

CHAPTER 6

HONG KONG

Key Findings

- The Hong Kong government's proposal of a bill that would allow for extraditions to mainland China sparked the territory's worst political crisis since its 1997 handover to the Mainland from the United Kingdom. China's encroachment on Hong Kong's autonomy and its suppression of prodemocracy voices in recent years have fueled opposition, with many protesters now seeing the current demonstrations as Hong Kong's last stand to preserve its freedoms. Protesters voiced five demands: (1) formal withdrawal of the bill; (2) establishing an independent inquiry into police brutality; (3) removing the designation of the protests as "riots;" (4) releasing all those arrested during the movement; and (5) instituting universal suffrage.
- After unprecedented protests against the extradition bill, Hong Kong Chief Executive Carrie Lam suspended the measure in June 2019, dealing a blow to Beijing which had backed the legislation and crippling her political agenda. Her promise in September to formally withdraw the bill came after months of protests and escalation by the Hong Kong police seeking to quell demonstrations. The Hong Kong police used increasingly aggressive tactics against protesters, resulting in calls for an independent inquiry into police abuses.
- Despite millions of demonstrators—spanning ages, religions, and professions—taking to the streets in largely peaceful protest, the Lam Administration continues to align itself with Beijing and only conceded to one of the five protester demands. In an attempt to conflate the bolder actions of a few with the largely peaceful protests, Chinese officials have compared the movement to "terrorism" and a "color revolution," and have implicitly threatened to deploy its security forces from outside Hong Kong to suppress the demonstrations.
- In 2019, assessment of press freedom fell to its lowest point since the handover, while other civil liberties protected by the Basic Law (Hong Kong's mini constitution), including freedom of expression and assembly, faced increasing challenges.
- Throughout 2019, the Chinese Communist Party (CCP) stepped up its efforts to intervene in Hong Kong's affairs, using an array of tools to increase its influence in the territory, most clearly by co-opting local media, political parties, and prominent individuals. Beijing also used overt and covert means to intervene in Hong Kong's affairs, such as conducting a disinformation cam-

paign and using economic coercion in an attempt to discredit and intimidate the protest movement. These efforts included alleging without evidence that U.S. and other foreign “black hands” were fomenting the protests; directing and organizing pro-Beijing legislators, businesses, media, and other influential individuals against the movement; allegedly encouraging local gangs and mainland community groups to physically attack protesters and prodemocracy figures; and conducting apparent cyberattacks against Hong Kong protesters’ communications and a prodemocracy media outlet.

- Hong Kong has a unique role as a conduit between Chinese companies and global financial markets. As Chinese companies are increasingly represented in key benchmark indices, analysts anticipate greater capital flows from the United States and other countries into Chinese companies through the stock and bond Connect platforms between mainland exchanges and Hong Kong. However, due to diminished confidence resulting from the extradition bill proposal and subsequent fallout, some foreign businesses are reportedly considering moving their operations away from Hong Kong.
- Hong Kong’s status as a separate customs territory, distinct from mainland China, is under pressure. U.S. and Hong Kong officials cooperate on enforcing U.S. export controls of dual-use technologies, though U.S. officials continue to raise concerns about diversion of controlled items. Beijing’s more assertive imposition of sovereign control over Hong Kong undermines the “high degree of autonomy” that underwrites trust in the Hong Kong government’s ability to restrict sensitive U.S. technologies from being diverted to mainland China.

Recommendations

The Commission recommends:

- Congress amend the U.S.-Hong Kong Policy Act of 1992 to direct the U.S. Department of State to develop a series of specific benchmarks for measuring Hong Kong’s maintenance of a “high degree of autonomy” from Beijing. Such benchmarks should employ both qualitative and quantitative measurements to evaluate the state of Hong Kong’s autonomy in the State Department’s annual *Hong Kong Policy Act Report*.
- Congress enact legislation stating that all provisions and the special status of Hong Kong included in the U.S.-Hong Kong Policy Act of 1992 will be suspended in the event that China’s government deploys People’s Liberation Army or People’s Armed Police forces to engage in armed intervention in Hong Kong.
- Congress enact legislation directing the U.S. Department of Commerce’s Bureau of Industry and Security to extend export control measures currently in place for mainland China to subsidiaries of Chinese companies established or operating in Hong Kong.
- Congress hold hearings examining technologies subject to export controls for mainland China, but not controlled for Hong

Kong. These hearings should request that the U.S. Department of Commerce's Bureau of Industry and Security and the U.S. Consulate General in Hong Kong assess the effectiveness of current export controls in preventing unauthorized transshipment to the Mainland or other destinations.

- Members of Congress participate in congressional delegations to Hong Kong and meet with Hong Kong officials, legislators, civil society, and business representatives in the territory and when they visit the United States. They should also continue to express support for freedom of expression and rule of law in Hong Kong.

Introduction

In 2019, Hong Kong Chief Executive Carrie Lam directed her administration to propose an extradition bill which would allow for legal renditions to mainland China of any individual in Hong Kong instead of relying on existing procedures governed by Hong Kong's independent legal system and legislature. The bill reenergized the territory's democracy movement and galvanized millions of Hong Kong citizens* against it and in defense of the territory's autonomy from the Mainland. Chief Executive Lam ultimately announced the withdrawal of the legislation with support and close oversight from Beijing. This move, however, only addressed one of the protest movement's five demands, which had expanded to include universal suffrage guaranteed in the Basic Law,† Hong Kong's mini constitution. Instead of delivering on the other protester demands, the Hong Kong government continued to focus on integration with mainland China. Meanwhile, Hong Kong's "high degree of autonomy" and freedom of expression—promised under Beijing's "one country, two systems" policy and enshrined in the 1984 Sino-British Joint Declaration‡—continued to decline.

*Some estimates put the largest mass protest at 2 million, accounting for nearly two in seven of Hong Kong's entire population. In this chapter, all references to the number of protesters participating in a demonstration refer to those most commonly used in media reporting unless noted otherwise. Reported police estimates are noticeably lower than those of the protest organizers, but the actual number is probably somewhere in the middle. Addendum I lists major protests to date, including both police-reported and organizer-reported numbers.

†According to the Basic Law, the "ultimate aim" for elections is the selection of the chief executive "upon nomination by a broadly representative nominating committee in accordance with democratic procedures" and selection of all members of the legislature by universal suffrage. Hong Kong currently chooses its chief executive by a committee representing only 0.03 percent of eligible Hong Kong voters. In the most recent 2017 chief executive election, a 1,194-member Election Committee mostly composed of pro-Beijing elites with strong business and political ties to mainland China voted overwhelmingly for Carrie Lam, who received 777 votes. Ultimately, Beijing must appoint the selected chief executive candidate before they can take office. Hong Kong's legislature is composed of 40 seats elected directly by popular vote (35 in the geographic constituency and 5 through the District Council) and 30 functional constituency seats picked by electors composed of mostly pro-Beijing business groups and elites in various sectors. Alan Wong, "Carrie Lam Wins Vote to Become Hong Kong's Next Leader," *New York Times*, March 26, 2017; The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, Chapter IV: Political Structure, Article 45, Annex I: Method for the Selection of the Chief Executive of the Hong Kong Special Administrative Region (Adopted at the Third Session of the Seventh National People's Congress on April 4, 1990).

‡According to the 1984 Sino-British Joint Declaration—which dictated the terms of the 1997 handover of Hong Kong to mainland China from the United Kingdom—Hong Kong "will enjoy a high degree of autonomy, except in foreign and defense affairs," and retain its democratic freedoms as is included in China's "one country, two systems" framework. The Joint Declaration states that Hong Kong's autonomy and freedoms "will remain unchanged for 50 years" (effective as of the 1997 handover). The document is registered at the UN as a legally-binding treaty. These commitments by mainland China are included in Hong Kong's Basic Law, adopted by China's National People's Congress in 1990 and adopted following the 1997 handover. Basic Law, Chapter

As a global financial center renowned for strong institutions and rule of law, Hong Kong is a key hub for international commerce and a conduit for China's financial integration with the rest of the world. The territory's economic openness, transparent regulatory environment, good governance, and commitment to rule of law and freedom of expression have historically made it attractive to businesses around the world. Hong Kong's Stock Connect and Bond Connect platforms support foreign investments in mainland securities under the territory's legal framework.

In addition to these unique characteristics, Hong Kong's proximity to mainland China has long been viewed by the international community as advantageous for accessing the China market and by Beijing as critical for Chinese companies for reaching the global economy. Hong Kong's guarantee of civil liberties is an important factor for many choosing to work, study, travel, or conduct business there, including U.S. citizens. Nonetheless, all of these characteristics depend on a well-functioning "one country, two systems" framework, which is now under significant strain. As Beijing disregards its commitments and the Hong Kong government struggles to resolve the ongoing political crisis, skepticism about Hong Kong's future is starting to emerge. At the time of writing (October 1, 2019), it is uncertain how the protest movement and the Hong Kong government's response will evolve.

This chapter begins with an examination of Hong Kong's controversial extradition bill and the subsequent protest movement, China's increasing encroachment in Hong Kong's affairs, and the growing erosion of Hong Kong's freedoms. Next, it explores Beijing's economic relationship with Hong Kong. Finally, the chapter considers the implications of these recent developments for the United States, including the continued viability of Hong Kong's special status under U.S. law. It is based on findings from the Commission's May 2019 trip to Hong Kong and September 4 hearing, consultations with U.S. and foreign government officials and nongovernmental experts, and open source research and analysis.

Proposed Extradition Bill Galvanizes Calls for Democracy

The Lam Administration's controversial bill to amend existing extradition laws sparked a historic protest movement opposing the legislation as well as mainland China's growing encroachment on the territory's autonomy. In February 2019, the Hong Kong government proposed changes to the territory's extradition laws to allow ad hoc extraditions to over 100 countries and jurisdictions, which did not have mutual extradition arrangements with Hong Kong, including Taiwan and mainland China.* The

I: General Principles; United Kingdom, *Sino-British Joint Declaration on the Question of Hong Kong*, 1984.

*The proposal transferred authority over extradition requests from Hong Kong's legislature, the Legislative Council (LegCo), to the de facto CCP-selected chief executive of Hong Kong. It further proposed allowing mutual legal assistance in criminal matters with mainland China, which would provide Beijing broad authority to request that Hong Kong courts freeze and confiscate assets related to extradition cases. Under the proposed arrangement, the courts would have a limited role ensuring the Hong Kong government had complied with requirements under the extradition laws, and would have no authority to assess whether the Mainland guaranteed a fair trial and human rights protections. Progressive Lawyers Group, "A Brief of the Extradition Bill in Hong Kong (the 'Bill')," June 11, 2019. <https://drive.google.com/file/d/1dk56wRnVvUpwW2uLhLSKxOM3H6WgjAl/view>; Hong Kong Bar Association, "Observations of the Hong Kong Bar

Hong Kong authorities argued the bill would close loopholes in its statutory extradition mechanism, citing a February 2018 case involving a Hong Kong resident accused of murdering his girlfriend in Taiwan. In that case Hong Kong lacked the legal basis to conclude an arrangement for surrendering the suspect to Taiwan for prosecution.¹ The potential that the bill would permit extradition to mainland China drew widespread alarm from Hong Kong democracy supporters and the international community, and rare opposition from business interests in Hong Kong.*

The proposed bill would have amended laws in force since the 1997 handover, which explicitly prohibited extradition arrangements with mainland China due to Hong Kong's concerns over Beijing's opaque legal system and lack of human rights protections.² Critics of the bill expressed two primary concerns: (1) that Hong Kong and foreign citizens could be extradited to mainland China for political or commercial reasons; and (2) that China's legal system lacks guarantees for a fair trial.³ In 2015 and 2017, mainland agents abducted, respectively, Hong Kong sellers of political gossip books banned in mainland China and a Chinese-born Canadian billionaire, demonstrating Beijing's disregard for rule of law in Hong Kong.⁴ Lam Wing-kee, one of the booksellers who escaped Chinese custody, moved to Taiwan in April 2019 due to worries of being extradited to the Mainland.⁵ Activists feared the extradition bill would serve to regularize and legalize such extrajudicial abductions by Beijing.⁶

After months of largely peaceful demonstrations, Chief Executive Lam in September 2019 announced the formal withdrawal of the legislation, which appeared to be a reversal in Beijing's tactics to weaken support for the protest movement among moderate Hong Kong citizens.⁷ This move, however, only satisfied one of the movement's five demands, which had expanded since July to include renewed calls for true universal suffrage in Hong Kong elections—the goal of the 2014 Occupy Central prodemocracy protests.† The inclusion of universal suffrage as a key demand suggests that these unresolved political reforms remain a major concern among Hong Kong citizens. Protesters came to view the longstanding unresolved promise of credible democratic elections as the only guarantee of a truly representative government. The other unmet demands, which have been consistent since mid-June 2019, include the establishment of an independent investigation into claims of excessive force

Association on the Security Bureau's Proposal to Amend the Mutual Legal Assistance in Criminal Matters Ordinance, Cap. 525 and the Fugitive Offenders Ordinance, Cap. 503," March 4, 2019, 10–13; Hong Kong Security Bureau, *Legislative Council Panel on Security Cooperation between Hong Kong and Other Places on Juridical Assistance in Criminal Matters*, February 15, 2019.

* For more information about the extradition bill and widespread opposition to the bill among local observers and foreign governments, see Ethan Meick, "Hong Kong's Proposed Extradition Bill Could Extend Beijing's Coercive Reach: Risks for the United States," *U.S.-China Economic and Security Review Commission*, May 7, 2019.

† The Occupy movement (also referred to as Occupy Central with Love and Peace, the "Umbrella Movement," or the "Umbrella Revolution") advocated for true universal suffrage according to international standards in future Hong Kong elections. The largely nonviolent protests occupying some of the city's major thoroughfares lasted 79 days and concluded in December 2014, but the prodemocracy activists' proposals were rebuffed. For more information on the 2014 prodemocracy protests and the subsequent decisions by the Hong Kong and mainland governments on electoral reform, see U.S.-China Economic and Security Review Commission, *2014 Annual Report to Congress*, November 2014, 523–527; U.S.-China Economic and Security Review Commission, *2015 Annual Report to Congress*, November 2015, 534–536.

used by police; dropping of the “riot” designation of protests;* and freeing all those arrested.⁸ Growing worries across Hong Kong society, especially among young people, about their future in the face of rising living costs and diminished job opportunities have added to widespread discontent.⁹ Notably, these grievances have not become formal protest demands.

