



Statement of

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Before

Committee on Banking, Housing, and Urban Affairs  
U.S. Senate

Hearing on

**“Crisis in Hong Kong: A Review of U.S. Policy  
Tools”**

June 4, 2020

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

<Product Code>

Chairman Crapo, Ranking Member Brown, Members of the Committee,

My name is Michael Martin. I am a Specialist in Asian Affairs for Congressional Research Service (CRS). It is an honor and a privilege to testify at today's hearing concerning the crises in Hong Kong and U.S. policy options.

## Crises in Hong Kong

The decision of China's National People's Congress (NPC) authorizing its Standing Committee (NPCSC) to write national security laws for Hong Kong precipitated another in a series of crises for the residents of Hong Kong. Many people in Hong Kong fear the NPCSC legislation will undermine the rights and freedoms enshrined in the 1984 Sino-British Joint Declaration on the Question of Hong Kong (the international treaty on the transfer of sovereignty over Hong Kong from the United Kingdom to China on July 1, 1997) and promised by the People's Republic of China (China, or PRC) to the residents of Hong Kong in the Basic Law of the Hong Kong Special Administrative Region (HKSAR) of 1990. Some Members of Congress may share the fears of these residents of Hong Kong that the city's "social and economic systems," which China pledged would remain unchanged for at least 50 years, will soon become a memory.

This action is the latest in a series of political crises that the people of Hong Kong have had to face since July 1, 1997. Some of these have been initiated by the PRC government, and some have been caused by the actions of the HKSAR government. The people of Hong Kong also have experienced several economic crises since the establishment of the HKSAR, both of an external and internal nature, including the Asian Financial Crisis of 1997 and a prolonged decline in Hong Kong's middle class. "Hongkongers," as they often call themselves, have also been coping with various cultural crises, including the immigration of thousands of people from mainland China, which many worry will destroy the distinctive characteristics of the city they love and wish to preserve.

## Brief History of Hong Kong

In some respects, the crises facing the residents of Hong Kong stem from the city's unique history. In 1842, China ceded Hong Kong Island to the United Kingdom "in perpetuity" as a provision of the Treaty of Nanking, ending the First Opium War (1839-1842). In 1860, the United Kingdom obtained title to Kowloon as part of the First Convention of Peking. Following China's defeat in the First Sino-Japanese War (1894-1895), the United Kingdom signed a 99-year lease for the New Territories, the third and largest part of the Crown Colony of Hong Kong, as part of the Second Convention of Peking on June 9, 1898 (see **Figure 1**). That lease started a clock, set to expire in 1997, that would determine the future of Hong Kong.

The transformation of the small fishing village of Hong Kong into a "world city" that at various times has been a major manufacturing center, a major trading hub, a nucleus for regional international finance, and a fountainhead for influential art and culture was made possible by the city's status as a British Crown Colony, separate from mainland China. Hong Kong is physically remote from the United Kingdom—it took over three months by ship in the 1860s to travel from London to Hong Kong. This meant that the Governor of Hong Kong and British civil servants assigned to administer the colony operated with a high degree of autonomy from the United Kingdom's central government, with the exceptions of defense and foreign policy. The United Kingdom garrisoned British troops in Hong Kong to defend the colony, and the Governor refrained from participating in foreign policy matters.

### Figure I. Map of Crown Colony of Hong Kong

Showing portions acquired in 1842 (Hong Kong Island), 1860 (Kowloon), and 1898 (New Territories)



Source: [www.ChinaTouristMaps.com](http://www.ChinaTouristMaps.com)

The British Governors of Hong Kong generally adopted a *laissez-faire* economic policy and an executive-led governance system. Exceptions were made for certain sections of the local economy, where largely British companies were granted monopolies or oligopolies, giving rise to Hong Kong's business "tycoons," a word derived from Chinese, meaning "big lord." Many of these tycoons became close advisors to Hong Kong's Governors, and were often appointed to the Governor's advisory Executive Council, and later to Hong Kong's Legislative Council (Legco). For much of British colonial rule, only some of the Legco members were elected by a popular vote, providing only limited democracy.

The political separation of Hong Kong from the rest of mainland China also resulted in the city's unique linguistic, cultural, and social character. The native language of the vast majority of people in Hong Kong is Cantonese, while the predominant language in mainland China is Mandarin (or "guanhua," or "speech of officials"). In Hong Kong, people write using the traditional Chinese characters; in mainland China, they use simplified characters adopted by the PRC in the 1950s and 1960s. The people of Hong Kong have created a distinctive culture that combined elements of British and southern Chinese traditions. Social attitudes incorporated elements of the city's British heritage, such as the concepts of justice, the rights of the individual, and the rule of law, as well as Chinese values, such as filial piety, respect for one's elders, and responsibility to one's family and community.

By 1982, the PRC had made it clear to the United Kingdom that it had no intention of renewing the lease for the New Territories, and sought to negotiate terms for the transfer of sovereignty over Hong Kong

from the United Kingdom to the PRC.<sup>1</sup> After the PRC and the United Kingdom concluded the Joint Declaration in 1984, many people in Hong Kong wondered if the two separate communities of mainland China and Hong Kong could find a way to make Deng Xiaoping's concept of "one country, two systems" work. The Joint Declaration appeared to provide sufficient reassurances that China would respect and protect Hong Kong's distinct social, economic, political, and cultural identity. In the Joint Declaration, China promised, "The current social and economic systems in Hong Kong will remain unchanged, and so will the life-style."<sup>2</sup> China also pledged that:

Rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research and of religious belief will be ensured by law in the Hong Kong Special Administrative Region. Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law.<sup>3</sup>

These commitments by the PRC were to "remain unchanged for 50 years," or until June 30, 2047.

Between 1984 and 1997, thousands of Hong Kong's wealthier residents, many with tertiary educations, hedged their bets by obtaining citizenship in Australia, Canada, the United Kingdom, and the United States, as a precaution in case the PRC did not live up to its obligations in the Joint Declaration. The vast majority of Hong Kong residents, however, lacking the wealth or formal education to obtain foreign citizenship, had no alternative but to stay in Hong Kong and hope for the best.

## Political Crises

In 1990, the NPC passed the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (Basic Law) to fulfill one of China's obligations under the Joint Declaration.<sup>4</sup> The Basic Law established a governance structure for the HKSAR very similar to that created by the United Kingdom. The Basic Law provides for an executive-led government, headed by a Chief Executive (rather than a Governor), with a separate legislature, the Legislative Council (Legco), and an independent judiciary with a separate Court of Final Appeal (rather than the United Kingdom's Privy Council). One distinctive aspect of Legco is the division of its members into those elected by universal suffrage in multi-seat geographic districts and those selected by limited suffrage by "functional constituencies," representing various economic, social, and religious sectors.<sup>5</sup>

The Basic Law reaffirms the commitments made by China in the Joint Declaration. In addition, Articles 45 and 68 of the Basic Law state that the "ultimate aim" is for the Chief Executive and "all the members of the Legislative Council" to be elected by universal suffrage.

Before the HKSAR was established and the Basic Law went into effect, Hong Kong experienced a relatively minor, but potentially telling political crisis about the implementation of the Joint Declaration and the practice of "one country, two systems." Initially, it seemed the PRC government attempted to avoid interfering in the internal affairs of the HKSAR in accordance with the Basic Law. As time passed, the PRC government became more active in the governance of Hong Kong.

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<sup>1</sup> James Griffiths, "The secret negotiations that sealed Hong Kong's future," *CNN*, June 22, 2017.

<sup>2</sup> "Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong," December 19, 1984, Section 3(5).

<sup>3</sup> *Ibid.*

<sup>4</sup> The full text of the Basic Law, as amended, and the various decisions and interpretations issued by the PRC government, is available online at: <https://www.basiclaw.gov.hk/en/basiclawtext/index.html>.

<sup>5</sup> For more about Legco, and its geographical and functional constituencies, see CRS In Focus IF10500, *Hong Kong's Legislative Council (Legco)*.

Annex I and Annex II of the Basic Law state the process by which the method of selecting the Chief Executive and the Legco members can be changed, “subsequent to the year 2007.” Even before the HKSAR was established in July 1997, pro-democracy advocates in Hong Kong began pushing for a rapid transition to the election of the Chief Executive and all Legco members by universal suffrage. The responses of the PRC and HKSAR governments have led some to question if the “ultimate aim” of election by universal suffrage will ever be attained.

### **“Through Train” Legco and “Provisional” Legco**

Legco members serve four year terms. Based on the continuity of this cycle, a new Legco was to be selected in 1996 and serve until 2000, spanning the time when sovereignty over Hong Kong was transferred from the United Kingdom to the PRC. The 1996 Legco was dubbed the “Through Train” Legco that would provide an element of stability during a time of political transition. In 1992, the last British Governor of Hong Kong, Chris Patten, introduced to the newly-selected 1992 Legco proposed reforms to the selection of the 1996 Legco members that allowed every Hong Kong voter the opportunity to vote for one Legco member based on a geographical constituency and one Legco member based on a socio-economic “functional constituency.”

The PRC, however, had already stipulated in the Basic Law the selection process for the first HKSAR Legco, and Patten’s reforms did not conform to those conditions. Negotiations between the PRC and United Kingdom failed to resolve their differences. After Patten’s reforms were approved by Legco in 1994, the PRC’s Provisional Working Committee, which was responsible for the Hong Kong’s transition to the HKSAR, instructed the 400-member Selection Committee, which selected the HKSAR’s first Chief Executive Tung Chee-hwa, to also choose 60 members of a “Provisional Legislative Council,” that would take office as of July 1, 1997.

On July 1, 1997, the “Through Train” Legco was officially disbanded, replaced the Provisional Legislative Council. Elections for the HKSAR’s 1<sup>st</sup> Legco were held on May 24, 1998, and its members took office on July 1, 1998.

Patten’s political reforms and the establishment of the Provisional Legco highlighted the political division in Hong Kong between pro-democracy political parties that advocated the rapid adoption of universal suffrage, and pro-establishment political parties that generally supported the decisions of the PRC and HKSAR governments. The events also raised questions among many Hong Kong residents about China’s willingness to permit democratic reforms in Hong Kong.

