



**THE SIX-MONTHLY REPORT ON HONG KONG  
1 JANUARY TO 30 JUNE 2013**

Deposited in Parliament by the Secretary of State for Foreign and  
Commonwealth Affairs

July 2013

## FOREWORD

This is the 33rd 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 from 1 January to 30 June 2013.

The UK Government continues to take 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.

A key theme for Hong Kong over the first half of 2013 has been the roadmap towards the election of the next Chief Executive (Head of Government) by popular vote (universal suffrage) in 2017.

In his first Policy Address since assuming the leadership of the Hong Kong Special Administrative Region Government, Chief Executive CY Leung undertook to “promote and achieve the ultimate aim of universal suffrage in accordance with the Basic Law and the relevant decisions of the Standing Committee of the National People’s Congress” and to “launch a comprehensive consultation on the election methods” for these ground-breaking elections.

Although the government has not yet announced a timetable for the promised consultation on electoral reform, civil society groups in Hong Kong are already engaging with enthusiasm in the debate about how the electoral process should be organised and the elements which will need to be considered.

I am in no doubt that the transition to universal suffrage will be in the best interests of Hong Kong’s stability and prosperity. The precise shape of any constitutional package will be for the governments of Hong Kong and China, and the people of Hong Kong to decide in line with the Basic Law. But it is important that any proposals give the people of Hong Kong a genuine choice and enable

them to feel they have a real stake in the outcome. I look forward to hearing more about the government's plans.

On the UK/Hong Kong bilateral relationship, I am pleased to note that UK businesses are responding keenly to the many opportunities arising from Hong Kong's ambitious development plans and its advantages as, what Mr Leung has described as, a "connector" to mainland China. This report sets out clearly the scale of opportunity for partnership and sharing of expertise. I hope even more British companies and experts will get involved. I am also delighted to note the continuing co-operation between Hong Kong and London as leading financial centres on the off-shore RMB market.

Our parliamentary ties have been boosted by the visit to Hong Kong by the All Party Parliamentary Group on China and the visit to London by the President of Hong Kong's Legislative Council. On government-to-government links, I am pleased my colleague Hugo Swire was the latest in a series of UK Ministers to visit Hong Kong, where he had a series of substantial exchanges on the many common interests between the UK and Hong Kong.

Rt Hon William Hague MP  
Foreign Secretary

# **SIX-MONTHLY REPORT ON THE IMPLEMENTATION OF THE JOINT DECLARATION ON THE QUESTION OF HONG KONG**

## **INTRODUCTION**

This series of six-monthly 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 foreign and defence affairs, and that the continuation of Hong Kong's social and economic systems, lifestyles, rights and freedoms would be guaranteed.

## **CONSTITUTIONAL DEVELOPMENTS**

On 16 January, Chief Executive Leung Chun-ying (CY Leung) made his first full Policy Address to the Legislative Council (LegCo). The speech, entitled "Seek Change, Maintain Stability, Serve the People with Pragmatism" focussed on livelihood issues, including more affordable housing, poverty alleviation, the environment, and economic development. These proposals are covered in further detail in the Economy section of the report.

On constitutional development, the Chief Executive promised to "promote and achieve the ultimate aim of universal suffrage in accordance with the Basic Law and the relevant decisions of the Standing Committee of the National People's Congress" (NPCSC) and "launch a comprehensive consultation on the election methods" and "initiate constitutional procedure at an appropriate juncture".

During the reporting period, the government did not publish a timetable for the public consultation or bring forward specific proposals for electoral reform. However, speaking on 29 May, Secretary for Constitutional and Mainland Affairs Raymond Tam confirmed:

*“All proposals [for constitutional reforms] should be based on the Basic Law and relevant interpretation and decisions of the NPCSC; only on such a basis will it be possible to reach a consensus on constitutional development, to take forward the democracy of Hong Kong, and to implement the target of universal suffrage for the Chief Executive in 2017.”*

The Basic Law (Hong Kong’s constitution), states that the ultimate aim is the selection of the Chief Executive and the Legislative Council by universal suffrage in 2017 and 2020 respectively.

