During the Chief Executive's visit, in response to a question posed by reporters about the possibility of a directly elected Chief Executive by 2007, Premier Wen Jiabao said that “One Country, Two Systems” and the Basic Law remained the solid foundation of all matters related to Hong Kong. He added that nothing would depart from these principles and that Hong Kong people should treasure everything that had been accomplished since the handover.

27. Immediately after the Chief Executive's visit to Beijing, Hong Kong newspapers carried comments on constitutional reform from four Chinese legal experts. According to the official news agency Xinhua, the legal experts stressed that “one country” was a non-negotiable precondition for the “one country, two systems” deal; and that Hong Kong's choice of political system would have a bearing on relations with Beijing, on the social stability and economic prosperity of the Hong Kong SAR, and on the interests and democratic participation of all social strata in Hong Kong. They added that it was a misunderstanding to think that changing the methods for the selection of the Chief

Executive and the formation of the Legislative Council was purely an internal affair of the Special Administrative Region, to be determined by the Hong Kong people themselves.

28. On 15 December the Secretary for Constitutional Affairs told the Legislative Council's Constitutional Affairs panel that the plan to announce the timetable for public consultation by the end of December had been delayed until the next month. Some legislators criticised the SAR Government for failing to meet its own deadline.

29. The British Government's position on this issue has been frequently stated over recent years and remains unchanged. We continue to hope to see early progress towards the Basic Law's ultimate aims of the selection of the Chief Executive and election of all members of the Legislative Council by universal suffrage, at a pace in line with the wishes of the people of Hong Kong. The Prime Minister and Mr Rammell made these points to the Chief Executive when he visited London in November. Mr Rammell repeated these sentiments in an interview in the South China Morning Post shortly after the Chief Executive's visit and also during his visit to Hong Kong on 18 December. Earlier in the month US Consul General in Hong Kong, Jim Keith, had delivered a speech in Hong Kong in which he said that the best next step was to begin full and public consultations on democratisation.

30. On 25 December, a spokesman for the Chinese MFA Commissioner in Hong Kong issued the following statement:

“The Commissioner's Office resolutely opposes some foreign political figures and consular officials in Hong Kong on some of their very irresponsible remarks over Hong Kong's affairs. Maintaining Hong Kong's long-term prosperity and stability suits the interests of all the Chinese people including Hong Kong compatriots, and the interests of foreign investors. We hope those foreign governments and organisations that truly care for Hong Kong's prosperity and stability will carry out more activities that are conducive to Hong Kong's prosperity and stability. The issue of developing Hong Kong's political system is China's internal affair and the Chinese Central Government pays close attention to the issue”.

31. The British Government will continue to comment on these matters as it judges appropriate. We too believe that maintaining stability and prosperity in Hong Kong is essential. This would safeguard the interests of the local people as well as British interests (of which there are many) in Hong Kong. As the Prime Minister made clear in Hong Kong (see para 19 above) we also believe that Hong Kong should continue its advance towards universal suffrage, as set out in the Basic Law.

RELATED CONSTITUTIONAL ISSUES

32. On 12 July elections were held in 700 villages in the New Territories, giving non-indigenous residents the right to elect village representatives for the first time. The new arrangement replaces a colonial system that had been operating for more than 100 years. It follows a Court of Final Appeal ruling in 2000, which found existing election arrangements were in breach of human rights obligations.

33. There was concern in Hong Kong in September when the Electoral Affairs Commission (EAC) announced new guidelines for the forthcoming District Council elections, including a reduction in the time available for voting by three hours. This followed a little-noticed public consultation by the EAC earlier in the year. Following complaints the EAC agreed on 26 September to revert to the previous polling times.

34. The District Council elections duly took place in Hong Kong on 23 November. Over a million people voted – 44% of those registered – which was significantly higher than the 36% in the previous local elections in 1999, and marginally higher (in percentage and absolute terms) than the turnout in the last LegCo elections. The Democratic Party

won 95 seats, the Democratic Alliance for the Betterment of Hong Kong (DAB) 62, the Association for Democracy and People's Livelihood (ADPL) 25, the Hong Kong Progressive Alliance (HKPA) 20, the Liberal Party (LP) 12, and the Frontier 6. Independent candidates and small parties won a total of 180 seats. Some commentators believed that the strong showing for the Democratic Party demonstrated a desire for greater democracy in Hong Kong.

