



Six-monthly Report on Hong Kong January-June 2002

*Presented to Parliament
By the Secretary of State for Foreign and Commonwealth Affairs
By Command of Her Majesty
July 2002*

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FOREWORD

This is the eleventh in a series of six-monthly reports to Parliament on the implementation of the Sino-British Joint Declaration on the Question of Hong Kong. It covers the period from 1 January to 30 June 2002.

At the time of writing I am just about to pay my first visit to Hong Kong since becoming Foreign Secretary. During the visit I hope to have talks with the Chief Executive and a meeting with members of the Legislative Council. I greatly welcome this opportunity to visit Hong Kong, to hear about the progress of the Special Administrative Region five years since the handover and to demonstrate Her Majesty's Government's continuing interest in, and commitment to, Hong Kong and its people. I am pleased that bilateral links continue to be strong across a wide range of sectors. We wish to see these links develop and expand further. As another sign of the strength of the relationship, I also met Chief Secretary for Administration, Donald Tsang, during his visit to London in early July.

On 1 July, Hong Kong marked the fifth anniversary of the handover and Mr Tung Chee-hwa was inaugurated as Chief Executive for his second five-year term. The Chief Executive's "Principal Officials Accountability System" also came into operation on 1 July. This new system is a significant development and we have covered the issues in some detail in the main report. We look forward to seeing how the new system will function, and to working closely with the Chief Executive and his new team. However, I intend to make the point to the Chief Executive that we also hope that it will not be long before we see the launch of a debate on how best to move towards the Basic Law's ultimate aims of the election of the Chief Executive and all members of the Legislative Council by universal suffrage. It remains our hope that progress towards these goals is achieved as early as possible, at a pace in line with the wishes of the Hong Kong community.

Five years after the handover our assessment is that "One Country, Two Systems" generally works well in practice. However, there have been some issues on which we have had concerns. As recorded in these six-monthly reports, we have discussed these with the Special Administrative Region (SAR) Government and the Central People's Government. However, most observers would agree that Hong Kong has by and large been free to exercise its autonomy in all matters envisaged under the Joint Declaration. It is vital that this autonomy continues to be respected. It is vital, too, that the basic rights and freedoms afforded to the people of Hong Kong through the Joint Declaration and the Basic Law continue to be upheld. This period has seen a number of controversial public order and immigration issues, as highlighted in the report. Hong Kong's rights and freedoms are essential elements in its success. We will follow such issues particularly closely.



JACK STRAW
Secretary of State
for Foreign and Commonwealth Affairs

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

INTRODUCTION

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

HONG KONG SAR GOVERNMENT

2. Our last six-monthly report (Cm 5461) noted that the Chief Executive, Mr C H Tung, had announced in December 2001 that he would run again for a second five-year term from 1 July 2002; and that Chinese leaders had publicly endorsed his candidacy. In the event, no other candidate came forward. By 28 February, the closing date for nominations, Mr Tung had obtained 714 nominations from the 794 member Election Committee. On 4 March, the Central People's Government (CPG) appointed Mr Tung Chief Executive for a second term.

CONSTITUTIONAL DEVELOPMENT

3. Our last report noted that, in his October 2001 Policy Address, the Chief Executive had proposed a new system for appointing top officials. On 17 April, Mr Tung briefed the Legislative Council (LegCo) on the framework for the new system, which he said would allow the SAR Government to become more open and responsive to public demands, and strengthen the relationship between the Executive and the Legislature. Under the scheme, to be implemented on 1 July 2002, 14 Principal Officials (the Chief Secretary for Administration, the Financial Secretary, the Secretary for Justice and 11 policy secretaries) would be political appointees and not permanent civil servants. These new "ministers", drawn from within or outside the civil service, would serve on contracts, with their term not exceeding that of the Chief Executive who nominated them. They would be directly responsible to the Chief Executive and accept total responsibility for their portfolios, "in an extreme case" stepping down for serious failures or mishaps. All 14 "ministers" would join the Executive Council (ExCo), making it more of a Cabinet-style body. The political appointees would be supported by a civil service which would remain permanent, meritocratic and politically neutral. The Secretary for the Civil Service would, as a matter of policy, be selected from within the civil service and would have the option of returning to the civil service at the end of his or her term.

