



**THE SIX-MONTHLY REPORT ON HONG KONG
1 JANUARY TO 30 JUNE 2012**

Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty

October 2012



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FOREWORD

This is the 31st in a series of reports to Parliament on the implementation of the Sino-British Joint Declaration on the Question of Hong Kong since July 1997. It covers the period 1 January to 30 June 2012.

The UK Government takes seriously its commitment to Hong Kong under the Sino-British Joint Declaration. This treaty guarantees the autonomy, rights and freedoms that make Hong Kong the stable and prosperous society it is today.

Over this reporting period, the key event of the political calendar was the election in March of new Hong Kong Special Administrative Region Government Chief Executive (CY) Leung Chun-ying. Although voting in the election was limited to members of a 1,200-strong Election Committee, Hong Kong people engaged enthusiastically with the electoral process, following the competing candidates' campaigns through saturation news coverage and lively TV debates, and setting out their individual views on the candidates through opinion polling, shadow voting and occasional public demonstrations.

In his address to Hong Kong people on his election, Mr Leung pledged that the freedoms and rights they enjoyed today would be maintained under his administration. I welcome his clear statement and look forward to working closely with him and his Administration on our many areas of common interest.

Hong Kong people have also continued to make the most of their freedoms of expression and association, speaking out in person and through the media on a wide range of issues. The continued exercise by Hong Kong of its rights and freedoms, and high degree of autonomy is central to its continuing success.

This year's Chief Executive election was the last under the present limited franchise arrangements. Attention in Hong Kong and the international community is already turning to preparations for the first direct election of the Chief Executive in 2017. We

welcome the progress made under the last Administration on Hong Kong's democratic development and look forward to further moves towards the goal of full universal suffrage.

I look forward to building on the wide ranging links between the UK and Hong Kong from trade and investment to education and low carbon growth. High level exchanges are one example of these connections: the Chancellor of the Exchequer visited in January to launch the next stage in our important co-operation with Hong Kong on internationalisation of the renminbi (RMB). Trade & Investment Minister Lord Green of Hurstpierpoint and representatives of the All Party Parliamentary Group on China were among the many other regular senior UK visitors to Hong Kong.

I am also delighted that Hong Kong Home Affairs Secretary Tsang Tak-sing led the Hong Kong Paralympic team to London this summer and I congratulate them and the Hong Kong Olympic team on their performances. The success of both the UK and Hong Kong Paralympic teams reflects the importance we attach to diversity and inclusion and is just one more example of the values the people of the UK and Hong Kong continue to share.

Rt Hon William Hague MP
Foreign Secretary

SIX-MONTHLY REPORT ON THE IMPLEMENTATION OF THE SINO-BRITISH JOINT DECLARATION ON THE QUESTION OF HONG KONG

INTRODUCTION

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. In this, the Chinese Government undertook that the Hong Kong Special Administrative Region (SAR) would enjoy a high degree of autonomy except in matters related to defence and foreign affairs, and that the continuation of Hong Kong's social and economic systems, lifestyles, rights and freedoms would be guaranteed.

The following report considers aspects of Hong Kong's democratic development, autonomy, rights and freedoms in more detail.

CONSTITUTIONAL DEVELOPMENTS

Election of Chief Executive

In the six-month period of this report, the principal event in the constitutional calendar was the election for Chief Executive of the SAR Government on 25 March 2012.

Under arrangements agreed as part of a constitutional reform package passed in 2010, the Chief Executive was elected by a 1,200-strong Election Committee drawn from various sectors of the Hong Kong community. Candidates for the Chief Executive election required nominations from at least 150 members of the Election Committee, whose membership increased to 1,200 from the previous 800 members.

Nominations were submitted by Albert Ho Chun-yan, the then Chairman of the Democratic Party; Leung Chun-ying (also known as CY Leung), the former Convenor of the Executive Council; and Henry Tang, the former Chief Secretary for Administration. Mr Ho received 188 nominations; Mr Leung received 305 and Mr Tang received 390.

During the election campaign, candidates produced manifestos and campaigned in local districts. There was intense public media interest throughout the campaign period in the candidates and their track records. Investigative reporters focused their attention particularly on revelations about illegal constructions at the homes of Mr Tang and Mr Leung.

On 16 and 19 March, the three candidates took part in live televised election debates which attracted a huge local audience, reflecting the keen interest of Hong Kong people in the election outcome. Around 223,000 voters also took part in a mock election organised by Hong Kong University's Public Opinion Programme on 23 March. 54% of participants in the mock election cast blank votes in apparent protest at the limited franchise arrangements for the election proper.

On 25 March, the Election Committee elected CY Leung as Hong Kong's next Chief Executive. Mr Leung secured 689 votes (61%), of the 1,132 votes cast. Mr Tang and Mr Ho obtained 285 and 76 votes respectively. There were 82 invalid votes, including 75 blank votes.