35. The leader of the DAB, Tsang Yok-sing, at a press conference on 24 November, described his party's results as a "very serious defeat" and a "severe blow to the DAB". He tendered his resignation, which the party's Central Committee accepted on 2 December. Ma Lik, Secretary General of the DAB (although not a member of the Legislative Council) and a Hong Kong delegate to the National People's Congress, was elected on 8 December as the new leader. However the Chief Executive decided that Tsang Yok-Sing should retain his position on the Executive Council.

36. The Chief Executive welcomed the record turnout at the elections and said that the whole process had been undertaken in a fair, open and orderly manner, which demonstrated the very high degree of the citizens' civic responsibility. Secretary for Constitutional Affairs, Stephen Lam, said that the government would proceed with its consultation on political reform early in 2004, and consult all the political parties. He said constitutional reform was such an important issue that there must be a consensus in the community, and the public must fully understand what it meant to them. Mr Lam said:

"Political events make politics, so the demonstration on 1 July, [and] yesterday's elections, I believe are important events in this year's political calendar. But at the same time, we must not forget that a political process has begun for well over a decade in Hong Kong, and that the people of Hong Kong are now getting more accustomed to involvement in the electoral process, and also in terms of expressing their views through elections and through other means".

On 30 November a spokesman for the Constitutional Affairs Bureau said that they would separately be conducting a review of the roles, functions and composition of the District Councils.

37. Attention then turned to the Chief Executive's prerogative to appoint a maximum of 102 people to fill the remaining District Council seats. On 7 December about 1,500 people rallied to call for the abolition of the appointed seats. The Anti-Appointment Alliance, which organised the rally, said that appointing government allies to the councils amounted to a distortion of public opinion.

38. However, on 27 December a SAR Government spokesman announced that the Chief Executive had appointed 102 District Councillors for a four-year term starting from 1 January 2004. The spokesman added that all the 102 members were appointed in their personal capacity and that they all had a good knowledge of district affairs and were dedicated to serving the community. Secretary for Home Affairs Patrick Ho later confirmed that none of those who had failed to win seats in the recent district council elections had subsequently been appointed.

"ONE COUNTRY, TWO SYSTEMS"

39. On 19 July the Chief Executive visited Beijing. It was reported that in separate meetings with the Chief Executive, President Hu and Premier Wen had emphasised that the Central People's Government would, as always, adhere to the fundamental policies of "One Country, Two Systems", "Hong Kong people governing Hong Kong" and a high degree of autonomy, and implement the Basic Law of the Hong Kong SAR. It was also reported that President Hu had said at the meeting that the Central Government was very concerned with the recent situation in Hong Kong. President Hu said: "Only by maintaining social stability can Hong Kong preserve a sound business environment,

keep its features as a free port and its status as an international financial, trade and shipping centre, thus creating favourable conditions for economic recovery and further development”.

40. Yang Wenchang replaced Ji Peiding as Commissioner of the Ministry of Foreign Affairs in Hong Kong on 11 August. In a statement issued after his first meeting with the Chief Executive on 12 August, Yang said: “Under the ‘One Country, Two Systems’ framework, the Central Government is always very concerned with Hong Kong’s prosperity and stability. They are also very concerned with foreign affairs relating to Hong Kong, and require the Ministry of Foreign Affairs and its subsidiary office in Hong Kong to steadfastly adhere to the principle of ‘One Country, Two Systems’.”

41. From mid-August to the end of September, over 30 Hong Kong delegations paid formal visits to senior leaders in Beijing. They included political parties (except the Democratic Party and the Frontier), business groups, media organisations, universities and academics, women’s groups, New Territories representatives, legal groups and tycoons. The Democratic Party announced that there were, however, meetings between Mainland officials and members of the Democratic Party in Hong Kong although officials from the Central Government Liaison Office in Hong Kong denied that such talks had taken place.

42. On 5 September, at his inauguration ceremony, Chinese MFA Commissioner Yang Wenchang said that the “One Country, Two Systems” principle and the Basic Law were the foundations ensuring Hong Kong’s long-term prosperity and stability. In the six years since its return to the motherland, Hong Kong’s systems of economy, society, law, culture, education and religion had remained unchanged. Yang went on:

“Needless to say, ‘One Country, Two Systems’ is a brand-new cause with no ready experience to draw upon. Problems and difficulties of one kind or another are unavoidable in the process. What we must emphasise here is that no difficulties can shake the resolve of our government and people in achieving the long-term prosperity and stability of Hong Kong. The Central Government will go all out to support whatever is in the interest of Hong Kong’s prosperity and stability and the common development of Hong Kong and the mainland.”

