

SECTION 3: HONG KONG

Abstract

Hong Kong now lives under the Mainland's control. Beijing continues to adapt Hong Kong's institutions to mainland preferences and has eliminated the territory's once vibrant civil society. China's central government has installed loyal judges and placed leaders in key roles, leading to the strictest interpretation of the National Security Law (NSL). Hong Kong's move to enforce its NSL beyond its jurisdiction also reveals the stronger mainland influence that is destroying its legal system. The effects of Beijing's authoritarian overreach are driving more Hong Kongers to leave the territory. Those who choose to stay must decide whether to self-censor or risk politically motivated legal action for activities that were once protected by law and common across the Special Administrative Region. As these expats and Hong Kongers leave for other regional hubs such as Singapore, mainland human capital and investment increasingly dominate Hong Kong's business environment, cementing Hong Kong's status as a Chinese, rather than international, city.

Key Findings

- Hong Kong Chief Executive John Lee serves as Beijing's enforcer of the Chinese Communist Party's (CCP) interests in reversing the territory's once democratic institutions and civil society. The CCP now controls Hong Kong's political, judicial, religious, and education systems.
- Under the NSL, the central government in Beijing has the authority to intervene in any legal case in which it sees an "intractable" problem or determines the city is unable to resolve the problem on its own.
- The Hong Kong government is now attempting to extend its reach, taking an extraterritorial approach to enforcement. It is charging individuals overseas on national security grounds, has placed bounties on some overseas prodemocracy activists, and has attempted to intimidate their family members.
- Hong Kong's civil society was weakened further this year as Beijing's restrictions on religious organizations, labor rights, and the press led some organizations to choose to disband rather than submit to new restrictions on free speech and assembly.
- Faced with the continued departure of international firms and human capital, Hong Kong is seeking to draw in mainland Chinese business and talent to boost its lagging domestic economy. Chinese nationals and businesses have flooded Hong Kong's labor force and economy, solidifying Hong Kong's reliance on

mainland China. Beijing's efforts to rehabilitate Hong Kong's international image are cosmetic, designed purely to attract foreign business.

Recommendations

The Commission recommends:

- Congress direct the U.S. Department of State to include in the annual report required by the Hong Kong Autonomy Act information on the Hong Kong government's restriction of émigrés' access to their financial accounts in the territory, including from the government-run Mandatory Provident Fund (MPF) pension scheme. Based on the findings of the report, the Administration should impose sanctions, as authorized under the 2020 Hong Kong Autonomy Act, on individuals involved in limiting freedom of emigration. Congress may consider further steps to prevent U.S.-based financial institutions involved in managing the funds of Hong Kongers from aiding in violating freedom of emigration by withholding pension funds from their rightful owners at the behest of Hong Kong's government.
- Congress amend the Hong Kong Autonomy Act to add to the contents of the required annual report an evaluation of limitations on Hong Kong's judicial independence. Specifically, the evaluation should assess whether the chief executive or any other body acting on behalf of China's government has exercised undue influence over the Hong Kong judicial system in ways that violate the right to a fair and independent trial as guaranteed under the Basic Law of Hong Kong. Based on the findings of the report, Congress may impose sanctions, as authorized under the 2020 Hong Kong Autonomy Act, on individuals involved with the Hong Kong judiciary serving in Hong Kong, including foreign national judges that serve on the Hong Kong Court of Final Appeal.

Introduction

Once a reliable foundation for civil liberties such as freedom of expression and assembly, Hong Kong's political, educational, and legal institutions have been stripped of their previous autonomy from the Mainland and implement increasingly harsh restrictions on the territory's civil society organizations at Beijing's behest. Leaving the population with no room for free expression, the Party-state has also weakened Hong Kong's electoral system, extending China's authoritarian overreach down to local-level politics and minimizing opportunities for political engagement. The Lee Administration has undermined Hong Kong's independent judiciary and is promoting pro-Beijing individuals and narratives. The Hong Kong government has sent a warning signal to activists within Hong Kong and abroad by announcing bounties on eight targeted individuals, including former lawmakers and a union representative, all of whom now live outside of Hong Kong as dissidents in the United States, Australia, and the United Kingdom (UK).¹

Though Hong Kong's role as an international commercial hub has decreased, the territory remains important for Beijing's economic

ambitions, particularly its efforts to expand the renminbi's (RMB) international use. Emerging from years of strict COVID measures, Hong Kong continues to face slow economic growth and a steady flight of human capital and multinational firms leaving the city. In their place, an influx of Chinese business and talent, as well as continued integration with mainland financial institutions, aids Hong Kong's recovery but further diminishes its unique identity. Beijing continues to exploit Hong Kong's status as an international shipping hub to evade U.S.-led sanctions on Russia, while Hong Kong-based firms have joined China in aiding Russian technology supply chains, demonstrating close alignment. This chapter details Hong Kong's recent political and economic developments, attacks on its rule of law and basic freedoms, and the implications for the United States. It is based on consultations with U.S. and foreign nongovernmental experts as well as open source research and analysis.

Hong Kong's Institutions Subjugated by Authoritarian Overreach

In 2019, Hong Kong's Legislative Council (LegCo) proposed a controversial bill to extradite criminal suspects to mainland China, sparking months of mass protests and prodemocracy demonstrations.² The outcry compelled LegCo to withdraw the bill, but when 2020's COVID lockdowns prevented residents from continuing mass demonstrations, Chinese leaders seized their opportunity.³ On June 30, 2020, the Standing Committee of China's National People's Congress passed the sweeping NSL, which Beijing then used to crack down on Hong Kong's peaceful protests and cement control over its institutions and civil society.⁴

The culmination of a decades-long attempt by the CCP to encroach upon the territory's affairs, the NSL's draconian enforcement over the last three years and its total transformation of Hong Kong's civil society amount to a definitive break from Beijing's commitment during the 1997 handover from the UK to maintain the city's autonomy for 50 years.⁵ In implementing the law, Beijing also violated its legal obligations to guarantee Hong Kong a "high degree of autonomy" as enshrined in the 1984 Sino-British Joint Declaration and Hong Kong's mini constitution, the Basic Law, both of which upheld the "one country, two systems" policy.⁶ The NSL has erased any semblance of Hong Kong's historical freedom of expression and rule of law, both of which sustained the territory's position as one of the largest global financial centers.

Now, acts of peaceful protest and independent political activity are labeled as separatism, subversion, and collusion with foreign countries and designated as major offenses laid out in 66 vaguely written articles of the law.⁷ The NSL imposes severe penalties—including life imprisonment—for offenses under its provisions, effectively chilling freedom of speech and expression.⁸ The law claims jurisdiction not only over Hong Kong residents but also over those who have never entered the territory.⁹ As part of its crackdown, the Party-state has also tightened political control of Hong Kong's institutions, rooting out dissent and installing loyalists across the government. Beijing took particular aim at Hong Kong's electoral processes by eliminating a number of locally elected positions, in-

stead allowing the government to handpick candidates. Opposition leaders were put on trial, and Hong Kong's prodemocracy political parties saw further decreases in their numbers. Three years of NSL implementation—including 265 arrests,* 155 individuals charged, and the trials of prodemocracy leaders like the 47 activists known as the “Hong Kong 47” and Jimmy Lai, founder of the prodemocracy newspaper *Apple Daily*—have produced a legal system unrecognizable from that which existed prior to Beijing's takeover.†¹⁰ Bail denials, trial delays, defendants being denied the representation of their choosing, and selection of judges based on loyalty to the Party-state provide further evidence of the ongoing erosion of Hong Kong's judicial system.

Beijing's Control Dissolves Remaining Democratic Elements of Hong Kong's Electoral System

The Party-state has eliminated potential avenues for dissent and installed pro-Beijing leaders to govern accordingly. Consequently, Hong Kong's prodemocracy leaders face difficult decisions regarding whether or not to continue their political work and risk arrest. Increasingly, the choice is being made for them: the Hong Kong Administration is transforming the electoral process to oust prodemocracy candidates. At the same time, independent political parties are unable to raise sufficient funds to operate.

Beijing Installs Loyal Propagandist to Oversee NSL Implementation

Beijing reinforced its security apparatus by promoting Zheng Yanxiong—a CCP loyalist from the Mainland who gained experience implementing the NSL during his time leading Hong Kong's Office for Safeguarding National Security.‡¹¹ In January 2023, Mr. Zheng was chosen to lead Beijing's official representative office in Hong Kong, the Liaison Office of the Central People's Government.¹² At the same time, Mr. Zheng was given a dual appointment as national security advisor for the Committee for Safeguarding National Security.§¹³ The move continues a trend of placing hardliners in positions once filled by up-and-coming local bureaucrats who could maintain Beijing's interests.¹⁴ In 2020, while in his former post, Mr. Zheng was sanctioned by the United States for undermining Hong Kong's autonomy (for a full list of individuals sanctioned for this reason, see Appendix I).¹⁵ While

*While the number of people arrested under the NSL continues to rise, there are more than 1,600 political prisoners in Hong Kong. Hong Kong Democracy Council, “Hong Kong Political Prisoners,” September 20, 2023.

† Under the NSL so far, each case that has been charged and received a trial has been brought before a nonjury trial and had a 100 percent conviction rate. Natalie Wong, “Hong Kong's National Security Law: 3 Years On, More than 160 Prosecutions, 8 Bounties Later, What Else Can the City Expect?” *South China Morning Post*, July 13, 2023; Timothy McLaughlin, “The Fracturing of Hong Kong's Democracy Movement,” *Atlantic*, July 15, 2023.

‡ The Office for Safeguarding National Security of the Central People's Government in the Hong Kong Special Administrative Region (HKSAR) is a subministry-level body under the ministry-level Liaison Office of the Central People's Government in HKSAR. The Central People's Government refers to the People's Republic of China (PRC) government in Beijing. China's State Council appointed Mr. Zheng to serve as the head of the Hong Kong and Macau Affairs Office, which is often described as China's de facto embassy in Hong Kong.

§ The Committee for Safeguarding National Security was established in 2020 under the NSL. *The Government of the Hong Kong Special Administrative Region*, “Committee for Safeguarding National Security of HKSAR Convenes First Meeting,” July 6, 2020.

Beijing Installs Loyal Propagandist to Oversee NSL Implementation—Continued

some observers anticipated the appointment of someone with a background in economics, given Hong Kong's weak economy post-COVID, Mr. Zheng is the first head of the Liaison Office to have served in a national security-related role, suggesting Beijing intends to continue prioritizing NSL enforcement rather than economic recovery.*¹⁶

Like his predecessor † Luo Huining, Mr. Zheng also rose through CCP ranks by serving in a variety of mainland provincial and municipal positions, and he gained notoriety for his harsh crackdown on protests in Guangdong Province in 2011.¹⁷ Mr. Zheng's resume also includes four years working for state media outlet *China Daily*, where he honed skills as a propagandist for the Party-state; this experience will serve him well in Hong Kong, where he will be responsible for spreading Beijing's message.¹⁸ During the transition of power, Luo Huining described Mr. Zheng as "a pioneer in maintaining national security in Hong Kong."¹⁹ Well versed in managing protests and combatting dissent, Mr. Zheng is expected to preside over NSL implementation with the same intensity. In a 2021 seminar, he advocated for additional implementation of the NSL to "further guide and supervise Hong Kong to perfect its local law."²⁰

Prodemocratic Parties Operate under Increasing Individual Risk

Hong Kong's prodemocratic political parties confront tighter limits on how they can operate, leading some organizations to disband. Hong Kong's Civic Party, at its peak the second-largest prodemocracy party behind the Democratic Party, ‡ officially disbanded in May 2023 after no new leaders stepped forward to take the reins of the party at the end of 2022.§²¹ Comprised mostly of lawyers, academics, and other professionals, the Civic Party held

*According to media reports, staff at the Liaison Office expected Chen Dong, the office's deputy director, to replace Luo Huining rather than Mr. Zheng. Mr. Chen has a background in economics, which could have proven useful as Hong Kong pursues economic growth following a downturn during the COVID-19 pandemic. Selina Cheng, "China Promotes National-Security Chief to Top Hong Kong Post," *Wall Street Journal*, January 16, 2023.

†Following the 2019 protests and the success of prodemocracy candidates in the local council elections, Beijing installed Luo Huining, a candidate with senior-level leadership experience who had already proven his commitment to the Party in a "crisis" zone when he led an anticorruption crackdown on local businesses and political leaders in Shanxi. Christian Shepherd and Sue-Lin Wong, "Luo Huining: Beijing's Enforcer in Hong Kong," *Financial Times*, January 7, 2020.

‡In the 2012 LegCo elections, both the Civic Party and the Democratic Party won six of 70 seats. The Civic Party retained all six seats in the next LegCo elections in 2016, and the Democrats won seven. Following Beijing's co-optation of the 2021 election process, three Civic Party members were disqualified from participation in the legislative session. International Foundation for Electoral Systems, "Hong Kong Special Administrative Region," 2023; Candice Chau, "Hong Kong's Pro-Democracy Party Votes to Dissolve," *Hong Kong Free Press*, May 27, 2023.

§All but one of the Civic Party's 32 members voted to dissolve the organization in May 2023 after no members were willing to come forward for the position of chairman or to serve on the executive committee that is responsible for leading the group, organizing events, and fundraising, among other responsibilities. Without leaders in place, the party's fundraising efforts and political activities would continue to be limited, leading to a dire financial situation. Upon disbandment, the party announced that it would be donating its assets to charity. *Standard*, "Civic Party to Disband, Ending 16 Years of Pro-Democracy Fight," December 3, 2022; *Civic Party, About Us*, 2023; Jeffie Lam and Edith Lin, "Hong Kong's Civic Party Folds after 17 Years of Championing Opposition Causes," *South China Morning Post*, May 27, 2023.

six LegCo seats at its peaks in 2012 and 2016.²² Since 2019, six of the Civic Party's key members, including Kwok Ka-ki, Claudio Mo, Margaret Ng, Jeremy Tam, Alvin Yeung, and Lee Yue-shun, have been convicted of criminal acts for their participation in the prodemocracy demonstrations and efforts to help raise funds for others involved in the protests.²³ Members of the Civic Party were charged with conspiracy to commit subversion for their participation in the unofficial political primaries ahead of the 2020 LegCo.²⁴ In March 2021, Civic Party members who went to trial for their political engagement resigned from the party during their bail hearings, stating that the Civic Party had "completed its historical mission" and warning that it no longer has room for political participation in LegCo.²⁵ While the party continued operations through May 2023, its disbandment marks the end of prodemocratic organizations' ability to function in Hong Kong.