As demonstrations continued through the summer of 2019, the political crisis in Hong Kong deepened with no clear end in sight. In August 2019, China’s Hong Kong and Macau Affairs Office director Zhang Xiaoming said the territory was facing “[its] most severe situation” since the 1997 handover from the United Kingdom to China.¹⁰ According to Hong Kong Public Opinion Research Institute polling, Chief Executive Lam’s approval rating that month fell to 17 percent—an all-time low among chief executives—down from 54 percent in 2017.¹¹ The demonstrations paralyzed the Legislative Council (LegCo), Hong Kong’s legislature, and postponed consideration of the controversial Beijing-supported National Anthem Bill † and other legislation until at least October 2019, when LegCo’s next session was provisionally scheduled to begin.¹² As of the writing of this Report, it is unclear how the movement will evolve, but it has already had significant implications for the territory’s future.

The protests united prodemocracy activists and supporters across a wide spectrum in response to Beijing’s increasing intrusions into Hong Kong’s autonomy. Previously, democracy supporters were dismayed and divided over the failure of the groundbreaking 2014 Occupy protests to achieve true universal suffrage, the loss of a prodemocracy majority of geographical constituency seats in LegCo in 2017 due to Beijing’s intervention,‡ and the emergence of more radical political parties causing disagreement over political priori-

*On June 12, as LegCo was scheduled to resume consideration of the extradition bill, unions and hundreds of businesses called for a workers’ strike, while tens of thousands of protesters occupied the roads around the Hong Kong government headquarters and LegCo, preventing it from considering the legislation. Hong Kong authorities labeled the protest a “riot” and made dozens of arrests in its aftermath. The Hong Kong police commissioner later said only those who engaged in violent actions targeted at police during the June 12 protest would face “rioting” charges. Tony Cheung, Victor Ting, and Jeffie Lam, “Hong Kong Police Chief Stephen Lo Steps Back from Riot Label as Carrie Lam Keeps Low Profile,” *South China Morning Post*, June 18, 2019; Christopher Bodeen, “Hong Kong Protesters Vow to Keep Fighting Extradition Law,” *Associated Press*, June 12, 2019; Shawna Kwan and David Tweed, “Hong Kong Protesters Gather Before Extradition Bill Debate,” *Bloomberg*, June 11, 2019.

†In 2017, China’s National People’s Congress Standing Committee passed a National Anthem Law, allowing authorities to detain individuals up to 15 days or hold them criminally liable for disrespecting China’s national anthem. The same year, the lawmaking body increased the maximum punishment to three years imprisonment and changed the Basic Law, requiring Hong Kong to pass its own local legislation. Kevin Carrico, “Legal Malware: Hong Kong’s National Anthem Ordinance,” *Hong Kong Watch*, March 28, 2019; Government of the Hong Kong Special Administrative Region Gazette, *National Anthem Bill*, January 11, 2019; Stuart Lau, Kimmy Chung, and Catherine Wong, “China Imposes National Anthem Law on Hong Kong, Raising Specter of Prison Terms for Abuse of Song,” *South China Morning Post*, November 4, 2017; The Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China, *Annex III: National Laws to be Applied in the Hong Kong Special Administrative Region* (Adopted by the National People’s Congress Standing Committee on November 4, 2017).

‡In November 2018, the pro-Beijing (or pro-establishment) camp expanded its majority in the geographical constituency over the prodemocracy camp (or pandemocrats)—increasing its total seats to 18 versus the 16 held by pandemocrats—when pro-Beijing candidate Chan Hoi-yan won the LegCo Kowloon West by-election following the disqualification of prodemocracy lawmaker Lau Siu-lai over the 2016 oath controversy. Prior to the by-election, Ms. Lau attempted to run for her vacated seat, denouncing her past political views of Hong Kong self-determination, but the Hong Kong government barred her from running, insisting her views had not changed. Sum Lok-kei, Su Xinqi, and Ng Kang-chung, “Hong Kong Pro-Establishment Candidate Chan Hoi-yan Wins Kowloon West By-Election,” *South China Morning Post*, November 25, 2018.

ties. The current protest movement also appeared to reflect a growing sense of Hong Kong identity. According to a June 2019 poll, 53 percent of respondents identified as “Hongkongers,” while only 11 percent identified as “Chinese,” the highest and lowest percentages, respectively, since the 1997 handover.¹³

Hong Kong’s Special Status under the U.S.-Hong Kong Policy Act of 1992

Congress passed the United States-Hong Kong Policy Act of 1992 to institutionalize U.S. treatment of Hong Kong for the period starting from the British handover of Hong Kong to China in 1997 until at least Hong Kong’s formal reintegration with China in 2047. This act was predicated on the assumption that following Hong Kong’s handover and for at least 50 years thereafter, the Hong Kong Special Administrative Region would still “enjoy a high degree of autonomy on all matters other than defense and foreign affairs” under China’s “one country, two systems” framework (which also applies to Macau).¹⁴ Beijing’s commitments under the framework are included in Hong Kong’s Basic Law, adopted by China’s National People’s Congress in 1990 and introduced following the handover.¹⁵

The act recognizes Hong Kong’s important role in the regional and global economy and states that Hong Kong’s strong economic and cultural ties with the United States underpin U.S. interests in the “continued vitality, prosperity, and stability of Hong Kong.”¹⁶ It also states that all parts of the act will remain in force unless the U.S. president makes a determination that Hong Kong “is not sufficiently autonomous to justify treatment under a particular law of the United States ... different from that accorded the People’s Republic of China,” but could also be subsequently reinstated if the president determined Hong Kong had regained sufficient autonomy.¹⁷

The agreement allows for special treatment of Hong Kong in a variety of arenas, including:

(1) Support for Hong Kong’s participation in multilateral fora where Hong Kong is eligible;

(2) Separate treatment for Hong Kong in regard to economic and trade matters, including import quotas, nondiscriminatory trade treatment, sustained operation of U.S. businesses, and access to sensitive technologies controlled under the multilateral Coordinating Committee for Multilateral Export Controls (replaced by the Wassenaar Arrangement)¹⁸ for as long as the United States “is satisfied that such technologies are protected from improper use or export”;¹⁹

(3) Recognition of Hong Kong’s ships, airplanes, transport licenses, and the negotiation of new transport service agreements; and

(4) Continued cultural and educational exchange, including through the Fulbright Academic Exchange Program and other exchanges of culture, education, science, and academic research.

The United States’ separate treatment afforded to Hong Kong has led to more than a dozen bilateral U.S.-Hong Kong agree-

Hong Kong's Special Status under the U.S.-Hong Kong Policy Act of 1992—Continued

ments,* including one on mutual extraditions, the Surrender of Fugitive Offenders Agreement.²⁰ This treaty, which went into force in January 1998, was ratified by the U.S. Senate with the understanding that no third-party transfers to other jurisdictions within the People's Republic of China (PRC) would be allowed without U.S. consent and that Hong Kong courts would have the final adjudication authority as guaranteed under the 1984 Sino-British Joint Declaration.²¹ Although the Hong Kong government said its proposed extradition bill would not impact its existing extradition treaties—including arrangements with the United States—and promised no third-party transfers would be allowed, the question remained open concerning Beijing's interpretation of the bill.²²

While Chief Executive Lam announced in September 2019 the formal withdrawal of the bill from consideration in LegCo, a similar bill could be proposed again in the future. One potential rationale for reintroducing comparable legislation stems from Beijing's concerns that corrupt mainland officials and other fugitives are living in Hong Kong.²³ Chen Zhimin, former deputy minister of China's Ministry of Public Security said in March 2019 that more than 300 "important criminals" have fled to Hong Kong from the Mainland.²⁴

Historic Protests Prompt Withdrawal of Bill and Escalating Political Crisis

Demonstrations initially targeting the extradition bill that began in early June 2019 grew into an unprecedented mass movement. Its momentum forced Chief Executive Lam to suspend the bill on June 15 and to promise on September 4 to formally withdraw the legislation from consideration, dealing a major blow to Beijing which backed the bill. Simultaneously, it raised questions about Chief Executive Lam's political future and the viability of her Administration's agenda.²⁵ Some Hong Kong analysts judged her initial attempt to push through the bill was a political calculation to please Beijing and improve her chances of securing a second term in office.²⁶ Many activists and prodemocracy supporters viewed the movement as the Hong Kong people's last stand to preserve their already vulnerable freedoms from Beijing, and judged that the bill's withdrawal was not sufficient to guarantee an end to Beijing's encroachment.²⁷

The movement, which does not have clearly-identified leaders like the 2014 Occupy protests, has involved record-setting numbers of demonstrators and brought together people of all ages and socio-economic backgrounds, including diverse sectors of Hong Kong

*These include the following: mutual legal assistance, surrender of fugitive offenders, the transfer of sentenced persons, double taxation avoidance, tax information exchange, consular affairs, and air services, among others. Hong Kong Special Administrative Region Department of Justice, "Treaties and International Agreements." <https://www.doj.gov.hk/eng/laws/treaties.html>; U.S. Department of State, *The Hong Kong Policy Act Report*, June 30, 2007. <https://2001-2009.state.gov/p/eap/rls/rpt/2007/87648.htm>; U.S. Department of State, *United States-Hong Kong Policy Act Report, as of March 31, 1997*, April 14, 1997. https://1997-2001.state.gov/regions/eap/970331_us-hk_pol_act_rpt.html#ID.

civil society, government employees, and many who previously considered themselves apolitical.²⁸ Hong Kong writer and activist Kong Tsung-gan judges at least 30–45 percent of Hong Kong’s 7.4 million residents have joined in the protests (see Addendum I for a list of select protests to date).²⁹ More than 150 “Lennon Walls”^{*} materialized around the territory from subway stations to pedestrian walkways displaying messages of support for the movement and its demands.³⁰

Hong Kong Government Rebuffs Mounting Protester Demands as Beijing Tightens Its Control

Since its inception, the movement has evolved in its demands and protest tactics in response to the uncompromising stance of the Hong Kong government and increasingly harsh rhetoric and tactics employed by Beijing toward the demonstrations. Largely peaceful protests against the bill, including the largest march in the territory’s history on June 16 reportedly involving 2 million people—more than a quarter of Hong Kong’s population—did not immediately result in the bill’s complete withdrawal.³¹ Days after she suspended the extradition bill, Chief Executive Lam issued written and oral apologies for not adequately explaining the bill and taking into account all views across Hong Kong society. At the press conference announcing the bill’s suspension, she defended initially raising the measure, did not accept sole responsibility for its introduction, and refused to resign from office.³²

In the televised address announcing the bill’s withdrawal—after nearly three months of escalating protests—Chief Executive Lam argued that the government had responded to all of the protesters’ demands and insisted dialogue could address any remaining differences. The demonstrators’ overwhelming response, however, was that the concession was “too little, too late,” and that all of their demands must be met.³³ Many do not trust the Lam Administration’s overtures for dialogue given the arrest of protest leaders, including those who met with Hong Kong senior officials during the 2014 Occupy protests.³⁴ Furthermore, some judged the concession on withdrawing the bill may have been designed to justify a future crackdown.³⁵

Beijing appears to be fully in control of the Hong Kong government’s moves to try to resolve the situation, having reportedly rejected Chief Executive Lam’s attempts to resign from office and grant several protester demands. According to *Reuters*, Beijing rejected her plan earlier in the summer to appease demonstrators by withdrawing the bill and establishing an independent probe to examine police abuse.³⁶ *Reuters* leaked Chief Executive Lam’s private conversation with Hong Kong businesspeople in late August 2019, where she said, “If I have a choice, the first thing is to quit.” She also said that in having to “serve two masters [Beijing and the Hong Kong people], [the] political room for maneuvering is very, very, very

^{*}Inspired by the original “John Lennon Wall” established in Prague in the 1980s upon the artist’s death, Hong Kong prodemocracy protesters first created their version of a “Lennon Wall” during the 2014 Occupy protests to share messages of support and encouragement for the movement. Pro-Beijing individuals have frequently vandalized the Lennon Walls but activists have quickly rebuilt them. Joyce Zhou and John Ruwitch, “Imagine All the Post-Its: Hong Kong Protesters Come Together with ‘Lennon Walls,’” *Reuters*, July 11, 2019.

limited.”³⁷ According to prominent activists and participants in the protest movement, Chief Executive Lam’s actions to date have been largely focused on serving Beijing and not honestly engaging with all Hong Kong civic groups.³⁸

As the Hong Kong government rebuffed protester demands, some have also resorted to bolder tactics. According to a series of surveys conducted by Hong Kong researchers in June–August 2019, a majority of demonstrators believed peaceful, nonviolent protests such as those used during the 2014 Occupy movement were no longer useful in capturing the attention of the Hong Kong government.³⁹ The intensified tactics have involved occupying major roads and transportation hubs as well as targeting symbols of Beijing’s sovereignty over Hong Kong, such as the storming of LegCo, the defilement of Beijing’s Liaison Office emblem and exterior, removing (and in some cases damaging) PRC flags, and vandalizing China-owned and pro-Beijing businesses.⁴⁰ Other tactics have included city-wide strikes, the occupation of Hong Kong’s international airport, the targeting of subway stations, and boycotts of university and school classes.⁴¹

Hong Kong Police Escalate Arrests and Violence in Response to Protests

As protests have evolved, Hong Kong police have increasingly arrested and used violence against demonstrators. As of October 1, 2019, at least 2,022 protesters aged 12 to 83 have been arrested and 324 charged—174 protesters were charged with “rioting,” which carries a maximum ten-year jail sentence under Hong Kong law.⁴² Several thousand protesters are estimated to have suffered injuries, some severe (police have reportedly had over 200 injuries).⁴³ Illustrating the growing desperation and willingness of some to risk injury and even death for the movement, at least eight young activists have reportedly committed suicide protesting the bill. Many view these activists and others who have suffered serious injuries as martyrs for the cause.⁴⁴

The Hong Kong Police Force has escalated its use of force against demonstrators, employing record numbers of crowd control munitions, many of which are exported from the United States (see text-box later in this section). Numerous cases have been reported where the dangerous usage of these items led to serious injury, including among bystanders such as journalists who were also targeted by the police.⁴⁵ From June 9 to September 20, 2019, police said they fired 3,100 rounds of tear gas, 590 rubber bullets, and 290 sponge grenades.⁴⁶ By comparison, police fired 87 rounds of tear gas during the two-month 2014 Occupy protests.⁴⁷ On October 1, 2019—as hundreds of thousands participated in protests throughout Hong Kong, disrupting China’s celebration of the 70th anniversary of its founding—police significantly escalated their use of force, reportedly firing record numbers of munitions, including 1,400 tear gas canisters, 900 rubber bullets, and 230 sponge grenades.⁴⁸ For the first time, that day a police officer also used live ammunition to shoot a protester, an 18-year-old student, at point blank range. As of this writing, the student was in stable condition.⁴⁹