43. On 27 September, Xinhua, the official Chinese news agency, reported that in a speech to a delegation of senior Hong Kong business people, Chinese President Hu Jintao had said that maintaining stability in Hong Kong was essential for Hong Kong itself and the country as a whole. During the speech President Hu announced that the central authorities had set up a Central Group for Coordinating Hong Kong and Macao Affairs, headed by Zeng Qinghong. Its main task would be to strengthen coordination for mainland affairs involving Hong Kong and Macao. He emphasised that it would not interfere with any matters falling within the scope of Hong Kong’s and Macao’s autonomy.

44. In late September Standing Committee Member of the Politburo Li Changchun aroused controversy in Hong Kong when speaking to Hong Kong news executives in Beijing. He said that the Hong Kong media should, while maintaining press freedom, be concerned about social responsibility. He added that the media’s starting point should be Hong Kong’s overall interests and the maintaining of Hong Kong’s prosperity and stability. “The media should exercise its positive effect in this respect by supporting the Chief Executive and the SAR Government.” Li’s comments were criticised by Mak Ying-ting of the Hong Kong Journalists’ Association who said that Li was trying to influence Hong Kong newspapers. She said it was “unacceptable for Mr Li to set prerequisites for us during a closed-door meeting with news executives”. The Joint Declaration and Basic Law specifically protect freedom of the press. The British Government would be concerned if pressure were put on Hong Kong’s media to report news in a particular way.

45. Political activist Leung Kwok-hung (also known as ‘Long Hair’) was given a one-off home return visa permit in mid October to nurse his dying mother through her final hours. This was Leung’s first visit to the mainland since 1997. A spokeswoman for the Chief Executive’s office said that the Chief Executive had assisted during the process.

46. President Hu Jintao met the Chief Executive in Bangkok on 20 October in the margins of the 11th Asia-Pacific Economic Cooperation (APEC) economic leaders’ meeting. President Hu expressed satisfaction with Hong Kong’s economic recovery and the improvement of the people’s livelihood there. He said he was confident that under the leadership of the Hong Kong SAR Government headed by CH Tung, Hong Kong compatriots would unite as one and overcome the temporary difficulties and make greater achievements in economic and social development and other areas. The Chief Executive thanked the central government and the mainland’s support for Hong Kong’s development, saying the SAR Government and Hong Kong compatriots had the determination and confidence to build a better Hong Kong.

47. Politburo member and State Council Vice-Premier Zeng Peiyan visited Hong Kong from 4–6 November to speak at the opening ceremony of the Seventh ‘Business Week’ Annual CEO Forum. This was the first visit to Hong Kong of a senior Central Government official since the 1 July protests. Zeng noted the recent recovery of the economy and of people’s confidence. He said that the Central Government aimed to accelerate economic reform on the Mainland, encourage innovation, and strengthen co-operation with Hong Kong.

48. On 3 December the Chief Executive again visited Beijing. Upon his arrival, Chinese Premier Wen Jiabao said to reporters: “The most important things are the ‘One Country, Two Systems’ policy, the Basic Law, and ‘Hong Kong people administering Hong Kong’. We cannot depart from these basic principles when we observe Hong Kong problems and discuss Hong Kong work”.

49. On the same day President Hu said: “Since Tung Chee-hwa’s debriefing trip to Beijing in July this year, the Hong Kong SAR Government, headed by Mr Tung Chee-hwa, has improved its administration, focused on the people’s livelihood, and done a great deal of work to safeguard stability and promote economic development. Under the vigorous support of the Central Government, the Hong Kong SAR Government has worked closely with the relevant parties on the mainland, stepped up its effort to implement the “Mainland and Hong Kong Closer Economic Partnership Arrangement”, and actively pushed forward the Guangdong-Hong Kong and Shanghai-Hong Kong cooperation. The Hong Kong economy has shown signs of recovery and public confidence has somewhat strengthened.”

50. On 30 December local newspapers in Hong Kong reported that two Deputy Directors had recently arrived to take up positions in the Central Government Liaison Office. These are Peng Qinghua, member of the Department Affairs Committee and Li Guikang, Dongguan Mayor and Deputy Secretary of Dongguan City Chinese Communist Party.