With the cessation of the Civic Party, only two prodemocracy parties remain in Hong Kong: the Democratic Party and the League of Social Democrats (LSD). The Democratic Party, Hong Kong's largest opposition party, continues to face challenges to assembling for political functions like its annual fundraising banquet, which was suddenly canceled for the fourth year in a row when the venue revoked the political organization's booking at the last minute.²⁶ Despite the fundraising setback, the Democratic Party continues to meet, but opportunity for political engagement is low since public gatherings or demonstrations risk legal action under the NSL.²⁷ One of the party's district councilors announced this year that he would not run for another term.²⁸ He argued that the new district councils established by Chief Executive Lee's electoral changes, discussed below, would fail to implement their oversight role of monitoring the government, as the majority of council seats will be held by pro-Beijing appointees.²⁹ The LSD now keeps a low profile by minimizing its engagements and abandoning former activities, like publicly protesting government policies, often using megaphones.³⁰ Instead, the LSD is constrained to a small booth in public from which its members can quietly hold banners scrutinized by the police.³¹ New volunteers wishing to serve with the LSD must face police questioning.³² Despite the party's efforts to operate within the government's restrictions, at least one LSD member has been arrested this year for engaging in political activity.³³ On June 4, 2023, LSD chairwoman Chan Po-ying was taken into police custody after holding a candle and two yellow paper flowers in Victoria Park in remembrance of the 1989 Tiananmen Square massacre.³⁴ The police detained Ms. Chan for allegedly engaging in subversive activity.³⁵

John Lee Eliminates Key Local Elections

Since the NSL took effect in 2020, Hong Kong's electoral system has been dismantled by Beijing from the top down, culminating in the nearly complete loss of locally elected positions and undermining democratic progress.³⁶ During the prodemocracy protests in 2019, Hong Kong's local council elections developed into contentious political races, as democratic candidates won 388 of the 452 District Council seats, demonstrating their cause and drawing Beijing's at-

tention.*³⁷ The Hong Kong government took additional steps this year to control the city’s electoral process at all levels of government by minimizing opportunities for Hong Kongers to elect prodemocracy candidates.† In April 2023, Chief Executive Lee announced that the government would be eliminating most elected seats on local district councils, leaving just 88 of the 452 seats to be directly elected by the public.³⁸ Instead, the majority of the council seats will be filled with political appointees and other officials selected by the government, effectively installing pro-Beijing representatives at most local levels of government across Hong Kong.³⁹ Chief Executive Lee noted that the municipal-level government bodies should be “depoliticized” and comprise only “patriots.”‡⁴⁰ He also noted in May 2023 that the electoral changes would help avoid another “disaster,” referring to the 2019 elections.⁴¹ In an effort to prevent prodemocracy individuals from running, candidates will need to pass a national security background check and receive three nominations from federal committees tasked with vetting the candidates.⁴² Placing these additional restrictions on potential candidates and minimizing the number of elected seats on local councils eliminates opportunity for dissent among those opposing the Beijing-backed government.⁴³ Chairman of the Democratic Party Lo Kin-hei suggested that fewer people will be willing or able to run with the burden of additional restrictions, including the background check and nominations needed to qualify as a candidate.⁴⁴ As Hong Kong approaches its district council elections, set for December 2023, the number of registered voters also appears to be declining, dropping from 4.41 million voters to 4.33 million voters, or by 82,705 voters, since last year.§⁴⁵

Hong Kong’s Judicial Integrity Further Degraded

Hong Kong’s judicial integrity continues to deteriorate. China is extending its influence over key national security trials, targeting prodemocracy leaders, appointing select judges loyal to Beijing, restricting the rights of defendants, and using tactics unprecedented under common law practice. Unlike standard legal cases, national security cases remain largely a black box since there is no precedent or case law. The trials of Jimmy Lai and the Hong Kong 47 in particular will serve as indicators of how the courts are choosing to proceed with NSL cases and suggest Beijing is prioritizing national security cases against the individuals they view as the biggest threat to the regime.

*Hong Kong has 18 districts, each represented by a district council. Elections were held in 2019 for the 2020–2023 term, which includes 479 district council seats. In 2023, the government reduced the number of district council seats to 470. Government of the Hong Kong Special Administrative Region, *Public Services, District Councils*, 2023.

†“Prodemocracy candidates” refer to those who embrace democratic views, including civil liberties, free elections, and human rights. In Hong Kong, these candidates are opposed to the expansion of Beijing’s political authority, which seeks to corrode Hong Kong’s democratic institutions and civil society in the name of national security and to secure the Party-state’s control over the territory.

‡For more information on Hong Kong’s “patriots only” policy, see the U.S.-China Economic and Security Review Commission, Chapter 5, “Hong Kong,” in *2022 Annual Report to Congress*, November 2022, 666.

§The number of registered voters rose in 2019, invigorated by the prodemocracy movement, but it began to drop after the NSL was passed. Candice Chau, “Number of Registered Hong Kong Voters Falls for Second Year in a Row as District Council Election Confirmed for Dec. 10,” *Hong Kong Free Press*, August 1, 2023.

Foreign Participation in Hong Kong's Judicial System

Hong Kong's eroding legal institutions have stymied foreign participation. The number of registered foreign lawyers in Hong Kong has steadily declined over the last three years, from 1,688 in 2019 to 1,442 in December 2022, a 15 percent drop.⁴⁶ Two top sitting British judges withdrew from the city's Court of Final Appeal, the city's highest court, in March of 2022, stating that their continued participation on the court would appear to endorse the shrinking political liberties and political expression permitted in the city.⁴⁷ However, as of August 2023, 12 foreign-born judges continue to serve the court.*⁴⁸ Of these judges, five are from the UK, four are from Australia, one is from Canada, one is from South Africa (holding dual British-South African citizenship), and one is from Zimbabwe (born in Southern Rhodesia, then a British colony).⁴⁹ Of these judges, one, Justice Frank Stock,† has sat on a case regarding national security. Justice Stock sat as a member of a five-judge panel in an appeal ruling that rejected a lower court's decision to grant activist Jimmy Lai bail during his national security case.⁵⁰ Additionally, the Hong Kong Department of Justice has moved ahead with limiting foreign political participation in Hong Kong, amending the Legal Practitioners Ordinance to require a foreign lawyer to obtain the Hong Kong chief executive's specific approval before taking on a national security case.⁵¹

Hong Kong's Judicial Integrity Fails in Jimmy Lai's Detention and Trials

Jimmy Lai's trial illustrates judicial bias against defendants the CCP views as a threat. Mr. Lai, a mainland immigrant, self-made businessman, British citizen, and leader in Hong Kong's prodemocracy movement, has been detained since December 12, 2020.⁵² He has faced multiple charges for alleged fraud, unauthorized assembly, and collusion with foreign powers.⁵³ These charges aim to silence Mr. Lai's calls for Hong Kong's freedom and eliminate the mediums through which he spread his message.⁵⁴ *Apple Daily*, the prodemocracy newspaper founded by Mr. Lai, was a major critic of mainland

*The Hong Kong Court of Final Appeal consists of a chief judge, three permanent judges, and up to 30 nonpermanent judges. The typical appeal case is heard by a five-person panel consisting of the chief judge, three permanent judges, and a nonpermanent judge. If the chief judge or permanent judges are unable to sit, additional nonpermanent judges may be added. While a minority of nonpermanent judges are from Hong Kong, provisions in article 92 of the Basic Law allow for foreign judges to be appointed to fill most of the nonpermanent judge positions. These judges are drawn from Common Law jurisdictions, to date from the UK, Australia, New Zealand, and Canada. Government of the Hong Kong Special Administrative Region of the People's Republic of China, The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, Chapter IV-Political Structure, July 1, 1997; Hong Kong Court of Final Appeal, *The Role of the Court of Final Appeal (CFA)*.

†Justice Frank Stock continues to serve on the Court of Final Appeals in a nonpermanent capacity. He has sat as a judge in Hong Kong's judicial system since 1991 and has resided in Hong Kong since 1978. A May 2023 staff report by the Congressional-Executive Commission on China listed Justice Stock among 29 Hong Kong justices appointed to hear cases on national security, suggesting the U.S. government consider imposing sanctions on these judges "to counter erosion of democratic freedoms." The report cited Stock's participation in the panel that upheld the Hong Kong government's appeal against a lower court's decision to grant Jimmy Lai bail. Hong Kong Court of Final Appeal, "Non-Permanent Judges," *Hong Kong Court of Final Appeal*; Government of Hong Kong, *Judicial Appointment*, October 3, 2003; Congressional-Executive Commission on China, *One City, Two Legal Systems: Hong Kong Judges' Role in Rights Violations under the National Security Law*, May 2023.

and Hong Kong authorities and a beacon of political expression, staunchly supporting the 2019 demonstrations and printing signs for protesters.⁵⁵ In a major blow to press freedom, the newspaper was shut down in June 2021 after authorities raided the newsroom to collect “evidence” of their NSL violations and froze the company’s assets.⁵⁶ Mr. Lai’s other three companies, Apple Daily Limited, AD Internet Limited, and Apple Daily Printing Limited, also face charges under the NSL, including “collusion with foreign forces” for their support of the 2019 prodemocracy movement.⁵⁷

In December 2022, Mr. Lai was sentenced to nearly six years in prison for alleged fraud and the apparent violation of a lease agreement.⁵⁸ Under Hong Kong’s former legal standards, such a sentence would have seemed almost absurdly incommensurate to the offense, but District Court Judge Stanley Chan determined Mr. Lai had “concealed the fact that he was operating a consulting firm from the offices of Next Digital, Apple Daily’s parent company, in violation of its lease with a government-owned entity.”⁵⁹ Judge Chan openly admitted Mr. Lai’s “heavier sentence” is atypical for a fraud case under the Basic Law.⁶⁰

Mr. Lai still awaits a separate national security trial, which includes charges for conspiracy to print seditious publications. After being delayed several times, Mr. Lai’s national security trial is scheduled for December 2023.⁶¹ He has also been denied the right to legal representation of his choosing and other tenets of due process ostensibly guaranteed by Hong Kong’s courts* but withheld on national security grounds.⁶² Because Mr. Lai is one of the highest-profile voices critical of Beijing and the Hong Kong government, the verdict reached in his December trial will set a precedent for future national security cases and will support Beijing’s mission of diminishing dissent by warning other prodemocracy activists of the consequences of speaking out against the government. In December 2022, Beijing ruled that Chief Executive Lee had the authority to ban foreign lawyers from national security trials.⁶³ Five months later, in May 2023, Hong Kong courts blocked Mr. Lai’s request to appoint a British barrister to represent him and his efforts to appeal his case.⁶⁴ Robert Pang, Mr. Lai’s current Hong-Kong-based lawyer, argued that failing to allow Lai’s British lawyer to represent him in this national security trial was “persecution not prosecution.”⁶⁵

TikTok Blocks Hong Kong-Related Content

This year, Chinese-owned video platform TikTok blocked widely viewed Hong Kong-related content for the platform’s international audiences because of allegedly “violent” content but which notably presented a narrative of China that runs counter to Beijing’s interests.⁶⁶ The company’s move has raised concerns about how it

*The 1991 Bill of Rights Ordinance guaranteed due process in Hong Kong, a guarantee that was maintained under the Basic Law following the 1997 handover. Hong Kong’s criminal legal system has guaranteed certain tenets of due process in a fair trial, including the right to choose one’s own attorney, to be considered for release on bail prior to the trial, and to receive a trial by jury rather than a no-jury trial under a judge selected by the government. Lydia Wong et al., “Hong Kong’s National Security Law and the Right to a Fair Trial: A GCAL Briefing Paper,” *Center for Asian Law, Georgetown Law*, June 28, 2021; Simon N. M. Young, “The National Security Law’s Challenges to Criminal Justice in Hong Kong,” *U.S.-Asia Law Institute* 1:11 (January 14, 2021).

TikTok Blocks Hong Kong-Related Content—Continued

may track and censor users. Although TikTok has been unavailable in Hong Kong since 2020, Hong Kongers residing overseas, including prodemocracy activists who have fled the city, and international audiences may access the platform and view content related to the prodemocracy movement in Hong Kong.⁶⁷ According to one poll by Pew Research in August 2022, the percentage of U.S. adult TikTok users who turn to the platform as a source of news rose from 22 percent in 2020 to 33 percent.^{*68} Although the company claims it does not receive instructions to censor content from Beijing or its Chinese parent company, ByteDance,[†] TikTok has continued efforts to censor Hong Kong-related content on its platform.⁶⁹

For example, on April 18, 2023, Michigan-based think tank Acton Institute released the documentary *The Hong Konger: Jimmy Lai's Extraordinary Struggle for Freedom* about Mr. Lai's life, career, and political activism.⁷⁰ The same week the film was released, the Acton Institute posted videos promoting the film to its TikTok account.⁷¹ The think tank's videos included content on Mr. Lai's prodemocracy work and the protests related to the democracy movement, drawing attention to the CCP's violent crackdowns in Hong Kong.⁷² One video on Acton's account received more than two million views outside of Hong Kong, and together the six videos promoting *The Hong Konger* amassed more than four million views.⁷³ Just a few days after the series of videos were posted, TikTok blocked one of the think tank's widely viewed videos showing footage from *The Hong Konger*—in which Hong Kong police teargassed protestors during a prodemocracy demonstration—for allegedly violating TikTok's community guidelines, which ban “violent and graphic content.”⁷⁴ The Acton Institute appealed the video's removal and TikTok restored it within several hours. However, on May 2, the think tank's account was suspended.⁷⁵ Without access to the account, Acton Institute was unable to appeal the decision.⁷⁶ Cofounder of the Acton Institute Reverend Robert Sirico argues that “TikTok's suspension of the Acton Institute's account for telling the truth about Jimmy Lai's plight is both deplorable and predictable.”⁷⁷ After facing a pressure campaign to restore the account, TikTok reversed its suspension of Acton Institute the next day.⁷⁸ While TikTok blames a technical glitch for the account's suspension, this is not the first time the company has suspended accounts posting Hong Kong-related content or other content critical of China's human rights abuses.⁷⁹

*Pew surveyed 12,147 U.S. adults in its 2022 poll, and when asked if they used TikTok, 30 percent of respondents indicated they did, up from the 21 percent of individuals surveyed in 2021. In the 2022 poll, 70 percent of respondents indicated that they used Facebook. Katerina Eva Matsa, “More Americans Are Getting News on TikTok, Bucking the Trend on Other Social Media Sites,” *Pew Research Center*, October 21, 2022.

