



## Will the U.S. Sanction China Over Hong Kong Law?

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Here is today's *Foreign Policy* brief: The U.S. government prepares a response to China's **Hong Kong** national security law, the **European Union** proposes an ambitious recovery plan, and **British Prime Minister Boris Johnson** urges country to "move on" from Dominic Cummings scandal.

### Pompeo Says Hong Kong Is No Longer Autonomous

China's National People's Congress approved a draft decision today to impose national security laws directly on Hong Kong, beginning the formal legal process that will likely result in the finalized laws coming into effect by September. As *Foreign Policy*'s James Palmer wrote in China Brief on Wednesday, the new law "will likely lead to widespread arrests on spurious political charges, a crackdown on free speech, and the unleashing of China's security organs, such as the Ministry of State Security and the People's Armed Police."

U.S. President Donald Trump now has an opportunity to turn his anti-China rhetoric into action, although it's still not clear what form that will take. On Tuesday, he hinted at a White House announcement by the end of this week, with sanctions the likely avenue. His most senior diplomat, Secretary of State Mike Pompeo, laid the groundwork on Wednesday by certifying to the U.S. Congress that Hong Kong's fate as a fully Chinese entity was all but sealed. "No reasonable person can assert today that Hong Kong maintains a high degree of autonomy from China, given facts on the ground," Pompeo said.

David Stilwell, the U.S. assistant secretary of state for East Asia, told reporters on Wednesday that the U.S. response "will be as targeted as possible to change behavior," while adding that he still hoped for China to reverse its decision.

**Just how much is the U.S.-Hong Kong relationship worth?** Any sanctions or tariffs the United States proposes will have to reckon with the close economic ties between the U.S. economy and the territory. In 2018, Hong Kong was the 21<sup>st</sup> largest U.S. trading partner. Also in 2018, the United States enjoyed its largest trade surplus with Hong Kong, at \$31.1 billion, according to the Congressional Research Service. It is also home to the regional headquarters of almost 300 U.S. companies, and a regional office for another 434.

Regardless of U.S. actions, Palmer argues, its status as a safe financial hub is under threat. “For businesses, the main value of the city is that its financial and legal systems are more transparent and fair than the mainland’s, making it an attractive option for both foreign and Chinese firms looking to prove their credibility in the region. The erosion of the rule of law and freedom of speech endangers that. And on the ground, increased security measures and chaotic protests may make the city less attractive for rich expatriates.”

**Don’t go it alone.** Also writing in FP, Doug Bandow advises that the best course of action is a unified one, and recommends that the United States bring together its European and Asian allies to present a “a quiet demarche to Beijing: Continue down this path and the world’s most important economic powers together will revoke the territory’s special economic status.”

## What We’re Following Today

**EU proposes dramatic recovery plan.** European Commission President Ursula von der Leyen has proposed an ambitious economic recovery program for the bloc—funded by raising approximately 750 billion euros (\$825 billion). Raising that amount would be a marked departure from EU policy and the first time a common debt would be shared among member states. The funds would be split, with roughly two-thirds going toward grants and another one-third in loans. “We either all go it alone, leaving countries, regions and people behind and accepting a union of haves and have-nots, or we walk that road together,” Von der Leyen said upon unveiling the plan, called “Europe’s Moment: Repair and Prepare for the Next Generation.”

The program is not yet finalized and must be ratified by all 27 EU member states to go forward. The so called Frugal Four of Austria, the Netherlands, Sweden, and Denmark have previously been opposed to a grant mechanism funded by EU-wide bonds, favoring a system of loans instead.

**Cummings under Conservative Party pressure.** Although British Prime Minister Boris Johnson has attempted to draw a line under the scandal regarding his advisor Dominic Cummings, who violated lockdown measures, lawmakers in his own party are still calling for the advisor’s removal. As Johnson urged the country to “move on,” at least 44 MPs, or 12 percent of the Conservative Party’s representation in Parliament, have either called for his resignation or removal according to the *Guardian*; more than 60 Tories have expressed some form of criticism. Meanwhile, lockdown-weary Brits have reportedly started using Cummings’s behavior as an excuse when being questioned by police for possible lockdown breaches.

In FP on Tuesday, Owen Matthews explained why public anger has turned so quickly on British government, and why Johnson’s refusal to fire Cummings could be his undoing.

**U.S. planning to indict wife of Venezuelan leader.** The United States is planning to charge Cilia Flores, the wife of Venezuelan President Nicolás Maduro, with crimes that could include drug trafficking and corruption according to Reuters. The move would represent a further escalation in the U.S. pressure campaign on the Venezuelan government, after Maduro and over

a dozen other officials were indicted by the Justice Department in April on charges of a drug trafficking and narco-terrorism. Venezuela's Information Minister Jorge Rodriguez called Reuters questioning about the story "nauseating, slanderous, and offensive."

## Keep an Eye On

**Huawei executive trial to continue.** A Canadian judge has ruled that the extradition case against Meng Wanzhou, the Huawei chief financial officer can move forward, saying the case against Meng met the conditions necessary for extradition to the United States. Meng is charged with allegedly violating U.S. sanctions against Iran, in a case that is seen as part of the broader struggle between China and the United States for control of the global 5G telecommunications market.

Meng is currently held under house arrest in Vancouver while her case proceeds. China has detained two Canadian nationals since late 2018, Michael Spavor and Michael Kovrig, on suspicion of espionage in what Canadians see as a way to pressure the Canadian government. A lawyer for Kovrig said his client was being held by the Chinese government as a "pawn."

**U.S. out of WTO?** U.S. withdrawal from the World Trade Organization has become a rare bipartisan point of agreement on Capitol Hill, FP's Keith Johnson reports, as frustrations with globalization and China's actions threaten to boil over. A Democrat in the U.S. House of Representatives, Rep. Peter DeFazio, and Republican Senator Josh Hawley have both introduced legislation to leave the WTO in the past month. The legislation is not expected to pass in either chamber, however, Johnson writes, "the rush for the exit is still a serious indication of deep and growing dissatisfaction with how global trade has evolved, highlighted by the vulnerability of cross-border supply chains that have begun to come apart under the stress of the COVID-19 pandemic."

## Odds and Ends

An academic sifting through the results of a Freedom of Information Act request has yielded a previously unknown nugget of recent history. Tim Gill, a sociologist at the University of North Carolina-Wilmington, uncovered a 2011 plan by the U.S. government to fund rock bands in Venezuela to record and distribute songs as a way "to promote greater reflection among Venezuelan youth about freedom of expression, their connection with democracy, and the state of democracy in the country," according to a grant application. The roughly \$22,000 grant was ultimately approved by the National Endowment for Democracy.

U.S. government-funded musical projects are becoming something of a genre: A USAID-funded plan to infiltrate the Cuban underground hip-hop scene was revealed in 2014, and the question of whether the CIA funded a popular post-Cold War power ballad is the subject of a new podcast series.