In his victory speech on the same day, the Chief Executive-elect said:

"The election campaign reaffirmed the core values which I steadfastly share with the people of Hong Kong. The rule of law, human rights, integrity, anti-corruption, freedom of the press, speech and assembly are a part of the way of life of Hong Kong people. They are also the essential components of the principles of "One Country, Two Systems", "Hong Kong people ruling Hong Kong" and a high degree of autonomy. To the seven million people, I solemnly pledge that after I take office, the

freedoms and rights that they enjoy today would be maintained under my administration. Together with the political team and civil servants, I will set a good example and run an honest and clean government. Although the election was by the 1,200-member Election Committee, the community also participated through diverse channels, thereby laying the foundation for universal suffrage in the chief executive election in 2017. I will consolidate, reflect on and review the experiences from this election and pave the way for enhanced democracy with an open and fair election system, and a healthy election culture."

Mr Leung's appointment as the fourth Chief Executive of Hong Kong SAR was formally approved by Chinese Premier Wen Jiabao on 10 April. He was sworn in for a five-year term on 1 July 2012.

The Prime Minister, Foreign Secretary and British Consul-General to Hong Kong congratulated Mr Leung on his election victory. On 4 April, the Prime Minister wrote:

I am writing to offer you my congratulations on your election as Chief Executive of Hong Kong.

Hong Kong and Britain remain important to each other and we will continue to follow economic and political developments with keen interest. I have been pleased to see the continued growth in our vital trade and investment relationship. I welcome the steps Hong Kong has taken on democratic development in recent years and look forward to the planned progress towards universal suffrage in time for the elections of the Chief Executive in 2017 and the Legislative Council in 2020.

I hope we may have the opportunity to meet soon, either in Britain or Hong Kong. I wish you every success during your term of office.

In his letter of 27 March, the Foreign Secretary wrote:

Congratulations on your election as Chief Executive of Hong Kong by the Election Committee. I wish you and the people of Hong Kong every success during your term of office.

Hong Kong's continuing prosperity and success is important to us. I was delighted to have an opportunity to visit Hong Kong last year and to see first-hand the strength and depth of our bilateral relationship, including the continued rapid development of our trade and investment links. We will continue to take an interest in Hong Kong's rights and freedoms in line with our commitments under the Sino-British Joint Declaration. I welcome the progress made under the present Administration on Hong Kong's democratic development and look forward to further moves towards the goal of full universal suffrage for the election of the Chief Executive in 2017 and to the Legislative Council in 2020.

I look forward to building on our wide-ranging links over the coming months and years.

On 11 April, Chinese President Hu Jintao met Chief Executive-elect CY Leung in Beijing. He said:

Mr Leung should "focus on boosting economic development, improve people's livelihood, advance democracy and foster social harmony to ensure long-term prosperity and stability"... the Central Government would continue to uphold the "One Country, Two Systems" principle and support the Chief Executive and the Special Administrative Region Government in governing Hong Kong in accordance with the law".

New Government Restructuring Proposal

As an early priority for his new Administration, the Chief Executive-elect proposed a restructuring of his Government. He proposed the creation of the new posts of deputy Chief Secretary and deputy Financial Secretary as well as increasing from 12 to 14 the number of policy bureaux (Ministry-equivalents), to include a new Culture Bureau and Technology and Communications Bureau.

The plan cleared its first hurdle on 4 May when it was endorsed in a special meeting of the Executive Council. However, the proposals ran into stiff opposition from the

Legislative Council's (LegCo) constitutional affairs panel and pan-democrat lawmakers, who expressed concern about the lack of consultation and the speed with which the government was trying to pass the enabling legislation.

Legislative Councillors from the People Power Party, with support from other pan-democrat legislators, embarked on a sustained campaign of filibuster action in order to defer consideration of the government's restructuring bill.

Noting the impact this was having on other pending legislation the government eventually decided to push back the restructuring proposal to the last item in the LegCo's agenda before the current session ended on 18 July, with the effect that it was squeezed out of the timetable and did not pass.

Hong Kong Special Administrative Region (SAR) Government

On 28 June, Chief Executive-elect CY Leung announced his team of Principal Officials following the Central People's Government's approval of the appointments. The appointments followed the existing government structure. Portfolios were announced as follows:

- Carrie Lam Cheng Yuet-ngor, Chief Secretary for Administration
- John Tsang Chun-wah, Financial Secretary
- Rimsky Yuen Kwok-keung, Secretary for Justice
- Paul Tang Kwok-wai, Secretary for the Civil Service
- Raymond Tam Chi-yuen, Secretary for Constitutional and Mainland Affairs
- Eddie Ng Hak-kim, Secretary for Education
- Wong Kam-sing, Secretary for the Environment
- Dr Ko Wing-man, Secretary for Health and Food
- Tsang Tak-sing, Secretary for Home Affairs
- Matthew Cheung Kin-chung, Secretary for Labour and Welfare
- Lai Tung-kwok, Secretary for Security
- Anthony Cheung Bing-leung, Secretary for Transport and Housing

- Professor Chan Ka-keung, Secretary for Financial Services and the Treasury
- Gregory So Kam-leung, Secretary for Commerce and Economic Development
- Mak Chai-kwong (until 12 July, succeeded on 30 July by Paul Chan Mo-po), Secretary for Development

Incoming Chief Secretary Carrie Lam Yuet-ngor pledged that upholding the Hong Kong SAR's core values, including integrity and freedom, would be among her top priorities. She said she would also strive to improve executive-legislative relations and offer support to civil servants during her tenure.