†ByteDance is reportedly a nonstate firm, but state-backed Chinese Internet Investment Fund's August 2021 acquisition of a 1 percent stake in its primary domestic subsidiary affords the Cyberspace Administration of China a seat on the subsidiary's board. Coco Feng, “Chinese Government Takes Minority Stake, Board Seat in TikTok Owner ByteDance's Main Domestic Subsidiary,” *South China Morning Post*, August 17, 2021; Nikki Sun, “Chinese Government Builds a Stake in Unit of TikTok-Owner ByteDance,” *Nikkei Asia*, August 17, 2021.

Trial of the Hong Kong 47: A Historic Indicator of Beijing's Control

The landmark case of 47 activists arrested under the NSL in February 2021 is the first of its kind to go to trial under the law—a sign that Beijing's control under the law has been fully realized and that Hong Kong's judicial independence has effectively ceased to exist.⁸⁰ Known as the “Hong Kong 47,” the group comprises prodemocracy advocates,* including student activist Joshua Wong, professor Benny Tai, and a number of elected officials, all of whom have been charged under the NSL for conspiring to commit subversion (see Appendix II for a full list of the 47 advocates). At issue is the group's organization of and participation in unofficial primary elections in July 2020 ahead of the LegCo election. (The full election was originally set for September 2020 but was postponed by a year, purportedly due to the government's COVID-19 concerns.⁸¹) There is a presumption of denial for pretrial bail in NSL cases, and among the defendants, 34 remain detained and only 13 have been granted bail since their initial arrest.⁸² Between 2021 and 2022, preliminary hearings (including bail hearings) were held but often delayed, resulting in many of the defendants being held in jail for nearly two years awaiting trial.⁸³ One result of the delays has been more time for prosecutors to build their case while weakening defendants' emotional will and financial assets.

The trial of the Hong Kong 47 began in February and was initially expected to last 90 days but has continued through the fall.⁸⁴ The trial is being heard by three High Court judges who have been selected under the NSL as a result of their loyalty to Beijing.†⁸⁵ Demonstrating the pressure placed on defendants to succumb to the will of the prosecution, four of the 31 defendants agreed to testify as prosecution witnesses against 16 of their peers who pleaded not guilty.⁸⁶ Details pertaining to the case have not been made publicly available, but in June 2023, the Hong Kong court announced that prosecutors had found sufficient evidence to bring a case against 16 of the prodemocracy activists, and the defense was expected to begin on June 12, lasting 39 days.⁸⁷ According to news reports, Hong Kong's national security police also created social media accounts to monitor the online activities of the defendants.⁸⁸ The government has expressed concerns with social media use before, previously denying Hong Kong 47 defendants bail on the grounds that they could allegedly use social media platforms to threaten national security.⁸⁹ In one reported case from 2023, Hong Kong police used an inauthentic social media account to comment on a Facebook post by Mr. Tai, threatening him with “divine punishment” for his involve-

*These 47 Hong Kong activists, politicians, legislators, and civil society leaders were opposed to the central government's overreach into the electoral process. They were accused of holding primary elections, which were historically a common occurrence ahead of elections, in order to help elect strong candidates who could effectively challenge pro-Beijing candidates in the main election. Helen Davidson and Verna Yu, “Hong Kong 47: Trial of Dozens in Pro-Democracy Movement Set to Begin under National Security Laws,” *Guardian*, February 4, 2023.

†Instead of a jury, the defense is being heard by three judges—Alex Lee, Johnny Chan, and Andrew Chan—handpicked by the Hong Kong government and Beijing loyalists. This is a break from the judicial tradition of Hong Kong's common law, which would typically provide for a jury, but so far, no national security case has been granted a jury. Ng Kang-chung, “National Security Law: Group of 47 Opposition Activists to Face Hong Kong Subversion Trial without a Jury,” *South China Morning Post*, August 16, 2022; Karl Lindberg, “Hong Kong's Biggest Security Trial Kicks Off in Test for City,” *Yahoo!Life*, February 5, 2023.

ment in the 2020 primary elections.⁹⁰ Police threats made to a defendant amid an ongoing trial are unprecedented and demonstrate the lengths Hong Kong law enforcement is willing to go to attempt to intimidate the opposition.⁹¹

Beijing Continues to Take Control of Hong Kong's Education System

Hong Kong's administration has continued introducing policies to weaken academic freedom and insert pro-CCP bias into school curricula. The central government aims to transform what is taught and eliminate dissent among Hong Kong's educators and students—the bedrock of the 2019 protests—and secure Beijing's control of both Hong Kong's education system and its next generation of leaders. Hong Kong's teachers and students have received new testing requirements and guidelines for adhering to the NSL, further weakening the integrity of the education system. Many teachers are consequently reconsidering their careers, and students are also seeking alternatives to Hong Kong's schools, including overseas options.⁹² Hong Kong's government has also sought to suppress educational resources at odds with a pro-CCP narrative, including removing children's books from public libraries.

Hong Kong's Teachers under Beijing's Censorship and Control

Facing uncertainty regarding the application of the NSL to school curricula, testing, and academic freedom, Hong Kong teachers are self-censoring for fear of failing to pass national security tests or teaching content that breaches the NSL.⁹³ Released by the Education Bureau in February 2021, the “National Security: Specific Measures for Schools” curriculum required schools to implement a new framework by August 2022.⁹⁴ The 2022–2023 school year marked the first full year that many of the new national security programs have been taught at primary and secondary schools across Hong Kong.⁹⁵ Schools are required to submit a work plan and annual report in November at the end of the school year describing their efforts to fully implement “national security education at all key stages of learning.”⁹⁶

As the NSL has been applied more stringently to Hong Kong's education system, teachers are also being forced to adapt to new testing requirements and curricula promoting content with which they may disagree. On October 24, 2022, the Education Bureau announced details on the requirement for newly appointed teachers to pass the Basic Law and National Security Law tests beginning in the 2023–2024 school year in order to serve in the public sector schools.⁹⁷ According to the bureau, the tests are intended to determine whether teachers have a “correct understanding of the Basic Law, so that they could enlighten students and help them correctly understand the constitutional status of Hong Kong and develop positive attitudes toward the Basic Law and ‘one country, two systems.’”⁹⁸ Candidates for teaching must pass a written test by answering half of the multiple-choice questions correctly in order to qualify for a teaching appointment.⁹⁹

The Education Bureau has also updated its guidelines for teachers, directing them to report any students or staff who violate “general-

ly acceptable moral standards” or “potentially” breach any laws.¹⁰⁰ The bureau also advised teachers they would be held responsible for any “inauthentic or objectionable” content posted to their social media.¹⁰¹ As one Hong Kong teacher explained, the NSL’s “red line is continuously and arbitrarily shifting, so teachers have to self-censor.”¹⁰²

Ideological requirements and pressure to self-censor have driven away teachers and university faculty.¹⁰³ Within the last academic year, around 6,550 teachers at government-run or subsidized primary and secondary schools have resigned or retired, despite more than half of the teachers being below the official retirement age.*¹⁰⁴ At the university level, there has also been an exodus of teaching talent, leaving Hong Kong’s public universities with an employment gap the government is filling with academics from China.¹⁰⁵ Around 35 percent of academics at Hong Kong’s public universities are now from mainland China, helping to replace the quarter of a million academics that left Hong Kong after the NSL was enacted.¹⁰⁶ The number of teachers leaving Hong Kong also coincides with the emigration wave that began in 2021 following the introduction of the NSL and has increased as the NSL is further implemented.¹⁰⁷

China Bans Books with “Bad Ideologies”

Beijing took additional steps this year to control historical narratives about China by removing books considered “seditious” from Hong Kong’s public libraries and, in one case, even arresting Hong Kongers for owning banned books.†¹⁰⁸ In May 2023, Chief Executive Lee met with LegCo for his first “interactive session,” a new style of meeting proposed by the chief executive that allows government officials to engage lawmakers in a question-and-answer format, providing an additional opportunity for pro-Beijing voices to exert power over the legislative body.¹⁰⁹ During the session, Chief Executive Lee argued that the government has a responsibility to identify books with “bad ideologies” and foster “correct values” in the society, including through removing library books that may threaten these efforts.¹¹⁰ According to local media, among the books considered to reflect “bad ideologies” are those related to the Tiananmen Square prodemocracy movement and other books that may not “tell a good China story.”¹¹¹ According to *Voice of America*, nearly all items related to Tiananmen Square, as well as books with authors viewed as prodemocracy or pro-independence, were removed from Hong Kong public libraries between April and May 2023.¹¹² Books written by prodemocracy activists, including Mr. Lai, were removed from public

* In 2021, more than 5,200 of Hong Kong’s 72,374 teachers resigned, leaving primary and secondary schools with nearly 12,000 fewer teachers than two years before. William Yu, “6,500 Teachers Quit Hong Kong Schools in Last Academic Year, Bringing Total to Nearly 12,000 since 2021,” *South China Morning Post*, April 13, 2023.

† Beijing’s war on books in Hong Kong is not a new development. In 2015, five staff members of Causeway Bay Books, a Hong Kong-based bookstore known for publishing stories critical of CCP members, went missing. One of the victims was Gui Minhai, a Swedish citizen who was also a shareholder of Mighty Current Media, which acquired Causeway Bay Books in 2014. He went missing while on a trip in Thailand and it was later discovered that he had been arrested and taken to China, where he was detained and eventually sentenced to ten years in prison for providing intelligence to foreign sources. *BBC News*, “Gui Minhai: Hong Kong Bookseller Gets 10 Years Jail,” February 25, 2020; Vivienne Zeng, “The Curious Tale of Gloria Davies and Linda Jainv, “The Causeway Bay Books Incident,” *The China Story*, 2015.

China Bans Books with “Bad Ideologies”—Continued

libraries following NSL enactment, but in May 2023 the government went a step further by removing any books that referenced Mr. Lai, as well as comics by political cartoonist Wong Kei-kwan, whose art was typically critical of the government (discussed more below).^{*113}

In March 2023, two men were also arrested for possessing children’s comic books portraying Chinese authorities as wolves attacking a village of sheep representing Hong Kongers.¹¹⁴ The books were determined to be seditious in a 2022 trial where five speech therapists were found guilty of “conspiring to publish, distribute and display three books with seditious intent” and sentenced to 19 months in prison.¹¹⁵ This arrest is the first public case of Hong Kong citizens being detained for possessing books deemed “seditious” by the government.¹¹⁶

Hong Kong’s Students a Focused Target of NSL Implementation

The NSL’s provisions requiring “patriotic education” have forced Hong Kong students of all ages to adapt to new curricula, testing requirements, and school activities, all for the purpose of promoting a strong sense of Chinese identity and support for Beijing.¹¹⁷

In October 2022, Hong Kong’s Education Bureau released a new curriculum guide for secondary schools that replaced the 2010 Life and Society Curriculum Guide (a course that once included modules on upholding Hong Kong’s core values, like the “right to freedom of opinion and expression”).¹¹⁸ The new guide supports the already revised high-school-level Citizenship and Social Development curriculum that replaced Liberal Studies. Beijing blamed the Liberal Studies program for promoting critical thinking and debate, which the government argues led students to engage in the 2019 pro-democracy protests.¹¹⁹ Schools are expected to begin implementing the new curriculum in September 2023 and achieve full implementation by 2024.¹²⁰ Missing from the new curriculum are any references to democracy or democratic values, including the freedoms of expression and opinion.¹²¹ The new curriculum instead includes modules on national security and the NSL, as well as China’s constitution and political structure, while omitting previously taught modules on international political systems.¹²²

Since the beginning of the 2020–2021 school year, public schools have been required to hold weekly flag-raising ceremonies and fly China’s national flag daily in an effort to promote an “affection for the Chinese people” and advance national education.¹²³ According to a former Hong Kong teacher who has since migrated to the UK, her school selected students from progovernment families to join the flag-raising team that was established to meet the government’s requirement.¹²⁴ In 2022, 14 students were suspended for failing to attend or stand during the flag-raising ceremony and national anthem.¹²⁵

*A mainstream Chinese-language newspaper was forced to remove Wong Kei-kwan’s column earlier in May 2023 because his artwork and commentary upset the government. Verna Yu, “Hong Kong Libraries Ax Books amid National Security Fears,” *Voice of America*, May 19, 2023; Ng Kang-chung, “National Security Law: Inquiry Launched after Books by Jimmy Lai Displayed as Recommended Titles at Hong Kong Public Library,” *South China Morning Post*, June 25, 2021.