4. Following the announcement, the proposals were subject to intense discussion in LegCo. As indicated in the last report, a major concern for a number of legislators was that the "ministers" would be accountable only to the Chief Executive (who is not directly elected) and not to LegCo or the public. Some proposed that, to enhance accountability to LegCo, political appointees should appear before the Council before appointment; and that in the event of a no-confidence motion being passed by LegCo against a political appointee, he or she should resign. The SAR Government has not accepted these proposals.

5. Another key area of concern was the adequacy of safeguards to guarantee the political neutrality of the civil service. The SAR Government said that it would issue a circular setting out the framework within which civil servants were to work to Principal Officials; that Principal Officials would be required, as part of their conditions of employment, to observe a code of conduct; and that the systems for appointing, posting, promoting and disciplining civil servants would remain unchanged.

6. A number of legislators expressed concern that the inclusion of the post of Secretary for Justice in the new system would undermine the impartiality of the post, particularly in respect of criminal prosecutions. The SAR Government argued that the Secretary for Justice would still be required to act independently in relation to prosecutions.

7. Some legislators questioned the consistency of the new arrangements with the Basic Law. Concerns were also raised about the intention to implement the system without primary legislation. The SAR Government argued that the system was constitutional; and that the only legislative measure needed was a resolution to transfer statutory functions to the new Principal Officials.

8. Other concerns raised included the role of ExCo. Some legislators feared that the inclusion of Principal Officials would compromise ExCo's statutory role in hearing appeals against decisions by those officials; and that the Council's ability to act as a "check and balance" on the Chief Executive would be diminished. The SAR Government responded that any conflict of interest could be met by the official in question standing down from the particular appeal; and that it was not ExCo's role to act as a "check and balance" on the decision-making power of the Chief Executive.

9. Despite these concerns, and dissatisfaction with the tight timetable for LegCo scrutiny and public consultation, the Council on 29 May passed a Government motion endorsing the new system. During the debate on the motion, the SAR Government made one concession to LegCo concerns by agreeing to amend some of the "ministerial portfolios" announced on 17 April. LegCo approved funding for the system on 14 June. On 19 June, a Government resolution transferring statutory powers to the new Principal Officials was passed by a vote of 36 to 21.

10. On 24 June, the Chief Executive announced the identity of his new "ministers". The team comprises eight individuals who served as Principal Officials under the previous arrangements (including Mr Donald Tsang as Chief Secretary, Mr Antony Leung as Financial Secretary and Ms Elsie Leung as Secretary for Justice); five new members drawn from business and the professions (including one who is a member of the Liberal Party); and one new member drawn from the civil service. In total, eight of the 14 are drawn from outside the civil service.

11. The Chief Executive also announced the new membership of ExCo. In addition to the 14 Principal Officials, there are five non-official members. These include Mr James Tien, the leader of the Liberal Party, and Mr Tsang Yok-sing, the leader of the Democratic Alliance for the Betterment of Hong Kong, both of whom are serving LegCo members.

12. The new system represents a significant change in the governance of Hong Kong. Improving the accountability of the Administration to LegCo and the public is a worthwhile aim, although it remains to be seen whether the reforms will achieve this. We regard it as essential that the civil service remains meritocratic and politically neutral: the quality and integrity of the civil service have been major factors in Hong Kong's success. We will watch progress in the implementation of the reforms with close interest.

13. In the longer term, the Basic Law provides for constitutional development after 2007 to give Hong Kong people a more accountable and representative Government. Specifically, it lays down the ultimate aims of the election of the Chief Executive and all members of the Legislative Council by universal suffrage. In late June 2002, Chinese Vice-Premier Qian Qichen was reported in a newspaper interview to have said that democratic development in Hong Kong should proceed gradually and that Hong Kong should not blindly copy the experiences of other places. He also reportedly said that functional constituency elections (indirect elections of some LegCo members representing various business, professional and other interests) were effective and should be kept intact.