**Article 45 of the Basic Law:**

The Chief Executive of the Hong Kong Special Administrative Region shall be selected by election or through consultations held locally and be appointed by the Central People's Government. The ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures.

**Article 68 of the Basic Law:**

The Legislative Council of the Hong Kong Special Administrative Region shall be constituted by election. The method 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 election of all the members of the Legislative Council by universal suffrage.

On 29 December 2007, the NPCSC ruled that the Chief Executive could be elected by universal suffrage in 2017 and the legislature could be elected by universal suffrage in 2020.

**The 2007 NPCSC Decision:**

For the Chief Executive election: “a broadly representative nominating committee shall be formed...The nominating committee shall, in accordance with democratic procedures, nominate a certain number of candidates for the office of the Chief Executive, who is to be elected through universal suffrage by all registered electors of the Hong Kong SAR, and to be appointed by the Central People’s Government.”

For the legislature: the “half-and-half ratio between members returned by functional constituencies and members returned by geographical constituencies through direct elections shall remain unchanged. The procedures for voting on bills and motions in the Legislative Council shall remain unchanged”.

**STAKEHOLDER VIEWS**

A number of pro-democracy and civil society groups began collating views and ideas from legislators and the business and wider community on the principles and process by which the Chief Executive should be elected. These groupings included "Hong Kong 2020" led by former Chief Secretary Anson Chan, a coalition of the pan-democrats led by Professor Joseph Cheng known as the Alliance for True Democracy, and a campaign led by Dr Benny Tai which proposed to “Occupy Central” – Hong Kong’s business district - in July 2014 if government proposals on universal suffrage did not go far enough.

Although firmly committed to non-violent protest, the emergence of the “Occupy Central” campaign was not without controversy, particularly among business groups. On 9 May, a Hong Kong Institute of Education survey on public attitudes to this campaign revealed that more people (46%) supported maintaining public order than fighting for democratic rights and freedoms (41%). On 26 May, the Hong Kong Island Federation issued an open letter, backed by 200 groups with more than 100,000 members, opposing the “Occupy Central” campaign, criticising it for “jeopardising competitiveness and business environment, provoking social conflicts, and damaging the rule of law and core values of Hong Kong”.

As civil society groups have considered priorities and concerns about the shape of promised constitutional reforms, key themes to emerge have included the likely formation and membership of the nominating committee, and the concern, particularly among pan-democrat groups, about the possible introduction of a screening mechanism which might prevent some parties or individuals from standing for election.

On 11 May, President of LegCo, Jasper Tsang Yok-sing, said that the nominating committee should be formed in the same way as the Election Committee; and that the future Chief Executive’s governance would be undermined if the nominating committee screened out a candidate who was widely supported by the public.

On 29 May, the Hong Kong Democratic Foundation proposed that people who had obtained nominations from one-eighth of the nominating committee members or nominations from 100,000 registered voters should be permitted to run in the 2017 Chief Executive race. They added that candidates would have to swear loyalty to the SAR government and the Central People’s Government (CPG).

## **ROLE OF THE CHINESE CENTRAL GOVERNMENT**

Under the prescribed “five-step” procedure for constitutional reform, the National People’s Congress Standing Committee (NPCSC) is required to approve a request from the Chief Executive for an amendment to the Basic Law on the methods for selecting the Chief Executive or Legislative Council; and to approve or record such amendments once they have been endorsed by two-thirds of the Legislative Council and the Chief Executive.

The Chinese Central Government has not intervened directly on the parameters of a package of reforms. However, speaking in Shenzhen on 14 January, the Chairman of the NPC Law Committee, Qiao Xiaoyang, said that “anyone wishing to become Chief Executive has to love China and love Hong Kong”, and that the methods for the universal suffrage must be in line with the Basic Law and decisions by the Standing Committee of the NPC. He added that anyone who confronted the CPG could not become Chief Executive. And on 8 March, the newly-appointed NPCSC Chairman, Zhang Dejiang, was quoted by local Hong Kong NPC delegates as saying he hoped that the Chief Executive elected by universal suffrage in 2017 would be patriotic and have both the central government’s trust and Hong Kong people’s backing.