Financial Secretary John Tsang Chun-wah said he would concentrate on prudent financial management, enhancing the economy, improving people's livelihood, and tackling housing and land issues.

Appointed District Council Seats

In our last report, we covered the District Council elections and the future of appointed District Council seats. During this reporting period, the Government launched a two-month public consultation on how the remaining 68 seats in the District Council appointment system should be abolished to make way for universal suffrage for the Chief Executive election in 2017.

The Government's consultation paper did not propose increasing the number of elected District Council seats, despite the abolition of all appointed seats, nor did it suggest removing the 27 ex-officio seats, which were all filled by chairmen of rural committees under the Heung Yee Kuk. However, following the consultation period on 26 June, the Constitutional and Mainland Affairs Bureau recommended that the new government abolish all 68 remaining appointed District Council seats in 2016 and conduct extensive consultations on whether or not to also abolish the 27 ex-officio seats.

We welcome this step towards further democratisation of the District Councils and will continue to follow developments with interest.

Voter registration

In our previous report, we noted that the Hong Kong SAR Government had proposed new measures to improve the voter registration system to avoid vote-rigging.

Following a seven-week public consultation the government announced a series of administrative measures to strengthen the electoral system. These included more robust checks to ensure registered addresses were authentic, better coordination amongst government departments to verify information and greater publicity on registration.

We welcome these improved checks. We will cover the outcome of the Legislative Council elections in our next report.

Replacement Mechanism

In previous reports we have covered the Hong Kong SAR Government's proposals for handling the replacement of elected Legislative Councillors who resigned mid-term. This issue remained live during this reporting period.

After over 100 hundred hours of filibustering, two forced adjournments, and several overnight debates in LegCo, the Legislative Council (Amendment) Bill 2012 was eventually passed on 1 June. Under the revised law, elected Legislative Councillors who resigned mid-term would be prevented from standing in a by-election for six months. 29 pro-government legislators voted in favour of the Bill. All 23 LegCo members from the pan-democrat parties boycotted the sitting as they felt this was a restrictive measure aimed at proscribing a legitimate form of protest open to Legislative Councillors.

“ONE COUNTRY, TWO SYSTEMS”

Under “One Country, Two Systems” arrangements, Hong Kong is entitled to a high degree of autonomy over its affairs, with the exception of foreign and defence matters. As we have noted in previous reports, the principle has continued to work well and the rights and freedoms guaranteed in the Joint Declaration have been respected.

During the period of this report there were a number of allegations of involvement in Hong Kong’s devolved affairs by representatives of the Central Government. The allegations were most evident in the run up to and immediate aftermath of the Chief Executive election.

We give below some examples of reported comments on these allegations:

On 20 March, quoting mainland sources, Sing Tao Daily reported that mainland officials who were in charge of Hong Kong affairs had arrived in Shenzhen to take control of the Chief Executive election. The paper reported that State Councillor Liu Yandong was planning to meet with supporters of rival candidate Mr Tang to lobby in support of Mr Leung who was believed to be short of over 100 votes to win the Chief Executive race. The paper also reported that the Central Government Liaison Office (CGLO) had sent messages to the pro-Beijing camp to lobby for Mr Leung.

On 21 March, the CGLO's Publicity, Culture and Sports Department Director Hao Tiechuan suggested in a comment piece that opinion polls should be regulated in the run-up to the Chief Executive elections. He urged Hong Kong people to look at international practices which banned polls 10 days before an election to prevent political parties or candidates from strategically using opinions to influence the voting. The piece prompted pan-democrat lawmakers from the Civic Party and Democratic Party to march to the CGLO on 22 March to call on mainland officials to stop interfering in the Chief Executive election.

On 22 March, Ming Pao newspaper reported that State Councillor Liu had met members of the Election Committee including leaders of the Hong Kong General Chamber of Commerce and from the Hong Kong Federation of Industries. The meetings were said to have led to some members of the General Chamber and Federation saying they would consider changing their stance to support Mr Leung. One of the three Chief Executive candidates, Albert Ho Chun-yan, claimed that the CGLO was applying pressure on members of the Election Committee.

On 12 May, Director of the State Council's Hong Kong and Macao Research Institute and Deputy Director of Xinhua in Hong Kong, Zhu Yucheng, called on Mr Leung to strengthen the executive-led system of the Hong Kong SAR Government. He noted that "What we have to pay attention to now is the original meaning of One Country, Two Systems...The political system [of Hong Kong] is an executive-led system, not a separation of powers between the executive, legislature and judiciary...Leung will have an advantage [in implementing this principle] as he did a large amount of research and investigation when the Basic Law was drafted."

During the reporting period there were also media reports that the CGLO was trying to influence the results of the LegCo elections in September by getting the Federation of Hong Kong Shenzhen Associations to encourage Hong Kong permanent residents originating from Shenzhen to register as electors and vote in the elections. The Apple Daily newspaper reported that the Federation's chairman Liang Manlin had asked attendees at a Chinese New Year banquet in Shenzhen to take action and exert influence on Hong Kong's political, economic and social developments. The paper noted that the 500,000-strong federation would be a major source of votes for the pro-Beijing parties in upcoming LegCo elections.