We have made clear to the Chinese authorities our views on these issues. Chief Secretary Donald Tsang agreed with Vice-Premier Qian that any new system must not be a clone of the US or British systems. He said: "It is something which must be home-grown, of our own [and] fully representative." But he added that its form should be decided later as the public was currently more concerned about the economy.

14. We have made clear that our hope is that Hong Kong will make early progress towards the Basic Law's ultimate aim of universal suffrage, at a pace in line with the wishes of Hong Kong people. The issues are complex and building consensus within the Hong Kong community will take time. We hope that the SAR Government will take early steps to promote the necessary public debate on the way forward.

BASIC RIGHTS AND FREEDOMS

15. We continue to follow closely the crucial issue of the extent to which the rights and freedoms promised by the Joint Declaration and the Basic Law are upheld in Hong Kong.

Demonstrations

16. During the period of this report there have been many peaceful demonstrations in Hong Kong, including the annual candlelight vigil to mark the anniversary of the Tiananmen crackdown on 4 June. However, there have been a number of controversial incidents relating to the handling of demonstrations. The first of these concerned the SAR Government's handling of the Falun Gong—a group which is banned as an "evil cult" on the mainland but legally registered and allowed to practise in Hong Kong. On 14 March, sixteen Falun Gong demonstrators, including four from Switzerland, were arrested while protesting outside the Central Peoples' Government Liaison Office. During the arrests, the protesters were involved in scuffles with the Police. All sixteen were charged with obstruction; nine were also charged with obstructing the police, and three with assault. This was the first prosecution of Falun Gong members in Hong Kong. The trial started on 17 June.

17. The SAR Government subsequently erected wooden panels outside the CPG Liaison Office where the Falun Gong had staged its daily protests. A spokesperson for the Home Affairs Department said that the SAR Government was building a vehicle drop-off point and installing flower beds as part of a project to green the environment. Falun Gong practitioners complained that the SAR Government was trying to stifle their activities. They also alleged that the SAR Government had barred them from using Government venues. The Ombudsman, a body which redresses grievances and addresses issues of maladministration with the public sector through independent investigations, has not upheld these complaints.

18. Early April saw a series of demonstrations against the repatriation of failed right of abode seekers to the mainland (see paragraph 29 below). Chater Garden, adjacent to LegCo, was occupied by abode seekers and their supporters for several weeks. On 24 April, more than 100 protesters surrounded the car of Secretary for Security Regina Ip as she was passing LegCo, trapping her in her car for almost an hour. The following afternoon the SAR authorities staged an operation to clear the protestors from Chater Garden, in the course of which two journalists were handcuffed during scuffles with the Police. The Hong Kong Journalists Association, the Press Photographers' Association and newspaper editorials condemned the handcuffing of the journalists. Commissioner of Police Tsang Yam-pui subsequently met four media organisations to discuss liaison with the media over the coverage of police operations.

19. On 9 May, three political activists were charged under the Public Order Ordinance (POO) with offences relating to organising an unauthorised assembly in February. Two were arrested in their homes in the early hours of the morning. This was the first time that

the POO provision in question had been used as a basis for charges, although (as noted in Cm 5067) it was the subject of controversy in 2000 when a number of protestors were arrested but not charged. The trial date has been set for 23 September and the Chief Magistrate has said that he will hear the case personally. Newspaper editorials, some legislators and NGOs were critical of the Government's action saying that it was a crackdown on dissidents and a curbing of the freedom of assembly, and that the law was being applied selectively. However, Secretary for Security Regina Ip said that the Government's policy was that a technical offence committed unintentionally would lead to an oral warning, while a deliberate offence would result in a written warning and the referral of the case to the Justice Department.

20. In May, in the wake of the right of abode protests, the Police temporarily banned demonstrations outside the Central Government Offices on security grounds. The ban would have affected the annual demonstration by the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China to commemorate the Tiananmen Square crackdown. The demonstration organisers appealed against this decision. On 21 May an Appeal Board held that the Police's argument that the ban should be imposed on security grounds was flawed. The annual demonstration took place on 26 May.