BASIC RIGHTS AND FREEDOMS

51. On 2 July the SAR Government announced that it would not renew the contract of Anna Wu, chairwoman of the Equal Opportunities Commission (EOC) and that she would be replaced at the end of the month by retired judge Michael Wong Kin-chow. Secretary for Home Affairs, Patrick Ho, said the fact that Ms Wu’s contract had not been renewed was not a reflection on her performance, but natural “turnover”. Many people expressed disappointment that Ms Wu’s contract was not being renewed and surprise that she had only been informed of the decision at the last moment. Ms Wu had developed a good reputation both in Hong Kong and internationally during her four

years in the job and had been praised by academics, the legal sector and human rights NGOs for her energy and her willingness to enforce the gender and disability discrimination laws under her purview. There appeared to be no good reason why her contract was not renewed and why she was replaced by someone seemingly less qualified for the job. Some commentators said publicly that the SAR Government was unhappy with Ms Wu because she had successfully taken the Government to court on equal opportunities issues. They suggested that the Government wanted someone more sympathetic. Many questioned the selection criteria in Mr Wong's appointment.

52. Mr Wong was soon embroiled in controversy. The EOC's director of operations designate and human rights expert Patrick Yu Chung-yin accused Mr Wong of unfairly sacking him, even before he had started the job. Mr Wong accused his predecessor, Anna Wu, of "pre-empting" him by appointing Mr Yu to the senior position before Mr Wong himself was appointed. A coalition of 60 non-government organisations demanded that Mr Wong be suspended. The EOC issued a statement that Mr Wong had the full backing of board members in sacking Mr Yu, but several board members denied that they had ever agreed to this. Finally, after two weeks of intense media coverage (including speculation that, as a judge, he had failed to disclose free air tickets obtained through family connections), Mr Wong resigned on 6 November. In a statement to the media after a brief meeting with EOC members, Mr Wong said the row arising from the dismissal of Mr Yu was a political persecution against him. He said he had no remorse but was driven to step down because of the impact the attacks were having on his family. Patricia Chu Yeung Pak-yu, a retired civil servant, was appointed to replace Mr Wong.

53. On 16-17 August legislator Emily Lau took part in a conference in Taiwan entitled "Hong Kong Under the Principle of One Country, Two Systems". During the conference, Lau remarked that "Taiwan's future would be decided by Taiwan people". This drew an onslaught of comment from Hong Kong newspapers. The China Daily on 18 August said "tomorrow she would most probably incite a referendum to decide on Hong Kong's independence and commit the crime of secession ... in view of this development, the national security law must be enacted and it must be done as soon as possible". Secretary for Security Ambrose Lee quickly came to her defence saying that Lau's remarks would not constitute secession as the crime would involve the use of force or threatening the use of force.

54. Strong criticism of Lau by newspapers, Hong Kong delegates to the National People's Congress and others continued for several days. On 3 September things came to a head when someone smeared faeces on the door of Lau's Sha Tin district office. This signalled the end of the vituperation. LegCo President Rita Fan Hsu Lai-tai later said that such violence would not be accepted by the community.

55. We welcome the defence of Ms Lau's freedom of speech by the Secretary for Security and the condemnation of the attack by the President of LegCo. It is regrettable that Ms Lau's comments led to such personalised attacks by the media and ultimately an attack on her property. Hong Kong's international image would be tarnished if it became apparent that some subjects were taboo due to fear of personal and physical attacks.

56. On 2-3 September an appeal was heard in the case of the 16 Falun Gong members who had been convicted in August 2002 of public order offences, a story that we have covered in previous reports. However, by the end of the reporting period the appeal verdict had still not been delivered.

57. Newspapers reported on 19 September that the Department of Justice had written to three activists, including Lui Yuk-lin (a.k.a. "Female Long-Hair"), offering a "conditional settlement" to a civil court action if the three protestors agreed to be bound by a permanent injunction from entering the Immigration Tower and to pay HK \$10,000 towards the cost of legal fees. According to media reports, if they did not agree and subsequently lost the case, they could face legal fees of up to HK\$150,000. The trio

were then under a temporary injunction for their parts in a right-of-abode protest in April 2002 during which protesters scuffled with police. Following strong criticism of this unorthodox action from NGOs and members of the legal community, the Department of Justice agreed to drop the civil law case in return for Lui Yuk-lin and her companions agreeing to behave in future.

58. On 24 October pro-democracy activists Leung Kwok-hung and Koo Sze-yiu were acquitted of contempt by a magistrate who said the wrong law had been used to prosecute them. They had been arrested in February for disrupting a LegCo session dealing with the National Security Bill. The magistrate said that the facts of what happened in Legco were clear and there was no dispute that Leung, also known as “Long Hair”, and Koo were involved. However, the magistrate said that the law used to charge Mr Leung and Mr Koo – Section 17c of the Legislative Council (Powers and Privileges) Ordinance – was the incorrect one because they were members of the public and not people summoned by the Legislative Council to testify. He said that they should have been charged under Section 8 of the law.