### **Right of Abode<sup>6</sup>**

In 1999, two cases were brought to the HKSAR’s Court of Final Appeal (CFA) regarding the interpretation of Article 24 of the Basic Law that defines “permanent residents” of Hong Kong and determines who has the right of abode in the HKSAR. In both cases, the question was whether children born in mainland China who had at least one parent who had the right of abode in the HKSAR also had the right of abode, even if the parent had obtained permanent resident status in Hong Kong after the child’s birth. The HKSAR government estimated that up to 1.67 million people could potentially apply to immigrate into Hong Kong if the CFA affirmed that right, and that this influx could overwhelm the city’s

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<sup>6</sup> For more about the “right of abode” crisis in Hong Kong, see Anne R. Fokstuen, “The Right of Abode Cases: Hong Kong’s, Constitutional Crisis,” *Hastings International and Comparative Law Review*, vol. 26, no. 2 (Winter 2003); and Karmen Kam, “Right of Abode Cases: The Judicial Independence of the Hong Kong Special Administrative Region v. The Sovereignty Interests of China,” *Brooklyn Journal of International Law*, vol. 27, no. 2 (2002).

housing, education, and social service resources.<sup>7</sup> At the time, Hong Kong's population was 6.6 million, and many people were opposed to the possible massive influx of mainland immigrants.

In both cases, the CFA ruled that the children had the right of abode. In response, Chief Executive Tung Chee-hwa asked the NPCSC to provide an "interpretation" of Article 24, as permitted by Article 158 of the Basic Law. On June 26, 1999, the NPCSC released its interpretation of Articles 22(4) and 24(2)(3) of the Basic Law, effectively overturning the CFA's decision, as well as criticizing the CFA for interpreting the Basic Law without consulting the NPCSC.

Although the NPCSC's decision was relatively popular in Hong Kong, legal scholars were concerned about the manner in which the issue was brought to the NPCSC and the logic of the NPCSC's interpretation. Article 158 of the Basic Law states that the CFA, and not the Chief Executive, should bring matters involving Basic Law interpretation to the NPCSC. In addition, the NPCSC's decision indicated that the CFA's rulings were "not consistent with the legislative intent" of Article 24, and then added additional conditions to be met in order to qualify for right of abode. To some legal observers, this constituted not just an "interpretation," but also an amendment of the Basic Law, raising concerns that the PRC government might use its power to "interpret" the Basic Law to curtail the rights of Hong Kong residents in the future.

### 2003 National Security Legislation<sup>8</sup>

Existing Hong Kong laws dating back to before July 1997 refer to acts against the Queen of England or the United Kingdom.<sup>9</sup> Article 23 of the Basic Law states:

The Hong Kong Special Administrative Region shall enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies.

In February 2003, then-Secretary of Security Regina Ip Lau Suk-ye introduced to Legco proposed national security legislation to bring Hong Kong laws into accordance with the change in sovereignty over Hong Kong and fulfill the HKSAR government's obligation under Article 23. The legislation may have been introduced in response to comments by then Vice Premier of China's State Council Qian Qichen in 2002 that the HKSAR government should quickly pass national security laws.

The draft legislation faced strenuous opposition in Hong Kong, including objections from the Hong Kong Bar Association and the Hong Kong Journalists Association, who thought the law would unduly restrict people's freedom of speech, freedom of association, and press freedom.<sup>10</sup> On July 1, 2003, while the legislation was pending in Legco, an estimated 500,000 people joined a peaceful demonstration against the proposed national security law.<sup>11</sup> Prior to Legco's scheduled vote on the bill on July 9, 2003, members of the pro-establishment Liberal Party announced their opposition to proceeding with the legislation. Seeing that the bill would not be approved by Legco, Chief Secretary Donald Tsang Yam-kuen announced

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<sup>7</sup> Ibid.

<sup>8</sup> For more about the political crisis caused by the proposed 2003 national security legislation, see Elson Tong, "Reviving Article 23 (Part I): The rise and fall of Hong Kong's 2003 national security bill," *Hong Kong Free Press*, February 17, 2018.

<sup>9</sup> For example, Cap. 200 Crimes Ordinance states a person has committed treason if she or he "kills, wounds or causes bodily harm to Her Majesty, or imprisons or restrains Her;" or "instigates any foreigner with force to invade the United Kingdom or any British territory."

<sup>10</sup> For more about the provisions of the 2003 legislation, and the objections to the legislation, see "Q&A: HK's anti-subversion bill," *BBC*, July 1, 2003.

<sup>11</sup> Keith Bradsher, "Security Laws Target of Huge Hong Kong Protest," *New York Times*, July 2, 2003.



on July 6, 2003, that further consideration of the national security legislation was being indefinitely postponed.

On July 16, 2003, Ip resigned her position as Secretary of Security, citing “personal reasons.” On March 10, 2005, Tung resigned as Chief Executive for “health reasons.” In Hong Kong, both resignations are generally considered to be closely tied to the failure to pass the national security legislation.

## **NPCSC Decisions of 2004 and Proposed Election Reforms of 2005**

Pro-democracy activists have been pressing the PRC and HKSAR governments to transition to the election of the Chief Executive and all Legco members by universal suffrage ever since the HKSAR was established in July 1997. Annex I and II of the Basic Law stipulate the process for amending the manner of selection of the Chief Executive and Legco “for the terms subsequent to the year 2007.” For Hong Kong residents supportive of democratic reforms, this language raised the possibility of changing the selection process for the Chief Executive in 2007 and the Legco elections of 2008. Following his failure to pass national security laws, Chief Executive Tung faced local political pressure to propose suitable elections reforms.

On April 6, 2004, the NPCSC issued an interpretation of Annex I and II of the Basic Law.<sup>12</sup> The NPCSC determined that a five-step process had to be followed in order to make any proposed changes in the selection of the Chief Executive or Legco members:

- Step 1: The Chief Executive must submit a report to the NPCSC indicating whether there is a need to make any changes (in accordance to Articles 45 and 68 of the Basic Law);
- Step 2: The NPCSC will “make a determination in the light of the actual situation in the Hong Kong Special Administrative Region and in accordance with the principle of gradual and orderly progress” if conditions are suitable for election reforms;
- Step 3: The Chief Executive will introduce proposed amendments to the Basic Law to Legco;
- Step 4: Legco may amend and then vote on the proposed amendments; a two-thirds majority of all the Legco members is required to approve the amendments;
- Step 5: The Chief Executive must give his or her consent to the proposed amendments as approved by Legco.

In the case of amendments to the selection of the Chief Executive, the Chief Executive is to report the outcome to the NPCSC “for approval.” For amendments to the election of Legco members, the amendments are to be reported to the NPCSC “for the record.”

On April 26, 2004, the NPCSC issued a decision regarding the selection processes for the Chief Executive in 2007 and Legco members in 2008.<sup>13</sup> The decision cited the expansion of the previous 400-member Selection Committee into the 800-member Election Committee in 2002, and the increase in the number of geographical constituency Legco members as evidence of democratic reforms, without mentioning the disbanding of the “Through Train” Legco in 1997. In the decision, the NPCSC determined that conditions in Hong Kong were not suitable for selection of the Chief Executive by universal suffrage in 2007 or for electing Legco members by universal suffrage in 2008 and that “appropriate amendments that conform to

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<sup>12</sup> National People's Congress Standing Committee, *The Interpretation by the Standing Committee of the National People's Congress of Article 7 of Annex I and Article III of Annex II to the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China*, April 6, 2004.

<sup>13</sup> National People's Congress Standing Committee, *Decision of the Standing Committee of the National People's Congress on Issues Relating to the Methods for Selecting the Chief Executive of the Hong Kong Special Administrative Region in the Year 2007 and for Forming the Legislative Council of the Hong Kong Special Administrative Region in the Year 2008*, April 26, 2004.

the principle of gradual and orderly progress” may be made provided that the ratio between geographical constituency and functional constituency seats in Legco remains unchanged.

Chief Secretary Tsang was appointed Chief Executive after Tung resigned in March 2005, and announced plans to propose reforms for the selection of the Chief Executive in 2007 and Legco in 2008. Tsang proposed expanding the Election Committee to 1,600 members, including all the elected or appointed District Council members, and adding 10 new seats in Legco—5 in geographical constituencies and 5 new functional constituencies for District Council members—in accordance with the NPCSC’s April 2004 decision.

Hong Kong’s advocates for democracy were initially split on Tsang’s proposed reforms, with some willing to accept gradual reform and others pushing for more substantial changes and a clear timetable for the implementation of universal suffrage. A pro-universal suffrage rally on December 4, 2005, drew an estimated 250,000 people.<sup>14</sup> On December 21, 2005, Legco rejected the proposed election reforms. Democracy advocates in Hong Kong shifted their attention to the next elections of 2012, when a new Chief Executive and new Legco were to be chosen.

### **NPCSC Decision of 2007 and the Election Reforms of 2010<sup>15</sup>**

Chief Executive Tsang and the PRC government were disappointed by the defeat of their proposed election reforms. Pro-democracy political parties and activists in Hong Kong started public discussions on possible reforms for the upcoming 2012 elections. A clear divide between the pro-democracy and pro-establishment coalitions arose over the way in which, and how soon, Hong Kong residents should be able to vote directly for their Chief Executive and all Legco members. In 2006, Chief Executive Tsang initiated a public consultation process to discuss possible election reforms, and on December 12, 2007, submitted a report to the NPCSC as required by Step 1 of the NPCSC interpretation of the Basic Law of April 4, 2004.

On December 29, 2007, the NPCSC issued another decision on possible election reforms in Hong Kong. In this decision, the NPCSC announced:

- The selection of the fourth Chief Executive in 2012 cannot be done via universal suffrage;
- The 2012 Legco elections will not be done via universal suffrage, and the ratio between geographical and functional constituency seats will remain unchanged;
- “[T]he election of the fifth Chief Executive of the Hong Kong Special Administrative Region in the year 2017 may be implemented by the method of universal suffrage;”
- The election of all Legco members by universal suffrage can occur “after the Chief Executive is selected by universal suffrage;”
- Any proposal to select the Chief Executive by universal suffrage must also establish a nominating committee “formed with reference to the current provisions regarding the Election Committee in Annex I to the Hong Kong Basic Law.”<sup>16</sup>

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<sup>14</sup> Keith Bradsher, "Pro-Democracy Protesters March in Hong Kong," *New York Times*, December 4, 2005.