21. In June groups seeking to protest during the 5th Anniversary of the handover complained that the demonstration areas designated by the Police were further from the venues for official events than had been the case during the handover celebrations in 1997. They claimed that this represented a curbing of the freedom to demonstrate in the last five years.

22. Combined, these incidents have led some to complain that the SAR Government is taking a tougher line on protests and demonstrations. We understand the sensitivities involved in maintaining public order, but believe that freedom of assembly and freedom of speech (both provided for in the Joint Declaration and the Basic Law) must not be compromised if Hong Kong is to retain its image as a free and open society.

Immigration Policy

23. Controversy also arose during the period of the report over the use by the SAR Government of its immigration powers. In April, Chinese human rights activist Harry Wu Hongda (now a US citizen) was denied entry to Hong Kong. The SAR Government, while refusing to comment on individual cases, said that the Director of Immigration was empowered to refuse entry, but that he must act reasonably, in good faith and "above all within the law." Mr Wu subsequently applied to the Chinese Embassy in Washington DC for a visa to visit Hong Kong to take part in a panel discussion at the Foreign Correspondents' Club on 25 June. Mr Wu said that a Chinese Embassy official had told him that he would be allowed to visit Hong Kong for three days, but that he had later received a fax from the SAR Government informing him that his application had been refused. On both occasions, the United States Consulate-General in Hong Kong expressed concern.

24. In the run-up to the celebrations for the 5th Anniversary of the handover, at which Chinese President Jiang Zemin was to be present, Falun Gong representatives in Hong Kong claimed that nearly 100 overseas Falun Gong practitioners were denied entry to Hong Kong (we noted in a previous report—Cm5197—that the SAR authorities had refused entry to about 100 individuals, most of whom were reported to be Falun Gong followers, in the run-up to President Jiang's last visit in May 2001).

25. Immigration policy is clearly a matter for the SAR Government. But our view is that cases like these are liable to cast doubt on the SAR Government's commitment to the free flow of ideas, freedom of association, and ease of travel; all of which we consider crucial to Hong Kong's international image and success.

Racial Discrimination

26. In our last Report we noted that the UN Committee on the Elimination of Racial Discrimination had recommended that the SAR Government adopt appropriate legislation on racial discrimination; and that the SAR Government was reviewing its position on this matter, with a view to determining the way forward in early 2002. On 27 March Secretary for Home Affairs Lam Woon-kwong announced the formation of a Race Relations Unit in the Home Affairs Bureau and a “Committee for the Promotion of Racial Harmony” comprising government officials and NGO representatives. The latter held its first meeting on 21 June. The Race Relations Unit began operating on 24 June under Shirley Chan Wai-ching, former director of Amnesty International Hong Kong. These measures are welcome, but we note that the SAR Government has yet to make a positive response to the UN Committee’s recommendations on legislation.

Freedom of the Press

27. On 30 June the Hong Kong Journalists Association and ARTICLE 19 (the Global Campaign for Freedom of Expression) published their tenth annual report on freedom of expression in Hong Kong. The report reviewed the last five years as well as developments in the last 12 months. It concluded that while “freedom of expression broadly has remained intact” over the last five years, “the environment for vibrant and healthy free expression, and a free press, in Hong Kong has become hazy and more ambiguous”. Commenting on events over the last year, the report argued that the police handling of protests, the handcuffing of two journalists, and the barring of Harry Wu were symptomatic of a tendency by the authorities to permit the erosion of rights. The report also noted controversy relating to the dismissal in April of the South China Morning Post’s Beijing bureau chief, Jasper Becker, saying that opinion was divided as to whether this was a sign of self-censorship or the result of personality clashes. The issue of the freedom of the press in Hong Kong remains a litmus test for the principle of “One Country, Two Systems”. We continue to attach great importance to this issue.