**As we noted in our previous reports, the UK firmly believes that Hong Kong’s stability and prosperity are underpinned by its rights and freedoms and that the best way of guaranteeing these is by Hong Kong moving to a democratic system of universal suffrage in line with public consultations, the promised timetable and international standards. We look forward to further substantive progress towards full universal and equal suffrage for the election of the Chief Executive in 2017 and Legislative Council in 2020.**



## **ABOLISHING APPOINTED SEATS IN THE DISTRICT COUNCILS**

In previous reports, we covered the SAR Government's decision to abolish all District Council (DC) appointed seats. During the reporting period, LegCo passed an amendment to the District Councils Ordinance under which all remaining 68 appointed seats would be abolished from the 2016 DC election, but 27 Rural Committee chairmen ("Heung Yee Kuk") would keep their ex-officio seats. The Government also proposed to increase the total number of elected District Council seats by 19, to 431, in the 2015 DC elections due to population growth.

### **Heung Yee Kuk:**

Is a statutory advisory and consultative body for the New Territories comprising representatives of rural committees and their interests.

## **ONE COUNTRY, TWO SYSTEMS**

Under "One Country, Two Systems", Hong Kong enjoys a high degree of autonomy over its affairs, with the exception of foreign and defence matters. Statements about Hong Kong by representatives of the Central People's Government (CPG), particularly on issues over which Hong Kong has autonomy, are therefore followed closely by Hong Kong people and the media for signs of interference.

The Chinese Government is represented in Hong Kong by the Central Government Liaison Office (CGLO). On 18 December 2012, Zhang Xiaoming was appointed its new Director.

On 10 January, when asked about the role of the CGLO, Mr Zhang said that "Western District (the CGLO) did not rule Hong Kong, but must do its job and

fulfil its duties to implement work assigned by the CPG”. Mr Zhang refuted charges that the CPG was tightening its grip on the city and was reported to have said that the CGLO would continue to reflect Hong Kong's situation to the CPG; implement the CPG's policies towards Hong Kong; and support the governance by the Chief Executive. When asked about legislating on national security (Article 23 of the Basic Law), Mr Zhang said that it was the constitutional duty of the SAR Government and that he believed they would make an appropriate decision after considering the situation of Hong Kong.

On 7 March, there was extensive media coverage reporting a closed-door meeting with NPC local deputies in Beijing and NPCSC Chairman and Head of Central Coordinating Group for Hong Kong and Macao Affairs, Zhang Dejiang, who dismissed comments that the CPG would impose a tighter grip on Hong Kong, saying that its policies on Hong Kong remained unchanged. Mr Zhang called on the deputies to help deepen the implementation of the "One Country, Two Systems" principle and support the governance of Chief Executive CY Leung and the HKSAR Government. Mr Zhang also stressed that Hong Kong must safeguard national security. On the same day, Hong Kong and Macao Affairs Office Director, Wang Guangya and Politburo Standing Committee member, Yu Zhengsheng, said that Hong Kong must not become a base for subversion.

On 17 March, during the closing session of the NPC, Chinese President, Xi Jinping, called on people of the Hong Kong and Macao SARs to uphold the overall interests of the nation and the cities “so as to safeguard and foster the long-term prosperity and stability of Hong Kong and Macao.”

Speaking around the same time, the Chinese Premier, Li Keqiang, urged Hong Kong to make good and full use of the CPG's policy initiatives which would benefit the city. Asked if he had plans to introduce other measures to help Hong Kong, Premier Li said that the Mainland and Hong Kong had to work together,

adding that Beijing would do its best to advance initiatives that were good for Hong Kong and would keep the city prosperous.