<sup>15</sup> For more about the NPCSC’s 2007 decision and the 2010 election reforms, see CRS Report RS22787, *Prospects for Democracy in Hong Kong: China’s December 2007 Decision* and CRS Report R40992, *Prospects for Democracy in Hong Kong: The 2012 Election Reforms*.

<sup>16</sup> National People’s Congress Standing Committee, *Decision of the Standing Committee of the National People’s Congress on Issues Relating to the Methods for Selecting the Chief Executive of the Hong Kong Special Administrative Region and for Forming the Legislative Council of the Hong Kong Special Administrative Region in the Year 2012 and on Issues Relating to Universal Suffrage*, December 29, 2007.



The NPCSC's interpretation of December 2007 was a blow to Hong Kong's supporters of democratic reforms as it further delayed the adoption of universal suffrage for both the Chief Executive and Legco, and added new conditions on the formation of a nominating committee. The interpretation closed the door on the adoption of universal suffrage in 2012, and meant the soonest the Chief Executive could be directly elected was in 2017—20 years after the establishment of the HKSAR. The NPCSC also established new conditions on the nomination process for the Chief Executive that effectively transformed the Election Committee into the nominating committee. Pro-democracy politicians feared that the nominating committee would be able to block the nomination of any pro-democratic candidates for Chief Executive. Once again, it seemed to many that Hong Kong's democratic transition was being delayed, and the PRC government was making sure it could influence or control the outcome of those elections.

Despite the NPCSC's December 2007 decision, Chief Executive Tsang and Legco were able to compromise on election reforms in 2010, expanding the size of the Election Committee to 1,200 members, and adding 10 Legco seats—5 geographical constituency seats and 5 functional constituency seats to be filled by 5 elected District Council members chosen by Hong Kong voters who cannot vote in any of the other functional constituencies. The PRC and HKSAR governments and the pro-establishment Legco members presented the reforms as evidence of progress toward universal suffrage. The pro-democracy Legco members split over the reforms, with some raising concerns that the PRC and HKSAR governments will use the reforms to delay further progress toward democracy.

### **Proposed Election Reforms of 2014, the NPCSC Decision, and the Umbrella Movement<sup>17</sup>**

In October 2013, the recently selected new Chief Executive Leung Chun-ying (CY Leung) started a formal public consultation process to discuss possible election reforms for both the 2016 Legco elections and the 2017 selection of the Chief Executive. He created the Task Force on Constitutional Development headed by the Chief Secretary for Administration Carrie Lam Cheng Yuet-ngor, Secretary for Justice Rimsky Yuen Kwok-keung, and Secretary for Constitutional and Mainland Affairs Raymond Tam Chi-yuen. In July 2014, the Task Force released its report on the public consultation that reflected a wide-range of views on elections reforms.

During the public consultation process, a group known as “Occupy Central with Love and Peace,” (OCLP) formed by Professor Chan Kin-man, Reverend Chu Yiu-ming, and Professor Benny Tai Yiu-ting, commissioned a public opinion poll in June 2014, in which registered voters could choose among three alternative election reform proposals.<sup>18</sup> Nearly 800,000 people, or about 22% of Hong Kong registered voters, participated in the survey.<sup>19</sup> The voters were also asked if Legco should approve a government proposal that “cannot satisfy international standards allowing genuine choices by electors.” Nearly 88% of the surveyed voters said that Legco should veto such a proposal. The PRC and HKSAR governments dismissed the survey results as meaningless.<sup>20</sup>

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<sup>17</sup> For more about the proposed election reforms of 2014, the NPCSC's August 2014 decision, and the Umbrella Movement, see CRS Report R44031, *Prospects for Democracy in Hong Kong: The 2017 Election Reforms (Update)* and CRS In Focus IF10005, *Protests in Hong Kong: The “Umbrella Movement” (Update)*.

<sup>18</sup> The three proposals included one by a group known as the Alliance for True Democracy (ATD), another by the political party, People's Power, and a third submitted by the Hong Kong Federation of Students (HKFS) and Scholarism. The ATD proposal was selected by 42.1% of the surveyed voters, the HTFS/Scholarism proposal received 38.4%, and the People's Power proposal was chosen by 10.3% (9.1% either abstained or didn't make a selection). Survey results available online at: <https://www.hkpop.hku.hk/chinese/release/release1164.html>.

<sup>19</sup> “Hong Kong democracy 'referendum' draws nearly 800,000,” *BBC*, June 30, 2014.

<sup>20</sup> Jonathan Kaiman, “Hong Kong's unofficial pro-democracy referendum irks Beijing,” *Guardian*, June 25, 2014.

On July 15, 2014, Chief Executive Leung submitted the required report to the NPCSC to begin the five step process for election reform. On August 31, 2014, the NPCSC released its decision in response to Leung's report, setting three critical restrictions on the election of the Chief Executive by universal suffrage:

1. "A broadly representative nominating committee shall be formed. The provisions for the number of members, composition and formation method of the nominating committee shall be made in accordance with the number of members, composition and formation method of the Election Committee for the Fourth Chief Executive," [the Election Committee that selected C. Y. Leung].
2. "The nominating committee shall nominate two to three candidates for the office of Chief Executive in accordance with democratic procedures."
3. "Each candidate must have the endorsement of more than half of all members of the nominating committee," [more than 600 members].<sup>21</sup>

The NPCSC's August 2014 decision was broadly condemned by supporters of democracy in Hong Kong. The Election Committee is chosen by a complex process with limited suffrage that effectively guarantees that a majority of members will be supporters of the PRC and HKSAR governments.<sup>22</sup> Ex-Legco member and past chair of the Democratic Party Martin Lee succinctly summarized the pan-democrats' objections to the NPCSC's decision: "Hong Kong people will have one person, one vote but Beijing will select all the candidates—puppets. What is the difference between a rotten apple, a rotten orange, and a rotten banana?"<sup>23</sup> Chief Executive Leung and the pro-establishment Legco members supported the NPCSC's decision.

Demonstrations against the NPCSC's decision arose in various parts of Hong Kong. Two Hong Kong student organizations—the Hong Kong Federation of Students (HKFS) and Scholarism, a pro-democracy student activist group—organized a week-long class boycott at the end of September 2014 to protest the NPCSC August 2014 decision. At the end of the boycott, several hundred students organized a protest march to Tamar Park in Admiralty, where Hong Kong's Central Government Office, Legislative Council Complex, and Chief Executive's Office are located (see Figure 2). Supporters of the students quickly swelled the ranks of protesters to several thousand on Saturday, September 27, and protesters began blocking major roads in Admiralty. On September 28, tens of thousands of people gathered in Admiralty, including the OCLP supporters, calling for the resignation of Chief Executive Leung and "genuine universal suffrage."

On the evening of September 28, hundreds of Hong Kong Police Force (HKPF) officers unsuccessfully attempted to break up the demonstration, firing 87 rounds of tear gas into the crowd, spraying protesters with pepper spray, and striking demonstrators with batons.<sup>24</sup> To defend themselves, protesters held up umbrellas, giving rise to the protest's name, the "Umbrella Movement."

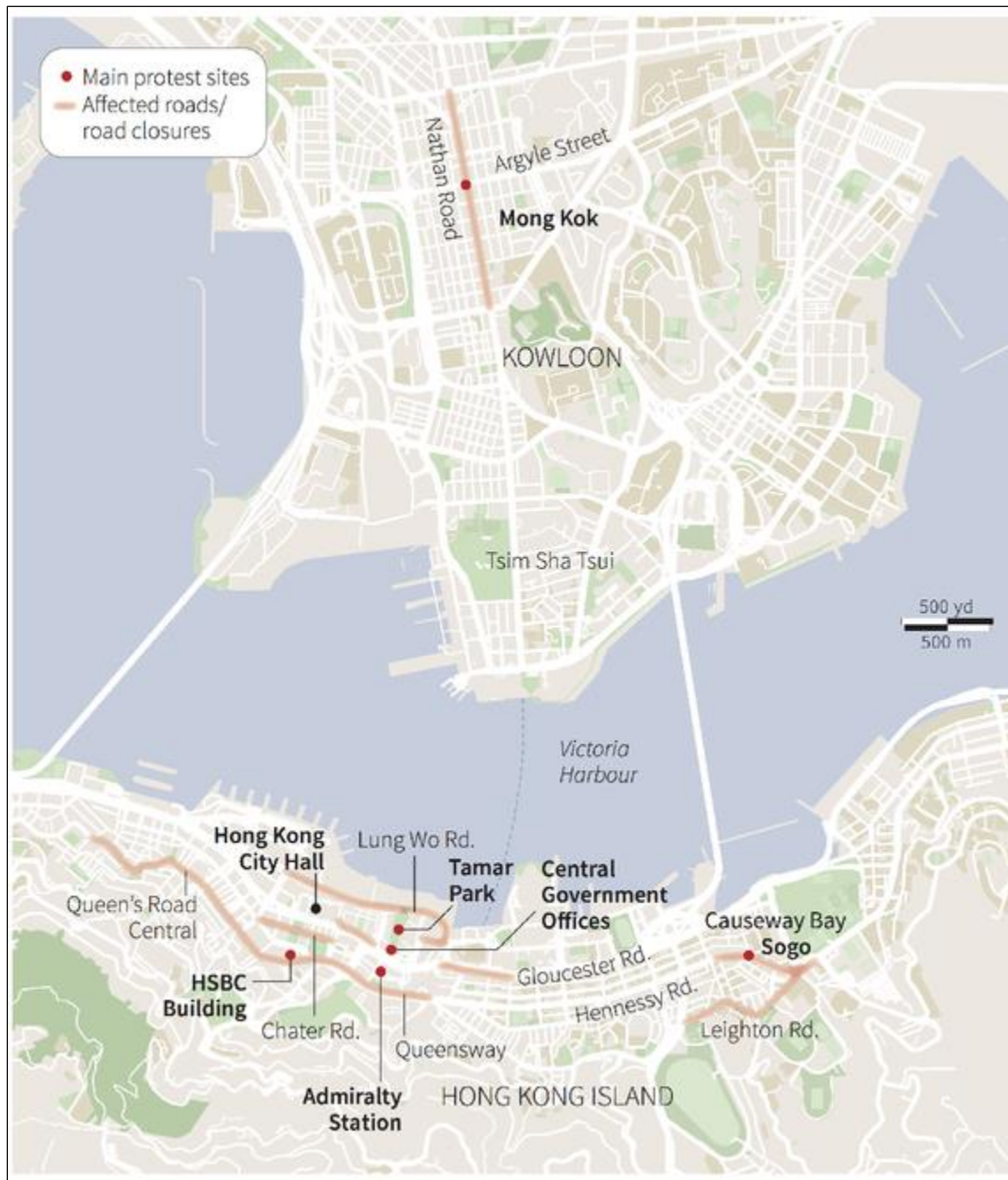
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<sup>21</sup> National People's Congress Standing Committee, *Decision of the Standing Committee of the National People's Congress on Issues Relating to the Selection of the Chief Executive of the Hong Kong Special Administrative Region by Universal Suffrage and on the Method for Forming the Legislative Council of the Hong Kong Special Administrative Region in the Year 2016*, August 31, 2014.