The media noted that incoming Secretary of Justice Rimsky Yuen Kwok-keung was a member of the Guangdong Chinese People's Political Consultative Conference (CPPCC). Mr Yuen announced on his appointment that he had resigned his CPPCC membership because of concerns about the potential impact on impartiality.

Hong Kong's exercise of its high degree of autonomy as set out in the Joint Declaration is central to its continuing success. It is important for confidence in the "One Country, Two Systems" principle that Hong Kong is seen to exercise the full measure of that autonomy.

National and Moral Education

After a four-month consultation, the Hong Kong SAR Government released a curriculum guide for "Moral and National Education" ahead of the proposed introduction of the subject in all Hong Kong primary and secondary schools from September 2012. Media coverage noted that sensitive issues including democracy, the rule of law and human rights could be covered as part of the curriculum but also noted that the curriculum guide excluded direct references to some controversial and sensitive issues including the Cultural Revolution and the 4 June 1989 Tian'anmen Square protests.

Lively discussions on the National Education curriculum are continuing in Hong Kong. We will report further on this issue in the next report.

Article 23 of the Basic Law

In previous reports, we have covered the Hong Kong SAR Government's moves to introduce national security legislation to meet its obligations under Article 23 of the Basic Law.

During this reporting period, Chief Executive-elect CY Leung and incoming Secretary for Justice Rimsy Yuen Kwok-keung said legislating on Article 23 was a constitutional responsibility of the Hong Kong SAR Government, but that the issue was not on their working agenda. Seeking an interpretation of the Basic Law from Beijing would be the last resort in resolving legal disputes.

On 9 April, Federation of Trade Unions President Cheng Yiu-tong, who visited Hong Kong and Macao Affairs Office Director Wang Guangya in Beijing, reported that Mr Wang had said there was no question that the Hong Kong Government had a constitutional duty to introduce national security legislation under Article 23 of the Basic Law, but that legislation could only be passed when the community had reached a consensus over the issue.

At a media gathering on 21 June, outgoing Secretary for Security Ambrose Lee Siu-kwong said that there should be a White Bill detailing the proposal of legislating on Article 23 and that the public should be consulted before the law was enacted.

BASIC RIGHTS AND FREEDOMS

Throughout the reporting period, Hong Kong people continued to exercise their basic rights and freedoms and these were generally well respected. However, there were some reports of infringements of press freedom.

Freedom of the Press

A report published by the Hong Kong Journalists Association (HKJA) on 21 January cited frustrations of local reporters covering Vice-Premier Li Keqiang's three-day visit to Hong Kong, during which reporters complained of being assaulted, intimidated in their reporting or being monitored by plain-clothes security officers. In response, the Government said it was firmly committed to “protecting the freedom of speech and of the press, and maintaining an environment in which a free and active press can operate under minimum regulation”.

This echoed claims in the Civil Human Rights Front's annual report released on 11 January which alleged that the Government had adopted measures such as restricting media coverage and arresting reporters to suppress freedom of expression, and that at least 416 protesters had been arrested in 2011, about eight

times the number in 2010. In response, a police spokesman said the police respected freedom of expression and assembly, and did not target any particular protesters or groups. The police expected protesters to observe law and order, and would not tolerate any violent and unlawful behaviour.

On 26 January, the Oriental Press Group reported that Hong Kong had dropped 20 places to rank 54th among 179 countries and regions in the World Press Freedom Index 2011-2012 released by Reporters Without Borders. The report said "Hong Kong saw a sharp deterioration in press freedom in 2011 and its ranking fell sharply. Arrests, assaults and harassment worsened working conditions for journalists to an extent not seen previously, a sign of a worrying change in government policy".

However, on 30 March, the Gallup survey of global media freedom ranked Hong Kong 19th on media freedom in 2011, the same as in 2010, and classified the SAR as "partly free". The survey, conducted in 133 countries and regions, interviewed 1,028 Hong Kong citizens. 85% of the respondents said there was media freedom while 14% thought otherwise.

A HKJA survey published on 24 June found that 87% of the media workers polled thought that press freedom in Hong Kong had deteriorated since 2005. The survey questioned 663 reporters, photographers, editors and media management. Among this group, 93% attributed declining press freedom to the government's tightened control over information release and obstruction of media coverage. 71% believed the worsening situation was a result of self-censorship while 68% thought that it was caused by interference by the mainland authorities or the CGLO. HKJA chairman Mak Yin-ting criticised the Government for controlling the information flow which curbed the public's right to know and urged the government to legislate on freedom of information.

In his victory speech, the Chief Executive-elect reaffirmed his commitment to protecting the core values of the Hong Kong people, making particular reference to freedom of the press, speech and assembly. He noted:

“Freedom of expression and a free media were important elements in the wider rights and freedoms that Hong Kong people enjoy, and which are core to Hong Kong’s continuing prosperity and success.”