On 18 March, at a meeting with the Chief Executives of Hong Kong and Macao SARs, Mr Xi called for unity in Hong Kong and active support for Chief Executive CY Leung's administration. Mr Xi said that he was glad to see wide public support for Mr Leung's policy initiatives but reminded him that implementation was the key to Mr Leung's vision of "seeking changes while maintaining stability". Mr Xi emphasised that co-operation and mutual development between the two SARs and the Mainland were needed to achieve his "Chinese dream" of a rejuvenated nation.

## **BASIC RIGHTS AND FREEDOMS**

### **Article 27 of the Basic Law:**

Hong Kong residents shall have freedom of speech, of the press and 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.

## **MARCHES AND DEMONSTRATIONS**

Throughout the reporting period, Hong Kong people continued to exercise the rights and freedoms guaranteed in Article 27 of the Basic Law. Below we note some of the larger demonstrations which took place in the city.

On 1 January, a number of anti-government marches took place. The largest of these was organised by Civil Human Rights Front and the People's Power Party. Their demands covered a range of political and livelihood issues including the election of a new Chief Executive by universal suffrage, the introduction of a

universal retirement protection scheme and the development plan for the North East New Territories. According to organisers, the protest was attended by 130,000 people, a record high for a New Year's Day march. However, the Hong Kong Police estimated attendance at around 26,000 people at its peak.

Scuffles broke out during some of the marches, resulting in the arrest of nine people including League of Social Democrats member Leung Kwok-hung and People's Power members Albert Chan and Raymond Wong. All three were arrested for disorderly behaviour in a public place and for illegal assembly. They were later released on bail.

A number of pro-government marches were organised on the same day. The largest of these was organised by Hong Kong Celebrations Association and the Voice of Loving Hong Kong to show their support for the Chief Executive and to criticise pan-democrat groups for opposing everything the government proposed. Organisers said 60,000 people attended the event. The police estimated a lower peak turnout of 8,000 people.

In response to the demonstrations on 1 January, a government spokesman reiterated that "the Hong Kong Special Administrative Region Government fully respected people's rights to take part in processions and their freedom of expression and would listen to their views in a humble manner."

On 28 March, around 170 dock workers from the Union of Hong Kong Dockers began a sit-in protest, demanding a 17 per cent pay rise, claiming they had received only one raise since 1997. On 7 April, this escalated to a demonstration of 4,000 workers and their supporters according to the Confederation of Trade Unions. Police put the number at 2,800. On 6 May, the dock workers accepted a 9.8 per cent pay rise. Their strike marked the longest running industrial action in Hong Kong since 2007.

On 4 June, the annual candlelight vigil to commemorate the 1989 crack-down in Tiananmen Square was cut short for the first time due to heavy rain. The organiser, the Alliance in Support of Patriotic Democratic Movements of China said there was a turnout of 150,000 people. The police estimated peak attendance at 54,000 people.

## **FREEDOM OF SPEECH AND ASSEMBLY**

On 8 May, a volunteer from the “Occupy Central” campaign was arrested by the police for taking part in an unauthorised protest in July 2011. The arrest prompted questions about why it had taken the police nearly two years to act. “Occupy Central” organiser Dr Benny Tai accused the police force of intimidation. In response, a police spokesman said that the police had worked in accordance with the law and no political considerations were involved.

On 10 May, the Department of Justice (DoJ) issued a statement about the case: *“It has been the DoJ's general policy not to comment on individual cases. However, since the arrest has aroused wide public concern and that some of the reports are not factually correct, the DoJ considers that it is necessary to make some clarifications.... The DoJ has in place established mechanisms to ensure that prosecution decisions are made fairly and impartially, completely free from any political considerations. The DoJ's prosecution decision is absolutely not related to the "Occupy Central" issue as this subject had not yet surfaced when the prosecution decision was made. Furthermore, the prosecution decision or the legal proceedings thereafter will not be affected by the identity of arrested persons.”*

The DOJ statement prompted all 27 pan-democratic LegCo members to issue a joint-statement on the same day, criticising the government and the police for political persecution and selective prosecution, which they feared would jeopardise Hong Kong's freedom of speech and the rule of law.