<sup>22</sup> The composition of the Election Committee is specified in Annex I of the Basic Law, which establishes a selection process similar to that of the functional constituency seats in Legco. For more details about the selection of the 2106 Election Committee, see <https://www.elections.gov.hk/ecss2016/eng/figures.html>.

<sup>23</sup> Demetri Sevastopulo and Julie Zhu, "Hong Kong Democracy Activities Vent Their Anger Against Beijing," *Financial Times*, September 1, 2014.

<sup>24</sup> Bon Cheng and Yvonne Chiu, "Tear Gas and the Betrayal of Hong Kong," *Time*, October 16, 2014.

**Figure 2. Map of Occupied Streets during Umbrella Movement**

Source: The Atlantic

The police action against the protesters in Admiralty gave rise to demonstrations in two other locations in Hong Kong—Causeway Bay and Mong Kok—where protesters blocked roads and erected barricades. The ranks of protesters swelled to more than 100,000 people.<sup>25</sup> The three occupation sites remained in place for over 70 days. The Mong Kok protest site was forcibly cleared on November 24 and 25, 2014.

<sup>25</sup> Elizabeth Barber, "Hong Kong Student Protesters Call for Huge Rally After Government Scraps Talks," *Time*, October 9, 2014.

The Admiralty protesters were removed on December 11, 2014, and the Causeway occupation was dismantled by police on December 15, 2014.

Chief Secretary Lam formally announced the start of a second round of public consultation to Legco on January 7, 2015.<sup>26</sup> The second round of consultation ended on March 7, 2015. On April 22, 2015, Lam presented the results of the second round of public consultation to Legco and announced the election reform legislation that would be introduced to Legco would comply with the NPCSC's decision. Lam presented the official text of the resolution to Legco on June 17, 2015.

After two days of debate, Legco defeated the proposed resolution on June 18, 2015, by a vote of 28 against and 8 for the motion. To pass, the resolution needed the support of at least 47 (two-thirds) of the 70 Legco members. The final tally was the result of a walkout by 32 of the pro-establishment members conducted just after Legco President Jasper Tsang Yok-sing called for a vote on the motion.

In contrast to the 2010 election reforms, the pro-democracy Legco members were united in their opposition to the 2015 election reform proposals, perhaps because of the Umbrella Movement and the outcome of the OCLP public opinion poll. The use of tear gas, pepper spray, and batons buoyed popular support for the Umbrella Movement, but also demonstrated the HKPF's willingness to use greater force to break up largely peaceful demonstrations against the PRC and HKSAR governments.

### Disqualification of Legco Members<sup>27</sup>

In September 2016, Hong Kong voters selected the 70 members of the HKSAR's 6<sup>th</sup> Legco. The results were encouraging for supporters of democratic reforms and the Umbrella Movement, but irregularities in the oath taking process provided an opportunity for the HKSAR and PRC governments to remove six pro-democracy Legco members from office and increase the pro-establishment coalition's control over Legco.

Among the winners were seven candidates from five new political parties that had emerged from the Umbrella Movement. Together with the traditional pro-democracy political parties, they won 19 of the 35 geographical constituency seats, and 11 of the 35 functional constituency seats. Under Legco's procedural rules, the pro-democracy coalition's majority of geographical constituency seats gave them the ability to slow down or block legislation proposed by the HKSAR government. Their combined 30 Legco votes also meant they could veto any proposed amendments to the Basic Law.

The new Legco members took their oaths of office on October 12, 2016. Five of the oaths were ruled invalid by Legco President Andrew Leung Kwan-yuen because of political statements made during the oath-taking process, including those taken by Sixtus Baggio Leung Chung-hang and Yau Wai-ching, both members of Youngspiration, one of the political parties that emerged from the Umbrella Movement. Plans were made for the five Legco members to retake their oaths. On October 18, then-Chief Executive Leung and then-Justice Secretary Yuen, however, filed a suit in Hong Kong's High Court to prohibit Leung and Yau from retaking their oaths.

While the suit was still pending in Hong Kong courts, NPCSC issued an "interpretation" of Article 104 of the Basic Law on November 7, 2016.<sup>28</sup> Article 104 states:

When assuming office, the Chief Executive, principal officials, members of the Executive Council and of the Legislative Council, judges of the courts at all levels and other members of the judiciary

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<sup>26</sup> The text of CS Lam's statement to Legco is available online at <http://www.info.gov.hk/gia/general/201501/07/P201501070519.htm>.

<sup>27</sup> For more about the 2016 Legco elections and the disqualification of Legco members, see CRS In Focus IF10500, *Hong Kong's Legislative Council (Legco)*, and CRS Insight IN10739, *Hong Kong's High Court Disqualifies Four More Legislators*.

<sup>28</sup> National People's Congress Standing Committee, *Interpretation of Article 104 of the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China by the Standing Committee of the National People's Congress*, November 7, 2016.



in the Hong Kong Special Administrative Region must, in accordance with law, swear to uphold the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China and swear allegiance to the Hong Kong Special Administrative Region of the People's Republic of China.

In its decision, the NPCSC determined that all Hong Kong public officials who are required to take an oath of office must "accurately, completely and solemnly read out the oath prescribed by law." Failure to do so, the NPCSC states, "shall be treated as declining to take the oath." According to the decision, "no arrangement shall be made for retaking the oath." The decision concludes with the statement, "An oath taker who makes a false oath, or, who, after taking the oath, engages in conduct in breach of the oath, shall bear legal responsibility in accordance with the law."

On November 15, 2016, the High Court disqualified Leung and Yau, ruling they "declined" to take their oaths. The High Court's ruling did not rely on the NPCSC's decision, focusing instead on the events of October 12, 2016, and the requirements of Hong Kong's Oaths and Declarations Ordinance (ODO). Chief Executive Leung and Secretary Yuen subsequently filed suits against two pan-democrats and two new political party members alleging that their oaths were not valid. On July 14, 2017, the High Court disqualified those four Legco members.

By-elections were subsequently held to fill five of the six empty seats (one of the disqualified Legco members is still appealing his disqualification), but two of the winners were then disqualified when the Hong Kong courts ruled two pro-democracy candidates were inappropriately ruled ineligible in the by-elections. While the court decisions was a victory for the disqualified candidates, they left the seats vacant, and the HKSAR government decided not to hold new by-elections to fill the vacancies.

The disqualification of six elected Legco members eliminated the pro-democracy coalition's majority in the geographical constituencies, but left the coalition enough votes to block amendments to the Basic Law. Legco President Leung and the pro-establishment Legco members took the opportunity to change Legco's procedural rules to prevent the pro-democracy Legco members from delaying consideration of pending legislation. Previously, the pro-democracy Legco members had used their majority of geographical constituency seats to block proposed procedural changes.

The disqualification crisis has raised additional concerns about the HKSAR government using other means to prevent pro-democracy candidates from running for office. Under Hong Kong law, anyone convicted and sentenced to more than three months in prison is not eligible to run for elected office for a period of five years. The arrest and prosecution of several pro-democracy politicians for alleged crimes with possible penalties of more than three months in prison is viewed by many in Hong Kong as a way of tipping the outcome of the Legco elections scheduled for September 6, 2020. In addition, some pro-establishment politicians have said candidates for the Legco elections should be asked if they support the pending national security laws to be promulgated by the NPCSC as a litmus test for their allegiance to the Basic Law, and possible grounds for disqualification.

### **Proposed Extradition Law of 2019 and the 2019 Protests<sup>29</sup>**

Most of the political crises prior to 2019 were precipitated by actions undertaken by the PRC government. The political crisis of 2019, however, was sparked by the decision of Chief Executive Lam to propose legislation that would have permitted the extradition of criminal suspects from Hong Kong to mainland China. The crisis was exacerbated by the decision by the Hong Kong Police Force (HKPF) to respond to largely peaceful demonstrations with excessive force, as well as the PRC government's efforts to discredit

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<sup>29</sup> For more about the extradition law crisis and the 2019 protests, see CRS In Focus IF11248, *Hong Kong's Proposed Extradition Law Amendments*; CRS Insight IN11165, *Hong Kong Chief Executive Lam to Withdraw Extradition Bill; Protests Continue*; and CRS In Focus IF11295, *Hong Kong's Protests of 2019*.

the protests as being directed by “foreign agitators.” Escalating tensions were possibly dissipated by the onset of different crisis in 2020, the outbreak of Coronavirus Disease 2019 (COVID-19) in Wuhan, China, and the people of Hong Kong voluntarily taking preventive measures to protect their health.

On April 3, 2019, Hong Kong's Chief Executive Carrie Lam Cheng Yuet-ngor submitted to Legco proposed amendments to the Fugitive Offenders Ordinance (FOO) that would permit—for the first time—extradition of alleged criminals from Hong Kong to mainland China, the Macau Special Administrative Region (Macau), and Taiwan. In addition, the legislation sought to amend Hong Kong’s Mutual Legal Assistance in Criminal Matters Ordinance (MLAO) to include mainland China, Macau, and Taiwan.