We welcome the statement by the Chief Executive, but remain concerned about the reported deterioration in press freedoms.

Marches and Demonstrations

Protest marches and demonstrations continued to be a part of civic life in Hong Kong. Prominent themes for protests included allegations of interference by the Central People’s Government in the Chief Executive election, the anniversary of the 4 June 1989 Tian’anmen Square protests, and concern about the circumstances surrounding the death of mainland activist Li Wangyang. Most marches and demonstrations passed off peacefully. However, there were concerns expressed in some quarters about the police tactics deployed during marches.

We note below some of the larger demonstrations and police and government reactions:

On 25 March, there were protests against the "small-circle" (i.e. limited franchise) nature of the Chief Executive election. A coalition of 30 protesting groups claimed that 5,000 protesters had rallied outside the election polling station but the police put the figure at 2,000 protesters. Protesters attempted to break police barricades as news of CY Leung’s election was announced. A police spokesman later confirmed that officers used pepper spray three times to control protesters who had tried to break through the barricades, despite an earlier warning.

On 1 April, there was a procession from the Central district to the CGLO to protest against the Office's alleged interference in the Chief Executive race. The Civil Human Rights Front, the organiser, claimed that 15,000 people took part but the police put the figure at 5,300. Scuffles broke out and police officers again used pepper spray on activists. A police spokesman confirmed that pepper spray was used twice and four demonstrators received warnings.

According to the organisers, a record number of up to 180,000 people attended the annual candlelight vigil to commemorate the June 4 1989 Tian'anmen protests. The police put the figure at 85,000 at the peak. Former Tian'anmen student activist Fang Zheng thanked Hong Kong people for their support and urged the Chief Executive-elect to listen to people's calls for more freedom. A message from mainland dissident lawyer Chen Guangcheng was also read out at the vigil, imploring Hong Kong people not to forget the incident. Prominent academic Ivan Choy attributed the high turnout to public fears about governance under Mr Leung's Administration and a possible tightening of freedoms of assembly and speech. He continued that the public was also worried that the CGLO would interfere in local affairs after Mr Leung assumed office.

On 10 June, around 25,000 people marched to the CGLO demanding a thorough investigation into the death of mainland activist Li Wangyang after his body was cremated, allegedly without the consent of his family. The police put the number of protesters at 5,400. Scuffles broke out between protestors and police outside the CGLO when protestors tried to smash the police barricade and force their way into one of the traffic lanes. The police were again reported to have used pepper spray on some protesters.

On 13 June, up to 1,500 people also took part at the candlelight memorial vigil held on the seventh day of the death of Mr Li. And on 16 June, Chief Executive-elect CY Leung joined members of the Neighbourhood and Workers Service Centre in observing a minute's silence at its forum to mourn the late mainland activist Mr Li. However, Mr Leung declined the group's request to pass a joint petition to President Hu about the circumstances surrounding Mr Li's death.

On 30 June, protestors demanding an investigation into Mr Li's death rallied near President Hu's hotel. Police used pepper spray to control the crowds and arrested two protestors. The director of Hong Kong Human Rights Monitor, Law Yuk-kai, criticised the security measures as an attempt to shield the Chinese leader from any "embarrassing demonstrations".

The freedom of assembly and speech enjoyed by Hong Kong people, on the full range of issues, is an important part of Hong Kong's rights and freedoms. We welcome the Chief Executive's reaffirmation that Hong Kong's "core values... freedom of the press, speech and assembly are a part of the way of life of Hong Kong people". We agree that they are essential components of the "One Country, Two Systems" approach which underpin Hong Kong's continued stability and prosperity.

Freedom of Movement

Former Tian'anmen Square activist Fang Zheng arrived in Hong Kong on 31 May to join local people in activities marking the 23rd anniversary of the 4 June 1989 protests. He flew in from his home in San Francisco on a Chinese passport and was allowed to stay in Hong Kong until 6 June.

On 21 June, Hong Kong Alliance in Support of Patriotic Democratic Movements of China Chairman Lee Cheuk-yan said that mainland activists from Yunnan Province had been barred from entering Hong Kong between 20 June and 3 July to take part in the annual 1 July procession to mark Hong Kong SAR Establishment Day. He alleged that the SAR Government had compiled a black list to prevent such activists from entering Hong Kong. Secretary for Security Ambrose Lee dismissed the suggestions that the Government would tighten immigration measures for 1 July, adding that the government had not compiled a black list of activists.

RULE OF LAW

The independence of the judiciary and the effectiveness of the rule of law have been essential to Hong Kong's success. During the reporting period, there was ample evidence that both principles continue to enjoy the highest possible support across all sections of the community.

At the Ceremonial Opening of the Legal Year 2012 on 9 January, the Secretary for Justice Wong Yan-lung said that judicial decisions must be independent and impartial. He said the community could help strengthen judicial independence by carefully preserving an environment where judges might decide cases strictly in accordance with the evidence and the law, free from any extraneous considerations as well as improper influences or pressure. Chief Justice Geoffrey Ma Tao-li said the courts would only consider the arguments of the case and would not be swayed by political issues.