59. In the previous report we mentioned that the Hong Kong Association of Falun Dafa had applied for leave to apply for judicial review of the Director of Immigration’s decision in February to refuse entry to a large number of Taiwanese Falun Gong members. Some of these (though not all) have now been given leave to appeal.

60. On 9 December the US Commission on International Religious Freedom postponed a planned trip to the mainland and Hong Kong for the second time in five months. In a statement the Commission said that the Central Authorities in Beijing had imposed “unacceptable conditions” and said that its members could not hold official meetings during a proposed stopover in Hong Kong. This move caused concern in local political and religious circles, with critics saying that the Central Government’s interference in foreign groups’ activities in the city would affect Hong Kong’s image as an international city with freedom and the rule of law. A Hong Kong SAR Government spokesman refused to comment directly on the incident or whether the autonomy guaranteed under “One Country, Two Systems” had been undermined, but said immigration matters were handled according to the law and established process.

61. On 29 December, however, the Commission announced that it would not visit Beijing and instead visit only Hong Kong early in the New Year. In Beijing the following day the Chinese Foreign Ministry spokesman said that China was concerned with the unilateral decision by the US Commission to visit the Hong Kong Special Administrative Region and hoped that the Commission would not do anything to harm the stability and prosperity of Hong Kong.

62. We were concerned to learn that the Central Authorities in Beijing had insisted that the Commission on International Religious Freedom should not meet various groups in Hong Kong. The “One Country, Two Systems” principle provides for a high degree of autonomy for Hong Kong as well as the protection of religious and political freedoms within the SAR. Decisions by the Central Authorities on whether or not to allow meetings between international organisations and religious or political groups in Hong Kong undermines the principle of “One Country, Two Systems”.

63. In the previous report we welcomed the Secretary for Home Affairs’ announcement that an anti-racial discrimination bill would be tabled in the Legislative Council in 2004 and a public consultation exercise lasting up to three months would be conducted at the end of 2003. The timetable seems to have slipped. We hope that it will not be too long before the SAR Government meets its obligations under the International Covenant on the Elimination of Racial Discrimination by implementing legislation prohibiting discrimination on the grounds of race.

HONG KONG SAR GOVERNMENT

64. In the previous report we referred to the controversy surrounding the Financial Secretary's purchase of a luxury car shortly before he announced steep increases in the first registration tax on such cars in his March budget. The Chief Executive had rejected the Financial Secretary's offer to resign but the Independent Commission Against Corruption (ICAC) had been tasked to investigate whether criminal activity had taken place. On 15 July the Department of Justice was handed the ICAC's report on the case, which contained the ICAC's recommendation on whether charges should be laid against Mr Leung. On the following day, as noted above, the Chief Executive announced that he had accepted the resignation of the Financial Secretary.

65. The Department of Justice considered the case against Mr Leung and sought independent opinions from senior lawyers in Hong Kong and Britain before concluding in December that while there was a prima facie case against him it could not prosecute him for misconduct in public office as there was insufficient evidence to prove his actions had criminal intent. Speaking at a news conference, the Director of Public Prosecutions, Grenville Cross, said that when the totality of the evidence was weighed, he had concluded that criminality could not be established to the required standard. It could not be shown, as the law required, that Mr Leung had wilfully and intentionally misconducted himself in a criminal sense.

66. The departure of Mr Leung and Mrs Ip (see above) left gaps which were filled on 4 August, when it was announced that the Central People's Government had, on the nomination and recommendation of the Chief Executive, approved the appointment of Henry Tang as Financial Secretary, Ambrose Lee as Secretary for Security, John Tsang as Secretary for Commerce, Industry and Technology (in place of Mr Tang) and Raymond Wong as Commissioner for the Independent Commission Against Corruption (in place of Mr Lee).

67. On 22 September the Chief Executive announced that he had appointed Selina Chow, chairwoman of the Hong Kong Tourism Board and Deputy Leader of the Liberal Party, as a member of his Executive Council, to fill the place left vacant by the resignation from ExCo of James Tien, Leader of the Liberal Party, on 6 July.

68. On 8 October, shortly after the Legislative Council reconvened after the summer recess, the Chief Executive faced a motion calling on him to step down. The vote was defeated 31 to 21 with the Liberal Party, the Democratic Alliance for the Betterment of Hong Kong and many independents voting against the motion while the Democratic Party, the Confederation of Trade Unions and the Frontier supported it.