At the university level, Hong Kong's institutions of higher education are also implementing requirements under the NSL to support Beijing's national security-oriented objectives. Beginning in the 2023–2024 school year, university students will face new testing requirements as a part of national security courses.¹²⁶ As of 2023, 11 universities, including three private universities, have begun implementing the compulsory national education program for undergraduate students, who are required to pass each course before receiving their degree.¹²⁷ Many of these courses include online and self-study sessions in which students are tested on comprehension of political content approved by Beijing.¹²⁸ For example, Chinese University introduced two courses, “Hong Kong in the Wider Constitutional Order” and “Understanding China,” that require 40 hours of self-guided study and testing.¹²⁹ As another example, the University of Hong Kong is implementing a ten-hour government-approved online course that covers local and national legislation.¹³⁰

As the NSL is more stringently applied, enrollment numbers for Hong Kong's primary and secondary schools are accelerating a trend that was already occurring, owing to Hong Kong's low birthrates.¹³¹ Between 2021 and 2023, more than 64,000 students in secondary school and below have withdrawn from the system, choosing alternatives like education abroad.¹³² Media reports also indicate that at least five schools in Hong Kong face closures due to low enrollment.¹³³ In March 2023, a private primary school announced that beginning in the 2024–2025 school year it would no longer be teaching Primary One classes because of low enrollment numbers and would close its doors entirely in 2028.¹³⁴

Civil Society Further Constrained under the NSL

Beijing is enforcing the NSL's provisions on civil society organizations, including faith-based groups, trade unions, the independent press corps associated with prodemocracy and opposition groups, and those that otherwise give such views a platform or organizational capabilities. Following Beijing's efforts last year to stifle opposition by arresting Cardinal Joseph Zen,* a senior Catholic cleric accused of foreign collusion under the NSL, Christian leaders in Hong Kong sought to appease authorities by engaging with counterparts in China and avoiding controversial gatherings.¹³⁵ Trade union leaders continued to experience harassment and intimidation for their past affiliations with prodemocracy demonstrators and current efforts to petition the government on behalf of their members.¹³⁶ In addition to targeting opposition from Hong Kong's civil society, Beijing is also attempting to coopt it. Beijing's efforts to gain greater control of Hong Kong's religious communities demonstrate the CCP's appetite to control the island's society beyond the political and legal spheres. The Party-state's tactics for coopting Hong Kong's civil society mirror its approach on the Mainland, whereby it effectively eliminates independent civil society by embedding the Party in all discourse, as seen in Beijing's suppression of Hong Kong's once robust free press. More than 1,500 journalists have lost their

*For more on Cardinal Joseph Zen Ze-kaiun, see U.S.-China Security and Economic Review Commission, Chapter 5, “Hong Kong,” in *2022 Annual Report to Congress*, November 2022, 686–687.

jobs since the government's attacks on free press, while others have reported being followed and harassed.¹³⁷

Beijing Extends Mainland Sinicization of Religion to Hong Kong

Beijing seeks to suppress and co-opt faith-based organizations and groups, especially Hong Kong's Catholic community, which it fears may galvanize opposition to the Party-state. The CCP continues efforts to "Sinicize" or cultivate a Chinese-Marxist view of religion among Hong Kong's faith-based communities.¹³⁸ (Sinicization is a CCP concept referring to the Chinese government's efforts to transform religious beliefs and practices in accordance with CCP standards for Chinese culture and society.*) In 2023, Hong Kong held its first seminar on the Sinicization of Christianity, as required by the central government.†¹³⁹ State-sanctioned groups, like the Three-Self Patriotic Movement and the China Christian Council,‡ participated in the Sinicization seminar to discuss ways to blend CCP doctrine with traditional Christian beliefs in order to ensure allegiance to the state.¹⁴⁰ More than 100 religious teachers and leaders participated in the gathering.¹⁴¹

Following particularly strained relations with the Mainland after the 2022 arrest of Cardinal Zen,§ Hong Kong's Catholic Diocese avoided challenges to the NSL by accepting the Party's restrictions on religious practices and increasing its engagement with China's state-sanctioned religious organizations. For example, the Catholic Church in Hong Kong for a second year in a row declined to hold a June 4 memorial mass in honor of the Tiananmen Square massacre.¹⁴² Not only was this a sign of success for Beijing's political repression of Hong Kong's Catholic community, it also followed a diplomatic snub to Hong Kong's Vatican-appointed bishop Stephen Chow.

In 2018, the Vatican and the Chinese government signed an accord establishing a joint process for appointing bishops on the Chi-

*Sinicization targets both Islam and Christianity and was the key tenet of a 2018 white paper titled "China's Policies and Practices on Protecting Freedom of Religious Belief." The paper highlights the importance of subsuming religious work under China's national governance system. In a 2021 work conference on religious work, General Secretary of the CCP Xi Jinping argued that "China must adhere to the direction of the Sinicization of religion [and] insist on uniting the masses of religious believers around the Party and the government." China Aid, "Hong Kong Holds Its First Seminar on the Sinicization of Christianity," May 25, 2023; Amber Wang, "China Tightens Control of Religion, with Focus on National Security," *South China Morning Post*, December 6, 2021; *Xinhua*, "China's Policies and Practices on Protecting Freedom of Religious Belief," (中国保障宗教信仰自由的政策和实践), April 3, 2018. Translation.

†At the 20th National People's Congress, outgoing Prime Minister Li Keqiang declared that the "Sinicization of religions has been carried out gradually" and commissioned his listeners to "actively guide religions to adapt to the socialist society" and develop religions within a Chinese context. Li Qiang, "Two Sessions: Beijing 'Sinicises' Religions (Forcing Their Members to Register for Services)," *Asia News*, March 8, 2023.

‡The Three-Self Patriotic Movement (TSPM) was founded in the 1950s, after the Communist Party expelled foreign missionaries from China, in order to establish the Christian church in China under the supervision of the Chinese government. The TSPM continues to operate today as a medium through which the CCP allows state-sanctioned churches to operate within the confines of Sinicized religion, ensuring that Three-Self church doctrine and teachings omit any ideas that may threaten the Party's stability. The China Christian Council (CCC), established in 1980, is also a forum through which the CCP seeks to control the unsupervised spread of Christianity within China by convening officially registered Protestant churches under close watch of the government. Carsten T. Vala, "The Three-Self Patriotic Movement," *China Source*, September 7, 2020.

§After his arrest in May 2022, Cardinal Zen was released on bail and awaits formal charges. In a separate case in November 2022, however, he was found guilty over a fund he was a part of setting up to assist prodemocracy protesters that had been arrested. Kathleen Magramo and Wayne Change, "Hong Kong Finds 90-Year-Old Cardinal Guilty over Pro-Democracy Protest Fund," *CNN*, November 25, 2022.

nese Mainland despite this being a right the Vatican historically reserved to itself.¹⁴³ In April 2023, however, just before a planned visit from Bishop Chow to the Mainland, China unilaterally appointed its own bishop of Shanghai in direct contravention of the 2018 arrangement.¹⁴⁴ Bishop Chow's visit to Beijing, the first by a Hong Kong bishop in nearly 30 years, had been aimed at easing strained relations between the Church and the CCP.¹⁴⁵ Instead, as Bishop Chow related, the government officials he met with sought to portray Sinitization as innocuous and akin to inculturation, or the adaptability of Christian doctrine to unique cultures or societies.*¹⁴⁶

Authorities Target Trade Unions and Their Leaders

Through NSL requirements, Beijing's oversight of Hong Kong's remaining trade unions† has diminished workers' rights and transformed labor organizations to mirror those in the Mainland. In March 2023, Hong Kong police arrested union leader Elizabeth Tang, a Hong Kong native who is now a UK resident, for allegedly "colluding with foreign forces to endanger national security" after she returned to Hong Kong from the UK to visit her activist husband, Lee Cheuk-yan, who had been injured while in prison.¹⁴⁷ Ms. Tang is the general secretary of the International Domestic Workers Federation and the former chief executive of the now disbanded Hong Kong Confederation of Trade Unions (CTU),‡ which served as Hong Kong's largest opposition trade union coalition.¹⁴⁸ Nearly a week after Ms. Tang's arrest, police also arrested her younger sister and her lawyer for removing belongings from her home ahead of a police search.¹⁴⁹ Additionally, in April 2023, former chairman of the now defunct CTU, Joe Wong, was forced to withdraw an application to hold a labor rights rally on Labor Day after being detained and questioned for hours by the police.§¹⁵⁰ Mr. Wong's co-applicant, Denny To, stated that further details could not be provided due to potential ramifications of speaking out under article 63 of the NSL.¹⁵¹

The UN Committee on Economic, Social and Cultural Rights (CESCR) recommended the government of Hong Kong review the NSL to ensure the law is compliant with the International Labor Organization's (ILO) standards, which China has committed to as an ILO member organization.¹⁵² CESCR's recent periodic report on China in March 2023, however, expressed concerns that the All-China Federation of Trade Unions, the sole entity through which trade unions can organize in China, does not protect workers' ability to join independent trade unions.¹⁵³

*Inculturation, a theological term generally used by Catholics, refers to the adaptability of Christian doctrine to individual cultures or societies. The term does not imply compromising or altering primary doctrine of the faith but rather appreciating the traits or expressions of a particular culture and presenting and integrating religion within that context. Matteo Salonia, "Inculturation in China: A Case Study," *Catholic Exchange*, September 12, 2022.

†Since the NSL was enacted, the number of newly registered trade unions has dropped dramatically, decreasing from 495 in 2020 to 40 in 2022. Lee Yuk Yue and Gao Feng, "Labor Unions Cancel Traditional May Day March in Hong Kong, Citing Security Law," *Radio Free Asia*, May 1, 2023.

‡The CTU dissolved in 2021 after its members reportedly received threatening messages, creating concerns for their safety. Jessie Pang, "Prominent Hong Kong Union Leader Arrested after Prison Visit," *Reuters*, March 9, 2023.

§Under the NSL, police permission is required to hold a public demonstration of more than 30 people. Lee Yuk Yue, "Labor Unions Cancel Traditional May Day March in Hong Kong, Citing Security Law," *Radio Free Asia*, May 1, 2023.

Artistic Expression in Hong Kong Purged for Challenging Government Narratives

The Party-state continues to strip Hong Kong's society of any artistic expression that runs counter to CCP interests, controlling musical and other artistic forms of self-expression to cultivate a more mainland-friendly culture. Examples of the government's efforts to censor or diminish Hong Kong's rich culture include:

- **Hong Kong police seizing the “Pillar of Shame” statue that once memorialized the Tiananmen Square massacre and was viewed as a symbol of the prodemocracy movement.** The statue, which was removed from its place on the University of Hong Kong's campus in 2021, depicts a tall pile of bodies representing the lives lost during the Tiananmen Square massacre.¹⁵⁴ The university chose to dismantle the statue in the middle of the night based on a “risk assessment,” implying that keeping the statue in place would invite legal action against the university under the NSL.¹⁵⁵ Since its removal in 2021, the statue has been kept in a storage container on university-owned land, but in May 2023 the police removed the statue because of its relation to an “incitement to subversion case.”¹⁵⁶ The seizure took place just several weeks before the June 4 anniversary of the Tiananmen Square protests, which had been commemorated through a vigil in front of the statue for more than 20 years prior to authorities' ban on the event in 2020.¹⁵⁷
- **Hong Kong authorities attempting to ban the song “Glory to Hong Kong.”** “Glory to Hong Kong” became an unofficial anthem of Hong Kong's 2019 prodemocracy movement and was sung by protestors gathered at sporting events and shopping centers to protest the government's pivot away from democracy.¹⁵⁸ In an effort to censor the prodemocracy anthem and crack down on any form of dissent, the government sought a High Court injunction to require global online companies like Spotify, Google, and Meta to remove the song from their platforms.¹⁵⁹ Some renditions of the anthem have begun to disappear from streaming platforms, including iTunes and Spotify, but U.S. platforms have not completely restricted access to all versions of the song.¹⁶⁰ In July 2023, Hong Kong's High Court ruled against the government's bid to ban the song, leading the Lee Administration to appeal the decision.¹⁶¹ The government blamed the judge's lack of expertise handling matters of alleged national security.¹⁶²
- **Hong Kong authorities removal of a satirical comic strip with a history of taking on government policies from a mainstream Chinese-language newspaper.**¹⁶³ In May 2023, the comic strip of Wong Kei-kwan, a longtime political cartoonist, was suspended after Chinese-language newspaper *Ming Pao* published his comic strip showing a conversation between two individuals in which the man explains to the woman that local community representatives

Artistic Expression in Hong Kong Purged for Challenging Government Narratives—*Continued*

will be selected “as long as the superior finds them suitable,” regardless of their qualifications.¹⁶⁴ Mr. Wong’s cartoon was a critique of the government’s decision to reduce the number of locally elected council positions, opting instead for political appointees.¹⁶⁵ The cancelation of Mr. Wong’s long-running comic strip demonstrates authorities’ determination to squash any avenue for spreading opinions that may challenge the government. Prior to the removal of his comic strip, Mr. Wong also faced criticism from Hong Kong Secretary for Security Chris Tang over his illustration of a couple discussing the government’s large security budget and suggesting that money for new equipment and technology would be used against Hong Kongers.¹⁶⁶ Secretary Tang characterized Mr. Wong’s work as promoting “misleading accusations to provoke citizens’ discontent towards the government.”¹⁶⁷

Hong Kong’s Remaining Journalists Face Significant Risks under NSL

The Hong Kong government has continued an unprecedented campaign to intimidate and harass the few journalists and publications who remain in the territory, forcing them to navigate an increasingly restrictive environment under the NSL. According to the nongovernment organization Reporters Without Borders, Hong Kong’s press freedom dropped from 73rd in the world in 2019 to 148th in 2022.¹⁶⁸ In December 2022, Tang Cheuk-yu, a freelance journalist first arrested in November 2019 and released on bail, was sentenced to more than a year in prison for “possession of offensive weapons in a public place” while conducting journalistic work for Taiwan’s Public Television Service.¹⁶⁹ The “offensive weapons” included a laser pen, ropes, and a multipurpose knife, which he carried on his person during protests outside of Hong Kong Polytechnic University.¹⁷⁰ As of 2023, more than a dozen journalists remain detained in Hong Kong, and those that are not detained have reportedly faced growing harassment. The Hong Kong Journalists Association (HKJA) revealed in March 2023 that it had received reports from journalists about being followed by unknown people near their office, their homes, and outside of court hearings in an effort to intimidate and dissuade them from reporting anything negative about the government or China.¹⁷¹ For instance, the Hong Kong Free Press (HKFP) reported that on March 22, 2023, one of its journalists had been followed from her home to HKFP’s office by two men who were allegedly undercover police wearing earpieces. When confronted, the two men refused to respond to questions or identify themselves.¹⁷²