Legco was scheduled to take up the proposed amendments on June 12, but large-scale demonstrations on June 9 and 12 led Chief Executive Lam to announce on June 15 the suspension of consideration of the bill. These demonstrations were largely peaceful, with some violent confrontations between the HKPF and a relatively small number of protesters, particularly on the evening of June 12. After a standoff lasting several hours, an estimated 5,000 Hong Kong police officers in riot gear used tear gas, rubber bullets, pepper spray, and truncheons to disperse the demonstrators.<sup>30</sup> Chief Executive Lam and then Police Commissioner Steven Lo Wai-chung characterized the day's demonstration a "riot." Two days later, Chief Executive Lam announced an indefinite delay in Legco's consideration of the extradition bill.

On the following Sunday, June 16, according to the demonstration’s organizers, an estimated 2 million Hong Kong residents again peacefully marched from Victoria Park to the HKSAR government headquarters; the Hong Kong Police Force stated that 338,000 people participated.<sup>31</sup> During the June 16 demonstration, the protesters called on Lam to comply with "Five Demands" (see text box).

#### **Hong Kong Protesters’ “Five Demands”**

1. Formally withdraw the extradition legislation
2. Drop all charges against arrested protesters
3. Retract the characterization of protests as "riots"
4. Establish an independent investigation into police brutality
5. Implement the election of the Chief Executive and all Legco members by universal suffrage

In the weeks that followed, people gathered to demonstrate in various parts of Hong Kong against the extradition bill and in support of the Five Demands. The HKPF responded to the demonstrations by sending out officers in riot gear to break up the protests. This response frequently resulted in violent confrontations between the HKPF officers and more militant protesters. The HKPF used tear gas, rubber bullets, pepper spray, and truncheons to disperse the protesters. The protesters responded by throwing bricks and petrol bombs in front of the advancing police officers to slow their advance. Protesters and journalists complained about the HKPF’s excessive use of force. The HKPF denied the allegations and blamed the violence on the protesters.

Lam announced on September 4, 2019, that she would formally withdraw the controversial extradition bill. She also said the Independent Police Complaints Council (IPCC), whose members are appointed by the Chief Executive, would look into the allegations of excessive use of force by the HKPF and the factors that contributed to the protests.

The protests continued throughout the fall and into January 2020, demanding that Lam meet the other four demands. Most of the demonstration were largely peaceful, with violent confrontations between the

<sup>30</sup> James Griffiths, Helen Regan, and Ben Westcott, et al., "Hong Kong protests over China extradition bill," *CNN*, June 12, 2019.

<sup>31</sup> "Huge Turnout by Protesters Keeps Heat on Hong Kong’s Leader," *New York Times*, June 16, 2019.



HKPF and more militant protesters sometimes occurring after the planned demonstration was over. During the course of the protests, the HKPF:

- have arrested more than 9,000 people;
- fired 16 live rounds, wounding 3 protesters;
- fired more than 10,000 rounds of rubber bullets at protesters, journalists, and emergency medical volunteers tending to the injured;
- discharged nearly 16,000 tear gas canisters;
- deployed nearly 2,000 bean bag rounds and over 1,800 sponge rounds, blinding one journalist in one eye; and
- injured more than 2,000 people.<sup>32</sup>

In addition, 520 HKPF officers were injured during the protests, including one shot in the leg with an arrow.

In May 2020, the IPCC released its report on the 2019 protests. The IPCC report made no general determination on the issue of alleged excessive use of force by the HKPF, nor did it describe the allegations against the HKPF in much detail. It stated that individual allegations of police misconduct are to be investigated by the HKPF's Complaints Against Police Office (CAPO), and the IPCC's role is "to monitor and review" CAPO's investigations. The IPCC report did, however, repeatedly describe in detail allegations against people involved in the demonstrations, who are frequently referred to as "violent protesters."<sup>33</sup> Chief Executive Lam praised the IPCC report, and indicated she saw no need for an independent investigation of the sort being demanded by the demonstrators. Others characterized the IPCC report as a "whitewashing" of HKPF's misconduct.

Large-scale demonstrations in Hong Kong were effectively brought to an end by the arrival of COVID-19 on January 23, 2020 (see section on health crises below). Most Hong Kong residents, relying on their past experiences with Avian flu (H5N1) in 1997 and severe acute respiratory syndrome (SARS) in 2003, voluntarily undertook measures to protect their health, such as staying at home, wearing masks in public, and avoiding crowds. The HKSAR government also announced emergency public health measures that prohibited large-scale demonstrations, and the HKPF stopped issuing approvals for protests. Small-scale gatherings continue to occur almost on a daily basis.

The 2019 crisis began as a protest against a proposed extradition law, gained support as a demonstration against police brutality, and eventually became a popular expression of dissatisfaction with the PRC and HKSAR governments. In response to the perceived excessive use of force by the HKPF, some of the protesters began using more militant methods.<sup>34</sup> The escalation of violence also drew growing concern by China's leaders, who saw the Hong Kong protests as an emerging threat to national security, and applied increasing pressure on Chief Executive Lam and the HKPF to stop the protests.

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<sup>32</sup> Figures based on information in Progressive Scholars Group, *Silencing Millions: Unchecked Violations of Internationally Recognized Human Rights by the Hong Kong Police Force*, January 24, 2020; and the postings of Kong Tsung-gan, *Arrests and trials of Hong Kong protesters*, at <https://medium.com/@KongTsungGan/arrests-and-trials-of-hong-kong-protesters-2019-9d9a601d4950>.

<sup>33</sup> The phrase "violent protesters" appears nearly 300 times in the IPCC's 1,011-page report.

<sup>34</sup> One of the phrases often spray painted by protesters was "It is you who taught us peaceful protests don't work."

## National Security Law<sup>35</sup>

The continuation of the anti-government protests into 2020 despite COVID-19 and the inability of the HKSAR government to stop the protests apparently led the PRC government to try to take control over the situation. China's leaders replaced the heads of the Hong Kong and Macao Affairs Office (HKMAO) in Beijing and its Liaison Office in Hong Kong with officials with a known record of maintaining local discipline and control. Official statements by the PRC government began portraying the Hong Kong protests as a threat to national security and called for the enactment of anti-sedition laws required by Article 23 of the Basic Law.

Hong Kong law prior to July 1, 1997, prohibited acts of treason against the Queen of England and the United Kingdom. Article 23 of the Basic Law required the HKSAR government to pass local ordinances to replace those outdated laws. As previously described, an effort to do so in 2003 failed, and contributed to the resignation of the Secretary of Security and the Chief Executive. Since that effort, no Chief Executive had attempted to fulfil the HKSAR government's obligation under Article 23.

### Article 23 of the Basic Law

The Hong Kong Special Administrative Region shall enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies.

China's National People's Congress (NPC), on May 28, 2020, adopted a decision authorizing the NPCSC to write national security laws that will apply only to Hong Kong. The decision also requires the HKSAR government to pass local legislation to protect China's national security, as required by the Basic Law, and authorizes China's "national security organs" to "set up agencies in the HKSAR to fulfill relevant duties to safeguard national security in accordance with the law."<sup>36</sup>

Many observers see the NPC decision as a violation of China's obligations under the Joint Declaration and its commitments in the Basic Law. On May 30, 2020, President Donald J. Trump accused China of extending "the reach of China's invasive state security apparatus into what was formerly a bastion of liberty."<sup>37</sup> President Trump also said he would "begin the process of eliminating policy exemptions that give Hong Kong different and special treatment."<sup>38</sup> He did not specify a timeframe for action.

The NPC decision is seen by many in Hong Kong as undermining the city's "high degree of autonomy," threatening the human rights of Hong Kong residents, and weakening the independence of Hong Kong's judicial system. Some observers see the pending NPCSC national security laws as an existential risk to Hong Kong. Some Hong Kong residents are actively pursuing ways of emigrating from the city; others have transferred their wealth and savings to offshore banks.

Some commentators see these moves as premature as the NPCSC has not yet approved the national security laws and their provisions are unknown. Following a trip to see China's leaders in Beijing, Chief Executive Lam issued a statement assuring the Hong Kong public that the laws "will only punish a small minority of people who engage in acts and activities that seriously threaten national security."<sup>39</sup>

<sup>35</sup> For more information about China's decision to impose national security laws on Hong Kong, see CRS In Focus IF11562, *China Moves to Impose National Security Law on Hong Kong*.

<sup>36</sup> "Highlights of China's decision on Hong Kong national security legislation," *Xinhua*, May 28, 2020.

<sup>37</sup> White House, "Remarks by President Trump on Actions Against China," press release, May 30, 2020.

<sup>38</sup> *Ibid*

<sup>39</sup> Tony Cheung and Jun Mai, "Beijing has heard opinion of Hong Kong people and remains 'very firm' on national security law for city, Carrie Lam says after visit," *South China Morning Post*, June 3, 2020.

## Observations on Political Crises

The series of political crises in the HKSAR—some more serious than others—indicate certain patterns in the behavior of the PRC and HKSAR governments. First, the PRC government has demonstrated a willingness to intervene in the internal affairs of the HKSAR, principally via the NPCSC’s authority to interpret and render decisions about the Basic Law. Second, some progress has been made in democratic reforms, but that progress has also been accompanied by new conditions and restrictions that provide the PRC government a greater role in Hong Kong’s elections. Third, Hong Kong’s Chief Executives have generally acted more as agents of the PRC government conveying decisions to the people of Hong Kong than representatives of the people of Hong Kong to the PRC government. Fourth, both the PRC government and the HKSAR government appear to be fearful of representative democracy in Hong Kong, and are attempting to construct sufficient constraints to maintain control over governance of the city.

## Economic Crises

The people of Hong Kong have also faced a series of economic crises since the establishment of the HKSAR in 1997. The Asian Financial Crisis struck just after the Hong Kong was transferred from the United Kingdom to the PRC, and speculators attempted to destabilize the Hong Kong dollar and the Hong Kong stock market. Hong Kong’s economy also was hit by the ripple effects of the Global Financial Crisis of 2007. In addition, structural economic changes since 1997 have made Hong Kong more dependent on China. Those structural changes have also resulted in a growing income and wealth disparity in Hong Kong, the erosion of Hong Kong’s middle class, the loss of economic opportunity for the city’s youth, and a rise in poverty among the Hong Kong’s elderly.