69. According to Hong Kong newspapers, local civil service bodies and unions met Deputy Director of the Hong Kong and Macao Affairs Office, Xu Ze in Beijing on 13 October. According to the reports Xu Ze told them that Hong Kong civil servants should support the Government at all times, especially on questions of patriotism. He added that civil servants should assist the Chief Executive to implement the Basic Law and support the enactment of Article 23. There was some disagreement locally as to whether this advice was contrary to the concept of civil service neutrality. On 14 October Secretary for the Civil Service Joseph Wong tried to clarify things by saying that civil servants should maintain political neutrality, but that it was their "natural duty" to support the Government in implementing policies. Mr Wong added that there was no conflict between maintaining political neutrality and supporting the Government: once a decision was taken by the Administration, it was incumbent on the civil service to implement such a policy faithfully. Some complained that Mr Wong's position as Secretary for the Civil Service (the only Principal Official to be concurrently a member of the civil service) had been compromised by the fact that he had retired from the civil service in July.

70. On 10 December, Dick Lee Ming-kwai replaced Tsang Yam-pui as Commissioner of Police following Tsang's retirement from the Police Force.

SEVERE ACUTE RESPIRATORY SYNDROME (SARS)

71. In the previous report we mentioned the serious outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong in early 2003. On 17 July the Chief Executive announced that Dr Yeoh Eng-kiong, Secretary for Health, Welfare and Food, would be removed as chairman of the Expert Committee investigating the Government's handling of the SARS crisis "in order to further dispel public misunderstanding". Dr Yeoh's appointment as head of the Committee has been criticised as creating a conflict of interests because of his heavy involvement in the Government's handling of the outbreak.

72. On 9 August the SAR Government's 'Team Clean' unveiled a post-SARS blueprint to clean up Hong Kong, detailing a number of zero tolerance proposals including tougher penalties on repeat hygiene offenders and a crackdown on building owners and tenants who flouted cleanliness standards.

73. On 2 October, the Expert Committee – an 11-strong body, then co-chaired by Sir Cyril Chantler and Professor Sian Griffiths – released its 279-page report on the SARS outbreak in Hong Kong. The Committee concluded that "overall the epidemic in Hong Kong was handled well, although there were clearly significant shortcomings of system performance during the early days of the epidemic when little was known about the disease or its cause. The Committee has not found any individual deemed to be culpable of negligence, lack of diligence or maladministration." The report noted that the epidemic in Hong Kong might have been ameliorated if there had been better communication between Hong Kong and Guangdong Province. It also cited communication failures between the Hospital Authority, the Department of Health, and the Chinese University of Hong Kong as problematic. It said that there was a lack of clarity about the respective roles and responsibilities of these three organisations and that "the lack of clear leadership at the early stage caused confusion".

74. The report did not hold anyone responsible for the outbreak, but it did criticise the Secretary for Health, Welfare and Food, EK Yeoh, for his handling in the early stages. It referred to a statement he made on 14 March which was "very technical" and had given the impression that he was trying to downplay the seriousness of the outbreak and had been too reassuring. It said that confusion over Yeoh's political role and his professional background (he is a qualified doctor who has made substantial contributions in the field of gastroenterology and hepatology in Hong Kong) could have been avoided if such issues had been dealt with by a senior member of the public health staff at the Department of Health. The Committee concluded that "what the Secretary for Health, Welfare and Food said was technically correct, and was genuinely intended to allay public panic, but with hindsight, a more prudent phrase could have been used."

75. The report also included 46 main recommendations, which the authors urged the Government to take seriously. These included:

- restructuring the current organisations to facilitate policy making;
- establishing a Centre for Health Protection;
- reviewing the current legislation;
- establishing links and networks and promoting exchanges between Hong Kong and the Pearl River Delta region;
- improving the working relationship between government departments and the private sector and universities;
- establishing contingency plans.

76. The Chief Executive said that the Government fully accepted the findings and the recommendations of the Committee. He added that the Government would set up a committee chaired by EK Yeoh to implement the recommendations. EK Yeoh made a public apology for the inability of the health-care system to comprehensively halt the spread of the disease in the early stages and for any misunderstandings he might have caused in communicating with the public. He said that he had considered resigning, but decided that he could serve the community better by staying in office.

77. The World Health Organisation has said that, on the whole, the SAR Government handled the crisis well. Since then the Government has worked hard to make another outbreak less likely. Communication with Guangdong Province has improved, with the health authorities in the two regions sending each other monthly medical reports detailing infection rates. The SAR Government has built new treatment facilities: there are now 900 new beds in specially designed units across 14 hospitals. Resources and time are also being put into the training of front-line staff to ensure that all the necessary protective clothing is available and that all staff know what preventative measures are necessary if another outbreak occurs. The SAR Government also announced their intention to establish a centre for Infectious Disease Control early in 2004. Work on this has begun with the assistance of the UK's Health Protection Agency.