Violating commonly accepted policing standards, police have fired tear gas without warning from buildings onto demonstrators below, from inside subway stations (along with rubber bullets), and appeared to aim directly at individual protesters and journalists.⁵⁰ The UN High Commissioner for Human Rights office in mid-August said the Hong Kong police were defying “international norms and standards” and fired tear gas canisters in ways that created “a considerable risk of death or serious injury.”⁵¹

In addition to using munitions, the police have used pepper spray improperly and beat protesters and bystanders with batons in many cases where there is no resistance of arrest.⁵² On August 31, police entered a subway station beating people with batons and firing pepper spray inside the station and on trains, causing severe injuries and arresting 53 people.⁵³ Since at least August 11, police have also dressed as protesters to make violent arrests without disclosing they are police—contradicting Hong Kong policing regulations—which has raised fear among demonstrators.⁵⁴

Many involved in the protest movement have criticized the Hong Kong police for targeting protesters and arresting bystanders near demonstrations but arresting few violent thugs responsible for attacks on Hong Kong citizens.⁵⁵ In a September report, Amnesty International documented multiple cases of police denying or delaying access to lawyers and medical care for detainees, as well as evidence of protesters experiencing torture and other cruel treatment in custody.⁵⁶ In some cases, these police actions appeared to be in retaliation for the demonstrations or retribution for being uncooperative.⁵⁷ As police have adopted more aggressive tactics, Beijing has barred mainland online retailers from selling protective equipment used by protesters, such as gas masks and hard hats, to Hong Kong.⁵⁸

The Hong Kong Police Force’s ties with mainland law enforcement may have contributed to Hong Kong police adopting crowd control methods used in mainland China.⁵⁹ Some observers suspect a number of mainland police officers have been stationed in the territory working alongside Hong Kong police, though the latter have denied the allegations.⁶⁰ In December 2018, members of Hong Kong’s newly-established Interdepartmental Counterterrorism Unit visited China’s Xinjiang region, where China has imprisoned up to 2 million Uyghurs and members of other Muslim groups in prison camps, to “exchange views on counterterrorism-related areas.”⁶¹

Hong Kong Police using U.S.-Made Crowd Control Munitions and Equipment

Given Hong Kong’s special status regarding export controls under U.S. law, U.S. businesses are allowed to export police crowd control-related items to the territory upon receiving a license from the U.S. Department of Commerce or U.S. Department of State. According to media reports, at least seven types of U.S.-manufactured munitions and equipment have been used against demonstrators, though the total sales and volume of such exports are unclear.⁶² In Fiscal Year 2017, the U.S. Department of State authorized \$81,000 worth of toxicological agents, which could include tear gas, and 291 non-automatic and semi-automatic firearms for

Hong Kong Police using U.S.-Made Crowd Control Munitions and Equipment—*Continued*

export to Hong Kong.⁶³ Amnesty International found that Hong Kong police have used U.S.-made pepper spray, batons, rubber bullets, and two different types of projectile launchers during the ongoing protests.⁶⁴ Independent Hong Kong news outlet *Hong Kong Free Press* reported that tear gas and sponge grenades used by police are also sourced from the United States.⁶⁵

Protesters' Targeting of Beijing Draws China's Ire and Growing Involvement

The escalation of the protest movement's demands and targeting of symbols of the PRC's rule over Hong Kong angered Beijing and prompted it to take an increasingly heavy-handed approach toward the movement. On July 1, the anniversary of the 1997 handover and the date of an annual prodemocracy march, demonstrators defaced several prominent symbols of Beijing's authority over the territory. Before the official flag-raising ceremony marking the anniversary of the handover, protesters removed the PRC flag flying in front of the LegCo office complex, replaced it with the upside-down black and white Hong Kong flag used throughout the protest movement, and lowered it and the Hong Kong flag on an adjacent pole to half-staff.⁶⁶

The same day, hundreds of young protesters took the unprecedented action of storming LegCo, breaking windows and doors to enter the building, which they occupied for several hours and covered in graffiti targeting the Hong Kong government and Beijing. In moves of significant symbolism, protesters tore up copies of the Basic Law, spray painted the Hong Kong emblem including the PRC emblem above the LegCo chamber black, and hung the Hong Kong flag used during the territory's colonial era above the LegCo president's podium.⁶⁷ Following a peaceful march of hundreds of thousands on July 21 protesting continued inaction by the Hong Kong government in addressing the protest movement's demands, thousands of protesters gathered outside Beijing's Liaison Office in the territory and a mass of demonstrators defiled the exterior of the building in a move that further angered Beijing. Some demonstrators threw paint balloons at the Liaison Office's PRC emblem, wrote anti-China and anti-extradition graffiti on the building, covered exterior lettering and security cameras with black spray paint, and threw eggs at the building.⁶⁸

Beijing Steps Up Condemnations and Threatens Use of Force

In response to these incidents, Beijing significantly increased its messaging efforts concerning the protests. Following the vandalism of the Liaison Office on July 21, China's Ministry of Foreign Affairs spokespeople used the harshest rhetoric since the start of the protest movement, stating that the "[behavior] of some radical protesters have crossed the bottom line of the 'one country, two systems' principle."⁶⁹ They also said "China will not tolerate any foreign forces intervening in Hong Kong affairs" and "[China advises] the United States to take back their black hands from Hong Kong as soon as possible."⁷⁰ While mainland China previously minimized coverage

of the demonstrations and censored all online discussion, Beijing started broadcasting selected images and video of the protest, publishing high-profile editorials condemning it, and encouraging public condemnation of the protests on Chinese social media.⁷¹ Offering no evidence, in August 2019 at its first press conferences on Hong Kong since the 1997 handover, China's Hong Kong and Macau Affairs Office described the evolving protests as "showing signs of terrorism" and displaying the "characteristics of a color revolution."⁷² It also repeatedly accused "foreign forces" of influencing the protests and portrayed the demonstrations as a violent minority undermining the stability of Hong Kong, disinformation that mainland and pro-Beijing Hong Kong media echoed.⁷³

Beijing has also used the People's Liberation Army (PLA) and People's Armed Police as messaging tools to try to deter demonstrations and signal its willingness to carry out armed intervention to suppress the protest movement. Chinese officials and others have noted the PRC's legal authority to intervene militarily in Hong Kong. On July 24, China's Ministry of National Defense spokesperson said the Hong Kong government could request the central government to allow the PLA Garrison in Hong Kong to "maintain social order" if needed according to the Law of the PRC on the Garrisoning of Hong Kong, a provision other commentators noted is in the Basic Law.⁷⁴

Implicit threats of PLA and People's Armed Police direct intervention in Hong Kong have underlined Beijing's messaging campaign. In late July, the PLA's 74th Group Army—based less than 60 miles (100 kilometers) from Hong Kong—announced on social media that several of its brigades were holding an exercise focusing on quelling large-scale unrest in an urban environment.⁷⁵ On August 1, the anniversary of the PLA's founding, the PLA Garrison in Hong Kong released a propaganda video showing the garrison's soldiers participating in an antiriot exercise.⁷⁶ Later in the month, People's Armed Police and Ministry of Public Security units participated in three antiriot exercises in Shenzhen, a major city just over the border from Hong Kong, which involved more than 12,000 police, armored personnel carriers, and other equipment, confronting mock protesters wearing black shirts and hard hats closely resembling the Hong Kong demonstrators.⁷⁷

On August 29, the PLA Hong Kong Garrison completed its annual rotation of troops, which it has held each year since the 1997 handover.⁷⁸ However, *Reuters* cited a number of foreign diplomats residing in Hong Kong as saying they did not observe any sizable forces leaving the territory before or after the rotation. Several of the diplomats assessed the number of military personnel in the territory now stood at between 10,000 and 12,000, more than doubling the number of forces stationed in Hong Kong prior to the August 29 troop movement. The diplomats further noted the contingent had assembled a record quantity of anti-riot equipment.⁷⁹

Disinformation Campaign and Violence Seek to Undermine Movement

Beijing has also engaged in a large-scale disinformation campaign and used a range of other tools to attempt to discredit the movement and boost national sentiment supporting the Hong Kong gov-

ernment and the CCP's uncompromising response to the protests. On August 19, Twitter and Facebook took the unprecedented step of publicly disclosing an ongoing disinformation operation conducted by a foreign state actor and suspended state-backed accounts. They announced separately that Chinese state actors were involved in a coordinated campaign to leverage both platforms to control the global narrative on the movement and support Beijing's portrayal of the protests.⁸⁰ Twitter initially suspended 936 accounts originating from mainland China assessed to be the most active part of the campaign, and then proactively suspended a larger, less active network of 200,000 accounts thought to be linked to the PRC, while Facebook removed a number of accounts and groups tied to the campaign.⁸¹ Updating its ad policy the same day it disclosed the suspended accounts, Twitter said it would no longer sell ad space to Chinese state media or other state-controlled media sources.⁸² Several days later, Google disabled 210 YouTube channels that exhibited coordinated behavior that appeared linked to the Chinese state-sponsored campaign attempting to spread disinformation about the protests.⁸³

The CCP has combined disinformation efforts with its apparent encouragement of local gangs and mainland community groups to attack protesters,* as pro-Beijing thugs armed with sticks and other makeshift weapons have assaulted demonstrators and bystanders.⁸⁴ In one notable attack in July 2019, a mob of suspected gang members targeted protesters and bystanders—including journalists, Hong Kong prodemocracy lawmaker Lam Cheuk-ting, and a pregnant woman—in the Hong Kong satellite town of Yuen Long near the mainland border, injuring 45 people.⁸⁵ As of a month after the incident, 30 of the alleged perpetrators have been arrested and 4 have been charged with rioting.⁸⁶

The Yuen Long incident prompted accusations that the Hong Kong police were purposefully not protecting activists, which appeared to be supported by footage obtained by public broadcaster Radio Television Hong Kong.⁸⁷ A week before the incident, director of the CCP Liaison Office's New Territories branch Li Jiye gave a speech to community leaders in Yuen Long denouncing the protesters and urging residents to keep them away from the town.⁸⁸ There have also been numerous attacks on prominent Hong Kong prodemocracy leaders and supporters: lawmaker Roy Kwong was assaulted by a group of masked men; Civil Human Rights Front convener Jimmy Sham was attacked by a pair of masked perpetrators wielding a knife and baseball bat; and the home of Next Media Group chairman Jimmy Lai was firebombed by two masked men.⁸⁹

More worrisome examples of Beijing's escalating disinformation campaign have appeared. The pro-Beijing Hong Kong newspaper *Ta Kung Pao* published personal details about a political officer serving in the U.S. Consulate General in Hong Kong who in the course of her normal duties had a meeting with Hong Kong prodemocracy activists.⁹⁰ The article, which PRC media reposted, asserted the meeting was ev-

*The CCP has used organized crime in the past in both Hong Kong and Taiwan as a tool to threaten and assault democracy activists and journalists. During the 2014 Occupy protests, as many as 200 gang members attacked demonstrators and tried to stir up violence to discredit them. Gerry Shih, "China's Backers and 'Triad' Gangs Have a History of Common Foes. Hong Kong Protesters Fear They Are Next," *Washington Post*, July 23, 2019; J. Michael Cole, "Nice Democracy You've Got There. Be a Shame if Something Happened to It." *Foreign Policy*, June 18, 2018.

idence of the U.S. “black hand” in Hong Kong and listed the names of her immediate family members.⁹¹ In a separate example, since August 2019, the popular short-video app TikTok, whose parent company is Beijing-based ByteDance, appeared to be censoring content on the U.S. version of its app relating to the Hong Kong protests and other topics deemed sensitive by Beijing. In 2018, TikTok was the fourth most downloaded app worldwide on the iOS App Store and Google Play and has remained among the most popular apps globally.⁹²

There have been instances of Hong Kong police impersonating protesters; there are also allegations of PRC officers posing as Hong Kong police.⁹³ Growing concern of such agent provocateurs among demonstrators was evidenced after their peaceful occupation on August 13 of the Hong Kong International Airport, which resulted in the cancelation of at least 120 flights.⁹⁴ Inside the airport, some protesters detained and assaulted a suspected mainland police officer as well as a journalist from the PRC state-run tabloid *Global Times*, although neither suffered serious injury.⁹⁵ China’s Hong Kong and Macau Office spokesperson called the incidents “conduct close to terrorism,” invoking a term that could potentially justify additional punitive measures from Beijing.⁹⁶

Protests Show Continued Momentum amid Looming Threats of Crackdown

As Hong Kong students returned to school in September 2019, many observers predicted the protest movement would wane, but it has shown continued momentum and focused on building international support. University and elementary school students participated in a two-week class strike at the start of the month, holding rallies on university campuses and organizing demonstrations.⁹⁷ Many students at schools and universities across Hong Kong formed human chains, continuing a protest tactic used during the late August “Hong Kong Way” human chain demonstration which spanned 37 miles throughout Hong Kong and involved some 210,000 people. The Hong Kong Way was formed on the 30th anniversary of the “Baltic Way” human chain across Baltic countries in 1989 calling for independence from the Soviet Union.⁹⁸ In late August, an anonymous author wrote a song called “Glory to Hong Kong” that has become the anthem of the movement. The song, whose lyrics include protest slogans and invoke the movement’s democratic aspirations, reflects a growing sense of Hong Kong identity with many viewing it as the new national anthem of Hong Kong.⁹⁹ Meanwhile, the movement’s participants have sought to attract international attention as demonstrations have focused on foreign government policy actions and protester delegations have taken their message to the international community.¹⁰⁰

*In August 2019, the protest movement held sit-ins at the airport and a general strike that included airline workers, which led to the cancelation of at least 500 flights. The Hong Kong Airport Authority reported a 12.4 percent drop in passengers in August, the largest monthly fall in a decade. Danny Lee, “Hong Kong International Airport Posts Biggest Monthly Drop in Travelers Since 2009, with 851,000 Fewer Passengers in August Amid Anti-Government Protest Crisis,” *South China Morning Post*, September 15, 2019; Jessie Yeung et al., “Flights Canceled, Major Roads Blocked as Hong Kong Protests Escalate,” *CNN*, August 19, 2019; *Associated Press*, “Hong Kong’s Business Reputation Takes Hit with Second Day of Airport Chaos,” August 13, 2019; Austin Ramzy and Gerry Mullany, “Over 150 Flights Canceled as Hong Kong Airport Is Flooded by Protesters,” *New York Times*, August 12, 2019.