Extraterritorial Application of the NSL

In 2023, there were several cases in which the NSL was used to charge individuals accused by Hong Kong authorities with “secession” or “collusion with foreign forces” for activities conducted while living abroad:

- *Eight Hong Kong activists:* The Hong Kong police placed arrest warrants and bounties on Hong Kong activists Nathan Law Kwun-chung, Elmer Yuen Gong-yi, Dennis Kwok Wing-hang, Kevin Yam Kin-fung, Anna Kwok Fung-yee, Mung Siu-tat, Finn Lau Cho-dik, and Ted Hui Chi-fung in July 2023 for “foreign collusion” and “incitement to secession” under the NSL for activities conducted abroad.¹⁷³ Eric Lai, a visiting researcher at King’s College London’s School of Law, said the issuance of the arrest warrants and bounties “is a way to create a chilling effect for the Hong Kong overseas community.”¹⁷⁴ The eight activists now live in the United States, Australia, and the UK (for more on the reactions of these host governments to the issuance of the arrest warrants and bounties, see Appendix III and Appendix IV).¹⁷⁵ The Hong Kong police issued bounties worth approximately \$128,000 (Hong Kong Dollars [HKD] 1 million) for information that could lead to their arrest, with the charges carrying sentences up to life in prison.¹⁷⁶ Furthermore, a spokesman from Hong Kong’s Security Bureau stated that the police would cut off the activists’ sources of funding and identify their “accomplices” in Hong Kong, according to the *South China Morning Post*.¹⁷⁷
- *Ted Hui:* Notable as one of the aforementioned eight activists, the case of Ted Hui merits further attention as a study in Beijing’s extrajudicial political repression. In February 2023, former Hong Kong lawmaker and prodemocracy activist Ted Hui received a letter from the chief inspector of the Hong Kong Police Force, Peggy Chan, requesting that he return to his home city to comply with a warrant for “incitement to succession” and “collusion with foreign countries.”¹⁷⁸ Inspector Chan told Mr. Hui that he was “advised to return to Hong Kong and surrender to any Police Station with this letter and his identification document... for execution of the said warrant,” according to the *Hong Kong Free Press*.¹⁷⁹ Mr. Hui, who escaped to Australia with the assistance of Danish legislators in March 2021, told the *Hong Kong Free Press* that he had no plans to return to Hong Kong and asserted that there is “nothing wrong for me to advocate Hong Kong’s freedom while I’m overseas.”¹⁸⁰ Prior to fleeing for Australia, Mr. Hui faced multiple criminal charges in November 2020 for protesting within the legislative chamber when he was a lawmaker and at a demonstration in July 2019.¹⁸¹ In May 2022, Mr. Hui was charged for fleeing abroad while on bail, and in September 2022, he was sentenced in absentia to 3.5 years in jail for contempt of court.¹⁸²
- *Hong Kong student living in Japan:* In March 2023, a 23-year-old Hong Kong student studying abroad in Japan was arrested after returning to Hong Kong and charged for allegedly “inciting secession.”¹⁸³ The student made social media posts on Facebook two years prior while studying in Japan, saying that “Hong Kong’s independence is the only way.”¹⁸⁴ She had returned to Hong Kong in order to renew her identification documents, and according to Japanese expert Tomoko Ako, the student was not “particularly political.”¹⁸⁵ *Deutsche Welle* asserted that the case is “the first known arrest of a Hong Konger under the NSL over

activities that took place outside of Hong Kong,” while the *Hong Kong Free Press* noted that numerous Japanese outlets said the case is the first of its kind in Japan.¹⁸⁶

Activism Abroad under the NSL: “Chilling Effect” of Law Pressures Activists into Silence

The “chilling effect” of the NSL is making many Hong Kong dissidents living abroad self-censor due to the risk of punishment from authorities and concern about the safety of their family members still in Hong Kong.¹⁸⁷ According to Sunny Cheung, an exiled Hong Kong activist and nonresident fellow at the Pacific Forum, the number of protesters organizing abroad has declined since the NSL came into effect.¹⁸⁸ Mr. Cheung notes that Hong Kong activists in the United States organized a private summit of around 100 people, where the location and identities of the participants were concealed.¹⁸⁹ Anna Cheung, an organizer for pro-Hong Kong rallies in New York, also stated that fewer people have been attending demonstrations since many Hong Kongers still have a desire to travel back or may have obligations there.¹⁹⁰ In the UK, where approximately 144,000 Hong Kongers now reside, a Hong Kong community organizer said, “We don’t use our real names, we wear masks. We are still scared. In the end we censor ourselves.”¹⁹¹ The founder of a community organization named “Hong Kongers in Britain,” Simon Cheng, stated that his group was aware of at least ten cases where Hong Kongers returned to the city after being pressured by police for participating in “political activities abroad.”¹⁹²

To make matters worse, Hong Kong lawmakers are increasingly emphasizing the importance of using digital tools to crack down on dissent abroad.¹⁹³ For instance, former Hong Kong leader CY Leung said pro-Beijing politicians need to do more in order to quell dissent abroad that spreads “harmful views online.”¹⁹⁴ Additionally, a cybercrime law that was proposed in July 2022 was discussed further during a LegCo meeting in November 2022, where lawmakers in the Law Reform Commission’s Cybercrime Subcommittee said the law needs to have extraterritorial reach in order to be effective.¹⁹⁵ According to Radio Free Asia, the law will apply to data “deemed in breach of that law, which contains broad definitions of subversion, sedition, secessionist and terrorist speech and activity.”¹⁹⁶ In February 2023, Radio Free Asia reported that Hong Kong police have received over 400,000 tips to its national security hotline since the hotline opened in 2020, a figure that former lawmaker Dennis Kwok said is “absolutely incredible,” noting that a few thousand are likely submitted every day.¹⁹⁷ According to Maya Wang, associate director in the Asia division at Human Rights Watch, the hotline “replicat[es] the Chinese Communist party’s model of relying on grassroots informants.”¹⁹⁸ The National Security Department of the Hong Kong Police Force’s website says people can submit tips through the Chinese social media platform WeChat, over email, or via SMS.¹⁹⁹ The hotline accepts audio, videos, photographs, and texts, which contributors can anonymously submit.²⁰⁰ Mr. Hui noted that the hotline accepts reports from informers all over the world, which can “create invisible tensions, threatening those who continue to speak out” due to fears of informants.²⁰¹

Despite the risks associated with speaking out under the NSL, many Hong Kongers have remained resolute in their determination to continue their activism abroad.²⁰² The solidarity of Hong Kongers living abroad was on display during this year's worldwide commemorations honoring the victims of the June 4th Tiananmen Square massacre on its 34th anniversary.²⁰³ Over the last three years, candlelight vigils have been suppressed in Hong Kong due to Beijing's political crackdown and pandemic restrictions.²⁰⁴ According to *CNN*, Hong Kongers participated in overseas commemorations in Australia, Japan, Taiwan, Europe, the United States, and Canada.²⁰⁵ Former Tiananmen Square student activists opened the June 4th Memorial Museum in New York after the September 2021 closure of a similar museum in Hong Kong, which was accused of colluding with foreign forces under the NSL.²⁰⁶ The museum contains newspaper clippings covering the crackdown, souvenirs commemorating the victims, and a section focused on Hong Kong's activism.²⁰⁷

Economics and Trade

Just as it has with Hong Kong's civil society, Beijing's domination of Hong Kong's economic, trade, and financial sectors has intensified, while Hong Kong's economy, stymied by COVID isolation, is compelled to turn to the Mainland for human capital and investment. At the same time, Beijing exploits Hong Kong's unique financial status to access international markets and further its economic ambitions. The Hong Kong business environment increasingly takes on the appearance of any other Chinese city, centered on mainland investment, with its firms having to contend with complex and at times contradictory regulations emanating down from Beijing. Faced with Hong Kong's dwindling international stature and cementing of mainland ties, U.S. firms and other multinationals continue to depart the city. Hong Kongers also depart the city in record numbers despite facing punitive actions from the city's government.

Withheld Pensions for Hong Kong Emigres

To penalize Hong Kongers emigrating under a dual passport following imposition of the NSL, Hong Kong's government is denying access to pensions from the Mandatory Provident Fund (MPF), Hong Kong's pension fund. This fund is managed in part by U.S. financial institutions.²⁰⁸ In principle, when Hong Kong residents permanently depart Hong Kong to live abroad, they are entitled to early withdrawals from the MPF, money that can be used to cover resettlement costs.²⁰⁹ To access the MPF fund, Hong Kongers who have departed to the UK have relied on using their British National Overseas (BNO) passports, presenting them as a key document to demonstrate overseas residency and initiate the withdrawal process.²¹⁰

However, in March 2021, MPF authorities announced that BNO passports could no longer be used as documentation to enable early MPF withdrawal.²¹¹ This change in regulations limits more than 90,000 Hong Kong residents who have emigrated under the BNO passport from having the necessary documentation to make their withdrawal from the MPF.²¹² Based on data from the Hong

Withheld Pensions for Hong Kong Emigres—*Continued*

Kong government, human rights group Hong Kong Watch finds that these individuals are now being denied over \$2.74 billion (HKD 21.5 billion) in MPF pension funds being held by international banks, including by the UK-headquartered Hong Kong Shanghai Banking Corporation (HSBC) and U.S.-headquartered Prudential.²¹³ Overseas banks manage much of the MPF, with HSBC managing over 30 percent of funds.²¹⁴

Multinational banks have been clear in their reasoning for rejecting early pension withdrawal. In letters to departed Hong Kong residents, they point to the changed BNO regulation as a reason for withholding funds.²¹⁵ In response to this changed guidance, a May 2023 letter signed by 90 UK Members of Parliament criticized the actions of the Hong Kong government, describing the derecognition of the BNO as retaliation and stating that the “punitive denial of Hong Kongers to access their savings is curtailing the ability of many to start new lives and to prosper and thrive here in the UK.”²¹⁶

Weaknesses Persist in Hong Kong’s Economy Post-COVID

Although key indicators point to steadying in the Hong Kong economy in 2023, it is lagging behind its pre-pandemic strength. The 2022 real gross domestic product (GDP) of \$360 billion sits 5.2 percent below the 2018 number before protests, crackdowns, and strict COVID lockdowns slowed the economy.²¹⁷ Bloomberg estimates that Hong Kong’s isolation over the last three years bore severe economic costs, causing the city to lose out on \$27 billion in growth.²¹⁸ A major COVID outbreak further hampered the Hong Kong economy in the final quarter of 2022, causing real GDP to contract by 4.2 percent year-on-year in the fourth quarter.²¹⁹ This was the fourth straight quarter the economy contracted and marked 2022 as the second year the city’s GDP contracted in three years.²²⁰ While easing COVID restrictions brought 13 million visitors to Hong Kong in the first half of 2023, that is still about 37 percent of pre-pandemic levels, compared to Macau, which has returned to 70 percent of pre-COVID levels, and Singapore, which hit 67 percent.²²¹ The reopening of the Hong Kong border with mainland China in February 2023 also led to a rebound in Hong Kong’s wages and consumer activity, although the city’s international shipments remain sluggish, with total shipments of goods plummeting by 18.7 percent year-on-year in the first three months of 2023 due to falling demand in mainland China, the United States, and the EU (for more on U.S.-Hong Kong bilateral trade, see Appendix V: U.S.-Hong Kong Bilateral Trade).²²² As of July 2023, Hong Kong’s year-on-year total exports have declined for 15 straight months.²²³ The Mainland, which serves as Hong Kong’s largest trading partner, saw shipments of goods from Hong Kong decrease 15.2 percent year-on-year in July.²²⁴

Hong Kong’s fiscal deficit grew significantly during the pandemic with a budget shortfall for the July 2022–July 2023 fiscal year of \$17.9 billion (HKD 140 billion), more than double original government projections.²²⁵ Despite the deficit, the Department of Finance

continues to try to stimulate demand, including by extending a consumption program of cash vouchers for up to \$637 (HKD 5,000) for Hong Kong residents in 2023.* Hong Kong's Financial Secretary Paul Chan estimated that the city's stimulus programs will add to Hong Kong's \$6.9 billion (HKD 54.4 billion) deficit for the 2023–2024 fiscal year, posing added difficulty to the city's balance sheet, with back-to-back years of sizable deficits.²²⁶

In the medium term, Hong Kong faces expanding private debt, declining demand for Hong Kong-produced electronics, and slow-downs in key export and shipping markets, along with worsening demographic difficulties.²²⁷ The city's shifting demographics are demonstrated by the decline in its working-age population. In 2022, Hong Kong lost 94,000 working-age people, a record since the city began tracking demographics in the mid-1980s.²²⁸ From the end of 2019 through 2022, the city's working-age population has fallen by 220,500, with 2022 alone representing a 2.4 percent year-on-year reduction of the labor force.²²⁹ While the city's aging population is one driver of this demographic decline, the largest proportion to leave Hong Kong's labor force was in the 25–29 age bracket, as young people left the city due to repressive crackdowns and a stagnant economy.²³⁰ Trying to stem these human capital concerns, Hong Kong is drawing ever closer to the Mainland, introducing programs to draw talent from mainland China and adding to Hong Kong's growing economic reliance on mainland talent and capital, a dynamic addressed later in this section.²³¹ As Hong Kong grapples with these persistent economic headwinds, the International Monetary Fund projects Hong Kong's medium-term GDP growth to slow below 3 percent.²³² This is a historically low growth projection for a city counted on by Beijing to be a central driver of its Greater Bay Area strategy.[†]²³³

Rising living costs continue to weigh on working-class Hong Kongers. The cost of transport rose in 2023, with main transport agencies seeking to raise ticket prices by as much as 50 percent and the 125-year-old Star Ferry applying for permission to both cancel free rides for the elderly and double some of its ticket prices.²³⁴ The relaxing of COVID restrictions also revived housing concerns that have long plagued the city, with rents reaching levels not seen since historic highs in 2018.²³⁵ Hong Kong has been the world's least affordable housing market for 13 consecutive years, and the 2023 wait time for public housing was 5.3 years, well beyond the government's pledge to reduce wait times to three years.²³⁶ In its latest bid to ameliorate the housing shortage—an issue Chief Executive Lee has promised to reduce—the city government introduced a \$3.3 billion plan to build about 30,000 temporary public apartments over the next five years.²³⁷ The plan faced protests in already densely populated neighborhoods and was panned by critics for its temporary status, viewed as indicative of the government's inabil-

*All Hong Kong permanent residents will be eligible for the HKD 5,000 stimulus. Those who are not permanent residents but are studying in the city or temporarily working in the city will receive HKD 2,500. Hong Kong's domestic workers will not receive a payout. Hillary Leung, "HKFP Guide: How to Claim Hong Kong's 2023 HK\$5,000 Consumption Vouchers," *Hong Kong Free Press*, March 8, 2023.