Article 23 of the Basic Law

28. Previous reports have noted the requirement, under Article 23 of the Basic Law, for the SAR Government to enact legislation against treason, secession, sedition, subversion and other crimes that threaten security. In June, Chinese Vice-Premier Qian Qichen was reported as saying that the SAR Government should enact early legislation on Article 23. He said Hong Kong people need not worry about Article 23 legislation and that it was not intended to restrict democratic rights. However, he claimed that it would be illegal for Falun Gong members to maintain links with Falun Gong practitioners outside Hong Kong (another aspect of Article 23 is “to prohibit political organisations or bodies of the Region from establishing ties with foreign political organisations or bodies”). We have made clear to the Chinese authorities our views on these issues. Secretary for Justice Elsie Leung responded to these comments by saying that there would be a public consultation exercise before draft legislation was introduced; that any legislation would comply with the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights; that freedom of speech, association and religion would be upheld; and that legislation would not be aimed at imposing sanctions on any group such as the Falun Gong. She also said that the existing criminal code could be amended to cover some of the elements outlined in Article 23.

29. The SAR Government has yet to announce any timetable for the consultation exercise or the introduction of legislation. We welcome the repeated commitment by the SAR Government to undertake wide public consultation. It is clearly essential that any legislation is consistent with international human rights treaties and the Basic Law.

Pro-Democracy Politicians

30. Previous reports have noted that a number of pro-democracy politicians have faced difficulties in travelling to the mainland. This continues to be the case, and was most recently highlighted when Democratic Party member Fred Li Wah-ming was refused entry to the mainland on 29 June.

LEGAL SYSTEM

31. The right of abode issue has been a recurrent theme in these reports since 1999, when the SAR Government sought an interpretation from Beijing of right of abode provisions in the Basic Law. The interpretation, given by the Standing Committee of the National People's Congress (NPCSC), displaced an interpretation by the SAR's Court of Final Appeal (CFA) in judgments given on 29 January 1999.

32. Following the NPCSC interpretation, the SAR Government said that it would allow those who had arrived in Hong Kong between 1 July 1997 and 29 January 1999 and had made a claim for the right of abode with the Immigration Department to have their status assessed in accordance with the CFA's judgments, rather than the NPCSC interpretation. Subsequently, several thousand mainlanders claimed that they fell within the terms of this "concession". On 10 January 2002, the CFA ruled on these cases. The CFA ruled by majority that most of the claimants did not have right of abode. However, the Court found that several hundred appellants who had received a letter from the Legal Aid Department between 7 December 1998 and the 29 January 1999 ruling, stating that they did not need to take legal action, were entitled to a fresh exercise of the Director of Immigration's discretion. One judge dissented, arguing that all the appeals should be allowed.

33. The SAR Government welcomed the CFA ruling. The Chief Executive announced that the mainland authorities had agreed to a "grace period" until the end of March during which unsuccessful claimants would be allowed to return to the mainland without being penalised for entering Hong Kong illegally or for overstaying. However, not all unsuccessful claimants returned to the mainland ahead of the 31 March deadline. The SAR Government has made clear that it will not allow those remaining to stay and has conducted a number of operations to apprehend and remove them.

34. Meanwhile, on 29 April the UN Committee on Economic, Social and Cultural Rights in Geneva heard oral representations from groups in Hong Kong including on the right of abode question. The Committee which had previously expressed concern about the SAR Government's handling of the issue, subsequently wrote to the Chinese Permanent Representative to the UN in Geneva expressing regret that the SAR Government had not followed the Committee's recommendations.

35. In previous reports we have referred to the prospect of an agreement for the rendition of fugitive offenders between Hong Kong and the mainland. Agreement has yet to be reached and the SAR Government has yet to bring forward any draft legislation on the subject. We continue to take a close interest in this important issue.

TERRORISM

36. Hong Kong continued to play a constructive role in global efforts against terrorism in its capacity as President of the OECD's anti-money laundering body, the Financial Action Task Force (FATF). Plenary sessions of the FATF were held in Hong Kong in January and in Paris in June.