### Asian Financial Crisis of 1997

The HKSAR government had to confront a major economic crisis within days of its establishment. The rapid movement of speculative capital in Southeast Asia had destabilized many of the region’s financial markets and led to the rapid devaluation of several currencies. Some speculators launched a simultaneous assault on shares listed on the Hong Kong Stock Exchange and the Hong Kong dollar, which is linked to the value of the U.S. dollar under a currency board system.<sup>40</sup>

Finance Secretary and future Chief Executive Donald Tsang and Hong Kong Monetary Authority (HKMA) Chief Executive Joseph Yam Chi-kwong successfully fought off the speculative attacks by having the HKSAR government buy more than \$15 billion in shares on the Hong Kong Stock Exchange. After that speculative attacks were over, the HKSAR government gradually sold off its holdings, making almost \$4 billion in profits.<sup>41</sup>

The HKSAR government’s successful defense of the Hong Kong dollar and the Hong Kong Stock Exchange raised local confidence in the new government. Throughout the financial crisis, the PRC government expressed its support for the HKSAR government, but avoided intervening in the situation. This, in turn, led many to think that the PRC government would abide by the “one country, two systems” policy and respect Hong Kong’s high degree of autonomy.

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<sup>40</sup> The Hong Kong Monetary Authority, by the exchange of U.S. dollar assets for Hong Kong dollars in circulation, maintains the value of the exchange rate between 7.75 and 7.85 Hong Kong dollars to 1 U.S. dollar.

<sup>41</sup> Hong Kong Monetary Authority, *Asian Financial Crisis: Difficult Decisions in the Disposal of Shares After Stock Market Operation*, September 18, 2019.

## Global Financial Crisis of 2007<sup>42</sup>

In late 2007, Hong Kong once again faced a financial crisis, this time originating in the United States. Instabilities in U.S. derivatives markets led to the bankruptcy of Lehman Brothers and fears of the collapse of U.S. financial markets. The financial contagion spread to Hong Kong in the autumn of 2008 as the U.S. economy slipped into a severe recession.

Hong Kong's economy also slid into a recession, as the global economic slowdown led to a decline in global trade. The HKSAR government responded with a combination of fiscal and monetary stimulus measures that led to recovery in early 2009, aided by the resumption of global economic and trade growth. Hong Kong, and the global economy, were also assisted by China's decision to implement a lending and investment boom to promote economic growth.

Like the 1997 economic crisis, the HKSAR government's response to the 2007 global financial crisis was well received by the people of Hong Kong. Hong Kong residents also generally had a favorable view of China's actions, which helped Hong Kong recover without directly intervening in Hong Kong's affairs.

## Hong Kong's Structural Economic Changes

Although the HKSAR government may have received praise for its ability to weather external financial crises, gradually over the last two decades the structure of Hong Kong's economy has changed in ways that raise concerns among substantial numbers of Hong Kong citizens about their livelihoods. Some of these concerns may contribute to lower support for Hong Kong's own government and frustration about how Hong Kong has developed under Chinese rule.

During the last 20 years, Hong Kong has become more dependent on the mainland economy for economic growth and opportunity. Over time, Hong Kong's economy has specialized in the provision of financial, legal, and trade-related services for manufacturing and shipping companies operating in mainland China, or for mainland companies seeking to expand their operations overseas. As a result, many of the professional jobs that supported Hong Kong's middle class have been transferred to mainland China, resulting in a significant loss in employment opportunities that earn incomes to support a comfortable standard of living in Hong Kong. According to conversations with recent university graduates in Hong Kong, the nominal salary offered to new graduates in the last few years is approximately the same as in 1997. However, the cost of living in Hong Kong has increased substantially, especially the cost of housing. Many Hong Kong couples have postponed getting married or having children because they cannot afford to rent their own apartment.

The structural changes in Hong Kong's economy over the last 20 years can be seen in its rising wealth and income inequality, the increase in poverty (especially among its older population), and public opinion polls about the city's economic health. Between 1996 and 2016, Hong Kong's Gini coefficient for household income rose from 0.518 to 0.539—the 8<sup>th</sup> highest income inequality in the world, according to the World Bank.<sup>43</sup> According to Hong Kong's Census and Statistics Department, 20% of the city's population lives below the official poverty line.<sup>44</sup> The Hong Kong Public Opinion Research Institute (PORI), an independent public opinion research group formed out of the previous Public Opinion Program at the University of Hong Kong (HKPOP), has conducted a regular survey of public "concern

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<sup>42</sup> For more about Hong Kong and the global financial crisis of 2007, see Janet L. Yellen, *Hong Kong and China and the Global Recession*, Federal Reserve Bank of San Francisco, FRBSF Economic Letter 2010-04, February 8, 2010.

<sup>43</sup> The Gini coefficient is a measure of income or wealth inequality, ranging from zero for perfectly equal distribution to 1.0 for perfectly unequal distribution (all income or wealth is possessed by one individual). By comparison, the U.S. Gini coefficient in 2016 was 0.414, according to the World Bank. Source: <https://worldpopulationreview.com/countries/gini-coefficient-by-country/>.

<sup>44</sup> Census and Statistics Department, *Poverty Situation*, December 13, 2019.

for the economic problems of Hong Kong” dating back to 2005. On a scale of 0 – 10 (“extremely not concerned” to “extremely concerned”), the average rating throughout the 15 years has ranged between 6.75 and 7.5, indicating a fairly high level of concern about the economy.<sup>45</sup>

The perceived loss of economic opportunity has contributed to political discontent among much of the Hong Kong population. Although the HKSAR government has shown the ability to address exogenous economic shocks, it has arguably not taken sufficient actions to address the economic sufferings caused by structural economic changes.

## Health Crises

Since 1997, Hong Kong has faced serious health crises, including an outbreak of Avian (H5N1) flu in 1997, SARS in 2003, and COVID-19 in 2020. The response of the HKSAR government to each of these health crises has received mixed reviews, with particularly sharp criticism of the response to COVID-19.

In May 1997, a Hong Kong boy contracted Avian flu and died. Investigations into the source of the disease pointed to imported chickens from mainland China. During the course of the outbreak, 18 people were confirmed to be infected, of which 6 died. To contain the disease, the HKSAR government slaughtered more than 1.5 million chickens in December 1997.<sup>46</sup> While the mass slaughter and other measures apparently successfully contained the disease, the HKSAR government was criticized for failing to take adequate measures to dispose of the dead chickens and for overcompensating the city’s chicken vendors.

In March 2003, SARS spread from neighboring Guangdong Province to Hong Kong. By the beginning of June, 1,750 cases had been confirmed and 286 people had died of the disease.<sup>47</sup> Hong Kong’s Department of Health conducted studies of the outbreak of the disease and implemented public health measures, such as shutting down schools and universities, monitoring overseas arrivals, compulsory isolation and surveillance of contacts, district-wide cleansing campaigns, and preventative education campaigns. Most Hong Kong residents voluntarily wore masks when in public and avoided leaving their homes. Companies and businesses implemented strict sanitation regimes in their buildings. Overall, the HKSAR government was viewed as responding well to the public health crisis, although there was a shortage of personal protective equipment (PPEs) for medical staff at the start of the SARS outbreak.

In the eyes of many Hongkongers, the HKSAR government has not done as well in responding to the COVID-19 pandemic. Soon after COVID-19 was confirmed in Wuhan, many Hong Kong residents voluntarily adopted the safety measures they learned during the SARS outbreak in 2003, such as wearing masks and avoiding leaving the home. Doctors, nurses, and other medical staff began wearing PPE when treating patients who presented with COVID-19 like symptoms. The city quickly experienced an acute shortage of PPE.

The HKSAR government, however, was relatively slow to implement preventative measures and initially resisted calls to close the border with mainland China. To many people in Hong Kong, it seemed that Chief Executive Lam and her top advisors were more concerned about offending China’s leaders than protecting the health of Hong Kong residents.<sup>48</sup> After a strike by unionized medical workers, the HKSAR government closed the border with mainland China and implemented a mandatory 14-day quarantine

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<sup>45</sup> <https://www.pori.hk/pop-poll/current-condition/n006>.

<sup>46</sup> Paul K.S. Chan, "Outbreak of Avian Influenza A(H5N1) Virus Infection in Hong Kong in 1997," *Clinical Infectious Diseases*, vol. 34, no. Supplement 2 (May 2002).

<sup>47</sup> Lee Shiu Hung, "The SARS epidemic in Hong Kong: what lessons have we learned?," *Journal of the Royal Society of Medicine*, vol. 96, no. 8 (August 2003).

<sup>48</sup> Sarah Wu, "Coronavirus widens Hong Kong anger at government, China," *Reuters*, February 20, 2020.



program for overseas arrivals. It subsequently undertook more restrictive measures to contain the spread of COVID-19, including the closing of all restaurants, bars, and entertainment clubs, as well as prohibiting the public gathering of more than 4 people.

As of the start of June 2020, the number of confirmed COVID-19 cases has leveled off at below 1,200 with 4 deaths.<sup>49</sup> New confirmed cases are generally arrivals from overseas. While it appears the city has contained COVID-19, the HKSAR government's apparent initial reluctance to implement the necessary preventative measures has been subjected to widespread criticism.

## Cultural Identity Crises

Beyond the political, economic, and health crises, Hong Kong residents are contending with various cultural identity crises. The regular influx of immigrants from mainland China under various programs has given rise to tensions between the largely Mandarin-speaking immigrants and the Cantonese-speaking Hongkongers.<sup>50</sup> China's Liaison Office in Hong Kong and other PRC officials have allegedly applied pressure on Hong Kong and foreign companies to cut business ties with pro-democratic businesses, newspapers, magazines, artists, and musicians in an effort to silence their voices.<sup>51</sup> Many in Hong Kong are concerned that the PRC government is attempting the cultural "mainlandization" of Hong Kong.