Appointment of Judges

During the reporting period, the SAR Government accepted recommendations from the Chief Justice to extend the term of office for six non-permanent judges from other common law jurisdictions of the Court of Final Appeal. Other recommendations accepted included the appointment of the Rt Hon Lord Phillips of Worth Matravers, President of the Supreme Court of the United Kingdom, as a non-permanent judge of the Court of Final Appeal.

LEGAL ISSUES

During the reporting period, two high profile legal issues relating to the question of right of abode continued to give rise to a lively debate in Hong Kong. Both cases have potential implications for the Basic Law and Hong Kong's judicial independence. We will continue to monitor developments on this issue.

Right of Abode (ROA) for children born to mainland mothers

In our last report, we covered the issue of children born in Hong Kong to mothers from mainland China. In 2011, there were around 38,000 such births in Hong Kong – nearly half of all births. This represented a marked increase since 2001, when there were around 600 – the same year in which the Court of Final Appeal (CFA) ruled that children born in Hong Kong to mainland Chinese citizens were entitled to the right of abode in Hong Kong even if their parents had entered the SAR as tourists.

Public debate on the issue has progressively intensified as the number of children born to mainland mothers has increased. This has led to calls for the SAR Government to introduce tighter measures to control the number of mainland mothers giving birth in Hong Kong, thus obtaining the right of abode for their children.

To address the issue, the SAR Government introduced a range of administrative measures deemed compatible with the 2001 CFA ruling. These included a cap on the number of mainland women giving birth in Hong Kong's hospitals, increased resources for the Immigration Department for border checks, and a crackdown on people helping mainland women enter Hong Kong.

In addition to these administrative measures, some lawmakers, including members of the Basic Law Committee suggested that the government should seek a re-interpretation and amendment of the Basic Law to address the issue. 30 National People's Congress's (NPC) local deputies in Beijing also called on the Standing Committee of the NPC to interpret the Basic Law. However, legal experts and academics in Hong Kong argued such a request for a re-interpretation which bypassed the SAR Government and CFA would set a bad precedent.

Following the elections, the Chief Executive-elect said he would accord top priority to mapping out a population policy and tackling the right of abode problem caused by the influx of mainland women giving birth in Hong Kong. He hoped that the issue could be solved through means other than a re-interpretation of the Basic Law.

Right of abode for Foreign Domestic Helpers

In our last report we covered the landmark ruling by the Court of First Instance that gave foreign domestic helpers (FDHs) the right to apply for Hong Kong permanent residency. This was another example of a legal issue with potential implications for interpretation of the Basic Law.

On 21 February, the Government launched its appeal against the ruling. Government lawyer Lord Pannick of Radlett QC pointed out that FDHs who had lived in the city for at least seven years of uninterrupted stay might be entitled to permanent residency with the ruling. He argued that FDHs should not be regarded as "ordinarily resident" as they were allowed to stay in the city with conditions. Gladys Li Chi-hei, representing the Filipino domestic helper whose request for residency became the test case, Ms Banao Vallejos, said the arguments undermined the rule of law and were unconstitutional.

On 28 March, the Government succeeded in their appeal. A panel of three judges unanimously rejected arguments that an immigration provision barring FDHs who had lived in Hong Kong for seven years from seeking permanent residency was unconstitutional. Mr Justice Andrew Cheung Kui-nung said that whether a foreign domestic helper in Hong Kong was ordinarily resident should be viewed objectively from the perspective of society, regardless of the worker's own subjective purpose. He added that refusing permanent residency to FDHs was in keeping with the rights guaranteed in the Basic Law. We will continue to monitor this issue.

HONG KONG – ECONOMY

Hong Kong's economy continued to grow in the first half of 2012 but moderated to 0.9%, compared to a year earlier. The deterioration in external markets was the main cause of this slowdown and remains the major downside risk identified by the SAR

Government. Sound fundamentals and strong tourist flow helped to support Hong Kong's domestic demand, which remained the main driver to growth.

Total exports of goods showed a slight decline of 0.4% in the second quarter of 2012, compared with a year earlier. Exports to Europe fell 12% in the second quarter. While trade related services also suffered, exports of services were supported by strong inbound tourism and grew 2.1% in the second quarter. Domestic demand remained the most resilient sector, growing at 3.7% during the second quarter.

Consumer price inflation eased further to 4.5% (year-on-year) in June. Netting out the government's one-off measures inflation receded to 5.1% in the second quarter from 5.9 per cent in the first quarter. This easing was the result of both external factors such as imported food and commodity prices and domestic factors such as private housing. However, the Hong Kong SAR Government adjusted its forecast of underlying consumer price inflation for 2012 to 4.3% from 4% due to slower than expected pace of easing.

Hong Kong continued to strengthen its position as the leading offshore renminbi (RMB) centre. According to the Hong Kong Monetary Authority, RMB deposits receded slightly (from the end of 2011) and stood at RMB 558 billion (£56 billion) in June. RMB trade settlement amounted to RMB 241 billion (£24 billion) in June (compared with RMB 239 billion (£24 billion) in December 2011), with over 80% of the mainland's trade settled in RMB going through banks in Hong Kong.

