In Hong Kong, Xi Plays a Dangerous Game of Chicken

Doug Bandow

May 27, 2020

China's government continues to back away from its formulation of "one country, two systems" for Hong Kong. With Beijing's decision to impose its national security law directly by fiat, the special administrative region is being subsumed by the mainland's brutally authoritarian system.

Hong Kong's chief executive has always been sensitive to China's dictates, but Beijing initially ruled with a light hand after the 1997 transfer from the United Kingdom. Some city residents who had feared for the future were reassured at the time, seeing a China that might end up looking more like Hong Kong itself. Those days are long gone. China has kidnapped Hong Kong residents, reset election qualifications for Hong Kong's Legislative Council, and ordered the disqualification of pro-democracy candidates. In January, Chinese President Xi Jinping replaced the head of the Hong Kong Liaison Office with a security expert. In February, he replaced the director of the Hong Kong and Macau Affairs Office with a hard-liner, reducing the local government to puppet status. Now it plans to impose criminal legislation on Hong Kong residents.

The *South China Morning Post* reported that the legislation would cover "secessionist and subversive activity as well as foreign interference and terrorism," which could and likely would be interpreted to cover most any pro-democracy activity. Indeed, China's Foreign Ministry explained the country's position in a letter to foreign diplomats: "The opposition in Hong Kong have long colluded with external forces to carry out acts of secession, subversion, infiltration and destruction against the Chinese mainland." Among the so-called security threats likely to be addressed is showing disrespect to the Chinese national anthem—which will be punishable by a prison sentence. Equally menacing, the regime indicated that it would set up "national security organs" in Hong Kong "to fulfill relevant duties to safeguard national security."

Almost certainly Beijing plans to destroy opposition in Hong Kong as ruthlessly as it has done throughout China. The Xi government has yet to unveil the specific language of the planned measure and conceivably could limit its reach. Officials might hope the threat alone quells unrest and opposition, allowing the central government to rule with a lighter touch. However, nothing in Xi's brutal crackdown in China itself suggests such an outcome. Almost certainly Beijing plans to destroy opposition in Hong Kong as ruthlessly as it has done throughout China. The use of the term "terrorists" to describe the Hong Kong opposition is particularly worrying, given the way the term was weaponized in Xinjiang in a campaign of state atrocity against the Uighur people.

Such seizure of power was not unexpected. The United Kingdom lost all leverage the moment it agreed to return Hong Kong to China. While London won a pledge to maintain the territory's autonomy for 50 years—until 2047—there was no means of enforcement. The only limit was Beijing's forbearance. China's determination was tested early. On China's behalf, Hong Kong pushed a similarly repressive national security law in 2003—backing down after widespread protests. That was a very different China, however, with a very different man at the top. Since then, prudence and compromise have disappeared from the regime's lexicon.

Ever since Xi took power in 2012, China has been sliding back toward Maoism. Xi has expanded party authority and state power. He has centralized control, enhanced by public promotion and adulation, including emphasis on "Xi Jinping thought." The central government has mounted a sustained attack on criticism in any form or forum. While only a courageous fool would challenge the Chinese Communist Party (CCP) after Mao Zedong's death, over time controls loosened sufficiently to allow some discussion of ideas and intellectual cooperation with Westerners. But the China of today is dramatically less free than the China of a decade ago. And repression continues to worsen.

Beijing appears to believe that it has lost effective control of the territory, which plunged into unrelenting mass protests last year after the Hong Kong government proposed a China-friendly extradition law. Wang Yang, the head of the Chinese People's Political Consultative Conference, spoke of supporting "the improvement of the implementation of the systems and mechanisms of the constitution and Basic Law." Stanley Ng, a Hong Kong member of China's National People's Congress, was blunter: "The social unrest last year showed that the Hong Kong government was unable to handle passing" the requested legislation. Even Regina Ip, who heads the Legislative Council's pro-Beijing party, acknowledged that the territory "simply does not have the capacity or political will to" approve the security law. So China decided to dispense with legal niceties.

The Xi government likely feared it would become impossible to rely on Hong Kong's legislature for anything after elections later this year. That body always has been under reliable control of the establishment, which long genuflected before Beijing. However, last year's district council election wipeout was a dramatic warning to China: Come September, it might lose its once guaranteed majority in the Legislative Council too, even with the electoral fix innate to the system—in which half the seats are not directly elected. Then the only way to enact unpopular legislation would be by diktat.