ECONOMY

78. The economy rebounded strongly after the SARS-induced recession of the first half of 2003. GDP for the third quarter grew by 4%; visible exports were up 9.8% and exports of services by 6.9%. (All figures are year on year in real terms.) As consumer confidence, inbound tourism and intra-regional trade continued to strengthen, the SAR Government revised up its annual GDP forecast from 1.5% to 3% for 2003 as a whole. By the end of the year, unemployment had receded from an historical high of 8.7% (in the three months to July 2003) to 7.3% (in the three months to December 2003). Prices, including property prices, had also started to increase on a quarterly basis and the Hang Seng Index, which hit its lowest level since the Asian Financial Crisis during the SARS crisis, ended the year up 34.9% (year on year).

79. Following his appointment in August, the new Financial Secretary unveiled plans for government spending on 22 October. Mr Tang deferred the target for a return to a balanced budget by two years, to 2008/9; outlined plans to cut expenditure by 11% over five years; revised up the fiscal deficit for 2003/4 to HK\$78 billion (approximately £5.4 billion); and reinforced the Government's commitment to financing capital expenditure through the sale of bonds and assets. He also confirmed that he was considering introducing a goods and services tax in the longer term and that he would consult the public on the appropriate level of fiscal reserves.

80. On 10 December the Legislative Council passed the Public Officers Pay Adjustment Bill, which will cut civil servants' pay by 3 per cent in both 2004 and 2005. Secretary for the Civil Service Joseph Wong told the Legislative Council that the Bill sought to implement the decision made by the Chief Executive and the Executive Council in February 2003 to restore the pay pertaining to each pay point on the civil service pay scales to the level it was, in Hong Kong dollar terms, on 30 June, 1997.

81. Although the market continued to pay close attention to Hong Kong's fiscal position, the Hong Kong dollar was subject to upward rather than downward pressure over the period of this report. This was largely due to ongoing speculation over a possible revaluation of the Chinese renminbi (RMB) in the light of the weakening US dollar (to which the Hong Kong dollar is linked) and renewed confidence in the Hong Kong economy. The SAR Government continued to confirm that it had no plans to alter the linked exchange rate system.

Economic Integration with the Mainland

82. Mainland China provided strong support for Hong Kong's economic recovery. On 30 September, China's Vice Minister of Commerce An Min and Hong Kong Financial Secretary Henry Tang finalised details of the Closer Economic Partnership Arrangement (CEPA), the signing of which we reported in the previous report. Restrictions on individual travel to Hong Kong by citizens from Beijing, Shanghai and eight cities in Guangdong were also lifted during the period of this report. By 31 December 667,300 people had visited under the terms of the individual visit scheme.

83. On 27 October, the first meeting of the Hong Kong-Shanghai Joint Economic and Trade Cooperation Conference took place in Hong Kong. Discussions covered co-operation on airports, ports, logistics, Shanghai Expo 2010, tourism, the convention and exhibition industry, trade and investment, education, health, sport, financial services and professional personnel exchanges. A letter of intent on co-operation between the Hong Kong Airport Authority and the Shanghai Airport Group was also signed.

84. On 18 November the Chief Executive announced that the State Council had approved proposals for the People's Bank of China to provide clearing arrangements for banks in Hong Kong to conduct RMB business on a trial basis from 1 January 2004. The scope will be limited to deposit taking; exchange; remittances and credit card services. In the short term the new measures should serve to boost mainland spending in Hong Kong as they effectively lift restrictions on the amount that mainland visitors can spend there. In the longer term, and following capital account liberalisation in the Mainland, it is hoped that the new measures will pave the way for Hong Kong to act as an offshore centre for RMB trading.

BILATERAL RELATIONS

Visits

85. The Prime Minister visited Hong Kong from 23–24 July. This was his second visit to Hong Kong since his attendance at the Handover ceremony in 1997. During his visit the Prime Minister met the Chief Executive and several of his Principal Officials; Li Ka-shing (Asia's biggest inward investor in the UK) and 9 other major inward investors. Mr Blair also gave a keynote speech to a 500-strong lunch gathering organised by the British Chamber of Commerce on the theme of globalisation – "Jobs, Growth, Prosperity". Unfortunately the Prime Minister had to cancel proposed meetings with a cross-section of legislators and with Hong Kong students who had studied in the UK under the Foreign and Commonwealth Office's Chevening Scholarships Scheme because of the impending arrival of Typhoon Imbudo.