As protests have continued, Chief Executive Lam and her administration left open the possibility of implementing the Emergency Regulations Ordinance, while Beijing and pro-Beijing figures in Hong Kong have raised alternative legal tools that could be used to halt the demonstrations. The ordinance is a colonial-era law that allows for the granting of emergency powers, such as censoring the press, adopting new laws without any legislative checks, or even controlling access to the internet.¹⁰¹ Hong Kong Secretary for Commerce and Economic Development Edward Yau said he thought the international community would understand the use of the measure and that trade would not be impacted.¹⁰² Critics have argued this move would have dangerous consequences. According to Martin Lee, founder of Hong Kong's Democratic Party and a former legislator, implementing the ordinance would violate the Basic Law and destroy Hong Kong.¹⁰³ During a September 3, 2019 press conference, the Hong Kong and Macau Affairs Office spokesperson said Article 18 of the Basic Law stipulates China could unilaterally declare a state of emergency and implement national laws in Hong Kong.¹⁰⁴ Some prominent pro-Beijing figures in Hong Kong have advocated for the use of this measure to put an end to the movement.¹⁰⁵

Taiwan's Solidarity with Protests Marks Rejection of "One Country, Two Systems"

The protest movement in Hong Kong helped deepen solidarity between Taiwan and Hong Kong democracy supporters and increase opposition in Taiwan to Beijing's preferred "one country, two systems" model for a future unification arrangement. Taiwan President Tsai Ing-wen and senior Taiwan officials repeatedly expressed their support for the Hong Kong protesters and denounced Beijing's growing encroachment on Hong Kong's autonomy. On June 9, the same day as one of the first mass protests against the extradition bill in Hong Kong, President Tsai said that during her presidency "one country, two systems will never be an option."¹⁰⁶ According to Taiwan Foreign Minister Joseph Wu, "These two outposts of democracy share the same values, and our paths and destinies are closely linked. [Taiwan and Hong Kong] both stand on the front line against the expansion of authoritarianism."¹⁰⁷ The Tsai Administration has also offered to help at least 30 Hong Kong protesters seeking asylum in Taiwan.¹⁰⁸ In the run-up to Taiwan's 2020 election, Kuomintang presidential candidate Han Kuo-yu (whose party's policies Beijing usually views more favorably) also publicly ruled out "one country, two systems," pointing to the Hong Kong protests.¹⁰⁹ Finally, the Taiwan people engaged in solidarity protests with the Hong Kong people, organizing the largest overseas solidarity protest as of September 2019, which according to organizers involved 100,000 participants.¹¹⁰ (Developments in Taiwan are discussed in further detail in Chapter 5, "Taiwan.")

Hong Kong's Autonomy under Continued Attack

Even before the introduction of the extradition bill, Hong Kong's autonomy and freedoms guaranteed to the territory's citizens under

the Basic Law—including rule of law and freedom of expression, assembly, and the press—faced continued challenges in 2019. Primary among these were the Lam Administration’s growing curbs on Hong Kong’s civil society and prodemocracy voices, which have restricted the space to criticize the Hong Kong authorities and the CCP. Meanwhile, Beijing has stepped up its direct intrusions into Hong Kong’s autonomy through CCP influence operations and cyberattacks. Some of the key incidents illustrating these recent developments include the manipulation of Hong Kong’s legal system, enforcement of PRC law by mainland police in part of one of Hong Kong’s rail hubs, and the CCP’s more overt hand in Hong Kong’s affairs.

Rule of Law and Freedom of Expression under Growing Stress

In 2019, the Hong Kong government, encouraged by Beijing, attempted to manipulate the legal system in ways beyond the introduction of the extradition bill by appearing to liberally use prosecutions to target prodemocracy activists. Most international and Hong Kong observers view Hong Kong’s legal system as a truly independent, well-respected institution, but the extradition bill and a series of other decisions and legal actions have caused some to question the integrity of the territory’s rule of law.¹¹¹

Many in the legal community viewed the extradition bill as an inflection point in the city’s legal system, as key legal professional associations, lawyers, and even judges spoke out in public opposition to the proposed measure and prosecutions of demonstrators involved in the ongoing protest movement.* In a rare public comment, three senior judges and 12 leading commercial and criminal lawyers spoke about the bill to *Reuters*, describing it as one of the starkest challenges to Hong Kong’s legal system.¹¹²

In early June 2019, Hong Kong lawyers participated in a silent march in protest against the extradition bill, only the fifth such march since the 1997 handover. Notably, it also marked the first time the legal community had marched concerning a matter unrelated to a judicial decision or Beijing’s interpretation of the Basic Law. Organizers said the march had a record 3,000 participants.¹¹³ Two months later, Hong Kong lawyers held a second silent march urging the Hong Kong authorities to stop political prosecutions of protesters involved in the movement. The march, which also involved a reported 3,000 participants, was held in the aftermath of the arrest of 44 demonstrators on rioting charges.¹¹⁴

Suspected Politically Motivated Arrests during Protests

As the Hong Kong authorities ramped up efforts to quell the protest movement, they appear to be conducting targeted, politically motivated arrests. Protesters planned a mass demonstration for August 31 to mark the anniversary of Beijing’s 2014 decision on the implementation of universal suffrage that led to the 2014 Occupy protests. During the lead up to this demonstration, eight

*The Hong Kong Bar Association, the professional regulatory body for barristers in Hong Kong, and the Progressive Lawyers’ Group, a prodemocracy advocacy group of lawyers promoting democracy and human rights, have issued numerous position papers and statements arguing that the extradition bill lacks safeguards and would damage rule of law. Progressive Lawyers Group, “A Brief of the Extradition Bill in Hong Kong,” June 11, 2019; Hong Kong Bar Association, “Observations of the Hong Kong Bar Association (HKBA) on the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019,” April 2, 2019.

prominent prodemocracy figures were arrested for their involvement in protests throughout the movement.*¹¹⁵ Those arrested included three prodemocracy LegCo members, Au Nok-hin, Jeremy Tam, and Cheng Chung-tai,† as well as District Council member Rick Hui, Demosistō secretary-general and prominent leader of the Occupy protests Joshua Wong and his fellow Demosistō colleague Agnes Chow, Andy Chan (leader of banned pro-independence Hong Kong National Party), and former student leader Althea Suen. Charges ranged from obstructing police and participating in an unapproved assembly to assaulting a police officer and rioting—the latter two charges could result in significant jail time if the accused is found guilty (only Mr. Chan was charged with rioting).¹¹⁶ The high-profile arrests appeared designed to have a deterrent effect on the August 31 march and rally, which the Hong Kong police banned and the organizers canceled.¹¹⁷ However, tens of thousands defied the arrests and ban to proceed with the protest.¹¹⁸

Freedom of Assembly Restricted during Demonstrations

In violation of the Basic Law's protection of freedom of assembly and the International Covenant on Civil and Political Rights, the Hong Kong police have effectively made protests illegal by denying the issuance of "no-objection notices" to protest organizers.‡ Victoria Tin-bor Hui, professor at Notre Dame University, testified to the Commission that the denial of permits has been rare since the 1997 handover, but the move has become a regular occurrence since late July when Beijing increased its involvement. She noted the denial of legal assemblies is designed to limit turnout at these protests, and give justification to Hong Kong police to respond to "unlawful assemblies" with force.¹¹⁹

The Civil Human Rights Front, an umbrella organization of prodemocracy groups which has organized the largest peaceful marches in Hong Kong to date, faced total denials of its permit requests for August 31 and September 15 marches, the first time demonstrations planned by the organization had been banned since the start of the protest movement.¹²⁰ Its October 1 march was also banned by police, though its rally on September 28—the five-year anniversary of the Occupy protests—was authorized.¹²¹ While few large-scale protests since August have been approved unless organizers agree to reduce the scale or move away from areas deemed sensitive, organizers have proceeded to plan and execute demonstrations even under risk of arrest for unlawful assembly.¹²²

*Demosistō chairman Ivan Lam was charged at the same time Joshua Wong and Agnes Chow appeared in court on August 30, but he was not in Hong Kong then. Upon his return on September 3, Mr. Lam was arrested at the airport and charged with "inciting others to participate in an unauthorized assembly." *RTHK*, "Demosistō Leader Ivan Lam Arrested at Airport," September 3, 2019.

†A fourth prodemocracy LegCo member, Ted Hui, was arrested on September 15, 2019 for obstructing police. If Mr. Hui or the other legislators that were arrested are sentenced to more than one month in jail, they could be removed from office by a two-thirds majority vote in LegCo. As of September 16, a number of other prominent figures have been arrested due to their involvement in demonstrations, including three march organizers, two student leaders, and two district councilors. Kong Tsung-gan, "Hong Kong Anti-Extradition Demonstrations and Arrests," *Medium*, October 2, 2019; Benny Tai, "Who Has the Power to Remove a Lawmaker from Office?" *Hong Kong Economic Journal*, October 25, 2016.

‡Under Hong Kong's Public Order Ordinance, all protests in Hong Kong require a letter of no objection from the Commissioner of Police. If the organizer of the protest receives an objection letter, they are able to submit an appeal letter to the Appeal Board on Public Meetings and Processions. Cap. 245 Public Order Ordinance, November 17, 1967.

Adding to the ire of protesters, the Mass Transit Railway (MTR) Corporation, the company that runs Hong Kong's subway system, announced in late August that it would close MTR stations without prior notice "if fights, vandalism, or acts of violence occur."¹²³ The announcement came after Chinese state media criticized the firm for colluding with demonstrators and allowing them safe passage to escape the police.¹²⁴ Since then, the company has frequently closed MTR stations around protest sites (including those that received permits), preemptively closed stations to prevent people from reaching planned demonstration sites, operated private trains for police to use, and allowed police to use closed stations as rest areas.¹²⁵ Given the company's actions, demonstrators started calling it "the CCP's railway."¹²⁶ The firm operates a number of rail lines and property in mainland China and the Hong Kong government owns a 75 percent stake in the company.¹²⁷

Leaders of 2014 Occupy Protests Sentenced

Nearly five years after the 2014 Occupy movement, the Hong Kong authorities sentenced nine leaders from the protests, raising concerns from rights advocates regarding freedom of expression, particularly prosecutors' use of outdated and rarely used colonial-era public nuisance and Public Order Ordinance laws to target activists. In April 2019, the nine leaders were convicted on public nuisance charges for acts of civil disobedience, resulting in punishments ranging from jail sentences (up to 16 months) to suspended jail sentences and community service.*¹²⁸

The judge's ruling,[†] which included a denunciation of civil disobedience as an unjustifiable defense, provides a legal justification for the Hong Kong government to prosecute peaceful demonstrators in the future.¹²⁹ This ruling came a year after Hong Kong's highest judicial body, the Court of Final Appeal, set a precedent by convicting three other prominent leaders from the 2014 Occupy movement—Joshua Wong, Nathan Law, and Alex Chow—of "unlawful assembly" involving violence and handing them prison sentences under the Public Order Ordinance.¹³⁰

Hong Kong prodemocracy advocates and the international community voiced alarm over the sentences and the government prosecution's intentional use of the archaic and rarely used common law offense to punish the organizers of the 2014 Occupy protests. Hong Kong Watch, a United Kingdom-based advocacy organization, noted

* Co-founders Benny Tai Yiu-ting and Chan Kin-man were jailed for 16 months, while the third cofounder, Baptist minister Reverend Chu Yiu-ming, received a suspended jail sentence of two years with judges citing his old age and contributions to society as a reverend. Lawmaker Shiu Ka-chun and activist Raphael Wong Ho-ming received eight-month sentences, while others—including current and former lawmakers and student leaders—received suspended sentences and community service respectively. Chris Lau and Sum Lok-kei, "Four of Nine Occupy Leaders Jailed for Up to 16 Months over Rules in Hong Kong's 2014 Umbrella Movement," *South China Morning Post*, April 24, 2019.

† Judges are appointed by the chief executive based upon recommendations by the Judicial Officers Recommendation Commission and are subject to the endorsement of LegCo. The commission is an independent body composed of judges, legal professionals, and "eminent persons from [non-legal] sectors." According to the Hong Kong Judiciary, judicial and professional qualities are most valued in selecting judges, and they may be recruited from other common law jurisdictions, such as the UK, Canada, Australia, and New Zealand. Hong Kong Judiciary, *Judiciary Fact Sheet*, December 2018; Legislative Council, *Background Brief Prepared by the Legislative Council Secretariat Subcommittee on Proposed Senior Judicial Appointments*, April 25, 2018, 3–4. https://www.legco.gov.hk/yr17-18/english/hc/sub_com/hs101/papers/hs10120180427cb4-982-1-e.pdf; Cheung Wai-lam, *The Process of Appointment of Judges in Hong Kong Since 1976*, April 10, 2001, 10.

in a July 2019 report that the use of the public nuisance charges, along with the Public Order Ordinance, ran against Hong Kong's commitments to the UN International Covenant on Civil and Political Rights that uphold international human rights standards.¹³¹ In response to the ruling, the U.S. Department of State spokesperson expressed concern that “the decision will limit or discourage the people of Hong Kong from exercising the basic freedoms guaranteed under the [1984 Sino-British] Joint Declaration.”¹³² In March 2019, a group of Hong Kong nongovernmental organizations made a submission to the UN Human Rights Committee noting the Hong Kong government's problematic use of public nuisance convictions.*¹³³

First Reported Case of Political Asylum Granted to Hong Kong Activists

In a move illustrating the international community's eroding confidence in Hong Kong's ability to maintain its rule of law and freedom of expression, two former members of pro-independence political party Hong Kong Indigenous revealed in May 2019 that the German government had granted them political asylum the previous year—reportedly the first such case involving Hong Kong citizens.¹³⁴ In response to the revelation of the decision to grant the activists asylum, China demarched the German government and demanded that it overturn its decision.¹³⁵

The two activists who received asylum, Ray Wong and Alan Li, fled to Germany before they stood trial for their involvement in the 2016 Mong Kok clashes with Hong Kong police over defending unlicensed food stall operators from being shut down in perceived attacks on Hong Kong culture.¹³⁶ Mr. Wong faced charges of rioting, inciting a riot, and incitement to unlawful assembly, while Mr. Li was charged with rioting and assaulting police; the rioting charge alone carries a maximum ten-year jail sentence.¹³⁷ Co-founder of Hong Kong Indigenous Edward Leung received a six-year jail sentence in June 2018 on rioting charges for his alleged involvement in the Mong Kok unrest.¹³⁸ His previous campaign slogan—“liberate Hong Kong, revolution of our times”—became an important rallying cry for the ongoing protest movement.¹³⁹ Notably, Mr. Wong said he decided to reveal his refugee status in part to bring attention to the Hong Kong government's extradition bill.¹⁴⁰

First Arrests under Controversial Legal Arrangement at Rail Terminal

Since the September 2018 establishment of the controversial co-location arrangement allowing mainland security agents to enforce PRC laws inside an area within a Hong Kong high-speed rail terminal connecting Hong Kong with the Mainland, several Chinese arrests not publicized by the Hong Kong government have heightened concerns about the arrangement and rule of law.† As of January

*The International Covenant on Civil and Political Rights, to which Hong Kong is a party, safeguards the right of peaceful assembly. The UN Human Rights Committee is mandated under the covenant to assist all parties in fulfilling their obligations. The committee's general comment on the right of peaceful assembly is designed to collect submissions from all parties and submit a finalized document on best practices. As of this writing, the final document, or “general comment,” has yet to be issued. UN Human Rights Office of the High Commissioner, “Draft General Comment on Article 21 (Right of Peaceful Assembly) of the International Covenant on Civil and Political Rights,” July 2019. <https://www.ohchr.org/EN/HRBodies/CCPR/Pages/GCArticle21.aspx>.

