



## Hearing on “U.S.-China Relations in 2019: A Year-in-Review”

### Opening Statement of Vice Chairman Robin Cleveland

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Washington, DC

When the Hong Kong Special Administrative Region was established in law under the principle of “one country, two systems,” Beijing authorities explicitly guaranteed a high degree of political, economic, legal and financial autonomy. The Basic Law, which has governed Hong Kong since 1997, unequivocally protected freedom of movement, conscience, communications, and privacy; indeed, the term “inviolable” was applied to assurances that no citizen would be subject to unlawful arrest, detention or imprisonment. Perhaps most importantly, Beijing pledged Hong Kong citizens would enjoy universal suffrage in the selection of their political leadership. Hong Kong’s citizens trusted that democratic elections would be the ultimate guardian of their human and political rights.

Beijing has reversed, denied, and delayed each of its legal commitments bringing millions of Hong Kong’s citizens into the streets. In the past few months, over 1,100 people have been arrested for exercising their rights. Now, Beijing and its appointed leaders are falsely blaming and attacking the victims of its surveillance and strangulation policy. Chief Executive Carrie Lam acknowledges her government’s decisions have created havoc, yet she claims she is not free to resign, further demonstrating Beijing’s controlling role. This morning she recognized the time had come to withdraw the bill which provoked so much concern, which is very much appreciated, however, the facts of the ground remain challenging. I want to clearly state my support for the demonstrators remaining compelling concerns: accelerating the Basic Law’s commitment to universal suffrage; an independent investigation into police actions; release of all political detainees ; and relief from any charges of “rioting” which carry serious and disproportionate penalties for citizens exercising their rights and freedom of speech.

When Congress passed the Hong Kong Policy Act, it memorialized China’s obligations with every hope Hong Kong would establish a model that would encourage political and economic liberalization on the mainland. Under the Act, Hong Kong enjoys special standing with trade, investment, economic and political benefits which redound to Beijing’s benefit. Hong Kong is a critical financial and trade gateway providing Beijing access to investors in mainland bonds, lending to mainland businesses, serving as the largest off-shore clearing center for the RMB and channeling foreign direct investment in and out of China. Hong Kong has become the destination of choice for IPOs, surpassing New York, raising \$36 billion in 2018. Over 1,000 mainland companies with market capitalization of over \$2.6 trillion are listed on the Hong Kong Exchange.

Because of a long history of good governance, ease of doing business and sound judicial institutions, nearly 4,000 companies have regional headquarters in Hong Kong, including 1,400 U.S. enterprises. Beijing's actions not only threaten the freedom, safety and well-being of Hong Kong's citizens, the autonomy and viability of Hong Kong's active and important role in global banking, finance and investment is in peril.

As tension escalates, the Congress and Administration will face a difficult challenge in assessing the threshold for revoking Hong Kong's special status. I am hopeful today's witnesses will help define the conditions which might warrant changes in U.S. policy and what options are available to support the protection of Hong Kong's autonomy and civil liberties. For example, the Basic Law gives citizens the right to institute legal proceedings against the Chief Executive if freedoms are violated. Is there legal or technical assistance we should make available to support such an effort?

Perhaps none have watched the recent developments in Hong Kong with as much concern as the people of Taiwan. The concept of "one country, two systems" was originally intended to serve as a framework for a future unification agreement between Taiwan and the Chinese mainland. Unsurprisingly, politicians from both Taiwan's major parties as well as the vast majority of Taiwan's citizens have rejected this formula for unification. In fact, most people in Taiwan today view themselves as "Taiwanese" rather than "Chinese," and younger generations are growing more concerned about what unification with the increasingly authoritarian mainland would bring.

The Taiwan Relations Act, passed with overwhelming bipartisan support 40 years ago, provided the legal foundation for strong ties with Taiwan. The Act established "Any effort to determine the future of Taiwan by other than peaceful means," including through coercion, would constitute a threat to regional security and be a matter of "grave concern" to the United States. Over the past four decades, these provisions along with US arms sales, have contributed to peace and stability in the Taiwan Strait and in the broader Indo-Pacific region.

This year, we have seen China carry out a series of provocative military maneuvers in the airspace and waters near Taiwan, which potentially threaten this stability. In March, warplanes of China's People's Liberation Army crossed the median line in the Taiwan Strait for the first time in 20 years. In July, China conducted simultaneous military exercises in multiple locations near Taiwan for the first time since the 1995-1996 Taiwan Strait Crisis. A new Chinese white paper issued this year reiterated Beijing's refusal to renounce its right to use force to resolve its disputes with Taipei and indicated that Chinese naval operations and flights encircling Taiwan would become an official tool of national policy. Beijing has also tried to interfere with Taiwan's upcoming 2020 presidential elections by swaying media coverage in a pro-China direction and pressuring Taiwan's business community to support its preferred candidates.

In the economic sphere, Beijing leverages the fact that Taiwan remains deeply dependent on the Mainland for its economic prosperity. Taiwan's leaders seek to diversify the island's economy and expand its international links but are constrained by China's success at bullying other countries into avoiding such partnerships. China has also weaponized cross-Strait tourism flows in an attempt to damage Taiwan's economy.

We are at a critical crossroads with our friends and allies, especially in East Asia, with difficult choices ahead. To be clear, this is not a choice between the United States and China. Rather, we must join friends and allies to support nations which respect civil liberties, human rights and the rules of free, fair trading systems or we default to authoritarian political systems with self-serving, imperial economic ambitions.

I would like to take this opportunity to highlight the Commission's work monitoring U.S.-China affairs to inform Congress. In November we will publish our Annual Report, which provides a comprehensive assessment of the state of the U.S.-China relationship as well as policy recommendations for Congress.