On 21 May, two legislators from the People's Power Party, Raymond Wong and Albert Chan, were convicted of unlawful assembly and for organising and taking part in unauthorised processions in July 2011. Mr Wong was sentenced to six weeks in prison, suspended for 14 months, while Mr Chan was handed a five-week jail term, suspended for a year, and each of them were fined \$4,800. Both Mr Wong and Mr Chan described the sentences as unreasonable and vowed to appeal.

## **FREEDOM OF THE PRESS**

On 16 January, in his Policy Address, the Chief Executive said:

*"In my inaugural speech, I pledged to the Hong Kong people that I will safeguard the interests of the people, and uphold the core values of Hong Kong, including human rights, rule of law, clean government, freedom and democracy, tolerance of different stances and views, and respect for press freedom... The Government is steadfastly committed to upholding these core values.*

In general, the Hong Kong media continued its tradition of lively reporting and investigative journalism throughout the reporting period. This was most evident in the blanket coverage of CIA whistleblower, Edward Snowden, who was in Hong Kong in June. Media coverage included reporting of government handling and extensive commentary about the relevance of the case to Hong Kong's rights, freedoms and legal and judicial system.

However, there are some areas of concern about perceived levels of press freedom which we note below.

On 31 January, local newspapers reported that Hong Kong was ranked 58th among 179 countries and regions worldwide in the World Press Freedom Index 2013 released by Reporters Without Borders, down four places from 54<sup>th</sup> in 2012

to a five-year low. The ranking was based on factors ranging from media independence, self-censorship, and legislative framework, to news production transparency. The Hong Kong Journalist Association called on the government to defend press freedom by enacting the freedom of information law and maintaining a legal framework under which press freedom was respected. Hong Kong Press Photographers Association Chairman, Siu Man-chiu, warned that tightened press freedom would hinder the media's monitoring of the government and undermine people's right to know.

On 6 June, LegCo passed a non-binding motion to safeguard freedom of information and freedom of the press. Pan-democrat lawmakers criticised the government for reneging on a pledge to safeguard press freedom and to enact laws on freedom of information. In response, the government said that the Law Reform Commission had formed a team to study the topic of access to information.

On 7 June, Ming Pao newspaper reported that, according to a Hong Kong University Public Opinion Poll conducted between 28 – 31 May, the credibility rating of the local media had dropped by 0.15 marks since the previous survey in last October, to 6.01 marks out of 10. This is the lowest rating received since October 2007. The survey also found that 48 per cent of the 1,012 people interviewed considered that local media had exercised self-censorship and 34 per cent of respondents perceived that the local media were cautious about criticising the government.

**We welcome the Chief Executive's pledges to safeguard and respect press freedoms. Overall our assessment is a positive one, although we continue to take note of issues of concern. It is important for Hong Kong's success that its vibrant news media continues to enjoy the full measure of freedom.**

## LEGAL AND JUDICIAL

In previous reports we have covered high profile legal cases relating to the question of right of abode where rulings have had potential implications for the Basic Law and Hong Kong's judicial independence.

One such case was that of Evangeline Banao Vallejos and Daniel Domingo, two foreign domestic helpers seeking permanent residency in Hong Kong. On 25 March, the Court of Final Appeal (CFA) dismissed their appeal. At the same time, the CFA declined the government's invitation to consider seeking the NPCSC's clarification on its interpretation of the Basic Law in 1999.

Handing down the ruling, Chief Justice of Hong Kong, Geoffrey Ma, said that there was no need to seek an interpretation based on Article 158 of the Basic Law, which set out Beijing's interpretation power, as the CFA could make the judgment within the common law framework. He added that the mechanism of seeking an NPCSC interpretation of the Basic Law should not be abused.

In response, Secretary for Justice, Rimsky Yuen, said that the government respected the CFA's decision and would consider further legal options available. However, he declined to undertake that the government would not take its own initiative to seek Beijing's interpretation of the Basic Law to resolve the question of right of abode in Hong Kong for foreign domestic helpers, and also children born to Mainland parents, which remains an unresolved issue for the government.