On 16 January, the Chancellor of the Exchequer and the Hong Kong Monetary Authority's Chief Executive announced the establishment of a private-sector led Hong Kong-London Forum to promote cooperation on the internationalisation of the RMB. The Forum held its first meeting in Hong Kong on 22 May. On 30 June, the Central People's Government used President Hu's visit to reaffirm its support for Hong Kong's role as an offshore RMB centre.

On 29 June, Supplement IX to the Closer Economic Partnership Agreement (CEPA) was signed between the Hong Kong SAR Government and the Central People's Government. The agreement was intended to make further progress toward liberalising trade in services, particularly in the professional services including legal, medical, accounting and financial services.

UK/HONG KONG – BILATERAL

Bilateral ties between Hong Kong and the UK have continued to go from strength to strength throughout the reporting period. There were Ministerial visits to Hong Kong by the Chancellor of the Exchequer Rt Hon George Osborne MP, Trade & Investment Minister Lord Green of Hurstpierpoint, the then Foreign Office Minister Jeremy Browne MP and the then Schools Minister Nick Gibb MP.

Parliamentary links remained strong. Members of the All Party Parliamentary Group on China and the House of Commons Select Committee on Energy and Climate Change visited Hong Kong in February.

There also continued to be regular working level exchanges between officials on a range of policy issues including global economic developments, social development, climate change, financial service regulation, education policy and law enforcement co-operation.

EDUCATION LINKS

System-wide education reforms in Hong Kong culminated during the reporting period. The new Hong Kong Diploma of Secondary Education (HKDSE) diverged from the current UK model that had previously prepared students for GCSE and A-level equivalent examinations. Students now finish school one year earlier (aged 17-

18) and will move on to four-year university courses from September, instead of three years under the old system.

The new arrangements resulted in a sharp increase in students qualifying for higher education this year, leading to increased demands for university places. The UK was able to meet some of the new surplus demand as the HKDSE was one of a few overseas qualifications included in the Universities and Colleges Admissions Services (UCAS) Tariff, facilitating Hong Kong applications to UK higher education. By the end of June, Hong Kong applications through the UCAS system were sharply up, by 37% to 6,041.

Links between the UK and Hong Kong in higher education were further strengthened by a delegation visit to the UK in March, led by Hong Kong Under Secretary for Education, Kenneth Chen Wei-on, and included 22 institution leaders from Hong Kong universities. Professor Eric Thomas, President of Universities UK, chaired a forum on UK-Hong Kong collaboration, which included a key theme of Hong Kong's value as a bridge to engagement with mainland China. Meetings were also held with newly appointed Secretary General of the University Grants Committee in Hong Kong Dr Richard Armour and Education Minister Rt Hon David Willetts MP.

BRITISH COUNCIL

In addition to their work on education links between the UK and Hong Kong, the British Council delivered programmes over the course of the reporting period to support English learning and examination services and a wide range of arts and science partnerships. In 2011/12:

- 266,058 people visited the British Council website
- 64,583 visited or contacted their customer services centre
- 22,855 students took exams with the British Council
- 13,437 learners were engaged in English learning services

- 87 Arts, Education and Science events took place

TRADE AND INVESTMENT

Bilateral trade between Hong Kong and the UK in goods for the period January to June 2012 amounted to £5.6 billion. Hong Kong was the UK's 14th largest export market for goods and the 2nd largest in Asia, after mainland China. Exports of goods amounted to £2.4 billion, a decrease of 3.2 per cent compared with the same period in 2011. Total trade in services for 2011 amounted to £3.4 billion, an increase of 21.7% compared to 2010.

During the reporting period, UK Trade & Investment (UKTI) supported four trade missions to Hong Kong, and the UK participated at two international trade fairs in Hong Kong. Hong Kong continued to be an important market for inward investment into the UK. UKTI's pipeline of projects from Hong Kong was strong, with two inward investment project successes and a further nine new investment projects added to the pipeline.

CONCLUSION

The Foreign Secretary's six-monthly reports to Parliament reflect the UK Government's continued commitment to the faithful implementation of the Sino-British Joint Declaration on Hong Kong, an international treaty to which the UK is party.

We consider that, in general, "One Country, Two Systems" continues to work well in practice and that the rights and freedoms enshrined in the Joint Declaration continue to be upheld. As we have recorded, concerns have been expressed in Hong Kong about the exercise of its autonomy and aspects of basic rights and freedoms. It is important that confidence in "One Country, Two Systems" is safeguarded and that Hong Kong continues to enjoy the full measure of autonomy, rights and freedoms which have been central to its continued success.

GLOSSARY OF TERMS

Sino British Joint Declaration: is the negotiated settlement on the question of Hong Kong co-signed by the Governments of the United Kingdom of Great Britain and Northern Ireland and the People's Republic of China in 1984.

“One Country, Two Systems”: is the principle that after Hong Kong returned to China on 1 July 1997, Hong Kong's existing social and economic systems, lifestyle, rights and freedoms would remain unchanged for 50 years.