37. In order to meet international obligations under UN Security Council Resolution 1373, the SAR Government introduced the UN (Anti-Terrorism Measures) Bill into the LegCo on 17 April. Human rights groups and some legislators opposed the Bill, arguing that it was too far-reaching and could be used to curb civil rights. They were particularly concerned about a draft provision conferring administrative power to list terrorist

organisations. On 17 June, the SAR Government proposed amendments to the Bill to address the concerns raised, including providing that the listing of groups not already designated as terrorist groups by the UN Security Council should be subject to judicial scrutiny.

ECONOMY

38. Hong Kong's economy continued to feel the effects of the global economic slowdown in the first half of 2002. Unemployment rose to a high of 7.4% and deflation persisted. GDP for the first quarter of the year fell by 0.9% year on year. However, exports began to show some improvement from the end of the first quarter. In his maiden budget address on 6 March, Financial Secretary Antony Leung forecast real GDP growth for 2002 of 1% and a consolidated budget deficit for 2002–03 of HK\$ 45 billion. He announced concessions on rates, fees and charges and a cut in civil service salaries. Mr Leung did not introduce new taxes. But the SAR Government has warned that tough measures may be needed in future to bring the budget back into balance.

39. Hong Kong is in the process of restructuring its economy. The Chief Executive recently warned that it would take years rather than months to overcome present economic difficulties. He has said that the SAR Government would adopt a policy of “employment first” when formulating all policies. Education to upgrade the skills base continues to be a priority. The SAR Government is also giving consideration to a comprehensive population policy to help tackle skills mismatches.

40. Our last six-monthly report noted steps towards economic integration with the Mainland. In the period of this report there have been further developments in this area. The Chief Secretary made several trips to Beijing and Guangdong to discuss ways of enhancing cross-border transport and infrastructure between Hong Kong and the mainland. Following a meeting with Guangdong Vice-Governor Ou Guangyuan on 15 March, the SAR Government announced that the two sides had agreed in principle to co-locate immigration and customs facilities at the existing border crossing between Lok Ma Chau (Hong Kong) and Huanggang (on the mainland), and at the future Shenzhen Western Corridor crossing (scheduled for completion in 2005). The detailed arrangements for co-location are still under discussion between the Hong Kong and Guangdong sides.

41. While the announcement has been welcomed by Hong Kong's business community, concerns have been raised that the co-location of customs facilities might affect Hong Kong's status as a separate customs entity. Under “One Country, Two Systems”, Hong Kong has its own customs controls which are rigorously enforced. This enables the UK to treat Hong Kong differently from the mainland in respect of strategic export controls and is an important element in Hong Kong's status as a separate customs entity. However, the SAR Government has made it clear that under the new arrangements the independence and integrity of Hong Kong's controls would be maintained. We will take a close interest in the progress of discussions on this issue.

42. Our last report referred to a proposal for a free trade arrangement between Hong Kong and the mainland. Since then, there have been two high level meetings between the SAR Government and the CPG to discuss the concept, now renamed the Closer Economic Partnership Arrangement (CEPA). The two sides have agreed that any such arrangement should conform with WTO rules and the principle of “One Country, Two Systems”. We welcome this. Provided that these conditions are met and that there is no discrimination against international companies operating in Hong Kong, a closer economic partnership with the mainland should be beneficial to Hong Kong.

INTERNATIONAL INTEREST IN HONG KONG

43. The US State Department's Annual Report on human rights issued on 4 March. On Hong Kong the report said that "The Government generally respected the human rights of residents, and the law and judiciary generally provide effective means of dealing with individual instances of abuse."

44. On 10 April the US State Department published its latest report on Hong Kong as required by the US-Hong Kong Policy Act of 1992. It covered the period from 1 August 2001 to 31 March 2002. The report's overall assessment was positive. Hong Kong "remained a free society that extended basic civil liberties to its citizens" and was "one of Asia's freest cities". A high degree of autonomy remained a reality and the CPG continued to take a "hands off" approach. The report however raised some concerns about the SARG's handling of Falun Gong; the method of re-electing the Chief Executive; and whether the proposed accountability system would, in fact, increase accountability to the legislature and the people.