The perceived threat to Hong Kong's distinctive cultural identity has given rise to an "anti-mainlander" attitude among some Hong Kong residents. Some people resent the recent immigrants and disparage their lack of understanding of Cantonese. A smaller segment of Hongkongers have developed nationalist attitudes and support Hong Kong's independence, which worries the PRC government.

Since the establishment of the HKSAR, the Hong Kong Public Opinion Research Institute (PORI), an independent research group, has interviewed Hong Kong residents on how they identify themselves among four options—Hongkonger, Hongkonger in China, Chinese in Hong Kong, or Chinese.<sup>52</sup> In August 1997, 34.9% of residents said they were Hongkongers, 24.8% responded Hongkonger in China, 20.1% chose Chinese in Hong Kong, and 18.6% selected Chinese.<sup>53</sup> In early June 2020, PORI conducted another survey; 50.5% said they were Hongkongers, 25.0% responded Hongkonger in China, 12.6% chose Chinese, and 11.0% selected Chinese in Hong Kong.

## Effects of the Hong Kong's Crises

The cumulative effects of the various crises experienced by the people of Hong Kong since the establishment of the HKSAR government in 1997 have left many Hong Kong people with little hope for their future, a loss of trust in the PRC and HKSAR governments, and growing sense of desperation. Some look forlornly to the past, and wish for a return to the days as a British colony. A few call for Hong Kong independence, similar to that of Singapore, as a way out of the city's woes. Others look to the United States, the United Kingdom, and other nations to rescue Hong Kong from the PRC and HKSAR governments.

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<sup>49</sup> Data from <https://www.worldometers.info/coronavirus/>.

<sup>50</sup> For one such account of those tensions, see Julie Zhu, "Mainlanders in Hong Kong worry as anti-China sentiment swells," *Reuters*, October 30, 2019.

<sup>51</sup> Based on CRS interviews with Hong Kong residents, as well as various news accounts. For example, see "'Liaison office trying to coerce business sector,'" *RTHK*, May 16, 2019.

<sup>52</sup> Hong Kong Public Opinion Research Institute, "People's Ethnic Identity," <https://www.pori.hk/opinion-charts-3>.

<sup>53</sup> Percentages do not add to 100% due selection of "other" or non-response.



According to PORI, the people of Hong Kong have lost trust in the PRC and HKSAR governments. As of May 2020, 67.4% of the people surveyed were dissatisfied with the performance of the HKSAR government, and 18.6% were satisfied.<sup>54</sup> In addition, 62.9% of the respondents said they distrusted the HKSAR government, and 27.3% said they trusted the HKSAR government.<sup>55</sup> All four of the HKSAR's Chief Executives have seen their public ratings decline during their terms in office, and received worst ratings than former Governor Patten.<sup>56</sup> When asked about their satisfaction with the performance of the HKPF in November 2019, 59.2% said they were dissatisfied and 33.8% indicated they were satisfied.<sup>57</sup> A January 2020 poll of Hong Kong residents found 58.9% had, in general, negative views of the PRC government, and 22.6% had positive views of the PRC government.<sup>58</sup> In addition, PORI's "Public Sentiment Index" in 2020 has been at its lowest levels in 28 years.<sup>59</sup>

Many political activists, in conversations with CRS, have said that it is up to them to defend and preserve the Hong Kong they know and love. Whether it is by running for elected office, organizing demonstrations, or confronting HKPF officers in riot gear, they are trying to preserve Hong Kong's high degree of autonomy and protect their rights and freedoms promised in the Joint Declaration and enshrined in the Basic Law.

## Why Hong Kong Matters

Given the U.S. commitment to democracy and human rights, Hong Kong matters because the fate of its 7.5 million residents is important. In addition, as stated in the U.S.-Hong Kong Policy Act, "the United States has a strong interest in the continued vitality, prosperity, and stability of Hong Kong." Hong Kong also matters because it matters to the People's Republic of China, and what matters to the PRC most likely matters to the United States, particularly at a time when China is described by some U.S. officials and scholars as the foremost "great power" with which the United States is in competition.<sup>60</sup>

## U.S. Interests

Most descriptions of U.S. interests in Hong Kong focus on the economic, trade, and investment ties. As reported by the State Department, Hong Kong hosts more than 1,300 U.S. firms, "with about 300 U.S. firms basing their Asian regional operations in the city."<sup>61</sup> An estimated 85,000 U.S. residents live, work, and study in Hong Kong. According to the U.S. International Trade Commission, U.S.-Hong Kong merchandise trade in 2019 exceeded \$35.5 billion dollars, and the United States' trade surplus of \$26.1 billion was its largest among all trading partners.<sup>62</sup> Hong Kong is a major hub for U.S. financial and investment flows into Asia, particularly the PRC. Hong Kong financial institutions, lawyers, and trade-

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<sup>54</sup> <https://www.pori.hk/pop-poll/hksarg/h001>.

<sup>55</sup> <https://www.pori.hk/pop-poll/hksarg/k001>.

<sup>56</sup> Donald Tsang received better ratings than Patten for his first three years in office, but his ratings fell below that of Patten for the rest of his time as Chief Executive. Carrie Lam's ratings are well-below that of any of her predecessors at a similar time during their terms in office ( <https://www.pori.hk/pop-poll/chief-executive/combined/rating>).

<sup>57</sup> <https://www.pori.hk/pop-poll/disciplinary-force/x001/satisfaction>.

<sup>58</sup> <https://www.pori.hk/pop-poll/government/v003>.

<sup>59</sup> <https://www.pori.hk/pop-poll/public-sentiment-index>. PORI's Public Sentiment Index is a measure of people's appraisal of the quality of the HKSAR government and of society.

<sup>60</sup> For example, see Testimony of Secretary of Defense Mark T. Esper, "Department of Defense Posture Statement," U.S. Congress, Senate Committee on Armed Services, 116th Cong., 2nd sess., March 4, 2020; and Ashley J. Tellis, "The Return of U.S.-China Strategic Competition," in *Strategic Asia 2020: U.S.-China Competition for Global Influence*, ed. Ashley J. Tellis, Alison Szalwinski, Michael Wills (National Bureau of Asian Research, 2020).

<sup>61</sup> Department of State, *2019 Hong Kong Policy Act Report*, March 21, 2019.

<sup>62</sup> *Ibid.*

related service companies continue to be important providers of services for U.S. companies seeking business opportunities in Asia.

Arguably equally important are the political and social values shared between the people of Hong Kong and the United States. Most Hong Kong residents want to be able to elect their representatives in the HKSAR government in free and fair elections. They want to enjoy the freedom of speech, association, assembly, religion, and the press; the same freedoms in Article 1 of the U.S. Bill of Rights. Hong Kong wants to preserve its system of rule of law, as reflected in the British common law heritage it shares with the United States, and not be subjected to rule by law, as is practiced in the PRC.

In these days when democracy and human rights are being threatened by autocratic governments, some of them elected in seemingly free and fair elections, the goals and aspirations of the majority of residents of Hong Kong may be a positive example to the people of other nations in the region and throughout the world.

## China's Interests

When the PRC and the United Kingdom were negotiating the Joint Declaration and as the date of the handover of Hong Kong approached, many in Hong Kong were hopeful that the PRC government would abide by the terms of the Joint Declaration and the Basic Law to ensure the prosperity and stability of the HKSAR and demonstrate to Taiwan that peaceful reunification is possible. Some scholars even speculated that the example of Hong Kong would open China's leaders to the possibility of political reforms in mainland China, with greater tolerance of human rights and limited democracy. Since 1997, the actions of the PRC and HKSAR governments have led many in Hong Kong to conclude that these were false hopes.

As previously discussed, China's leaders appear to see the events of 2019 and 2020 in Hong Kong as a threat to its national security and territorial integrity. They appear to fear that the challenges presented by the Hong Kong protests will inspire similar political movements in Tibet and the Xinjiang Uyghur Autonomous Region. The events in Hong Kong may also move Taiwan to renounce the "One China Policy," and embrace independence. As such, it is important to the PRC government to demonstrate that Hong Kong is "an inalienable part of the People's Republic of China," as stated in Article 1 of the Basic Law.

Hong Kong continues to play a valuable role in advancing China's economic goals. A significant portion of China's trade with the world flows through Hong Kong or is facilitated by financial, legal, and other trade-related services provided by Hong Kong. Hong Kong remains a major conduit for investment into mainland China, as well as for the rising volume of mainland investments around the world, including Belt and Road Initiative (BRI) projects.<sup>63</sup> Hong Kong also provides a mechanism to insulate the mainland economy from external economic shocks, such as the global financial crisis of 2007. The HKSAR is also to play a pivotal role in the Greater Bay Area Initiative, which seeks to integrate the economies of Guangdong Province, Hong Kong, and the Macau Special Autonomous Region.

Awareness of the importance of Hong Kong to the PRC is important as Congress and the U.S. government consider what actions, if any, to take to address the perceived threats to Hong Kong and U.S. interests in Hong Kong. The preservation or advancement of U.S. goals and objectives may be weighed against the effects on China's goals and objectives, and how the PRC government may respond to measures taken by the United States.

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<sup>63</sup> The BRI is China's plan to develop a network of transportation and telecommunications infrastructure to facilitate global trade and telecommunications. For more about BRI, see CRS In Focus IF10273, *China's "One Belt, One Road"*.

## U.S. Policy Options

U.S. policy regarding Hong Kong is stated in the U.S.-Hong Kong Policy Act of 1992 (P.L. 102-383). The Hong Kong Human Rights and Democracy Act of 2019 (P.L. 116-76) reaffirmed and augmented the existing policy by new provisions and authorities. Past Congresses and Administrations have generally agreed on the basic principles of U.S. policy on Hong Kong, including support for Hong Kong's high degree of autonomy, protecting the human rights and freedoms of the Hong Kong residents, and preserving the city's distinctive social and cultural heritage, and have strived to find ways to assist Hong Kong as it faced various political, economic, health, and cultural crises since the establishment of the HKSAR.

### Current U.S. Policy Regarding Hong Kong

The U.S.-Hong Kong Policy Act of 1992, as codified, states in section 5721(a):

Notwithstanding any change in the exercise of sovereignty over Hong Kong, the laws of the United States shall continue to apply with respect to Hong Kong, on and after July 1, 1997, in the same manner as the laws of the United States were applied with respect to Hong Kong before such date unless otherwise expressly provided by law or by Executive order under section 5722 of this title.

