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Hong Kong: Recent Developments and U.S. Relations

The Hong Kong Special Administrative Region (HKSAR, or Hong Kong) is a city located off the southern coast of China's Guangdong Province. More than 90% of Hong Kong's population is ethnically Chinese. The first language of the vast majority is Cantonese, a dialect of Chinese, and because of its long history as a British colony (1842 to 1997), the people of Hong Kong ("Hong Kongers") have a cultural and social identity distinct from that of Mainland China ("Mainlanders").

Hong Kong has a unique legacy in Asia of laissez-faire economics and the rule of law, part of their common law legacy from the British, along with an entrepreneurial economy, and passionate support for universal human rights.

After two decades under Chinese sovereignty, many Hong Kongers see this legacy being eroded by China's interference in the governance of Hong Kong. For critics of Chinese rule, the erosion of Hong Kong's political and economic autonomy, civil liberties, and rule of law threaten to undermine the city's economic prosperity and distinctive culture. Supporters of China's policies in Hong Kong view recent developments as forging closer ties with mainland China and generally benefiting the people of Hong Kong. The differing views of China's relationship with Hong Kong has led to a polarization of political views among Hong Kong residents. In addition, although the city's economy is performing well, rising income and wealth disparities and dwindling job prospects for Hong Kong youth have contributed to generational conflicts over the health of Hong Kong's economy and society.

Hong Kong's Autonomous Status

During its time as a British colony, Hong Kong grew from a small fishing community into one of the world's largest international trade and financial centers. Much of that growth is attributed to the laissez-faire economic policies adopted by the colony's relatively autonomous governors, and the entrepreneurial skills of the local Hong Kong business community.

On July 1, 1997, sovereignty over Hong Kong reverted to China under the provisions of an international treaty—known as the "Joint Declaration"—negotiated between China and the United Kingdom in 1984. The residents of Hong Kong were afforded no direct role in the negotiations of the Joint Declaration that would determine their future. Under the terms of the Joint Declaration, Hong Kong is to "enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government [the PRC government]."

To fulfill a Joint Declaration provision, China's National People's Congress passed the "Basic Law of the Hong

Kong Special Administrative Region (HKSAR) of the People's Republic of China" (Basic Law) on April 4, 1990. The Basic Law established an executive-led government, headed by a Chief Executive, a local legislature, the Legislative Council (Legco), and an independent judiciary, including a separate Court of Final Appeal. The Basic Law also states that the "ultimate aim" is to select the Chief Executive and all Legco members by "universal suffrage."

Hong Kong at a Glance

Population: 7.45 million (including 85,000 U.S. citizens)

Area: 1,082 square kilometers (418 square miles)

Per Capita GDP: HK\$ 359,996 (US\$46,153)

Life Expectancy (at birth): men—81.3 years; women—87.3 years

Leadership: Chief Executive Carrie Lam Cheng Yuet-ngor

Source: Hong Kong Census and Statistics Department

The Basic Law also states that the HKSAR "shall enjoy a high degree of autonomy and come directly under the Central People's Government," that "[t]he socialist system and policies shall not be practised in the Hong Kong Special Administrative Region, and the previous capitalist system and way of life shall remain unchanged for 50 years" (through June 30, 2047). This arrangement is frequently referred to as "one country, two systems."

U.S. Relations with Hong Kong

U.S. relations with Hong Kong are governed by the United States-Hong Kong Policy Act of 1992 (P.L. 102-383), which commits the United States to treating the HKSAR as separate from the rest of China in a variety of political, economic, trade, and other areas so long as the HKSAR remains "sufficiently autonomous." The act also states, "Support for democratization is a fundamental principle of United States foreign policy. As such, it naturally applies to United States policy toward Hong Kong. This will remain equally true after June 30, 1997."

U.S. merchandise trade statistics list Hong Kong as the 19th largest trading partner for the United States in 2017, with total trade of \$47.5 billion. The U.S. trade surplus with Hong Kong—\$32.5 billion—was its largest in 2017. According to the Hong Kong Trade and Development Council, "More than 1,400 US firms operate in Hong Kong, concentrated in trading, banking and finance, and transport. As of 1 June 2017, there were 283 regional headquarters and 443 regional offices of US companies in Hong Kong."

The U.S. Consulate General Hong Kong & Macau is the official U.S. representative office in Hong Kong. The Hong Kong Economic and Trade Office (HKETO) is the HKSAR's official representative office in the United States.

Recent Developments in Hong Kong

Various actions taken by the China's central government and the HKSAR government during Hong Kong's first 20 years under Chinese sovereignty have raised doubts about China's commitment to its apparent obligations under the Joint Declaration and its compliance with the provisions of the Basic Law. China's Liaison Office in Hong Kong is reportedly a key actor in China's effort to undermine Hong Kong's autonomy and suppress the voice of political opposition. It reportedly lobbied for the selection of Carrie Lam as Hong Kong's Chief Executive, openly supported and secretly lobbied for the election of "pro-Beijing" candidates in the 2016 Legco elections, and pressed for Legco approval of the "co-location arrangement" for the new Hong Kong high speed rail terminal that grants China jurisdiction over part of the station.