†The Greater Bay Area (or GBA) is an initiative to connect 11 cities in Southern China—Hong Kong, Guangzhou, Shenzhen, Macau, and seven other supporting cities—into a single economic hub. Real Instituto Elcano, "The Greater Bay Area: China's 'Next Big Thing,'" July 28, 2022.

ity to provide sufficient permanent housing, particularly for Hong Kong's working class.²³⁸ The housing shortage further threatens to renew decade-long tensions over mainland Chinese property buyers, who many Hong Kongers blame for driving up real estate prices in Hong Kong.²³⁹ The issue may gain new traction as the Hong Kong government seeks to attract more Chinese professionals to the city.

Hong Kong Dollar under Duress

The ability of the Hong Kong Monetary Authority (HKMA) to maintain the HKD peg to the U.S. dollar is under pressure, draining Hong Kong's fiscal capacity. The HKMA holds the exchange rate of the HKD pegged at a range between 7.75 and 7.85 per U.S. dollar.²⁴⁰ The Hong Kong government has maintained the HKD's peg to the U.S. dollar since 1983, a feature that has helped to stabilize local interest rates and the value of the HKD while also maintaining easy convertibility of the HKD. Demonstrating its growing weakness, however, the peg has touched the weak end of its managed value window more than 40 times in the period of May 2022–June 2023.²⁴¹ This is due to an outflow of capital from Hong Kong seeking U.S. dollars as traders move to capitalize on rising U.S. interest rates, which have outpaced Hong Kong banks in interest rate hikes. Amid uncertainty about the future of the HKD, the HKMA has had to purchase HKD aggressively in order to ensure the HKD remains within the currency band, buying nearly \$37 billion (HKD 289 billion) from banks.²⁴² With these fluctuations in the HKD, Hong Kong's aggregate balance,* a key gauge of liquidity in the banking system, has dropped precipitously over the past 12 months and has fallen 90 percent from its peak in 2021.²⁴³ In June 2023, Hong Kong's aggregate balance fell to \$5.7 billion (HKD 44.76 billion), the lowest liquidity level since November 2008, following the global financial crisis.²⁴⁴

The stress on the HKD has raised questions for Hong Kong's financial leaders on the sustainability of the currency being pegged to the U.S. dollar.²⁴⁵ The peg has historically been key to Hong Kong's financial stability and has helped promote the city's role as an international financial center in a region where a large amount of trade and capital transactions are denominated in U.S. dollars.²⁴⁶ While Hong Kong leadership insists on the need to keep the currency pegged to the U.S. dollar, recent volatility has prompted speculation that Beijing may switch to the offshore RMB, or Chinese RMB that circulate outside of the Mainland and that are less subject to mainland exchange rate controls.²⁴⁷ Such a move would harm Hong Kong's financial center status due to the offshore RMB's limited circulation as well as the numerous advantages for international banks and their clients provided by maintaining balance sheets largely denominated in a currency that fluctuates minimally relative to the U.S. dollar.

*The aggregate balance is the sum of balances in clearing accounts and reserve accounts that commercial banks keep with the HKMA for settling interbank payments and payments to the HKMA.

Multinational Firms Weigh Chinese Anti-Sanctions Measures

As Hong Kong falls increasingly under Beijing's rule, financial institutions and multinational firms operating in Hong Kong confront new risks from Beijing's pressure to ignore U.S. sanctions and potential retaliatory measures.²⁴⁸ Since 2020, the United States, with the support of allies and partners, has imposed financial sanctions on individuals involved in implementing the NSL and related crack-downs, including Chief Executive Lee. In spite of the HKMA issuing a statement that the sanctions had "no legal status in Hong Kong," companies have broadly complied, with U.S. social media firms banning Chief Executive Lee from fundraising on their platforms and foreign banks operating in Hong Kong distancing themselves from sanctioned individuals in the territory's senior leadership.²⁴⁹

To formalize a legal tool for retaliating against foreign sanctions and authority to impose sanctions on a wide variety of targets, China's legislature passed the Anti-Foreign Sanctions Law (AFSL) in 2021. Among other provisions, the law targets "persons or organizations that directly or indirectly participate in the drafting, decision-making, or implementation of the discriminatory restrictive measures."²⁵⁰ It also provides that parties impacted by foreign sanctions may sue companies implementing them for associated losses (for more on the law, see Chapter 2, Section 1, "Rule by Law: China's Increasingly Global Legal Reach").²⁵¹ After the law's passage, Hong Kong leadership indicated intent to implement the law in Hong Kong, placing the territory's business community at risk of retaliation for complying with U.S. sanctions associated with the NSL.²⁵² Strong opposition was raised against the law via an extensive lobbying campaign from the city's finance industry, culminating in meetings between Hong Kong executives and then Chinese Vice Premier Liu He in 2021.²⁵³ As of October 2023, the AFSL has not been enforced in Hong Kong.

The NSL itself also creates difficult compliance questions. In abiding by U.S. sanctions, financial institutions in Hong Kong risk being labeled as engaging "in activities such as requesting, conspiring with, receiving instructions etc., from a foreign country" in violation of article 29 of the NSL.²⁵⁴ While no such cases have emerged as of October 2023, with China's continued crackdown on Hong Kong's institutions, lingering questions persist for the dozens of multinational banks that underpin Hong Kong's financial sector.²⁵⁵ These financial institutions have already complied with requests from the Hong Kong police, including freezing the assets of activists and civic organizations. As of July 2023, these banks—including UK-based HSBC—have kept frozen the accounts of individuals and civic associations associated with the Hong Kong protests, including those of former Hong Kong LegCo members.²⁵⁶

Hong Kong Companies Support Russia's War in Ukraine

Hong Kong's standing as an international shipping hub has been exploited to support Russian technology networks. According to a Carnegie Endowment for International Peace report, Hong Kong has taken on the role of a "transshipment hub for diverting Western-made microelectronic components to companies affiliated

Hong Kong Companies Support Russia's War in Ukraine—Continued

with the Russian military,” diverting chips to Russia manufactured by top U.S. chipmakers, including Intel, Advanced Micro Devices, and Texas Instruments.²⁵⁷ From 2021 to 2022, exports of U.S. chips from Hong Kong and mainland China to Russia grew to a value of about \$570 million, a tenfold increase.²⁵⁸ By some estimates, between March and December 2022, mainland China and Hong Kong combined accounted for nearly 90 percent of global chip exports to Russia.²⁵⁹ Following this increase, in May 2023 the EU sanctioned several Hong Kong firms—including Sinno Electronics, Sigma Technology, and Asia Pacific Links—for their role as conduits of illicit Russian technology networks.²⁶⁰ Officials from the U.S. Department of the Treasury additionally visited Hong Kong in June 2023, reportedly to warn Hong Kong’s banks and industry groups against aiding transfers of U.S. technology to Russia.²⁶¹

Continuing Charm Offensive on International Business and Travel to Hong Kong

The regional headquarters of U.S. firms in Hong Kong continue to depart for other regional hubs, including Singapore and South Korea. Although the trend of U.S. firms’ regional headquarters departing Hong Kong has existed for the last decade, this drop has become more pronounced since the COVID pandemic and the crackdowns on Hong Kong protestors, with 39.6 percent, or 187 U.S. firms, relocating regional headquarters out of Hong Kong in the last two years.²⁶² While some firms have in the past relocated regional headquarters to the Mainland in order to focus on mainland markets, Singapore is the main beneficiary of relocations out of Hong Kong.²⁶³ This includes the relocation of shipping giant FedEx, which in 2023 announced plans to depart Hong Kong for Singapore.²⁶⁴ Between 2018 and 2022, a time period of democratic protests, crackdowns, and strict COVID measures, Hong Kong only registered an average of 950 companies a year, compared to an annual 18,000 in Singapore.²⁶⁵ Among all firms since June 2019, the number of regional headquarters based in Hong Kong has decreased by 5 percent.²⁶⁶ Crackdowns on business in China also reverberate in Hong Kong. Following a raid on the Beijing offices of due diligence firm Mintz Group, several Hong Kong-based staff reportedly left for Singapore, with no plans to return to Chinese-controlled territory until the probe concludes.²⁶⁷ To offset the outflow of multinational firms, Hong Kong has been creating incentives to attract business, particularly from the Mainland, introducing tax incentives and subsidies in a bid to draw in business professionals. This includes the “Top Talent Pass Scheme,” offering extended visas to those who earn more than \$318,000 (HKD 2.5 million) or have above a bachelor’s degree from a top 100 global university.²⁶⁸ According to Hong Kong Government statistics, 95 percent of applicants admitted to Hong Kong under the Top Talent Pass Scheme were mainland Chinese nationals.²⁶⁹ The introduction of a new multi-entry visa pilot program for skilled professionals in

science, health, and other fields in the Greater Bay Area seeks to further enmesh Hong Kong with the Mainland, allowing for easier access among residents of the neighboring Greater Bay Area to come to Hong Kong to conduct research and attend workshops.²⁷⁰ With these policies meant to draw in mainland workers, the Hong Kong government has fostered a dynamic where foreign business and talent are leaving Hong Kong and Chinese nationals are stepping in to replace them.* This is already bearing results among Hong Kong's labor force, where Chinese nationals comprised two-thirds of applicants approved to work in Hong Kong as of February 2022, including the majority of those joining the financial services, engineering and construction, and higher education sectors.²⁷¹

Hong Kong has also extended a charm offensive to international business interests, easing COVID restrictions at financial conferences such as the Global Leaders Financial Summit (GLFS), held in November 2022 and meant to promote Hong Kong as an investment and business center. The event offered shortened quarantines for attendees flying in to attend the event.²⁷² Attendees were not required to follow the city's indoor masking regulation, and in at least one instance, a positive-testing participant did not complete the standard quarantine procedure for visitors to Hong Kong.²⁷³ In turn, participants at the summit issued statements praising Hong Kong following widespread COVID lockdowns and protests that roiled the city.²⁷⁴

Hong Kong as an Arbitration Center

Hong Kong continues to decline as a center for commercial arbitration, losing out cases to other international legal hubs, a sign of the eroding perception of Hong Kong's legal institutions by the international business community. The right of the Hong Kong National Security Council to overrule arbitration rulings in the city undermines the region's status as the venue of choice for those seeking arbitration, particularly with mainland firms. Provisions in the NSL allow for the Hong Kong National Security Committee to intervene and potentially overturn arbitration proceedings should it deem them an issue of national security.²⁷⁵

Singapore, Hong Kong's regional competitor for commercial arbitrations, continues to outrank Hong Kong as a preferred venue and has steadily outpaced Hong Kong on arbitration cases heard in the city. While Hong Kong once dominated Singapore in terms of case-loads, recent data show the city falling behind, with the Hong Kong International Arbitration Center (HKIAC) last year processing 344 arbitration cases, valued at \$5.5 billion, compared to the Singapore International Arbitration Centre (SIAC) in 2022, which heard 357 cases, valued at \$5.61 billion.²⁷⁶ New case filings in the first quarter of 2023 came to 332 for the SIAC, a record high.²⁷⁷ The HKIAC has yet to provide quarterly figures for 2023.²⁷⁸

*An October 2023 survey by the consulting firm Robert Walters found that 52.3 percent of Hong Kong's working professionals have considered leaving Hong Kong. Among respondents to the survey, 15 percent plan to "leave as soon as possible," while another 36.7 percent are considering leaving Hong Kong in the next three to five years. Among those considering plans to leave Hong Kong, just over half are millennials (aged 27 to 42) and 40 percent of those considering leaving the city said that they had already applied for overseas roles. Irene Chan, "Over Half of Hong Kong Professionals Considering Leaving the City within 5 years, Survey Finds," *Hong Kong Free Press*, October 4, 2023.