The threat of criminal convictions under the security legislation could be used to discourage opponents from criticizing Chinese policy, protesting against the Hong Kong and Beijing governments, and running for office.

The threat of criminal convictions under the security legislation could be used to discourage opponents from criticizing Chinese policy, protesting against the Hong Kong and Beijing governments, and running for office.

Convictions also could be used to disqualify pro-democracy candidates. Applying the law retroactively could maintain Beijing's legislative control, in the same way as Thailand's military used its control of the electoral and judicial processes to steal a parliamentary majority. The

potential for intimidation has encouraged Hong Kong activists to begin using virtual private networks (VPNs) to disguise their activities.

The CCP also may have come to understand, though not so far as to admit, that it has lost the hearts and minds of Hong Kongers. In a poll released last June, just 1 in 10 said they viewed themselves as Chinese. A majority saw themselves as solely Hong Kongers—particularly those under 30. Beijing blames outsiders for stirring up trouble. (Hong Kong Chief Executive Carrie Lam recently targeted the educational system for not making Hong Kong residents into loyal Chinese citizens.)

But COVID-19 has hampered the protest movement and given Beijing a chance to act. In late April, the Hong Kong government arrested 15 democracy leaders, including the 81-year-old lawyer Martin Lee—the so-called "Father of Hong Kong's Democracy"—and Jimmy Lai, the publisher of the influential, pro-democracy *Apple Daily*. The group was charged with organizing allegedly illegal gatherings months ago, and China's Foreign Ministry labeled them "anti-China troublemakers in Hong Kong." The government appears to be seeking lengthy prison terms. While thousands of people have rallied, braving a violent police response, such a crackdown in the past would have sparked far larger protests. The Xi government may be counting on the continued weakness of activism amid a pandemic.

Xi also may believe that he needs to enhance his hard-line image in light of the damage done by the coronavirus debacle.

Even as the government has spent years attempting to cow independent thinking in China, social media erupted over the CCP's blunders in February—before control was brutally reasserted online. And Xi cannot easily escape responsibility since he has presented himself as both omniscient and omnipotent. Clamping down in Hong Kong will gratify domestic nationalists while reminding putative critics that he brooks no resistance.

Western governments have reproached China for violating its pledge, but the Xi government has long dismissed such critiques. Chinese Foreign Ministry spokesperson Zhao Lijian responded to the latest criticism, according to Xinhua, by insisting that the territory is "purely a matter of China's internal affairs" and that "no foreign country has the right to interfere."

In Hong Kong, people are calling for an international response—particularly from the United States and Britain. But what can be done? Legally nothing, since authority over Hong Kong passed to China 23 years ago. Militarily nothing, since the United States is not going to war to liberate a Chinese possession.

U.S. President Donald Trump originally appeared reluctant to intervene. When asked about the Hong Kong legislation, the president responded: "If it happens, we'll address that issue very strongly." Under normal circumstances, that likely would have meant nothing meaningful, as in the past.

However, times are not normal. Even tougher criticism would not be of much help since the Trump administration lacks credibility, having already demonstrated that it views human rights as a tactic for use against adversaries, nothing more. After all, the U.S. president stands with Russia's Vladimir Putin, Saudi Arabia's Mohammed bin Salman, Turkey's Recep Tayyip Erdogan, and Egypt's Abdel Fattah al-Sisi, among others. Until now Trump even called Xi his friend.

Moreover, the administration has begun its shameless attempt to use China as a weapon against Democratic presidential candidate Joe Biden, meaning everything the president and his highly partisan secretary of state say about China will be evaluated through a political prism. Their global counterparts realize the administration's actions are all about domestic partisanship.

Congress might act—but ineffectively. Sen. Josh Hawley announced that the United States "cannot let this stand." His answer: a resolution "condemning this attempted crackdown" and urging "all free nations to stand with" Hong Kong. Sens. Pat Toomey and Chris Van Hollen proposed penalizing Chinese officials and firms involved in enforcing the new laws. However, no one believes that China will run out of willing apparatchiks to impose Beijing's dictates. Such a measure also would raise the question why the senators do not propose the same for anyone involved in repression elsewhere in China.

Economic retaliation is unlikely to be any more productive. Washington could declare economic war on China, but even that would not deter Beijing from taking political steps that it considers vital for its control. Trump's steadily increasing sanctions against Cuba and Russia, and "maximum pressure" campaigns against Venezuela, Iran, and North Korea, meanwhile, all have flopped.