In addition, the Act stipulates in section 5721(b):

For all purposes, including actions in any court in the United States, the Congress approves the continuation in force on and after July 1, 1997, of all treaties and other international agreements, including multilateral conventions, entered into before November 27, 2019, between the United States and Hong Kong, or entered into before November 27, 2019, between the United States and the United Kingdom and applied to Hong Kong, unless or until terminated in accordance with law. If in carrying out this subchapter, the President determines that Hong Kong is not legally competent to carry out its obligations under any such treaty or other international agreement, or that the continuation of Hong Kong's obligations or rights under any such treaty or other international agreement is not appropriate under the circumstances, such determination shall be reported to the Congress in accordance with section 5731 of this title.

Section 5722(a) of the Act provides the President the authority to suspend the special treatment of Hong Kong:

On or after July 1, 1997, whenever the President determines that Hong Kong is not sufficiently autonomous to justify treatment under a particular law of the United States, or any provision thereof, different from that accorded the People's Republic of China, the President may issue an Executive order suspending the application of section 5721(a) of this title to such law or provision of law.

The text appears to tie the suspension of Hong Kong's treatment under a particular law or a provision of a law to a determination that Hong Kong is not sufficiently autonomous with respect to the law in question.

Section 5726 of the Act, as amended by the Hong Kong Human Rights and Democracy Act, provides limited visa eligibility protection to Hong Kong residents who participated in the Umbrella Movement:

Notwithstanding any other provision of law, applications for visas to enter, study, or work in the United States, which are submitted by otherwise qualified applicants who resided in Hong Kong in 2014 and later, may not be denied primarily on the basis of the applicant's subjection to politically-motivated arrest, detention, or other adverse government action.

The Hong Kong Human Rights and Democracy Act added new elements to U.S. policy regarding Hong Kong. Section 6(a) of the Act states that it is U.S. policy:

(1) to safeguard United States citizens from extradition, rendition, or abduction to the People's Republic of China from Hong Kong for trial, detention, or any other purpose; [and]

(2) to safeguard United States businesses in Hong Kong from economic coercion and intellectual property theft.

Section 7(b) requires the President to impose financial and visa sanctions on “each foreign person that the President determines is responsible for—

- (A) the extrajudicial rendition, arbitrary detention, or torture of any person in Hong Kong; or
- (B) other gross violations of internationally recognized human rights in Hong Kong.”

In addition, P.L. 116-77 prohibits the issuance of export licenses for the sale of “tear gas, pepper spray, rubber bullets, foam rounds, bean bag rounds, pepper balls, water cannons, handcuffs, shackles, stun guns, and tasers” to the Hong Kong Police Force for a period of one year after the date of enactment, or until November 27, 2020.

Finally, the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) provides “not less than \$1,500,000” for “democracy programs for Hong Kong, including legal and other support for democracy activists.” The funds are appropriated under the heading “Democracy Fund” for the Human Rights and Democracy Fund of the Bureau of Democracy, Human Rights, and Labor, Department of State.

## Actions by the Trump Administration

U.S. policy and law provides the Administration with the authority to take action regarding the current situation in Hong Kong, if it chooses to do so. On May 30, 2020, President Trump stated that he was “directing my administration to begin the process of eliminating policy exemptions that give Hong Kong different and special treatment.”<sup>64</sup> He also indicated that this directive “will affect the full range of agreements we have with Hong Kong, from our extradition treaty to our export controls on dual-use technologies and more, with few exceptions.” In addition, his Administration “will take action to revoke Hong Kong’s preferential treatment as a separate customs and travel territory from the rest of China,” and the State Department will revise its “travel advisory for Hong Kong to reflect the increased danger of surveillance and punishment by the Chinese state security apparatus.” Finally, President Trump said, “The United States will also take necessary steps to sanction PRC and Hong Kong officials directly or indirectly involved in eroding Hong Kong’s autonomy and — just if you take a look, smothering — absolutely smothering Hong Kong’s freedom.”

To date, the only action taken since the President’s statement is the State Department’s amending an existing travel advisory for Hong Kong on June 12, 2020. The new text warns U.S. visitors to “[e]xercise increased caution in Hong Kong due to civil unrest, risk of surveillance, and arbitrary enforcement of laws other than for maintaining law and order.”<sup>65</sup>

## Pending Legislation

Several bills have been introduced that would further amend U.S. policy in Hong Kong, and provide new authorities and tools to implement U.S. policy.

The **Hong Kong Autonomy Act** (S. 3798) would impose property- and visa-blocking sanctions on foreign persons and foreign financial institutions that “contravene the obligations of China under the Joint Declaration or the Basic Law.”

The **Hong Kong Be Water Act** (H.R. 5725, S. 2758) would impose property- and visa-blocking sanctions on any foreign person who is an official of Hong Kong’s government or China’s government and who

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<sup>64</sup> White House, “Remarks by President Trump on Actions Against China,” press release, May 30, 2020.

<sup>65</sup> Department of State, *Hong Kong Travel Advisory*, June 12, 2020.

knowingly suppressed the freedom of speech, association, procession, or demonstration in Hong Kong. The Act would also block property transactions involving a Chinese national, an entity owned or controlled by China's government, or an officer or senior official of such an entity, if that individual or entity has attempted to undermine the autonomy, basic liberties, and human rights of the people of Hong Kong.

The **Hong Kong Freedom Act** (H.R. 6947) would “authorize the President to recognize the Hong Kong Special Administrative Region of the People’s Republic of China as a separate, independent country.”

The **Hong Kong Victims of Communism Support Act** (S. 3892) would grant asylum to individuals who currently possess the Right of Abode (Permanent Residency) in Hong Kong by birth and who have maintained a continuous residency in Hong Kong since birth. The Act also states that an application for asylum “may not be denied primarily on the basis of the applicant’s subjection to politically-motivated arrest, detention, or other adverse government action.”

The **Placing Restrictions on Teargas Exports and Crowd Control Technology to Hong Kong Act** (H.R. 4270) would prohibit the issuance of licenses to export certain defense items and services to the Hong Kong Police Force or the Hong Kong Auxiliary Police Force. Unlike P.L. 116-77, the restrictions on U.S. exports would not terminate a year after enactment, but would remain in place until the President certifies to Congress that:

- (1) the Hong Kong Police have not engaged in gross violations of human rights during the 1-year period ending on the date of such certification; and
- (2) there has been an independent examination of human rights concerns related to the crowd control tactics of the Hong Kong Police and the Government of the Hong Kong Special Administrative Region has adequately addressed those concerns.

## Issues to Consider

As Congress considers what actions, if any, to take to address the situation in Hong Kong and the current political crisis in the city, it may consider what objectives or goals it seeks to achieve, and identify reasonable expectations of what it may be able to achieve. Among the various goals or objectives being discussed are:

- Make the PRC and HKSAR governments fulfil their obligations and commitments contained in the Joint Declaration and the Basic Law;
- Punish those responsible for violations of the obligations and commitments contained in the Joint Declaration and Basic Law;
- Punish the Hong Kong Police Force for its excessive use of force during the protests of 2019;
- Seek to limit the Hong Kong Police Force’s access to the weapons and equipment used to physically harm Hong Kong protesters and suppress legitimate political demonstrations in Hong Kong;
- Protect the participants in the 2019 protests from arrest, detention, imprisonment, or other forms of unjust punishment for their involvement in legitimate efforts to protect their rights and freedoms;
- Promote the adoption of universal suffrage for the election of Hong Kong’s Chief Executive and all Legco members in a manner acceptable to the majority of Hong Kong residents;
- Maintain Hong Kong’s role as a regional hub for international trade, investment, and finance beneficial to U.S. companies and residents; and

- Support Hong Kong as a society in Asia that supports democracy, human rights, and the rule of law.

As laudable as many of these goals and objectives may seem to Congress, it may be useful to view them in terms of how feasible they may be to achieve. China's NPC has approved its decision to impose national security laws on Hong Kong, and the NPCSC plans to fulfil its obligation to write such legislation and add it to Annex III of the Basic Law. Similarly, Chief Executive Lam and the HKSAR government appear committed to complying with the NPC's decision.

As such, Congress may consider how it would respond to a new Hong Kong that could emerge if the NPCSC's national security laws are enacted and the HKSAR government proposes the local legislation required by the NPC's decision. One may anticipate the NPCSC's legislation will spark more demonstrations, some peaceful and some confrontational. The HKPF may respond with the greater use of force, more tear gas, more rubber bullets, and more pepper spray. More protesters and police officers could be injured.

Some of the legislation that has been introduced would impose sanctions on PRC and HKSAR officials responsible for the erosion of Hong Kong's autonomy and the rights of Hong Kong residents. Arguably there is another segment of the Hong Kong community that has potentially been complicit in these undesirable developments in Hong Kong—Hong Kong tycoons and business leaders who have supported and encouraged the PRC and HKSAR government. If Congress were to subject these tycoons and business leaders to targeted sanctions, they may use their influence with China's leaders and Chief Executive Lam to adopt a new approach to addressing the grievances of the people of Hong Kong.

Finally, two segments of Hong Kong society could be overlooked as Congress considers its options. The first group consists of the thousands of unnamed protesters who have put their personal safety at risk by joining the demonstrations over the last year. Individuals such as Lee Chuek-yan, who will testify at today's hearing, as well as Joshua Wong, Martin Lee, and Jimmy Lai, most likely can easily find refuge or sanctuary in another country, if they so desire. The unnamed protesters, however, may lack the connections, notoriety, and financial resources to emigrate from Hong Kong if they wish to do so.

The second group consists of those Hong Kong residents who, having seen the new Hong Kong being imposed by the PRC and HKSAR government, have decided they do not wish to live in such a society. The wealthier Hong Kong residents most likely already have contingency plans and will leave when they decide it is in their best interest to leave. Hong Kong's small business owners, junior professionals, blue collar service workers, and working poor likely lack the means to escape their undesirable and undeserved fate.

Chairman Crapo, Ranking Member Brown, and Members of the Committee, thank you for this opportunity to testify at today's hearing.