†For more on the establishment of the co-location arrangement, see U.S.-China Economic and Security Review Commission, *2018 Annual Report to Congress*, November 2018, 389–390.

2019, mainland police reportedly had arrested at least two travelers passing through the rail terminal. One case involved a Hong Kong permanent resident who was detained in the mainland port area in October 2018. It is unclear whether the Hong Kong government was informed of the arrest. In the second case in December 2018, the traveler, whose nationality was not disclosed, was not allowed to return to Hong Kong from the Mainland.¹⁴¹

Prodemocracy legislator Tanya Chan said, “These incidents show that Hong Kong people have been kept in the dark and the Hong Kong government doesn’t care to inquire. They exactly demonstrate how the co-location arrangement ‘cedes land’ from Hong Kong to the mainland authorities.”¹⁴² Pro-Beijing legislator Horace Cheung, a supporter of the arrangement, argued these cases showed its effectiveness in protecting the city from criminals.¹⁴³

Legislator Barred from Running for Local Election Seat

In December 2018, a Hong Kong “returning officer,” a civil servant within the Hong Kong Electoral Affairs Commission charged with overseeing elections, disqualified prodemocracy lawmaker Eddie Chu Hoi-dick from running in the January 2019 Rural Ordinary Election for rural area-level representatives.*¹⁴⁴ The decision was the first to bar a candidate from a rural representative election on political grounds, which some warned could recur in future elections.¹⁴⁵ The officer said the decision to reject Mr. Chu’s candidacy was due to his answers to submitted questions concerning his political stance, which could be interpreted as “implicitly confirming support for independence as a possible option for Hong Kong people.” Under this interpretation, the officer asserted his views were against the Basic Law.¹⁴⁶ Mr. Chu denied that he supports independence and filed a legal challenge against his disqualification, which remains pending as of this writing.¹⁴⁷

The ban follows a series of similar actions taken by returning officers, including the run-up to the 2016 LegCo election that resulted in six candidates banned. More candidates have been banned since then due to their political views.†¹⁴⁸ In the past, the Rural Ordinary Election, which occupies the lowest level of Hong Kong elections, had been largely not contested nor politicized. In 2003, the requirement that all candidates must declare their allegiance to the

*The Rural Ordinary Election comprises two separate elections for the New Territories, including the Village Representative Election for indigenous inhabitant and resident representatives and the Kaifong Representative Election for representatives in Cheung Chau and Peng Chau islands. The next level up in Hong Kong’s election system is the District Council Election which is held for all 18 districts in the territory. District Councils play an advisory role to the Hong Kong government on district-level matters. The number of seats contested in each election held every four years are determined by population, while some seats are determined by status. In the November 2019 District Council election, 452 of the 479 seats will be elected by popular vote. Above the District Council elections are those for LegCo, followed by the chief executive. Stephen Thomson, *Administrative Law in Hong Kong*, Cambridge University Press, 2018, 14; Hong Kong Special Administrative Region Constitutional and Mainland Affairs Bureau, Legislative Council Panel on Constitutional Affairs, *Review of the Number of Elected Seats for Sixth-Term District Councils*, July 2017.

†In November 2016, China’s National People’s Congress Standing Committee used its authority under the Basic Law to issue a legal interpretation mandating all Hong Kong officials to solemnly and correctly take their oath of office to pledge allegiance to the Hong Kong Special Administrative Region of the People’s Republic of China and the Basic Law. The decision created a powerful legal weapon for Beijing, as it had reciprocal effect in vacating the seats of prodemocracy legislators-elect. For more on the LegCo oath scandal and Beijing’s legal interpretation, see U.S.-China Economic and Security Review Commission, *2017 Annual Report to Congress*, November 2017, 418–422.

Hong Kong Special Administrative Region was added to the Rural Representative Election Ordinance, mirroring similar language in rules for the LegCo and District Council elections, but had never been used to ban a candidate until this case.¹⁴⁹

Press Freedom Reaches Historic Lows

A year after one of the most serious incidents to erode press freedom in Hong Kong in recent memory—the visa denial of *Financial Times* journalist Victor Mallet*—the media environment continued to worsen. Chris Yeung, chairperson of the Hong Kong Journalists Association, noted in the association’s Annual Report published in July 2019 that a “sharp deterioration” in press freedom had occurred over the previous year “as Beijing’s [overemphasis] on the importance of the principle of ‘one country’ has upset the balance in the ‘one country, two systems’ formula.”¹⁵⁰ The association’s annual 2018 Hong Kong Press Freedom Index measuring public perceptions of press freedom, conducted in January–February 2019 and released in April 2019, sunk to a record low of 45 out of 100 and experienced its biggest year-on-year drop since the survey was launched in 2013, largely due to the central government’s encroachment.¹⁵¹

International advocacy nonprofit Reporters Without Borders also cited Beijing’s “[harmful] influence” as being behind the decline in Hong Kong’s position in the 2019 World Press Freedom Index, where it is down three spots to 73rd out of 180 jurisdictions (ranked from most to least free).¹⁵² Despite the downward trends, Reporters Without Borders notes the growth of independent online media as a positive development.¹⁵³

A central factor driving Hong Kong’s decline in press freedom was mainland China’s large commercial stake in local media outlets, more than half of which are now owned or controlled by pro-Beijing interests. Many of the owners have considerable business interests in the Mainland and are members of key political institutions led by the CCP.[†]¹⁵⁴ As members of these institutions, they are expected to uphold CCP policies.¹⁵⁵ Most recently, this has been evident through pro-Beijing media coverage of the extradition bill protests promoting the CCP’s allegations in mainland Chinese media that foreign “black hands” instigated the protests.¹⁵⁶

Beijing’s growing influence has resulted in rising pressure on Hong Kong journalists, with many now choosing to self-censor or adopt an openly pro-Beijing line. According to the Press Freedom Index survey, before the extradition bill controversy nearly 70 percent of journalist participants said Beijing’s growing emphasis of “one country” over “two systems” made them uncomfortable report-

*For more information on the visa denial of Victor Mallet and its chilling effect on press freedom, see U.S.-China Economic and Security Review Commission, *2018 Annual Report to Congress*, November 2018, 393.

†Many pro-Beijing media owners are members of the National People’s Congress (NPC), China’s rubber-stamp legislative body, and the Chinese People’s Political Consultative Conference (CPPCC), China’s top policy advisory body. According to Reporters Without Borders, more than half of Hong Kong’s major media heads serve as members of the NPC and CPPCC. China’s Liaison Office in Hong Kong, the top party-government organ in the territory, directly controls pro-Beijing newspapers *Wen Wei Po* and *Ta Kung Pao* as well as Sino United Publishing, which owns over half of Hong Kong bookstores and almost 30 publishing houses. Reporters Without Borders, “2019 World Press Freedom Index,” 2019. <https://rsf.org/en/hong-kong>; Kris Cheng, “Gov’t Should Not Intervene in China Liaison Office’s Ownership of Hong Kong Publishing Giant, Says Carrie Lam,” *Hong Kong Free Press*, May 29, 2018.

ing dissenting voices.¹⁵⁷ The survey also found one out of five journalists said they had faced pressure from their bosses to avoid or reduce reporting on the topic of Hong Kong independence.¹⁵⁸

In March 2019, former Hong Kong Chief Executive Leung Chun-ying—now vice chairman of a top CCP advisory body in the Mainland, the Chinese People’s Political Consultative Conference*—publicly attacked companies advertising in the prodemocracy newspaper *Apple Daily* in an apparent attempt to hurt the paper’s business.¹⁵⁹ Attempts to influence media in Hong Kong extended to local foreign press, as central government representatives reportedly instructed foreign journalists to “inject positivity” in their coverage of the extradition bill.¹⁶⁰

Violence and obstruction against journalists, many of whom publicly opposed the extradition bill, also increased dramatically during the protest movement. Since the start of the protests, Hong Kong police officers reportedly have used batons, shields, pepper spray, water cannons, and tear gas against journalists—who were clearly identified as press—covering the protests.¹⁶¹ Media personnel also accused police of verbal assaults, using flashlights to obstruct their work, pushing them toward barriers, and conducting unjustified searches of their equipment.¹⁶²

The Hong Kong Journalists Association issued numerous statements denouncing the violence against journalists and in July 2019 submitted over two dozen complaints by journalists to an investigative entity within the police force.¹⁶³ In a rare occurrence, in July more than 1,500 journalists participated in a silent march to demand press freedom and an end to police violence.¹⁶⁴ A group of prominent media organizations had publicly opposed the extradition bill, arguing it would put journalists at risk and have a chilling effect on freedom of expression.¹⁶⁵

Beijing Steps Up Direct Intrusions into Hong Kong Affairs

Beijing uses a broad array of tools to increase its influence in the territory, many of which have grown more noticeable in 2019. “United Front” work—a strategy to co-opt and neutralize sources of potential opposition to Beijing’s policies—is central to the CCP’s efforts in Hong Kong and has become more overt in recent years with China’s growing reach into Hong Kong affairs.†¹⁶⁶

China maintains political control in Hong Kong through meetings in Beijing and the Liaison Office’s frequent interactions with and open support for Chief Executive Lam, pro-establishment members of LegCo, and other groups in Hong Kong. These interactions mostly center around mobilizing support for Beijing’s policies and lobbying for its preferred candidates in elections. In a recent example in August 2019, China’s Hong Kong and Macau Affairs Office and its

*The Chinese People’s Political Consultative Conference is under the direct leadership of the CCP and is the highest-ranking entity overseeing China’s United Front work. Alexander Bowe, “China’s Overseas United Front Work: Background and Implications for the United States,” *U.S.-China Economic and Security Review Commission*, August 24, 2018, 9.

†For a more detailed discussion of United Front work and how it affects U.S. interests, see Alexander Bowe, “China’s Overseas United Front Work: Background and Implications for the United States,” *U.S.-China Economic and Security Review Commission*, August 24, 2018. For more information on United Front work in Hong Kong, see Andrew Higgins, “From the Shadows, China’s Communist Party Mobilizes against Hong Kong Protests,” *New York Times*, August 27, 2019; Sunny Shiu-Hing Lo, Steven Chung-Fun Hung, and Jeff Hai-Chi Loo, *China’s New United Front Work in Hong Kong*, Palgrave Macmillan, 2019; Christine Loh, *Underground Front: The Chinese Communist Party in Hong Kong* (Second Edition), Hong Kong University Press, 2018.

Liaison Office gathered around 500 pro-Beijing Hong Kong business and political leaders in Shenzhen to bolster support for the Hong Kong authorities in ensuring stability and protecting the rule of law.¹⁶⁷ In May 2019, the Liaison Office brought together over 100 Hong Kong National People's Congress and Chinese People's Political Consultative Conference delegates and directed them to support and better explain the extradition bill to the Hong Kong public.¹⁶⁸ Following the meeting, some delegates who had previously opposed the bill reportedly came out in support of it, although the number who changed their stance was not disclosed.*¹⁶⁹

On the sidelines of the 40th anniversary celebrations of China's reform and opening up policies in Beijing in November and December 2018, General Secretary Xi appeared to apply more pressure on Chief Executive Lam and Hong Kong representatives to advance long-delayed national security legislation under Article 23 of the Basic Law.¹⁷⁰ During a March 2019 visit to Beijing, Chief Executive Lam reportedly met with top Chinese officials, including Vice Premier Han Zheng, who told her that implementation of Article 23 would be required for a second term.¹⁷¹ Due to the fallout over the extradition bill, however, there has been little further discussion of Article 23 in 2019 from either side.† Under the Basic Law, the Hong Kong government is required to eventually pass this legislation but it has consistently faced significant opposition from Hong Kong citizens.¹⁷²

During the ongoing demonstrations, the Chinese government was suspected of using cyberattacks to restrict communication among protesters for the first time since the 2014 Occupy movement. In June 2019, Telegram—the encrypted messaging app used by Hong Kong protesters to coordinate demonstrations against the bill—suffered a distributed denial of service cyberattack that overwhelmed the firm's servers and shut down service during the protests.¹⁷³ Telegram founder Pavel Durov said the IP addresses used in the attack originated in China, and the volume of the attack resembled that of a state actor.¹⁷⁴ Around the same time, prodemocracy newspaper *Apple Daily* reportedly suffered a similar attack, which it viewed as an attempt to silence its coverage of the protests.¹⁷⁵ On August 31, the Reddit-like forum LIHKG used by protesters for organizing demonstrations suffered a similar cyberattack as Telegram. Some of the attacks were found to have originated in China.¹⁷⁶

*According to Christine Loh, a leading scholar on Hong Kong United Front work, Beijing has long appointed prominent individuals across Hong Kong society as National People's Congress and CPPCC delegates as part of a political co-option strategy to bolster support for CCP priorities in Hong Kong. As of January 2018, nearly 200 out of 2,158 CPPCC delegates were from Hong Kong, including members of the Executive Council, former chief executives (serving as vice chairmen), pro-Beijing legislators, businesspeople, and representatives from across civil society. Tony Cheung and Kimmy Chung, "China's Top Advisory Body Gains over 50 New Hong Kong Faces," *South China Morning Post*, January 26, 2018; Christine Loh, *Underground Front: The Chinese Communist Party in Hong Kong*, Hong Kong University Press, 2010, 30–33.

† Chinese government officials in recent years have steadily ramped up efforts to encourage Hong Kong to pass the legislation, which could grant the Hong Kong government broad power to detain or prosecute individuals deemed a threat to Beijing or shut down any entity with foreign ties. He Shusi, "Wang: HK Is Obligated to Protect National Security," *China Daily*, April 16, 2019; Kuk Fung, "Conditions Right for Article 23 Legislation," *China Daily (HK Edition)*, December 4, 2017; The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, *Chapter II: Relationship between the Central Authorities and the Hong Kong Special Administrative Region, Article 23* (Adopted at the Third Session of the Seventh National People's Congress on April 4, 1990).