Welcoming the CFA's ruling, both the Hong Kong Bar Association and the Law Society of Hong Kong issued statements warning the government not to seek an NPCSC interpretation of the Basic Law in future. They urged the government to take into account the move's negative impact on Hong Kong's judicial independence and high degree of autonomy.



On Edward Snowden, Secretary for Justice, Mr Yuen, said that the government “did not have any legal basis to seek the issue of the provisional warrant of arrest from our judge under the legal system of Hong Kong. Without a provisional arrest warrant the Hong Kong SAR Government had no legal basis to restrict or prohibit Mr Snowden's departure from Hong Kong.” Mr Snowden left Hong Kong on 23 June, which the government said was “through a lawful and normal channel.”

## **HONG KONG – ECONOMY**

The Hong Kong economy grew 2.8 per cent in the first quarter of 2013 compared to a year earlier. This was up from the more modest rate of 1.3 per cent in quarter three of 2012, but remained lower than the average trend growth rate for the past ten years of 4.5 per cent. The Government have forecast growth of 1.5-3.5 per cent for 2013.

Robust domestic demand by both residents and tourists remained the key driver to growth, as Private Consumption Expenditure grew by 7 per cent and retail sales by 19.4 per cent in April 2013 compared to a year earlier.

The Consumer Price Index (CPI) stood at 3.9 per cent. The government has said it is confident that inflation will be contained in the near future, and forecasts headline CPI growth of 4.5 per cent for 2013. Global factors such as rising food prices may push this figure up; but a recent drop in property and rental prices have not yet fed through to inflation figures.

## **ECONOMIC POLICY DEVELOPMENTS – POLICY ADDRESS AND BUDGET 2013**

Chief Executive CY Leung's Policy Address on 16 January set a clear direction for his government's developing economic policy.

The speech promised that the government would be “appropriately proactive” economically, but that this would not mean an abandonment of the free market economy. He also announced the launch of a number of Commissions and Working Groups. Prominent among these groups were the Economic Development Commission, tasked with forming an economic development and diversification strategy for Hong Kong, and the Financial Services Development Councils, which will explore ways to expand Hong Kong’s financial industry and to consolidate Hong Kong’s role as the leading financial centre for Offshore Renminbi activity.

On 27 February, Financial Secretary, John Tsang, announced the new government’s first Budget. The expansionary package centred on four themes that echoed the Chief Executive’s January Policy Address: growth and economic development, education, infrastructure investment and ‘caring for people’s livelihood’. The Budget confirmed Hong Kong’s strong financial position, as a surplus of HK\$64 billion (£5.5 billion) for 2012-13 boosted Hong Kong’s fiscal reserves to HK\$734 billion (£59 billion).

## **RENMINBI INTERNATIONALISATION**

Hong Kong continued to consolidate its role as the leading centre for offshore Renminbi (RMB). In May, total RMB deposits in Hong Kong grew 3.1 per cent to RMB698 billion; total remittance of the RMB for cross-border trade settlements amounted to RMB318 billion (up from RMB275.4 billion in April this year).

Significant developments included:

- The RMB Qualified Foreign Institutional Investors (RQFII) scheme was extended in Hong Kong. Hong Kong subsidiaries of commercial banks and foreign financial institutions registered in Hong Kong can now apply for RQFII licences; and the scheme’s quota increased from RMB20 billion to RMB270 billion.

- The Hong Kong Monetary Authority launched the offshore RMB Hong Kong Interbank Offered Rate Fixing system (CNH HIBOR). This will offer an offshore RMB interest rate benchmark for financial contracts.

## **POVERTY**

Hong Kong's wealth gap remains the widest in Asia – the Gini coefficient of inequality was 0.537 in 2011. This level of inequality compares to 0.48 in China, 0.473 in Singapore and 0.34 in the UK, and leaves Hong Kong with a wider wealth gap than any OECD region.

In his Policy Address, the Chief Executive stated *“We must recognise poverty as a real problem, understand the problem’s nature, and formulate specific and feasible policy measures to alleviate it”*.