Moreover, serious economic sanctions would have significant impacts on the United States as it tries to recover from COVID-19 lockdowns across the nation. Trump still appears committed to his trade deal, which he sees as an important political selling point, especially to domestic constituencies injured by his trade war. Neither the administration nor Congress was willing to break ties with China after a million Uighurs were locked up in so-called reeducation camps; it's hard to imagine policymakers will do much to at most defer an inevitable Chinese takeover of a Chinese possession.

Washington's main lever is the Hong Kong Policy Act, which ties Hong Kong trade preferences to its separate governance. If that separation disappears, Hong Kong would lose its unique status and be subject to the more onerous trade rules applied to China. That would mean tougher investment and export restrictions as well as higher tariffs. U.S. Secretary of State Mike Pompeo wielded this hammer Wednesday, issuing a statement that "[n]o reasonable person can assert today that Hong Kong maintains a high degree of autonomy from China, given facts on the ground."

One problem with this approach is that doing so will hurt Hong Kongers far more than China. Washington normally acts without the slightest interest in such collateral damage. But this time U.S. officials should have found out first what those with the most at stake thought.

Will Beijing care about such economic threats? China's dramatic economic growth has reduced Hong Kong's economic significance. In 1997, the territory accounted for almost one-fifth of China's GDP. Today, that number is about 3 percent. While Beijing would not like to lose any economic growth, especially when recovering from its COVID-19 shutdown, the regime will not hesitate to make such a sacrifice to achieve its political ends.

China's ongoing encroachments have already reduced business confidence, drawing barely a shrug from Beijing. Money and personnel started flowing out of the territory last year. More will follow, since Hong Kong's economic credibility is at risk thanks to the new measures. Businesses and analysts publishing research on China's economy and state enterprises—and especially those criticizing government claims—could be held liable and tried in China, as has previously happened to foreign corporate investigators in mainland China. Announcement of the security law saw Hong Kong's Hang Seng Index drop 5.6 percent. William Kaye, the founder of the investment firm Pacific Group, warned that "increasingly these concerns are seeping into business decisions" and "what is just a trickle could become a flood of capital out of Hong Kong."

But Hong Kong's economic success remains critical for Beijing. A new report from Hong Kong Watch notes that the territory "still plays a key role both for the mainland and the world as the Asia Pacific region's pre-eminent financial and professional services centre." Companies that relocated would not likely move to the mainland. The capital loss also would be significant. The territory accounts for nearly three-quarters of initial public offerings of Chinese firms, according to Hong Kong Watch, and is "increasingly the preferred route for Western investors seeking to access the Mainland Chinese market." The potential loss of these benefits might cause China to hit the pause button.

Thus, Pompeo acted prematurely, since the legislation will not be drafted, passed, and implemented until late in the summer. Which gives Washington and Beijing time. The Hong Kong Policy Act is most powerful as a threat. Once the United States eliminates Hong Kong's trade preferences, the Xi government has no reason not to erase any distinctions between it and the mainland.

To have the greatest impact, then, the Trump administration should suspend its certification decision (pending China's final action), drop its bluster, and bring together European and Asian allies to discuss taking a common position on Hong Kong. They should collectively set a legislative red line and make 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. The resulting exodus of Chinese-oriented business and capital would be accentuated by rising hostility toward Beijing across much of the world. This threat might cause China to reconsider, maintaining face by formally approving the law while draining it of its most threatening provisions and failing to enforce whatever survives in a threatening manner. If Beijing subsequently oversteps the coalition red line, the countries should follow through on their threat.

"This is the end of Hong Kong," warned Dennis Kwok, a pro-democracy Legislative Council member. If China proceeds, its course should worry people everywhere. Hong Kong is the

proverbial canary in the geopolitical mine. If Beijing is willing to both violate its international promises and risk serious economic consequences to impose its political will on the territory, China's agenda is likely to grow even more hostile to the United States and democratic states in Asia and Europe.

It still is vital to avoid a cold war or, worse, a direct military confrontation between the United States and China. But the West is not the only decision-maker here, and Xi seems to have little desire to avoid conflict. While cooperation remains critical, looking to a better future with the Chinese people, the necessity of constraining Beijing will only grow as long as Xi rules.

Doug Bandow is a senior fellow at the Cato Institute. A former special assistant to President Ronald Reagan, he is the author of several books, including Tripwire: Korea and U.S. Foreign Policy in a Changed World.