HONG KONG'S WIDER ROLE

45. In May, Chief Secretary Donald Tsang visited Belgium, Italy and Austria as well as the UK (see below). Financial Secretary Antony Leung visited the US in June. Meanwhile the Prime Ministers of Mongolia and Romania, King Abdullah II of Jordan, and the President of Croatia visited Hong Kong during this period.

BILATERAL RELATIONS

46. Relations between the United Kingdom and Hong Kong continued to flourish with regular exchanges in the fields of education, culture, business, legal affairs, and government. Secretary of State for Scotland Helen Liddell visited in January. Parliamentary interest in Hong Kong was demonstrated by two House of Commons Select Committee visits: Transport in March and Trade & Industry in June. Senior visitors from Hong Kong to the United Kingdom included Chief Secretary Donald Tsang in May; Secretary for Health and Welfare Dr Yeoh Eng-kiong in February and Secretary for IT and Broadcasting Carrie Yau in March.

47. Educational links between the UK and Hong Kong remained strong, with an estimated 17,000 Hong Kong students studying in the UK. The FCO's Chevening Programme of scholarships for Hong Kong students is in its 6th year. So far, over 200 Hong Kong students have studied in the UK under the scheme. In April a generous donation to the scheme by Dr Li Ka-Shing, Chairman of Cheung Kong Holdings and the Hutchison Whampoa Group, was announced. The Hutchison Chevening Scholarships will start in October and run for four years as an integral part of the British Chevening Scholarships Scheme. Cambridge University and the Foreign and Commonwealth Office are together matching the funds pledged by Dr Li Ka-Shing. Combined, this will allow an additional 15 post-graduate students from Hong Kong to study one-year Masters courses in the UK each year.

48. The British Council in Hong Kong plays an important role in strengthening educational and cultural links between the UK and Hong Kong. The Council teaches English to around 47,000 learners each year, and in doing so supports local education reform objectives, while equipping a generation of people with the skills necessary to take advantage of the educational opportunities available in the UK. Many of the Council's programmes aim to maintain the UK's position as Hong Kong's most important international partner in education and training. The Council also fosters appreciation by young people of the UK's creativity in the arts, and innovation in science and technology.

49. The UK and Hong Kong remain major trading partners. Exports from the UK to Hong Kong in 2001 were £2.7 billion, up 1% over 2000. Imports from Hong Kong in 2001 were £6.0 billion, down by 2.6% over 2000.

50. During the period of this report, Trade Partners UK supported five trade missions visiting Hong Kong and eight groups at exhibitions in Hong Kong. The London Stock Exchange and the Hong Kong Stock Exchange announced a strategic alliance on 23 May in a move that further expanded the close relationship between the two financial communities.

51. Our last report noted the opening, in November 2001, of the INTEGER Hong Kong Pavilion. This joint United Kingdom/Hong Kong venture demonstrates how intelligent and green building techniques can be utilised in Hong Kong to create better quality, technologically advanced and environmentally sustainable housing. The INTEGER Project includes active research and an educational programme managed by the British Council which has attracted over 14,000 students. Since opening, over 60,000 people have visited the INTEGER Pavilion.

BRITISH NATIONALS (OVERSEAS)

52. The British Government remains fully committed to providing the highest standard of consular and passport services to the 3.44 million holders of the British National (Overseas) (BN(O)) passport. We continue to offer the same consular service to BN(O) passport holders in foreign countries as we do to other British passport holders. The Passport Section of the British Consulate-General is the largest passport issuing operation outside the United Kingdom.

53. We continue to work hard to ensure the widest possible travel convenience for BN(O) passport holders. Denmark recently announced it would offer visa-free access to BN(O) passport holders with effect from 1 July. This brings the total of EU countries offering visa-free access to BN(O) passport holders to nine. We continue to work with other European countries to ensure that BN(O) passport holders enjoy the same access within Europe as SAR passport holders.



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