A Commission on Poverty (CoP), established in November 2012, is tasked with developing poverty alleviation policies by the end of 2014. In the last six months, the CoP announced its first priority was to set a ‘poverty line’, in order to measure the extent of the problem and facilitate the assessment of policy success.

According to the government, 220,000 employees benefitted from a rise in the minimum wage from HK\$28 (£2.30) to HK\$30 (£2.45) which came into force on 1 May 2013.

## **UK/HONG KONG – BILATERAL RELATIONS**

Bilateral ties between Hong Kong and the UK continued to be in good shape, as evidenced by numerous high level visits in both directions during the reporting period. There were Ministerial visits to Hong Kong by the Secretary of State for Wales Rt Hon David Jones MP, the new Commercial Secretary to the Treasury Lord Deighton, Foreign and Commonwealth Minister for Asia Rt Hon Hugo Swire MP, Parliamentary Under Secretary for Transport Norman Baker MP, Scottish Minister for External Affairs and International Development, Humza Yousaf MSP.

The then Governor of the Bank of England, Sir Mervyn King, also visited in February.

Parliamentary links remained strong. Members of the All Party Parliamentary China Group visited Hong Kong in February and the President of the Legislative Council, Jasper Tsang, paid a visit to the UK in June.

There also continued to be regular exchanges between senior officials and experts on a range of policy issues including global economic developments, social development, climate change, financial service regulation, education policy and law enforcement co-operation. These included visits to Hong Kong by the UK Director of Public Prosecutions, Keir Starmer QC, and Director of the Serious Fraud Office, David Green.

## **EDUCATION LINKS**

Over the reporting period, Hong Kong's new academic structure continued to be topical. The new Hong Kong Diploma of Secondary Education (HKDSE) has established itself as an internationally recognised qualification. It is included in the UK's Universities and Colleges Admissions Service (UCAS) Tariff. In December 2012, UCAS confirmed that the HKDSE Level 5\*\* exceeded that of the GCSE Grade A\*, thus recognising the very high standard of the qualification. Additionally, the Hong Kong Examinations and Assessment Authority (HKEAA) recently released the results of a benchmarking study to establish the equivalence of standards between the International English Language Testing System (IELTS) and the 2012 Hong Kong Diploma of Secondary Education (HKDSE) English Language Examination. The results of this benchmarking exercise will help UK education providers assess HKDSE candidates' English proficiency and help preserve the academic pathway between Hong Kong's new academic structure and UK education. Nearly 12,000 Hong Kong students are studying in UK universities in undergraduate and post-graduate studies including

ten students taking part in the British government's Chevening scholarship programme.

Bilateral collaboration between Scotland and Hong Kong continued with the visit to Hong Kong of a Scottish Research Mission in late June. The delegation from the Scottish Funding Council, Scottish Development International and two leading research pools in Scotland met Hong Kong academics, researchers and officials with the aim of identifying strategic partnerships between higher education institutions. This mission coincided with the visit of the Scottish Minister for External Affairs and International Development, Humza Yousaf (MSP for Glasgow) witnessed the signing of a Memorandum of Understanding between the Scottish Development International and the Hong Kong Science and Technology Park on developing the low carbon sector.

## **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, education and science partnerships. Over the first half of 2013:

- 24,156 visited / contacted their customer services centre;
- 24,058 students took exams with the Council;
- 2,342 learners were engaged in English learning services;
- 103 Arts, Education and Science events took place; and
- 377,623 people visited the British Council Hong Kong website

## **TRADE AND INVESTMENT**

For the period January - December 2012, the bilateral trade in goods between Hong Kong and the UK amounted to £12.1 billion; and Hong Kong was the UK's 14th largest export market for goods and the 2nd largest in Asia Pacific, after mainland China. Exports of goods amounted to £5 billion during this period, a decrease of 0.4 per cent compared with the same period in 2011.