Hong Kong's Economic Relationship with Mainland China

Public outcry over the extradition bill has led some economists to debate the extent of Hong Kong's continuing importance to Beijing and its competitiveness globally. As economist Eswar Prasad observed in July 2019, in 2018 Hong Kong's economy was "barely one thirtieth" of China's economy in terms of gross domestic product (GDP).¹⁷⁷ Despite Hong Kong's size relative to the Chinese economy, however, economic analyst Tianlei Huang argued, "[Hong Kong] remains vital to China as a whole. [Its] importance to the Chinese economy is disproportionate to its size."¹⁷⁸ This importance stems from the territory's uniqueness: Hong Kong is positioned as the conduit for China's international financial integration, linking Chinese companies with global capital markets and providing opportunities to internationalize the renminbi (RMB).¹⁷⁹ Equally important, the international business community relies on Hong Kong's independent judiciary and rule of law, both missing in the Mainland.

Hong Kong is widely recognized as a center for international banking and finance. According to the Global Financial Centers Index, Hong Kong is ranked third in a list of global financial centers, after New York and London.¹⁸⁰ The Hong Kong Stock Exchange (HKEX) total market capitalization stood at about \$4.2 trillion (HKD 32.7 trillion) in June 2019,* which allows it to accommodate larger companies.¹⁸¹ Capital raised through initial public offerings (IPOs) totaled \$36.7 billion (HKD 288 billion) in 2018.¹⁸² This marked HKEX as the top IPO destination globally in that year, with a 17.6 percent share of the global IPO market (New York raised \$28.9 billion in 2018).¹⁸³

Hong Kong also serves as a regional hub for international commerce. In 2019, the World Bank ranked Hong Kong fourth globally in its ease of doing business assessment.† Multinational firms maintain regional bases in Hong Kong, including U.S. multinationals.¹⁸⁴ According to a survey by the Hong Kong Census and Statistics Department, U.S. multinationals operated at least 1,351 offices in Hong Kong in 2018, including 290 regional headquarters, 434 offices with a regional coordinating function, and 627 local offices serving only Hong Kong.¹⁸⁵ Multinational companies in Hong Kong operate in sectors such as international trade; wholesale and retail; finance and banking; professional, business, and education services; and transportation and logistics services.¹⁸⁶ American Chamber of Commerce (AmCham) Hong Kong President Tara Joseph stated U.S. businesses with local operations look to Hong Kong for "good governance, global connectivity, and [a] stable, safe environment."¹⁸⁷

Hong Kong has received a steady stream of tourism from the Mainland. In 2018, tourists from mainland China accounted for 78 percent of tourists to Hong Kong.¹⁸⁸ Tourism revenue from mainland China totaled \$17.8 billion (HKD 139.9 billion, or 72.2 percent) of tourist receipts for overnight visitors and \$9.6 billion (HKD 74.9 billion, or 95.1 percent) of tourist receipts for same-day visitors in

*Unless noted otherwise, this section uses the following exchange rate throughout: \$1 = HKD 7.84.

†The World Bank's Doing Business project creates an index using ten criteria: (1) starting a business; (2) dealing with construction permits; (3) getting electricity; (4) registering property; (5) getting credit; (6) paying taxes; (7) trading across borders; (8) protecting minority investors; (9) enforcing contracts; and (10) resolving insolvency. World Bank Group, *Doing Business 2019: Training for Reform*, October 31, 2018, 5, 7.

2018. Mainland Chinese tourists were also the highest spenders per person for overnight visitors and same-day visitors.¹⁸⁹

Economic Impact of the Ongoing Protests

Beijing's encroachment into Hong Kong's autonomy and the resulting public protests are raising serious doubts among global companies whether Hong Kong will retain its status as a hub for international business and finance. When AmCham Hong Kong members were surveyed in late July 2019 regarding the impact of the ongoing demonstrations on business sentiment,* about 37.1 percent of respondents stated they felt "pessimistic" in the short term but felt Hong Kong would "bounce back," while 34.4 percent of respondents stated they felt Hong Kong's long-term prospects had been "irreparably damaged."¹⁹⁰

As one measure of uncertainty, some Hong Kong businesses were reportedly considering transferring assets and operations out of the territory. Singapore has emerged as a possible alternative. In July 2019, Singapore media reported that wealth managers and private bankers in Singapore were receiving an increasing number of inquiries from Hong Kong investors.¹⁹¹ In a survey of AmCham multinationals in September 2019, AmCham Singapore found only about 5 percent of respondents with operations in Hong Kong had transferred capital out of the territory, but 23 percent of respondents were considering shifting business functions to another location, primarily to Singapore.† About two-thirds of surveyed companies reported that the protests had tarnished Hong Kong's reputation as a regional base of operations.¹⁹² Dan Harris, partner at Harris Bricken and business strategy consultant for firms in China, said that since mid-June, businesses began choosing not to set up in Hong Kong or requesting advice on reducing their footprint in Hong Kong.¹⁹³

The continuing protests have also affected tourism to Hong Kong as airports and other means of transit were disrupted. While the Hong Kong Tourism Board had not released August data at the time of writing, Hong Kong financial secretary Paul Chan stated in early September that visitor arrivals fell by nearly 40 percent in August, while occupancy rates in some hotels were halved.¹⁹⁴ As of August 15, 29 countries had issued a variety of alerts regarding travel to Hong Kong.¹⁹⁵ The largest group of tourists typically comes from the Mainland, but in August, mainland group tours to the territory dropped by 63 percent year-on-year.¹⁹⁶ This overall decline in tourism has impacted retail sales. Total retail sales dropped 6.7 percent in June and 11.4 percent in July from the year prior.¹⁹⁷

Beyond business sentiment and tourism, Beijing has started using economic coercion against foreign companies whose employees were suspected of supporting the protests. In August 2019, after Cathay Pacific employees joined or supported demonstrations, the Civil Aviation Administration of China threatened to bar crew members from entering China.¹⁹⁸ Beijing, the second-largest shareholder

*Of the 1,268 companies surveyed by AmCham Hong Kong, 153 members (12 percent) responded. AmCham Hong Kong, "AmCham Calls for Firm Government Leadership to Restore Sagging Business Confidence," July 29, 2019; AmCham Hong Kong, "Fix Hong Kong's Protest Pain Now or Risk Permanent Scars: AmCham Survey," July 26, 2019.

†In total, 120 firms were surveyed. American Chamber of Commerce in Singapore, "AmCham's Flash Survey on Hong Kong Protests," September 12, 2019, 2. https://www.amcham.org.sg/wp-content/uploads/2019/09/AmCham-Survey-HK-Protests-Report_FINAL.pdf.

of the company through state-owned Air China, forced the airline to identify all crew members bound for China and passing through Chinese airspace.¹⁹⁹ On August 16, when pressured to name employees participating in the demonstrations, Cathay Pacific CEO Rupert Hogg resigned after reportedly only naming himself.²⁰⁰ Cathay Pacific has since fired an unknown number of workers who have sided with the protestors or criticized the Hong Kong government or police force on social media.²⁰¹ Hong Kong branches of the big four global accounting firms, PricewaterhouseCoopers, Deloitte, KPMG, and Ernst & Young, also faced pressure from Beijing to fire employees who expressed support for the movement in a full-page ad in the Hong Kong prodemocracy newspaper *Apple Daily*.²⁰²

Other forms of economic pressure on multinational corporations have included boycotts of specific products in mainland China. Beijing has allowed social media calls for boycotts against Taiwan bubble tea chains and Japanese sports drink maker Pocari Sweat, which have publicly stated support for the movement.²⁰³ In addition, at a September meeting organized in Shenzhen by China's State-owned Assets Supervision and Administration Commission,* Chinese state-owned enterprises (SOEs) were reportedly told to shore up Hong Kong's economy and not only hold stakes in Hong Kong companies, but seek "control" and "decision-making power."²⁰⁴

Ultimately, Beijing's actions toward the unrest in Hong Kong may also impact investment flows into China. Following the protests, several notable planned listings on the HKEX were delayed without specifying a reason, including Anheuser-Busch InBev's Asia Pacific Unit (seeking to raise \$5 billion) and Alibaba's secondary listing (seeking to raise \$15 billion).† In September, ratings agency Fitch downgraded its rating outlook on Hong Kong from AA+ to AA, its first rating cut since 1995. Fitch stated that ongoing events had "inflicted long-lasting damage to international perceptions of the quality and effectiveness of Hong Kong's governance system and rule of law."²⁰⁵ Ratings agency Moody's lowered its ratings outlook to reflect "rising risk that the ongoing protests reveal an erosion in the strength of Hong Kong's institutions."²⁰⁶

Ms. Joseph vocalized this sentiment in stating: "If people do not trust Hong Kong as an independent legal jurisdiction, then business will suffer."²⁰⁷ This perception matters for investment not only in Hong Kong, but in China as well. Logan Wright, director at Rhodium Group, argued that capital inflows into China "are not inevitable," and continued escalation of the protests could have a negative impact on future capital flows into China.²⁰⁸ He stated, "Hong Kong's independent legal framework and the open media environment in the territory are the core of the city's comparative advantages," which allow foreign businesses and capital to engage with China under the protection of a credible legal system.²⁰⁹

The ongoing protests add to Hong Kong's headwinds. Its economy already faced challenges stemming from China's economic slowdown

*The State-owned Assets Supervision and Administration Commission, or SASAC, is a powerful central government body with authority over China's state-owned enterprises. Keith Zhai, "Exclusive: China Prods State Firms to Boost Investment in Crisis-Hit Hong Kong," *Reuters*, September 12, 2019.

†Anheuser-Busch InBev's Asia Pacific Unit listed on HKEX on September 30, 2019. Hudson Lockett, "Shares in AB InBev's Asia Unit Rise 4% on Trading Debut," *Financial Times*, September 30, 2019.

and U.S.-China trade tensions.²¹⁰ On August 15, Financial Secretary Chan lowered Hong Kong's 2019 projected growth to between 0 and 1 percent and announced a \$2.4 billion (HKD 19.1 billion) package of economic support measures.²¹¹ AmCham Hong Kong members called on the Hong Kong government to "take immediate and tangible actions to address the root causes of recent demonstrations and restore confidence in the city's status as Asia's preeminent international business and financial center."²¹²

Bilateral Trade and Foreign Direct Investment

Hong Kong's trade and investment flows are closely linked with mainland China, which has been Hong Kong's largest trading partner since 1985.²¹³ According to official Hong Kong statistics, in 2018 the Mainland accounted for 55.0 percent of Hong Kong's total goods exports and 46.3 percent of Hong Kong's total goods imports.²¹⁴ Hong Kong also functions as a trade hub for mainland China: in 2018 about 55 percent of Hong Kong's re-exports* were shipped to mainland China and 57 percent of re-exports originated from mainland China.²¹⁵ Beyond trade in goods, mainland China is also Hong Kong's largest services trade partner, accounting for 39.9 percent of the territory's services exports in 2017; by comparison, only 14.3 percent of its services exports went to the United States, its next-largest export destination (see Table 1).²¹⁶

Table 1: Hong Kong Bilateral Trade with Mainland China and the United States, 2017 and 2018
(US\$ billions)

| Partner | Goods (2018) | | Services (2017) | |
|----------------|--------------|---------|-----------------|---------|
| | Exports | Imports | Exports | Imports |
| Mainland China | 291.8 | 278.9 | 39.8 | 29.3 |
| United States | 45.5 | 29.5 | 14.2 | 8.5 |

Note: Conversion rate from U.S. dollars was 7.839 in 2018 and 7.794 in 2017 as per the Hong Kong Special Administrative Region Census and Statistics Department, Hong Kong Special Administrative Region Census and Statistics Department, *Government Accounts, Finance and Insurance, Table 124: Exchange Rates: Year 2018 and 2017*, accessed September 16, 2019. <https://www.censtatd.gov.hk/hkstat/sub/sp110.jsp?tableID=124&ID=0&productType=8>.

Source: Various.²¹⁷

Hong Kong also serves as a major intermediary for foreign direct investment (FDI) flowing in and out of China. According to UN statistics, Hong Kong received about \$116 billion in inbound FDI in 2018, the second-largest FDI inflow in Asia after China (\$139 billion).²¹⁸ Hong Kong was the largest source of inbound FDI in China by the end of 2018, accounting for about \$1.1 trillion in cumulative investment (HKD 8.6 trillion, or 54 percent of China's inbound FDI).²¹⁹ In turn, mainland China was Hong Kong's second-largest source of inbound FDI, accounting for \$496.8 billion in cumulative

*In Hong Kong's trade statistics, "re-exports" refers to products imported into Hong Kong that are re-exported without undergoing a manufacturing process that "permanently and substantially" changed the "shape, nature, form, or utility of the basic materials used in the manufacture." Hong Kong Special Administrative Region Census and Statistics Department, "Merchandise Trade: Concepts and Methods." <https://www.censtatd.gov.hk/hkstat/sub/sc230.jsp>.

investment (HKD 3.9 trillion, or about 25.5 percent) at the end of 2017.²²⁰ It is estimated that more than half of China's inbound and outbound FDI flows through Hong Kong.²²¹

Hong Kong as a Conduit between China and Global Financial Markets

Hong Kong serves as a conduit connecting Chinese firms with global financial markets. Its special status has enabled the territory to intermediate investment flows between mainland China and global financial markets, where China is increasingly integrated. As the International Monetary Fund (IMF) reported in December 2018, Hong Kong's "role as a fundraising platform for Chinese firms has expanded from equity [stock] fundraising through IPOs to bank borrowing and bond financing."²²² In equity fundraising, HKEX serves as a platform for the Shanghai and Shenzhen Stock Connect programs, launched in 2014 and 2016, respectively, which permit foreign investors with accounts in Hong Kong to trade stocks in Shanghai and Shenzhen.²²³ Mainland companies can access international capital by listing on HKEX. According to the Hong Kong Trade and Development Council, as of year-end 2018, 1,146 mainland companies were listed in Hong Kong, with a total market capitalization of \$2.6 trillion (68 percent of the market total).²²⁴ Listing of Chinese SOEs helped establish Hong Kong's position as the premier global IPO destination between 2009 and 2011.²²⁵ In bond fundraising, the Bond Connect program began to allow foreign investors to trade bonds in China through Hong Kong platforms in 2017.²²⁶