Suppressing of Political Expression

Several candidates and political parties advocating more democracy or more autonomy for Hong Kong have been barred from running in Legco elections or been removed from office following their election (see CRS In Focus IF10500, *Hong Kong's Legislative Council (Legco)*). In July 2018, the HKSAR government began proceedings to ban the Hong Kong National Party, which advocates for Hong Kong independence, claiming it poses a threat to "national security or public safety, public order, the protection of public health or morals or the protection of the rights and freedoms of others" under Hong Kong's Societies Ordinance.

Restricting Press Freedom

Hong Kong continues to have an active and varied press, but China's Liaison Office in Hong Kong has reportedly applied pressure on Hong Kong and foreign businesses to stop advertising in "pro-democracy" newspapers. In addition, individuals with alleged ties to Chinese security forces have physically attacked Hong Kong editors and reporters in China and in Hong Kong. The Hong Kong Journalists Association (HKJA) stated in its annual report for 2018 that China's increased focus on national security has "cast a shadow" over Hong Kong's press freedom and has led to an increase in self-censorship.

Limiting Freedom of Speech

Chinese and HKSAR officials reportedly disapprove of and interfere with discussions of Hong Kong independence or self-determination, particularly among or with students. In August 2018, China's Ministry of Foreign Affairs asked Hong Kong's Foreign Correspondents Club to cancel a speech by pro-independence activist Andy Chan Ho-tin.

Violating of Hong Kong Security Authority

According to some observers, Chinese security officials have allegedly operated in Hong Kong in violation of the Basic Law on at least two recent occasions. The first incident was the unexplained disappearance of publisher Lee Bo from a warehouse in Hong Kong in December 2015 and his equally unexplained reappearance in China's Guangdong Province in January 2016. The second occurred in January 2017, when Xiao Jianhua, a Mainland-born billionaire, was removed from his apartment in the Four Seasons Hotel in Hong Kong (despite the efforts of his

bodyguards) and taken into Mainland China, apparently by Chinese security personnel.

Challenging Hong Kong's Independent Judiciary

In 2014, China's State Council released a "white paper" on "The Practice of the 'One Country, Two Systems' Policy" in Hong Kong. The document asserts that all HKSAR officials, including judges, must be "loyal to the country" and safeguard the nation's sovereignty. Questions have also been raised about the selection and the timing of cases prosecuted by the Hong Kong Secretary of Justice, noting a pattern of filing charges against and seeking harsher penalties for pro-democracy protesters while dismissing cases of alleged abuse by Hong Kong Police officers.

Resisting Democratic Reforms

In 2014, China's National People's Congress Standing Committee issued a decision that would only allow universal suffrage in the Chief Executive election if candidates were limited in number and effectively approved by China. The decision sparked the Umbrella Movement—a spontaneous, student-led protest—that occupied several of central Hong Kong's streets for three months. On June 18, 2015, the Legco voted down a HKSAR government proposal to implement the decision because the nomination process was seen as too restrictive. On March 26, 2017, the 1,200 Election Committee selected the pro-establishing Carrie Lam Cheng Yuet-ngor Chief Executive.

Congressional Activity

Both Houses of Congress have shown a degree of concern about the developments in Hong Kong. On November 1, 2017, the House of Representatives passed H.Res. 422, urging the adherence to the "one country, two systems" policy established by the Joint Declaration and the Basic Law, pointing specifically to Hong Kong's autonomy; its independent executive, legislative and independent judicial power; and the "fundamental rights of Hong Kong residents guaranteed by Chapter III of the Basic Law."

The pending Hong Kong Human Rights and Democracy Act of 2017 (H.R. 3856 and S. 417) would require the Secretary of State to provide an annual certification to Congress that Hong Kong is "sufficiently autonomous" to justify separate treatment from China. The bills also would reinstate an annual report to Congress on the status of Hong Kong. S. 417 would impose visa and financial restrictions on persons determined to be responsible for certain human rights violations in Hong Kong, and preclude the denial of U.S. entry visas to applicants who were arrested or detained for their participation in non-violent protests in Hong Kong in 2014.

H.R. 3856 would impose visa and financial restrictions on persons responsible for "the surveillance, abduction, detention, abuse, or forced confession" of Gui Minhai, Lee Bo, and others related to their publishing company, as well as "any other journalist, publisher, writer, bookseller, or other resident in Hong Kong" connected with impinging on what free speech rights.

Michael F. Martin, mfmartin@crs.loc.gov, 7-2199