For the period January – June 2013, UK Trade & Investment (UKTI) supported five trade missions, including one of the largest ever trade missions to Hong Kong. More than 60 UK companies exhibited at HOFEX, the leading food and hospitality tradeshow in Asia Pacific from 7-10 May 2013. The delegation was led by four different organisations – FDEA (Food & Drink Exporters Association), EBLEX (English Beef & Lamb Executive), Scottish Development International and the Welsh Government. UKTI also participated at three international trade fairs during this period.

Hong Kong continued to be an important market for inward investment into the UK. In order to promote inward investment, UKTI organised and supported events in Hong Kong such as UK-China Investment Partnerships: Dealmaker Summit with Lord Deighton, Accessing the London Capital Markets Forum, InnoAsia and Deloitte Fast 500 Asia Pacific.

## **HIGH VALUE OPPORTUNITIES**

Another major focus of FCO and UKTI work during the reporting period has been on major infrastructure projects, also known as High Value Opportunities (HVOs), in which the Hong Kong SAR Government is investing around £5 billion a year. HVO work has focused on seven projects in Hong Kong:

- Development of the former Kai Tak Airport site, including a planned multi purpose sports complex with a 50,000 seat stadium, and a cruise ship terminal. The project will also develop a major new mixed–use area including commercial, residential, medical, tourism and community facilities together with supporting infrastructure and includes £8 billion capital funding;
- The West Kowloon Cultural District (WKCD) project, which is to be developed as a world class integrated arts and cultural district on a prominent 42 hectare 28 harbour front site. The core arts and cultural facilities in the WKCD will comprise 15 performing arts venues, a museum, exhibition centre and piazza areas. The project will receive £1.7 billion in public funding;
- Hong Kong-Zhuhai-Macao Bridge. A strategic cross-boundary transport infrastructure project to enhance economic integration between Hong Kong and the mainland with a budget of £6 billion;
- Shatin to Central Link (SCL) railway project. This will link the most heavily populated district in New Territories to the Central Business District on Hong Kong Island. £5.6 billion of funding is allocated to this project;
- Hong Kong International Airport Third Runway. Land formation of about 650 hectares and the construction of a 3.8km third runway and related taxiway systems, with around £10 billion of funding;
- Hospitals / Healthcare. There are a number of very large projects planned in both public and private hospitals. These include new builds, expansion projects and redevelopments, and have a value of approximately £4.9 billion;
- Environment. The Government has committed to turning Hong Kong into a healthy, low-carbon and resource-saving metropolis that is in harmony with

nature. The project includes waste-handling infrastructure and the next phase of the Harbour Area Treatment Scheme.

## **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, overall, "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. 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, stability and prosperity, and which underpin its international standing.



## 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, life-style, 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 Special Administrative Region (HKSAR). The Basic Law is the HKSAR's constitution.

**The Basic Law Article 23:** refers to national security legislation that the SAR Government has yet to introduce, which prohibits the theft of state secrets, any act of treason, secession, sedition, subversion against China, to prohibit foreign political organizations from doing political activities in Hong Kong and to prohibit Hong Kong political bodies from building ties with foreign political organisations.

**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 in accordance with the principles of gradual progress and democratic procedures. 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 ultimate aim is the election of all the members of LegCo by universal suffrage in 2020.

**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.

**The Basic Law Article 158:** refers to the courts of the Hong Kong Special Administrative Region to interpret on their own the provisions of the Basic Law within the limits of the autonomy of the Region. On matters related to defence and foreign affairs the courts of Hong Kong SAR shall seek an interpretation of the relevant provisions of the Basic Law from the Standing Committee of the National People's Congress.

**District Councils:** are the local councils for the 18 districts of Hong Kong. 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 the ten new seats will all 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-democracy 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
GC	Geographical Constituency
HKJA	Hong Kong Journalists Association
HKMAO	Hong Kong and Macao Affairs Office of the State Council
HKSAR	Hong Kong Special Administrative Region
HVO	High Value Opportunities
LegCo	Legislative Council
NPCSC	National People's Congress Standing Committee
ROA	Right of Abode
RMB	Renminbi
SAR	Special Administrative Region
UKTI	UK Trade & Investment