86. Further British visitors to Hong Kong during this period included Sir Stephen Brown, Chief Executive of UK Trade and Investment (10–11 September); Lord Sainsbury, Parliamentary Under Secretary of State for the Department of Trade and Industry, from 13–14 October; the Lord Mayor of London from 19–21 October and the Deputy Prime Minister, John Prescott, on 14 November. FCO Minister Bill Rammell paid his second visit to Hong Kong on 18 December.

87. In the other direction, Stephen Ip, Hong Kong Secretary for Economic Development and Labour, visited the UK from 17–20 September. Chief Executive CH Tung paid his first visit to the UK for 3 years from 9–12 November during which he met the Prime Minister, Mr Rammell and the Mayor of London, and was guest of honour at the annual Hong Kong Trade Development Council Dinner.

Education

88. Education links between Hong Kong and the UK remain strong. The UK is the preferred study destination of choice, with approximately 18,500 students from Hong Kong studying full time courses in the UK. The FCO's Chevening Programme of scholarships for Hong Kong post-graduate students is in its 8th year.

89. The British Council in Hong Kong builds consolidated educational and cultural links between the UK and Hong Kong. In addition to teaching 40,000 learners each year, the British Council is committed to sharing practices in education reform and increasing co-operation between Hong Kong and the UK. The UK Education Exhibition in August attracted 90 exhibitors and approximately 16,000 visitors.

90. In November Dr Li Ka-shing, Chairman of Cheung Kong Holdings and Hutchison Whampoa Limited generously pledged to donate a total of £2 million over a period of three years to support Mainland and Hong Kong scholars in their doctoral studies in the United Kingdom. This sum will be matched by the UK Government under its Dorothy Hodgkin Postgraduate Awards scheme.

Trade and Inward Investment

91. Bilateral trade continued at a high level. UK exports to Hong Kong from January to November 2003 amounted to £2.24 billion, a decrease of 3% over the corresponding period in 2002. UK imports from Hong Kong from January to November 2003 amounted to £5.15 billion, also down 3% over the corresponding period in 2002. Hong Kong's investment in the UK remains very important to us. Over the period of the Report, United Kingdom Trade and Investment (UKTI) worked with existing Hong Kong investors and promoted the UK in Hong Kong to new potential investors. UKTI also supported seven trade missions visiting Hong Kong and there were 2 British groups at international trade fairs there.

Air Services

92. On 27 November the UK and Hong Kong concluded significant changes to their air services arrangements ending restrictions on passenger and cargo services between the two destinations and providing new rights for airlines to carry local traffic beyond London and Hong Kong. Once brought into effect, this package will provide significant benefits to passengers and shippers. Under the terms of the deal, the European Commission has been asked to confirm that it complies with the Common Transport Policy.

BRITISH NATIONALS (OVERSEAS)

93. The British Government remains fully committed to providing the highest standard of consular and passport services to the 3.44 million holders of the British National (Overseas) (BN(O)) passport. We continue to offer the same level of consular service to BN(O) passport holders in third countries as we do to other British Nationals and regularly remind all our overseas missions of their obligations towards BN(O)s. The Passport Section of the British Consulate-General in Hong Kong remains the largest passport issuing operation outside the UK.

94. As at 31 December the number of countries granting visa free access to BN(O) passport holders was 99. We continue to work to ensure the widest possible travel convenience for BN(O) passport holders.

95. During this period the UK had, under EU law, to introduce European Uniform Format Residence Permits for non-visa nationals who wished to stay in the country more than six months. Conscious of the special position of BN(O) passport holders in Hong Kong, the British Government established a system, unique to Hong Kong, whereby BN(O)s could apply to the Consular Section of the British Consulate General there for direct issue – free of charge – of a UK Residence Permit. During his visit to Hong Kong on 18 December, Mr Rammell issued the first United Kingdom Residence Permit, to a BN(O) student.

CONCLUSION

95. This has been an eventful period in Hong Kong. At the end of it, we continue to assess that, generally, “One Country, Two Systems” is working well in practice and that the rights and freedoms promised in the Joint Declaration and the Basic Law continue to be upheld. The major demonstration on 1 July was testament to the desire of the people of Hong Kong to exercise, and to maintain, their rights.

97. We shall continue to follow developments closely. As the Prime Minister said in his speech in July, “the commitment of Britain to Hong Kong and my own personal commitment to Hong Kong remains and will never ever disappear.”



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