The Basic Law of Hong Kong: was drafted and signed by the UK and Chinese Governments in accordance with the Joint Declaration. It stipulates the basic policies of the Chinese Government towards the Hong Kong SAR. The Basic Law is the SAR's mini-constitution.

The Basic Law Article 23: refers to the obligation that the Hong Kong SAR Government has to “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 organizations or bodies from conducting political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies”. An effort to introduce legislation in 2003 was dropped by the SAR Government after strong domestic opposition unprecedented levels of protest.

The Basic Law Article 27: refers to Hong Kong people's right to freedom of speech; of the press and of publication; freedom of association, of assembly, of procession and of demonstration; and the right and freedom to form and join trade unions, and to strike.

The Basic Law Article 45: refers to the method for selecting the Chief Executive, who is elected by the Election Committee or through consultations held locally and

appointed by the Central People's Government. The ultimate aim is to elect the Chief Executive by full universal suffrage in 2017.

The Basic Law Article 68: refers to the method by which the Legislative Council (LegCo) should be formed.

The Basic Law Article 72: refers to the President of the LegCo's powers and functions. These include presiding over meetings and deciding the agenda; giving priority to government bills for inclusion in the agenda; deciding on the time of meetings; calling special sessions during the recess; calling emergency sessions at the request of the Chief Executive; and exercising other powers and functions as prescribed in the rules of procedure of the LegCo.

The Basic Law Article 82: refers to the power vested in the Court of Final Appeal, which may invite judges from other common law jurisdictions to sit on the Court of Final Appeal.

The Basic Law Article 88: refers to the appointment of judges by the Chief Executive on the recommendation of an independent commission comprising local judges, members of the legal profession and distinguished members of other professions.

District Councils: are the local councils for the 18 districts of Hong Kong. Under the supervision of the Home Affairs Bureau of the SAR Government, they are consultative bodies on the provision of services, facilities and administration at the district level. There are 507 seats in the district councils comprised of 68 appointed, 412 directly elected and 27 ex-officio members who are chairpersons of rural committees in the New Territories.

District Council elections: are held every four years to elect the 412 directly elected members of the district councils. The elections are conducted by simple plurality.

Heung Yee Kuk: is a statutory advisory and consultative body for the New Territories comprising representatives of rural committees and their interests.

2010 Constitutional Reform Package: proposed measures which included that in 2012, the Chief Executive will be elected by an enlarged Election Committee of 1,200 (up from the previous 800); the LegCo will be enlarged from 60 seats to 70; and all ten new seats will be directly-elected to enhance the democratic elements of the LegCo. Of the ten new LegCo seats, five will be directly elected from each of the SAR's geographical constituencies, and the other five 'super seats' will be elected from District Councils, but sit as 'functional members'. The ultimate aim is to elect all members of the LegCo by universal suffrage in 2020. The constitutional reform package was endorsed by the Standing Committee of the National People's Congress.

The Election Committee: consists of 1,200 members for the purpose of electing the Chief Executive. The term of office of the Election Committee is five years and ties in with the electoral cycle and five year term of the Chief Executive.

Legislative Council (LegCo): is the Hong Kong SAR's legislature. The number of seats in the LegCo increased to 70 in 2012, with 35 seats returned by geographical constituencies through direct elections and 35 seats returned by functional constituencies.

Legislative Council (LegCo) election: is held every four years at the expiry of a LegCo term or if the Chief Executive dissolves the legislature and calls a new election.

Super seats: are five new seats in LegCo to be filled by candidates from the District Council Functional Constituency which, unlike the other functional constituency seats, will be directly elected by the general public.

Geographical Constituencies: there are five in the SAR, from which 35 representatives are directly elected to the LegCo using a party-list proportional representation voting system, with seats allocated by the largest remainder method.

Functional Constituencies: are professional, special interests or trade-based groups involved in the electoral process. Eligible voters in a functional constituency may include individuals, organisations and corporations. There are 35 functional constituency seats in the LegCo. 30 are returned under the existing arrangements of a simple plurality system, and five are directly elected.

Replacement Mechanism: refers to proposals to fill mid-term vacancies in LegCo, whereby elected Legislative Councillors who resigned mid-term would be prevented from standing in a by-election for six months. The Legislative Council (Amendment) Bill 2012 was introduced to address the issue following the resignation of five pan-democrat legislators in January 2010, which had been designed to force territory-wide by-elections as a de facto referendum on democratic reforms.

Pan Democrats: refers to legislators from pro-democracy political parties or groups.

LIST OF ABBREVIATIONS

CEPA	Closer Economic Partnership Agreement
CFA	Court of Final Appeal
CGLO	Central Government's Liaison Office
CPG	Central People's Government
CPPCC	Chinese People's Political Consultative Conference
DC	District Council
EC	Election Committee
FC	Functional Constituency
FDHs	Foreign Domestic Helpers
GC	Geographical Constituency
HKJA	Hong Kong Journalists Association
HKMAO	Hong Kong and Macao Affairs Office of the State Council
LegCo	Legislative Council
NPC	National People's Congress
REO	Registration and Electoral Office
RMB	Renminbi
RTHK	Radio Television Hong Kong
SAR	Special Administrative Region
UKTI	UK Trade & Investment



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