Convergence between the Hong Kong and Mainland Economies

Mainland China continues to integrate with Hong Kong's financial institutions. Hong Kong is a key center for personal banking among Chinese nationals. In February 2023, 1.1 million Chinese visitors visited Hong Kong following the easing of COVID restrictions on February 6, and the daily average number of counter transactions at HSBC by mainland customers doubled.²⁷⁹ An HSBC survey indicated that about 60 percent of Mainlanders who planned to visit Hong Kong after the border reopened highlighted personal banking and wealth management services in Hong Kong as their main reason for travel.²⁸⁰

Chinese business continues to consolidate its dominant role in Hong Kong capital markets. Chinese companies account for 78 percent of the market capitalization of the main board of the Hong Kong stock market, while Hong Kong handles as much as 70 percent of all international investment flows into stocks listed in the Mainland.²⁸¹ In a bid to increase international exposure, at least eight mainland-based funds, including billion-dollar equity and mutual funds, have set up operations in Hong Kong in the period of November 2022–April 2023.²⁸² More than ten others have announced plans to flock to the city.²⁸³ Hong Kong leadership has leaned into the deep financial influence that China holds over the city, with Chief Executive Lee in November 2022 describing Hong Kong as “the only place in the world where the global advantage and the China advantage come together in a single city.”²⁸⁴

Hong Kong Data Policies Look Toward the Mainland

Although Hong Kong's business community has undergone close integration with the Mainland, its data management policies have to date not fully adopted the Mainland's restrictive regulations. While the Mainland in recent years has passed strict policies governing cross-border data transfers, Hong Kong still follows the Personal Data Ordinance, introduced under British rule in 1996, which allows broad authority for the processing of personal data collection and relatively low scrutiny of cross-border data flows.²⁸⁵ However, this dynamic is shifting, with the city starting to transition to better align with the data regulations of the Mainland. A new amendment to the ordinance, yet to be enforced as of October 2023, allows for increased restrictions on cross-border data flows in Hong Kong, while further talks between the Hong Kong government and the Cyberspace Administration of China seek to open cross-data flows with the Mainland but restrict Mainland data flows from leaving the city.²⁸⁶ Should Hong Kong adopt these measures, it will further reduce any substantive differences between the regulatory regimes of Hong Kong and that of the broader Greater Bay Area. This move would also add to a recent reduction in public data access in Hong Kong by the city's government. The Hong Kong government cited new personal data regulations in justifying the removal of identifying personal information of executives and employees of newly listed firms from Hong Kong's company registry while allowing currently listed members to have their company information retroactively removed.²⁸⁷ The move inhibits public access of key employment data

at Hong Kong's largest firms and was condemned by activists and journalists as a means to restrict free press coverage of Hong Kong's business sector and reduce transparency.²⁸⁸

While it has yet to be adopted, Hong Kong's plan to shift its data control regime to mimic the Mainland's may also serve to further degrade the city's international business stature. A report by the Information Technology and Innovation Foundation finds that international firms value Hong Kong for its relatively liberal data regime and that Beijing-style restrictions on data flows would reduce foreign investment.²⁸⁹ The report found that the impact of Hong Kong shifting its data regime toward the regressive mainland regime would place onerous costs on businesses, potentially reducing trade volume by 5.7 percent over five years while raising import prices by 1.5 percent.²⁹⁰

Hong Kong and China Continue to Connect Financial Markets

Launched in May 2023, the Hong Kong-China Swap Connect is the fifth platform connecting Hong Kong and mainland financial markets, joining programs for stocks, bonds, exchange-traded funds (ETFs), and wealth management markets, all launched since 2014.²⁹¹ The latest Swap Connect enables overseas investors to participate in China's interest rate swap market and provides northbound access via Hong Kong to the Mainland's interbank financial derivatives market. This gives international investors the ability to trade onshore interest rate swaps,* providing a means to hedge holdings of RMB-denominated assets.†²⁹²

The Swap Connect will act as a counterweight to the Hong Kong-China Bond Connect program, which allowed overseas access to the Chinese bond market and trade in RMB-denominated bonds beginning in 2017. While the Bond Connect was initially designed to draw international investors to Chinese bonds, in 2022 foreign investors sold \$91 billion in RMB bonds, a record trend that continued into the first half of 2023.²⁹³ For more information on Hong Kong's financial connect schemes, see Table 1 below.

Table 1: Hong Kong's Financial Connect Schemes

Name	Description	Launch Year
Shanghai-Hong Kong Stock Connect	Northbound daily quota is \$7.17 billion (RMB 52 billion) and the southbound daily quota is \$5.8 billion (RMB 42 billion). In 2022, the average daily trade value for the northbound leg was \$6.94 billion (RMB 46.5 billion), while southbound it was \$1.95 billion (HKD 15.3 billion).	2014

*In an interest rate swap, parties agree to exchange interest payments, often as a means to hedge against interest rate fluctuations. For example, an investor that purchases a fixed-interest bond could use an interest rate swap to exchange the fixed interest payment for a floating rate that tracks changes in a benchmark reference rate. If the reference rate increases, the investor would potentially profit from the increase. If the reference rate decreases, the investor would potentially take losses from the decrease.

†The Swap Connect currently operates in the "northbound" direction, though a future channel is planned to provide onshore mainland investors access to the derivatives market in Hong Kong. The Stock and Bond Connect programs currently have "southbound" channels that enable mainland investors to trade securities listed on Hong Kong's exchanges. *Bloomberg*, "China Opens New Channel Giving Access to \$3 Trillion Swap Market," May 14, 2023.

Table 1: Hong Kong's Financial Connect Schemes—Continued

Name	Description	Launch Year
Shenzhen-Hong Kong Stock Connect	Quotas are identical to the Shanghai-Hong Kong Stock Connect. In 2022, the value of average daily trade for the northbound leg was \$8.15 billion (RMB 54.6 billion), while southbound it was \$1.94 (HKD 15.2 billion).	2016
Bond Connect	While the northbound connect has no quota, the southbound connect has an annual quota of \$68.96 billion (RMB 500 billion). In the first half of 2023, the northbound average daily turnover was \$5.35 billion (RMB 38.8 billion).	2017 (Northbound), 2021 (Southbound)
Greater Bay Area Wealth Management Connect	Annual quotas of \$20.69 billion (RMB 150 billion) both northbound and southbound.	2021
Exchange-Traded Funds (ETF) Connect	Daily quota operates according to thresholds under the Stock Connect.	2022
Swap Connect	Allows Hong Kong and international investors to participate in the interbank interest rate swap market in the Mainland, with no changes to prior trading and settlement processes for currency swaps.	2023
Greater Bay Area Insurance Connect	The scheme will primarily open up insurance products from Hong Kong and Macau to the more than 80 million people in the Greater Bay Area.	Expected 2023 or 2024

Source: Various.²⁹⁴

The connects join other China-Hong Kong RMB internationalization pushes, such as the HKD-RMB Dual Counter Model announced in June 2023. This program allows Hong Kong investors to buy select stocks, including Tencent and Alibaba, on the Hong Kong Stock Exchange (HKEX) in both HKD and RMB. While the program comprises stocks for about 40 percent of the average daily trading volume on the HKEX, only a small proportion of that trading currently occurs in RMB.²⁹⁵ However, this agreement is indicative of attempts to expand RMB use in HKEX trades and the continued push for the HKEX to more closely integrate with financial markets and firms in mainland China.²⁹⁶

HKEX Serves Mainland Exchanges

The deepening link between Hong Kong and Chinese markets also comes at a time when initial public offerings (IPOs) on the HKEX are being dwarfed by its Chinese counterparts. In 2022, total funds raised for 75 Hong Kong IPOs were \$12.69 billion, a 70.5 percent drop compared to the \$42.96 billion raised in 2021.²⁹⁷ Hong Kong IPOs in the first six months of 2023 continued to lag, with raised funds dropping by 14 percent to \$2.16 billion (HKD 17 billion) compared with \$2.51 billion (HKD 19.7 billion) in the first half of 2022.²⁹⁸ This contrasts with exchanges in the Mainland, with the

Shanghai and Shenzhen Stock Exchanges—which rank third and sixth globally in terms of market capitalization—both ahead of the HKEX.²⁹⁹ Analysts predict that mainland Chinese exchanges will lead the world in IPOs again this year.³⁰⁰

In a new link between Hong Kong and mainland financial markets, the HKEX has been enlisted to boost the profile of the Beijing Stock Exchange (BSE), a small cap board.* To increase the exchange's exposure, a June 2023 memorandum of understanding (MOU) promotes dual listings for firms on both the HKEX and the BSE.³⁰¹ As part of the agreement, the BSE will support the applications of qualifying companies seeking to list on the HKEX and vice versa. The agreement stands to increase the Chinese makeup of the HKEX, as nearly all firms listed on the BSE are small and medium-sized Chinese firms.³⁰² These firms, which are mostly Chinese startups founded in the last decade, will be able to list domestically in the Mainland while simultaneously accessing the larger and more international-facing HKEX. This MOU will further benefit the BSE as it seeks to attract listings from large, tech-heavy firms listed on the HKEX.

Hong Kong Supports RMB Internationalization while Limiting Impact on China's Domestic Financial Markets

Through Hong Kong's unique role as an offshore hub facilitating RMB settlement and investment into and from the Mainland, Beijing can maintain a relatively closed capital account while allowing Chinese entities and foreign businesses in China to engage in a high volume of cross-border transactions denominated in RMB. Hong Kong's status as the largest center of offshore RMB also affords the CCP unique strategic advantages in promoting the RMB's use internationally. Because of Hong Kong's historic legal and financial advantages, many foreign banks prefer to settle payments with Hong Kong-based banking partners and pay a fee for these banks to forward their transfers to mainland accounts rather than make the transfers directly.³⁰³ At the same time, Hong Kong helps Beijing control the RMB exchange rate because it is under China's direct political control and has a financial sector that includes many subsidiaries of mainland banks.

Hong Kong Banks Caught Up in Chinese Property Troubles

The Chinese property sector, which is entering its third year of a slump amid widespread defaults, has borrowed heavily from Hong Kong banks. China's property decline has been a black eye for major Hong Kong banks, including HSBC Holdings, which pointed to mainland real estate exposure when announcing projected credit losses and other impairment charges of \$3.6 billion for 2022, notably high-

*The BSE, launched in 2021, has ramped up IPO listings but has enlisted few large-cap stocks compared to its domestic counterparts in Shanghai and Shenzhen. At the end of 2022, only three companies on the BSE had a market capitalization of more than \$1.49 billion (RMB 10 billion), while the large majority had a market value of less than \$224 million (RMB 1.5 billion). In contrast, the average market value of stocks listed on Shanghai's STAR Market was \$1.85 billion (RMB 12.4 billion) and \$1.43 billion (RMB 9.6 billion) on the ChiNext board. Quanyue and Zhang Ziyu, "Beijing Stock Exchange Fights to Make Its Mark," *Caixin*, December 12, 2022.

er than the \$1.1 billion for the first half of 2022.³⁰⁴ HSBC classified 60 percent, or \$6 billion dollars, of its loans in the Chinese commercial real estate sector as “substandard and credit impaired.”³⁰⁵ A similar outlook faced Hong Kong-based Standard Chartered, as it accounted for \$582 million, or 70 percent, of total credit impairment for 2022 as being caused by commercial real estate exposures in the Mainland.³⁰⁶ Ties between Hong Kong banks and mainland real estate were a focal point for the HKMA as it raised its overall classified loan ratio, or the proportion of loans in danger of default, to 1.38 percent in 2022 from 0.88 percent in 2021.³⁰⁷ With the mounting losses, several Hong Kong banks have moved to “de-risk,” no longer willing to finance China’s lagging property development. HSBC Chief Risk Officer Kathy Cheung said the bank’s mainland property loan exposure had already declined by 26 percent in 2022, roughly equivalent to a reduction of \$2.3 billion (HKD \$18 billion), while officials at Standard Chartered announced they will be “in no particular rush” to increase mainland property exposure going forward.³⁰⁸ This de-risking in the property sector looks to add to general trends of Hong Kong banks reducing exposure to the Mainland as it grapples with domestic economic headwinds.³⁰⁹

Hong Kong Emerges as a Cryptocurrency Testing Ground

Hong Kong has pushed to become a hub for digital assets and a center for cryptocurrency, viewing it as a means to attract both capital and financial firms back to the city.³¹⁰ As the United States tightened regulations and scrutiny of cryptocurrency firms following major cryptocurrency crashes and nearby cities like Singapore seek to rein in retail investment in cryptocurrency, Hong Kong has sought to capitalize, expanding retail investors’ access to trade in digital tokens like Bitcoin and Ether, while the HKMA has reportedly pressured lenders—including HSBC and Standard Chartered—to take on crypto exchanges as clients.³¹¹ Starting in June 2023, cryptocurrency trading platforms and exchanges could apply for a license to operate in the city.³¹² Also in June, LegCo member Johnny Ng took to Twitter, now known as X, to publicly invite U.S.-based cryptocurrency exchange Coinbase to establish operations in Hong Kong, one week after the U.S. Securities and Exchange Commission charged Coinbase with operating in the United States as an unregistered securities exchange.³¹³ The city aims to be a “global hub” for the cryptocurrency sector, according to the chief executive of the HKMA.³¹⁴

Hong Kong’s embrace of cryptocurrency stands in stark contrast with the Mainland, which banned crypto-related transactions in 2021 along with crypto mining.* Beijing appears to quietly back Hong Kong’s cryptocurrency ambitions, however, with representatives from the central government’s Liaison Office attending

*These crackdowns brought crypto mining to a halt in China, with the country accounting for 0 percent of global Bitcoin mining power by June 2021, down from 44 percent in April. Despite the ban, China is still the world’s fourth-largest crypto market and the largest in East Asia. Sarah Dai, “China’s Cryptocurrency Market Still among World’s Strongest despite Beijing’s Crackdown on Trading,” *South China Morning Post*, October 21, 2022; MacKenzie Sigalos, “U.S. Officially the Top Destination for Bitcoin Miners, Beating Out China for the First Time,” *CNBC*, October 13, 2021; Cambridge Bitcoin Electricity Consumption Index, “Bitcoin Mining Map.”

Hong Kong Emerges as a Cryptocurrency Testing Ground—Continued

several conferences on cryptocurrency in the city.³¹⁵ *Bloomberg* reports that these representatives are reporting their findings on Hong Kong's digital currency efforts to superiors in the Mainland.³¹⁶ Beijing's tacit support of Hong Kong's cryptocurrency ambitions has led some cryptocurrency executives to speculate that Hong Kong's embrace of cryptocurrency may signal a future easing of restrictive cryptocurrency rules in China.³¹⁷

Implications for the United States

Hong Kong's overseas activist community has grown as more people flee Beijing's attacks on democracy and those opposing its destruction of "one country, two systems." With greater prodemocracy activism taking place abroad, however, China is expanding its security apparatus to conduct stricter enforcement of the NSL beyond the territory's borders. The extraterritorial reach of the NSL means Hong Kongers living abroad, naturalized citizens, and other foreigners who sympathize with Hong Kong may continue to be targeted by the Hong Kong government. While they face harassment and coercion from a distance, their family and friends who remain in Hong Kong or the Mainland face more direct threats. China's extrajudicial activity in this regard may conflict with the laws and statutes of the places where overseas Hong Kongers have chosen to reside, undermining the safety of individuals who come to the United States seeking a safe haven from the CCP's authoritarianism. This situation will be a source of continuing tension between China and the rest of the world as well as between the United States and China.