The Stock Connect and Bond Connect platforms in Hong Kong also support new passive* foreign investment in Chinese stocks and bonds as they become incorporated in global indices.²²⁷ Dr. Wright estimated about \$95 billion flowed into Chinese capital markets between 2016 and September 2019 via Hong Kong.²²⁸ In February 2019, index provider MSCI announced it would gradually increase the weighting of local Chinese stocks in its Emerging Markets Index from 0.71 percent in March 2019 to 3.3 percent by November 2019, with associated capital inflows of up to \$80 billion following the adjustment.²²⁹ Separately, the Bloomberg Barclays Global Aggregate Index began to include Chinese bonds in April 2019.²³⁰ By the end of a 20-month phase-in process, Chinese companies are expected to make up 6.1 percent of the index, generating more than \$100 billion in foreign capital inflows.²³¹ The People's Bank of China has stated that as much as 15 percent of China's onshore bond market could become foreign owned.²³² Despite these announcements, foreign participation in Chinese bond and equity markets remains low. People's Bank of China Governor Yi Gang estimated foreign holdings at about 2.3 percent of China's bond market and 2.7 percent of Chinese equity markets in March 2019.²³³

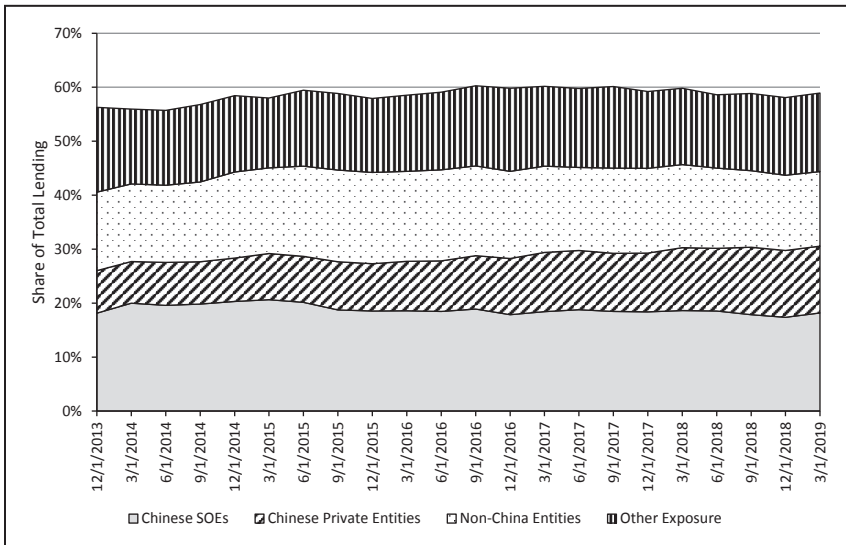
Foreign investors with capital in mainland China complain of receiving "window guidance," or verbal instructions from mainland financial regulators or stock exchange regulators regarding inves-

*A "passive" investment management style relies on an index to determine how to allocate money across stocks or bonds, while an "active" investment management style relies on the discretion of an individual investor (e.g., a wealth manager or portfolio manager). Kenechukwu Anadu et al., "The Shift from Active to Passive Investing: Potential Risks to Financial Stability?" *Federal Reserve Bank of Boston Working Paper* RPA 18-04, August 27, 2018, 1.

tors' market actions.²³⁴ For example, before repatriation caps were removed in June 2018, some institutional investors received a phone call with instructions “not to repatriate the entire 20 [percent] of their Net Asset Value ... or to repatriate only 10 [percent].”²³⁵ Such verbal instructions cause investors to question the legality and fairness of financial regulators. In November 2018, the Shanghai Stock Exchange stated it would halt this practice after the China Securities Regulatory Commission also committed to reducing “unnecessary [market] intervention.”²³⁶

Outside of bond and equity flows, Hong Kong banks commit a substantial amount of their lending toward activities on the Mainland. According to the IMF, about 39 percent of Hong Kong bank lending is channeled toward business activities in mainland China.²³⁷ Around a fifth of lending to non-bank entities is extended to Chinese SOEs (see Figure 1).²³⁸ Given this relationship, the IMF cautioned that a drop in the investment or borrowing needs of Chinese companies could adversely affect Hong Kong banks' outlook.²³⁹ In testimony before the Commission, Victor Shih, Ho Miu Lam Chair in China and Pacific Relations at the University of California at San Diego, said that some banks lend to companies in mainland China and in Hong Kong. “Because the IMF and the [United States] legally treat Hong Kong as a separate entity [from] China, the banks ... lend both to [Chinese companies] Hong Kong based subsidiaries and to the headquarters in Beijing.”²⁴⁰

Figure 1: Hong Kong Banks' Exposure to Nonbank Chinese Entities, by Borrower Type, December 2013–March 2019



Source: Hong Kong Monetary Authority, “Monthly Statistical Bulletin (August 2019—Issue No. 300),” Series 3.4.1 “Loans and Advances by Type—Authorized Institutions,” Series 3.13.3 “Mainland-Related Lending by Type of Borrowers,” Series 3.13.4 “Other Mainland-Related Non-Bank Exposures,” accessed August 12, 2019. <https://www.hkma.gov.hk/eng/market-data-and-statistics/monthly-statistical-bulletin/table.shtml#section3>; International Monetary Fund, “2018 Article IV Consultation Press Release and Staff Report: People’s Republic of China—Hong Kong Special Autonomous Region,” January 2019, 13.

Finally, Hong Kong represents the largest offshore clearing center for RMB. According to the SWIFT global payments processing service, in May 2019 over 75 percent of offshore RMB-denominated payments were cleared in Hong Kong.²⁴¹

To assist RMB internationalization by speeding up payment processing and lowering the cost of cross-border RMB payments, Chinese banks began implementing China's Cross-border Interbank Payment System (CIPS) in September 2015.²⁴² Though CIPS initially began using SWIFT for interbank messaging, over time it is expected to use a separate dedicated communications system.²⁴³ According to a *Nikkei Asian Review* survey, CIPS usage went from about \$2.09 trillion in 2017 to \$3.77 trillion in 2018—an increase of 80 percent.²⁴⁴ While this volume is low compared to SWIFT, which processes between \$5 trillion and \$6 trillion in payments daily, the survey noted that 865 banks take part, including 30 banks in Japan, 23 in Russia, 11 in Turkey, and 31 in South Africa, Kenya, and other African countries.²⁴⁵ (For more information on CIPS, see Chapter 2, “Beijing’s Internal and External Challenges.”)

Efforts to Boost Hong Kong’s Future Competitiveness

In its review of the territory, the IMF noted that while Hong Kong continues to be considered one of the most competitive global economies, it faces increasing challenges from cities in mainland China and elsewhere.²⁴⁶ The Greater Bay Area Outline Development Plan, released on February 18, 2019 by China’s State Council, proposes to address some of those challenges by “fostering the flow of people, goods, capital, and information” between Hong Kong, Macau, and nine cities in Guangdong Province, drawing on Hong Kong’s strong financial, legal, and business services sector.* To remain competitive, however, the territory seeks to foster an innovation and start-up environment that extends beyond those sectors: since July 2017, the Hong Kong government has committed “over [HKD] 100 billion” to promote innovation in biotechnology, artificial intelligence, smart cities, and financial technology.²⁴⁷ It is unclear whether the Greater Bay Area Plan would support this diversified economic vision for Hong Kong. Democratic Party Chairperson Wu Chi-wai criticized the plan “as developing mainland cities at the expense of Hong Kong.”²⁴⁸ In addition, uncertainty over Hong Kong’s future, precipitated by the extradition bill proposal, could prompt an exodus of multinational investment or personnel if enacted at a later date.²⁴⁹

To boost its competitiveness, in 2018 HKEX reduced corporate governance regulations. These revised measures allow the listing of certain loss-making firms and dual-class share structures in what some observers have termed a corporate governance “race to the bottom.”²⁵⁰ Dual-class structures allow certain shareholders—most often company founders and executives—to have a vote that carries more weight relative to other shareholders in corporate voting, permitting those shareholders to maintain greater control over a

* For more on the Greater Bay Area Plan, see U.S.-China Economic and Security Review Commission, Chapter 3, Section 4, “China and Hong Kong,” in *2018 Annual Report to Congress*, November 2018, 399–400. Hong Kong Special Autonomous Region Constitutional and Mainland Affairs Bureau, *Greater Bay Area: Overview*, 2019. <https://www.bayarea.gov.hk/en/about/overview.html>; Hong Kong Legislative Council LC Paper No. CB(1)697/18-19(01), *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*, March 19, 2019.

company's management and firm decisions such as mergers and acquisitions.*

HKEX's reforms are intended to help it attract more Chinese "unicorns," private companies valued at over \$1 billion. Tech startups and biomedical companies may view a dual-class structure as preferable and list accordingly: HKEX has admitted that Alibaba's 2014 decision to list on the New York Stock Exchange with a dual-class share structure prompted HKEX to "reckon with this issue."²⁵¹ From this perspective, the regulatory change may already be achieving its desired result: according to reports, in June Alibaba filed confidentially to launch a secondary listing on HKEX and could raise as much as \$20 billion in capital.²⁵² Critics like the Asian Corporate Governance Association have called HKEX's move to allow dual-class share structures "opportunistic," citing the need for investor rights and fairness in corporate decision making.²⁵³

Apart from reducing corporate governance regulations, HKEX also made an unsolicited \$36.6 billion bid to acquire the London Stock Exchange (LSE) Group on September 11, which LSE rejected.²⁵⁴ In rejecting the bid, LSE pointed to HKEX's "unusual" board structure, as the Hong Kong government can appoint seven of HKEX's 13 board members.²⁵⁵ Following the bid's rejection, HKEX stated it would put the bid before LSE shareholders to see if they would agree.²⁵⁶

U.S. Export Controls as They Apply to Hong Kong

Because of Hong Kong's special status, the United States treats Hong Kong and mainland China as separate export destinations. U.S. and Hong Kong officials cooperate on the enforcement of U.S. export controls, regulations that require businesses to request a license from the U.S. Department of Commerce's Bureau of Industry and Security (BIS) to export U.S. technologies with both commercial and military or proliferation applications ("dual-use" technologies). Some technologies require a license to be exported to China, while they are unrestricted in Hong Kong.²⁵⁷

In 2017, BIS implemented additional regulations requiring exporters and re-exporters of controlled U.S. technologies to Hong Kong to obtain and submit proof of an import license or license exemption from the Hong Kong Trade and Industry Department before export or re-export, in addition to seeking a license from BIS.²⁵⁸ BIS stated this enhanced procedure would "provide greater assurance that U.S. origin items that are subject to the multilateral control regimes ... will be properly authorized by the United States to their final destination, even when those items first pass through Hong Kong."²⁵⁹

Legal analysts view the BIS measure as "a step forward in BIS efforts to combat unauthorized diversions in transshipments through Hong Kong."²⁶⁰ As former Assistant Secretary of Commerce for Export Administration Kevin Wolf testified to the Commission in April 2019:

*A company with a "dual-class" share structure issues two or more classes of stock shares, one of which has significantly more voting power than the other. This allows those specific shareholders—usually the company founders—greater voice and control in corporate decision making. Robert J. Jackson, Jr., "Perpetual Dual-Class Stock: The Case against Corporate Royalty," *Securities and Exchange Commission*, February 15, 2018.

U.S. Export Controls as They Apply to Hong Kong— Continued

*[I]f Hong Kong officials could provide regular, robust assurances that diversions of U.S.-origin items were not occurring, then the additional requirements would remain in effect as is or be removed. If not, then the stricter licensing policies, including policies of presumptive denials, would need to be imposed.*²⁶¹

To support enforcement efforts, BIS stations one of its seven export control officers²⁶² in Hong Kong to “conduct end-use checks, industry outreach, and government liaison work.”²⁶³ In 2018, the Hong Kong Customs and Excise Department reported it completed 285 investigations and prosecuted 59 individuals or companies resulting in total fines of \$120,400 (HKD 940,000), most commonly for export control violations involving integrated circuits and systems, equipment, or integrated circuits for information security (i.e., cryptography).²⁶⁴

Beijing’s increasing encroachment on Hong Kong’s autonomy has raised some concern about the degree to which Hong Kong and mainland China should continue to be maintained as separate export jurisdictions. In December 2018, the *Wall Street Journal* reported a case where U.S. officials had approved restricted U.S. satellite technology for export to a British Virgin Islands company controlled by a Chinese SOE.²⁶⁵ This was permitted under current regulations because the individual in question was a Hong Kong passport-holder.²⁶⁶ (For more information on concerns regarding U.S. technology exports, see Chapter 4, Section 3, “China’s Ambitions in Space: Contesting the Final Frontier”)

U.S. officials have requested additional improvements and assistance from the Hong Kong government. In December 2018, a delegation from the State Department and the Department of Commerce met with Hong Kong government officials to secure “tracking of strategic commodities and controlled items” and greater assistance in “[preventing] diversion of [re-exports] to the development and production of weapons of mass destruction and unauthorized military end users.”²⁶⁷ Later, in its March 2019 *Hong Kong Policy Act Report*, the State Department reiterated its statement from 2018: U.S. representatives “[continued] to raise concerns about cases of diversion of controlled items.”²⁶⁸

Implications for the United States

U.S. policy toward Hong Kong, as outlined in the U.S.-Hong Kong Policy Act of 1992, underscores U.S. support for Hong Kong’s human rights, democratization, and autonomy under the “one country, two systems” framework.²⁶⁹ The preservation of Hong Kong’s way of life and maintenance of its status as a global financial and business hub help facilitate U.S. interests. For these reasons, Beijing’s growing encroachment on Hong Kong’s autonomy in violation of its legal commitments has raised concerns for U.S. policymakers.

In 2019, the CCP interfered more brazenly in Hong Kong’s internal affairs as the Lam Administration took steps to make the ter-

ritory more like any other Chinese city. In particular, with the proposal to amend existing extradition laws, observers both within and outside the territory are increasingly questioning whether Beijing intends to allow Hong Kong residents to maintain any significant degree of their promised freedoms.

In the past year, policymakers in Congress have introduced legislation that would make changes to the United States' Hong Kong policy. As massive protests continued and Beijing's threats of armed intervention escalated in August 2019, Majority Leader Mitch McConnell issued a stark warning: "Beijing must know the Senate will reconsider [the special U.S.-Hong Kong] relationship, among other steps, if Hong Kong's autonomy is eroded."²⁷⁰ He outlined potential changes to Hong Kong policy, including extending reporting requirements on Beijing's interference in Hong Kong's affairs, funding democracy and human rights programs in the region, and examining Beijing's efforts to expand its influence and surveillance in and beyond Hong Kong.²⁷¹ Earlier that month, Speaker of the U.S. House of Representatives Nancy Pelosi urged Chief Executive Lam and LegCo to "finally, fully meet the legitimate democratic aspirations of the Hong Kong people, as guaranteed under 'one country, two systems.'"²⁷² Speaker Pelosi also signaled her support for the pending Hong Kong Human Rights and Democracy Act of 2019 and for banning the sale of U.S. crowd control munitions and equipment to the Hong Kong Police Force.²⁷³ These statements promising action on U.S.-Hong Kong policy followed the State Department's use of new language in its *2019 Hong Kong Policy Act Report* issued in March that for the first time called the territory's degree of autonomy "diminished," due mostly to growing mainland pressure.²⁷⁴

Changes in U.S. treatment of Hong Kong could have repercussions across all aspects of the U.S.-Hong Kong relationship. Hong Kong's special status provides for recognition of Hong Kong passports and diplomatic missions, as well as separate treatment in visa issuance, transportation, export controls, research, cultural, and educational exchange programs, and separate membership in international agreements and organizations.²⁷⁵ Additional U.S. bilateral treaties with Hong Kong govern consular affairs, taxes, legal assistance, air services, and extradition.²⁷⁶ If Hong Kong no longer received separate treatment, the loss of all of these benefits would materially alter not only the U.S.-Hong Kong relationship, but global sentiment and decision-making as well. Chinese University of Hong Kong economist Yifan Zhang stated that uncertainty about Hong Kong's special status could lead to lower investor demand and prompt foreign firms to leave the territory, with a "very damaging effect on Hong Kong's economy."²⁷⁷

Hong Kong is a vibrant global center of commerce geographically close to the Mainland but distinguished by its economic openness, transparent regulatory environment, and commitment to freedom of expression and the rule of law. Hong Kong's uniqueness has engendered a U.S.-Hong Kong relationship characterized by deep, long-standing economic and social ties. U.S. cumulative outbound FDI in Hong Kong stood at approximately \$82.5 billion at the end of 2018.²⁷⁸ Over 1,300 U.S. companies operate in Hong Kong, including most major U.S. financial firms.²⁷⁹ In 2018, about 1.3 million U.S.

visitors went to Hong Kong, while about 127,000 Hong Kong residents traveled to the United States.²⁸⁰ Approximately 85,000 U.S. citizens are Hong Kong residents.²⁸¹ This open interaction is made possible by the perception of Hong Kong in the United States and the international community. In June 2019, AmCham Hong Kong's president Tara Joseph emphasized that U.S. companies "depend on and prize Hong Kong's reputation as a center of excellence for the rule of law."²⁸² Given the continuing political crisis, however, some in the U.S. business community in Hong Kong have begun to explore alternatives.

The United States also works closely with the Hong Kong government on export controls, law enforcement, and hosting U.S. Navy port calls. Cases of diversion of controlled items, however, are cause for concern due to the high risk of transshipment to the Mainland as Beijing extends its reach into Hong Kong.²⁸³ In 2018, the State Department noted increased scrutiny of the Hong Kong government's handling of UN and U.S. sanctions enforcement, which resulted in some positive measures such as legislation and more investigation, but Hong Kong refrained from making formal charges against violators.²⁸⁴ Law enforcement cooperation remains robust and has helped in fugitive surrender cases—with the key exception of the first refusal of a U.S. extradition request in 2017—and disrupting the flow of contraband, including narcotics.²⁸⁵ Port calls are contingent on PRC approval, with Beijing notably denying U.S. port call requests in August and September 2019, two of at least ten such instances since the 1997 handover (see Addendum II for a list of all publicly reported port call denials).²⁸⁶

The future direction of Hong Kong—and with it U.S.-Hong Kong policy—will rest upon the outcome of the historic 2019 protest movement and the extent to which the Hong Kong government respects the aspirations of its people to protect the territory's autonomy. Regardless of the outcome, it is clear that Beijing is unwilling to wait until 2047—when it no longer must abide by the "one country, two systems" arrangement—to exert its influence over all aspects of Hong Kong's affairs. Given recent developments, U.S. policymakers are starting to prepare for the day when Hong Kong loses the legal protections and democratic freedoms that are key pillars of the U.S.-Hong Kong relationship.

Addendum I: Selected List of Demonstrations, June–October 1, 2019

| Date | Name | Organizers' Estimated Turnout | Hong Kong Police Estimated Turnout |
|-------------|--|--------------------------------------|---|
| June 6 | Lawyers' silent march against extradition bill | 3,000 | 880 |
| June 9 | Civil Human Rights Front (CHRF)-organized march | 1,030,000 | 240,000 |
| June 12 | Surrounding of LegCo and government headquarters | 100,000 | N/A |
| June 14 | Mothers' gathering for young protesters | 6,000 | 1,000 |
| June 16 | CHRF-organized march | 2,000,000 | 338,000 |
| June 21 | Surrounding of police headquarters | 30,000 | N/A |
| June 26 | CHRF-organized rally | 80,000 | N/A |
| June 27 | Surrounding of Justice Department | 2,200 | N/A |
| July 1 | CHRF-organized march | 550,000 | 190,000 |
| July 1 | Anti-flag-raising ceremony protest and LegCo break-in | 30,000 | N/A |
| July 5 | Mothers' gathering for young protesters | 8,000 | 1,300 |
| July 6 | Tuen Mun protest | 10,000 | 1,800 |
| July 7 | LIHKG internet forum-organized Kowloon march | 230,000 | 56,000 |
| July 13 | Sheung Shui protest | 30,000 | 4,000 |
| July 14 | Journalists' silent march against police violence | 1,500 | 1,100 |
| July 14 | Shatin protest organized by community group | 115,000 | 28,000 |
| July 15 | Hunger strike march to Chief Executive residence | 2,400 | N/A |
| July 16 | Retiree/elderly march in support of young protesters | 9,000 | 1,500 |
| July 21 | Social workers' silent march to government headquarters | 4,000 | N/A |
| July 21 | CHRF-organized march | 430,000 | 138,000 |
| July 26 | Aviation workers-organized sit-in at airport | 15,000 | 4,000 |
| July 27 | Yuen Long protest (unauthorized by police) | 288,000 | N/A |
| July 28 | Chater Garden protest (partially unauthorized by police) | 11,000 | N/A |

**Addendum I: Selected List of Demonstrations, June–October 1, 2019—
Continued**

| Date | Name | Organizers' Estimated Turnout | Hong Kong Police Estimated Turnout |
|--------------|---|--------------------------------------|---|
| August 1 | Financial workers' flash mob protest | 4,300 | N/A |
| August 2 | Medical workers' protest | 10,321 | N/A |
| August 2 | Civil servants' protest | 40,000 | 13,000 |
| August 3 | Mong Kok march | 120,000 | 42,000 |
| August 4 | Tseung Kwan O march | 150,000 | 27,000 |
| August 4 | Hong Kong Island West rally | 20,000 | N/A |
| August 5 | General strike gatherings in seven areas of the territory | 290,000 | N/A |
| August 6 | Sham Shui Po police station protest | 1,000 | N/A |
| August 7 | Lawyers' silent march against politicized prosecutions | 3,000 | N/A |
| August 8 | Catholics' march | 1,200 | N/A |
| August 9–13 | Airport sit-in and protests | Thousands | N/A |
| August 10 | Tai Po march (unauthorized by police) | Thousands | N/A |
| August 11 | Hong Kong Island East march (unauthorized by police) | Thousands | N/A |
| August 12–14 | Medical workers' protest at 15 hospitals | Thousands | N/A |
| August 12 | Social workers' protest at police headquarters | Hundreds | N/A |
| August 16 | Hong Kong universities' student unions-organized rally | 60,000 | 7,100 |
| August 17 | Teachers' march | 22,000 | 8,300 |
| August 17 | To Kwa Wan march | 2,000 | N/A |
| August 18 | CHRF-organized rally and march (unauthorized by police) | 1,700,000 | 128,000 |
| August 22 | Secondary students' rally | 1,000 | N/A |
| August 23 | "Hong Kong Way" 37 mile-long human chain protest | 210,000 | N/A |
| August 23 | Accountants' silent march | 5,000 | N/A |
| August 24 | Kwun Tong march (unauthorized by police) | Tens of thousands | N/A |

**Addendum I: Selected List of Demonstrations, June–October 1, 2019—
Continued**

| Date | Name | Organizers' Estimated Turnout | Hong Kong Police Estimated Turnout |
|----------------|--|--------------------------------------|---|
| August 25 | Kwai Tsing-Tsuen Wan march (unauthorized by police) | Tens of thousands | N/A |
| August 28 | Anti-Cathay Pacific firings rally | 3,000 | 730 |
| August 28 | Anti-police sexual harassment rally | 30,000 | 11,500 |
| August 31 | CHRF-organized march and rally (unauthorized by police) | Tens of thousands | N/A |
| September 1 | Airport 'stress test' (disrupting transport links to airport) | Thousands | N/A |
| September 2 | Secondary students from around 230 schools strike and hold rally | 4,000 | N/A |
| September 2 | University students from 11 schools strike and hold rally | 30,000 | N/A |
| September 2 | General strike rally | 40,000 | 4,080 |
| September 2–6 | Secondary students from 42 schools form human chains | Thousands | N/A |
| September 6 | Anti-police/anti-Beijing rally | 23,000 | N/A |
| September 8 | Support for Hong Kong Human Rights and Democracy Act march to U.S. Consulate Hong Kong | 250,000 | N/A |
| September 9 | Secondary students from 188 schools form human chains | Tens of thousands | N/A |
| September 9 | Students from three universities form human chains | Hundreds | N/A |
| September 9–12 | "Glory to Hong Kong" sing-along protests at various malls, campuses, and public spaces | Tens of thousands | N/A |
| September 13 | Liberate Hong Kong Mid-Autumn Festival protest involving human chains and sit-ins | 14,400 | N/A |
| September 15 | Causeway Bay to Central march (original route planned by CHRF; unauthorized by police) | 490,000 | N/A |
| September 22 | Anti-CCP shopping in Shatin | 3,000 | N/A |
| September 26 | Protest outside Chief Executive Lam's public forum | 2,000 | N/A |

**Addendum I: Selected List of Demonstrations, June–October 1, 2019—
Continued**

| Date | Name | Organizers’ Estimated Turnout | Hong Kong Police Estimated Turnout |
|--------------|--------------------------------------|--|---|
| September 27 | Rally against San Uk Ling detentions | 50,000 | 9,520 |
| September 28 | CHRF rally | 200,000 | 8,440 |
| September 29 | Anti-totalitarianism march | 200,000 | N/A |
| October 1 | March from Causeway Bay to Central | 200,000 | N/A |

Note: According to Hong Kong writer and activist Kong Tsung-gan, as of October 1, some 482 demonstrations have been held since the start of the protest movement. All protests in this table that are noted as “unauthorized by police” were denied permits to hold the event but did so regardless, risking unlawful assembly charges. Since the start of the movement, four mass pro-Beijing counterprotests have been held supporting the extradition bill and the Hong Kong government and police’s response to the protests. These included: (1) a June 30 rally in front of the Hong Kong government’s headquarters involving 165,000 participants, according to organizers (police estimated 53,000); (2) a July 20 rally at Tamar Park with 316,000 attendees, according to organizers (police estimated 103,000); (3) an August 2 rally at Victoria Park with 90,000 people attendees, according to organizers (police estimated 26,000); and (4) an August 17 rally at Tamar Park with 476,000 attendees according to organizers (police estimated 108,000). Other notable protests held by pro-Beijing groups include: (1) an August 24 protest outside Radio Television Hong Kong criticizing its alleged “biased” reporting involving 10,000 attendees according to organizers (police estimated 1,200 at its peak); and (2) on September 12, pro-Beijing Hong Kong residents reportedly gathered in a mall to sing the PRC anthem, reportedly including more than 1,000 participants.

Source: Adapted from Kong Tsung-gan, “Hong Kong Anti-Extradition Demonstrations and Arrests,” October 2, 2019. <https://medium.com/@KongTsungGan/hong-kong-anti-extradition-demonstrations-and-arrests-8079613e5688>; Various.²⁸⁷

Addendum II: China Denials of U.S. Port Calls in Hong Kong since the 1997 Handover

| Date of Requested Port Call | U.S. Ship(s) | Details and Potential Reasoning for Denial (if applicable) |
|------------------------------------|---|---|
| September 2019 | <i>Lake Erie</i> , guided-missile cruiser | The ongoing anti-extradition bill movement may have led Beijing to deny the port call. |
| August 2019 | <i>Green Bay</i> , landing platform dock | The ongoing anti-extradition bill movement may have led Beijing to deny the port call. |
| September 2018 | <i>Wasp</i> , landing helicopter dock | The denial occurred days after U.S. sanctions of Central Military Commission Equipment Development Department and its director PLA Lieutenant General Li Shangfu. |
| May 2016 | <i>Stennis</i> , aircraft carrier, and three other ships in the carrier strike group | The carrier strike group had recently transited through the South China Sea near China's disputed claims. |
| August 2014 | <i>Halsey</i> , guided-missile destroyer | U.S. military aircraft flew through China's East China Sea Air Defense Identification Zone months earlier. |
| November 2007 | <i>Kitty Hawk</i> , aircraft carrier, and three other ships in the carrier strike group | China denied permission for the port call as the carrier strike group was en route to Hong Kong. Beijing later approved the visit but it was too late as the ships did not have enough time to turn around. |
| November 2007 | <i>Patriot</i> and <i>Guardian</i> minesweepers | The two ships asked permission to enter Hong Kong harbor for safety and fuel ahead of an approaching storm. |
| March 2002 | <i>Curtis Wilbur</i> , guided-missile destroyer | Beijing denied the port call after the George W. Bush Administration allowed Taiwan's defense minister to travel to the United States for a defense conference, in addition to other steps the Bush Administration took to expand its support for Taiwan. |
| June 2001 | <i>Inchon</i> , minesweeper | The denial occurred two months after a U.S. EP-3 surveillance aircraft crashed into a Chinese fighter jet. |
| May–September 1999 | Ten ships | Beijing instituted a temporary ban on U.S. port calls in Hong Kong after the accidental North Atlantic Treaty Organization (NATO) bombing of the Chinese Embassy in Belgrade in May 1999. |

Note: The denied port calls included in this table are only those publicly-reported. It is unclear the exact dates in 1999 when the ten ships were denied port calls following the accidental NATO bombing of the Chinese Embassy in Belgrade that year. According to the State Department's 2000 *U.S.-Hong Kong Policy Act Report*, Beijing denied "numerous U.S. requests" for port calls and aircraft visits over a six-month period following the incident. The State Department's 2001 report, however, indicates ship visits were permitted starting in September 1999. This table uses the September date, which is cited in the later report.

Source: Various.²⁸⁸

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