U.S. businesses, tourists, and students can no longer rely on Hong Kong's legal system or law enforcement for fair, transparent treatment of the rule of law. What was once a vibrant city for international visitors is no longer a reliably safe destination for tourism or commerce and presents the same level of risk to U.S. citizens as visiting the Mainland. U.S. businesses, travelers, and family of those residing in Hong Kong now face more uncertain and potentially unsafe circumstances, challenging their engagements in and visits to the city. More robust enforcement of the NSL has transformed Hong Kong into an environment where teachers, politicians, religious leaders, and others are forced to self-censor, just as they do in the Mainland. This culture of fear runs in tandem with Beijing's installation of mainland loyalists to key positions through which they will oversee NSL implementation, resulting in Beijing's solidification of its control over Hong Kong. The government's politicization of Hong Kong's judicial system has ruined the legitimacy and integrity of the courts by inserting political bias and control into the legal process. The Lee Administration continues revising school curricula and policies to reshape Hong Kong's schools into something more closely mirroring the mainland education system.

Amid this atmosphere, firms operating in Hong Kong's business environment must contend with policies reflective of Beijing's positions. This includes the city's involvement of international banks

when withholding pensions for departed Hong Kongers. International business can no longer rely on Hong Kong courts to mediate commercial legal disputes fairly, and the threat of Beijing-led crack-downs in Hong Kong weighs on the city's status as an international financial hub. Meanwhile, mainland firms have come to dominate Hong Kong's markets, and the city's capital flows have been geared toward serving Beijing's interest. Consequently, it remains unclear how Hong Kong can in any way be treated as separate from mainland China.

Appendix I: Individuals Sanctioned by the United States for Undermining Hong Kong's Autonomy

On August 7, 2020, the U.S. Department of the Treasury sanctioned 11 individuals for undermining Hong Kong's autonomy.³¹⁸

Carrie Lam, Chief Executive, Hong Kong Special Administrative Region (Retired)

Chris Tang, Commissioner of Hong Kong Police Force

Stephen Lo, Former Commissioner of Hong Kong Police Force

John Lee Ka-chiu, Secretary for Security (Currently serving as Chief Executive of Hong Kong)

Teresa Cheng, Secretary for Justice

Erick Tsang, Secretary for Constitutional and Mainland Affairs

Xia Baolong, Director of the Hong Kong and Macau Affairs Office of the State Council

Zhang Xiaoming, Deputy Director of the Hong Kong and Macau Affairs Office of the State Council (Currently serving as the Deputy Secretary General of the Chinese People's Political Consultative Conference)

Luo Huining, Director of the Hong Kong Liaison Office (Currently serving as head of a Central Leading Group on Xi Jinping Thought)

Zheng Yanxiong, Director of the Office for Safeguarding National Security in Hong Kong (Currently serving as Director of the Hong Kong Liaison Office)

Eric Chan, Secretary General of the Committee for Safeguarding National Security of the HKSAR (Currently serving as Chief Secretary for Administration)

Appendix II: The Hong Kong 47³¹⁹

1. Benny Tai, law professor
2. Joshua Wong, student activist
3. Claudia Mo, lawmaker
4. Kwok Ka-ki, lawmaker
5. Wu Chi-wai, lawmaker
6. Raymond Chan, lawmaker
7. Eddie Chu, lawmaker
8. Lam Cheuk-ting, lawmaker
9. Alvin Yeung, lawmaker
10. Au Nok-hin, lawmaker
11. Leung Kwok-hung, lawmaker
12. Andrew Wan, lawmaker
13. Jeremy Tam, lawmaker
14. Helena Wong, lawmaker
15. Andy Chui, elected district official
16. Ben Chung, elected district official
17. Gary Fan, elected district official
18. Clarisse Yeung, elected district official
19. Lawrence Lau, elected district official
20. Jimmy Sham, elected district official
21. Henry Wong, elected district official
22. Kinda Li, elected district official
23. Sam Cheung, elected district official
24. Tiffany Yuen, elected district official
25. Lester Shu, elected district official
26. Andrew Chiu, elected district official
27. Ricky Or, elected district official
28. Roy Tam, elected district official
29. Calvin Ho, elected district official
30. Lee Yue-shun, elected district official
31. Michael Pang, elected district official
32. Cheng Tat-hung, elected district official
33. Sze Tak-loy, elected district official
34. Ng Kin-wai, elected district official
35. Fergus Leung, elected district official
36. Carol Ng, union leader
37. Ventus Lau, politician, union leader
38. Gwyneth Ho, journalist
39. Prince Wong, student leader
40. Nathan Lau Chak-fung, student leader
41. Winnie Yu, nurse, union leader
42. Tam Tak-chi, radio presenter, activist
43. Mike Lam, businessman
44. Gordon Ng, businessman
45. Frankie Fung, founder of online media outlet
46. Hendrick Lui, social worker
47. Owen Chow, student leader, politician

Appendix III: United States Continues to Oppose Beijing's Repression in Hong Kong

In late July 2023, the *Washington Post* reported that the Biden Administration would prohibit Chief Executive Lee from attending the November 2023 summit of Asia-Pacific Economic Cooperation (APEC) leaders in San Francisco. As Hong Kong's then security chief, Lee was sanctioned along with ten other Hong Kong and Chinese officials in 2020 by the Trump Administration for his role in implementing the NSL.

The Biden Administration has continued the Trump Administration's implementation of Executive Order (EO) 13936, the President's Executive Order on Hong Kong Normalization, into July 2024.³²⁰ The EO declares a national emergency pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) to deal with "the unusual and extraordinary threat to the national security, foreign policy, and economy of the United States constituted by the situation with respect to Hong Kong."³²¹ In accordance with EO 13936, several agencies have continued previous policies in order to respond to the situation in Hong Kong.

U.S. Department of Homeland Security

- On January 26, 2023, the Biden Administration issued a memorandum on Extending and Expanding Eligibility for Deferred Enforced Departure for Certain Hong Kong Residents, which was set to expire on February 5, 2023.³²² The Administration extended the deferment of departure for most* Hong Kong residents for 24 months and directed the secretary of homeland security to "to take appropriate measures to authorize employment for noncitizens whose removal has been deferred" and consider suspending regulatory requirements for F-1 nonimmigrant students who are Hong Kong residents.³²³ The memorandum stated that "offering safe haven for Hong Kong residents who have been deprived of their guaranteed freedoms in Hong Kong furthers United States interests in the region."³²⁴

U.S. Department of State

- In its March 2023 *Hong Kong Policy Act Report*, the State Department asserted that China took "new actions directly threatening U.S. interests in Hong Kong" that were inconsistent with China's obligation pursuant to the Sino-British Joint Declaration of 1984 and the Basic Law, which provided the legal basis for Hong Kong's previously high degree of autonomy.³²⁵ Some

*According to the White House, this rule applies to all Hong Kong residents in the United States with the exception of those "who have voluntarily returned to Hong Kong or the PRC after the date of this memorandum; (2) who have not continuously resided in the United States since the date of this memorandum; (3) who are inadmissible under section 212(a)(3) of the Immigration and Nationality Act (INA) (8 U.S.C. 1182(a)(3)) or deportable under section 237(a)(4) of the INA (8 U.S.C. 1227(a)(4)); (4) who have been convicted of any felony or two or more misdemeanors committed in the United States, or who meet any of the criteria set forth in section 208(b)(2)(A) of the INA (8 U.S.C. 1158(b)(2)(A)); (5) who are subject to extradition; (6) whose presence in the United States the Secretary of Homeland Security has determined is not in the interest of the United States or presents a danger to public safety; or (7) whose presence in the United States the Secretary of State has reasonable grounds to believe would have potentially serious adverse foreign policy consequences for the United States." White House, *Memorandum on Extending and Expanding Eligibility for Deferred Enforced Departure for Certain Hong Kong Residents*, January 26, 2023.

of these actions include Beijing's decision to permit only one candidate to run for Hong Kong chief executive and the National People's Congress Standing Committee's issuance of its first "interpretation" of the NSL in December 2022, which stated that the chief executive and Committee for Safeguarding National Security in Hong Kong can issue legal decisions and legally binding certificates on national security matters without review.³²⁶ The department stated that Chinese and Hong Kong authorities have continued to invoke "national security" on a broad and vague basis to undermine protected rights, freedoms, and the rule of law.³²⁷

- The State Department issued a press statement in early July 2023 condemning the Hong Kong Police Force's "issuance of an international bounty for information leading to the arrest of eight pro-democracy activists who no longer live in Hong Kong."³²⁸ The State Department asserted that the NSL sets a "dangerous precedent" that harms fundamental freedoms and human rights, and it also called on the Hong Kong government to immediately withdraw the bounties.³²⁹

U.S. Department of the Treasury

- In accordance with EO 13936, the Department of the Treasury's Office of Foreign Assets Control continued to impose sanctions of 42 individuals through the Specially Designated Nationals and Blocked Persons List.³³⁰

Appendix IV: International Responses to the Continued Repression in Hong Kong

The United States' allies and partners have issued predominately rhetorical condemnations of Beijing's degradation of Hong Kong's autonomy and human rights situation as well as the CCP's transnational repression of Hong Kong dissidents living abroad.

EU

- On February 17, 2023, the 38th session of the EU-China Human Rights Dialogue was held in Brussels, where the EU addressed China's crackdown on human rights defenders, lawyers, and journalists in Hong Kong and the Mainland.³³¹
- On February 20, 2023, the Council of the EU published a press release outlining the EU's priorities in UN human rights fora for the year, urging the Hong Kong government to "restore the full respect for the rule of law and human rights."³³²
- On June 4, 2023, U.S. and EU consulate offices in Hong Kong lit candles in their windows to commemorate the Tiananmen Square massacre.³³³
- On June 15, 2023, the European Parliament passed a resolution with widespread support calling for the immediate release of *Apple Daily* founder Jimmy Lai and to repeal the NSL.³³⁴ The resolution also renews calls for sanctions on Hong Kong government officials for deteriorating fundamental freedoms.³³⁵

United Kingdom

- Britain published a report in January 2023 calling out Beijing's "systematic erosion of freedoms" in Hong Kong, noting that Chinese authorities are cracking down on free speech, press, and assembly.³³⁶ The report also notes that individuals and civil society groups are censoring themselves, and a majority of the remaining independent news outlets are now closed.³³⁷
- In May 2023, UK Foreign Secretary James Cleverly said that he raised the Jimmy Lai case to Chinese Vice President Han Zheng.³³⁸
- Following the July 2023 issuance of eight bounties placed on Hong Kong dissidents living overseas by the Hong Kong government, Secretary Cleverly stated that the UK "will not tolerate any attempts by China to intimidate and silence individuals in the UK and overseas."³³⁹ Among the eight bounties, Nathan Law, Finn Lau, and Meng Siu-tat reside in the UK.³⁴⁰

Australia

- Australian Foreign Minister Penny Wong stated that she was "deeply disappointed" by the bounties issued to the eight Hong Kong dissidents and articulated that "we have consistently expressed concerns about the broad application of the national security law to arrest or pressure pro-democracy figures and civil society."³⁴¹ Those listed as bounties include Kevin Yam, an Australian citizen and Melbourne-based senior fellow at Georgetown University's Center for Asian Law, and Hong Kong

legislator and prodemocracy leader Ted Hui, who has settled with his family in Adelaide.³⁴²

Japan

- Then Minister of Foreign Affairs Yoshimasa Hayashi and then Minister of Defense Yasukazu Hamada issued a joint statement alongside U.S. Secretary of State Antony Blinken and Secretary of Defense Lloyd Austin for the 2023 U.S.-Japan Security Consultative Committee.³⁴³ In the joint statement, Japan and the United States expressed “serious concerns about the state of Hong Kong’s autonomy and freedoms.”³⁴⁴

G7

- The G7 Hiroshima Leader’s Communiqué, published in May 2023, “call[s] on China to honor its commitments under the Sino-British Joint Declaration and the Basic Law, which enshrine rights, freedoms and a high degree of autonomy for Hong Kong.”³⁴⁵

UN

- In March 2023, the UN Committee on Economic, Social, and Cultural Rights urged Hong Kong to review the NSL in order to “to ensure the full independence of the judiciary” and also advised the abolition of the national security hotline, which the Hong Kong government claims its police force uses to receive “national security offenses related information” from members of the public but in practice has “detrimental effects on the work and expression of civil society, trade unions, teachers and other actors,” according to the committee.³⁴⁶

Appendix V: U.S.-Hong Kong Bilateral Trade

The United States remains Hong Kong's second-largest export market behind mainland China, although China remains Hong Kong's dominant trading partner with a share of 57 percent of total exports, compared to the United States' 6 percent share.³⁴⁷ Total trade in goods between the United States and Hong Kong decreased in 2022, with a marked drop in year-over-year exports from Hong Kong for the last three months of the year as Hong Kong was hampered by trade restrictions due to a major COVID outbreak.³⁴⁸ Bilateral trade between the United States and Hong Kong in 2023 has yet to return to pre-pandemic levels. Hong Kong exports to the United States in the first three months of 2023 totaled 83 percent of 2019 levels during the same period.³⁴⁹

Trade between the United States and Hong Kong rose slightly during the first half of 2022, with the value of total trade from January to June 2023 up 3 percent on the preceding year. Exports from Hong Kong to the United States in that time period are up 6.5 percent from \$12.66 billion to \$13.5 billion.³⁵⁰ Hong Kong also remains an important conduit for merchandise trade between the United States and mainland China. In 2022, around 4.0 percent (\$23.1 billion) of China's exports to the United States and around 6.5 percent (\$11.6 billion) of China's U.S. imports were routed through Hong Kong.³⁵¹

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