

## ***EIAS Online Discussion Report***



### **Hong Kong's Future and implications for the EU and Cross-Strait Relations**

On 16 June 2020, EIAS hosted an online discussion on the "Future of Hong Kong and Implications for the EU and Cross-Strait Relations". The online discussion was chaired by Mr Erik FAMAHEY, Senior Associate at EIAS. Speakers were Dr Harry TSENG, Representative, of the Taipei Representative Office to the EU and Belgium, Dr Kerry BROWN, Professor at King's College London and Dr I-Chung LAI, President of the Prospect Foundation. The discussion and Q&A session were moderated by Mr Stuart LAU, Europe Correspondent of the South China Morning Post.

This report is a summary of the EIAS online conference, based on the discussion between the moderator, speakers, and the chair<sup>1</sup>.

As a prime interconnected financial hub, the online discussion debated Hong Kong's trade and economic prospects post-COVID-19, with a focus on EU-Hong Kong and Cross-Strait relations. While COVID-19 is exposing challenges to the government, there is also scope for improvement in asserting accessible opportunities in the field of economics, finance, investments, and technology. Hong Kong's global leading economic standing was analysed against the backdrop of changing political realities in EU-Hong Kong relations. With China's increasingly apparent long-term objectives, policies and legal framework in place, Hong Kong's importance as an entryway to the world for Chinese markets remains apparent. Financial developments were discussed, also taking into consideration the larger context of the US elections and their impact on the region. Observed from an Asian perspective, the US elections will be a global focal point, determining the US course and whether it will retreat from its leading international role. A second term for President Trump or a Democratic party revival steering US foreign policy will include substantially different approaches towards China and affect Asia at a broader level.

<sup>1</sup> This report expresses the view of the speakers and not the European Institute for Asian Studies.org

In his introduction as chair, Mr Erik Famaey observed that when Beijing nibbles at Hong Kong's freedoms, the EU voices concern. But when Beijing threatens to take control of Taiwan by other means if a peaceful way is resisted, or when the WHO chooses to mute Taiwan's advice, the EU does not complain. In the short run, politicians can continue this hypocrisy with impunity, in the long run they may come to regret it. The EU leaders would do well to heed the Parliament's advice and speak up.

In contrast, businesses cannot afford to look away. With the livelihood of their core business threatened, the decision of HSBC and Standard Chartered Bank to welcome the imposition of the National Security Law is akin to a forced confession. Sooner or later a similar impossible choice awaits all who want to do business in China. Apart from including the adherence to democratic values in the corporate ESG criteria, only public opinion about what is fair and what is wrong can steer the debate. 'Black lives matter' demonstrates that sentiment can shift in an instance. This is where information, disinformation and propaganda comes in. Think tanks have a limited reach there. But they can give a platform for discussion and a voice to opinion makers.

Dr Tseng iterated that Hong Kong today is very different from the current state of Taiwan. Hong Kong's Basic Law Article 23 has shifted the balance in the former British Crown Colony. The anti-extradition protests are consistent with the previous demonstrations of 2003, whereby the forthcoming of the national security law in Hong Kong is nothing short of a grand scenario. What we have seen so far in Hong Kong may bring an uncertain future for Hong Kong as it exists today. Mike Pompeo saw the national security law as a test for Hong Kong. Chinese officials argue that the national security law only has an effect on a small amount of people in Hong Kong, and that the law will be able to improve the environment for Hong Kong people. The law may, however, also interfere with faith, terrorism, and foreign intervention. The form of the law is potentially going to affect local and international civil society organisations, like NGO's in Hong Kong, being prospectively harmful to its inhabitants, merely projecting the view of the Chinese leaders.

After the anti-extradition demonstrations of 2019, almost 9.000 protestors were arrested in Hong Kong. The main charges were rioting, illegal weapon possession and illegal gathering. It is notable that the new security law charges people for crimes like these, as it has been enacted to support the 'one country two systems policy'. The 'one country two systems' was originally designed for Taiwan but is unlikely to be accepted as a potential scenario by the Taiwanese people. President Tsai made it very clear that Taiwan opposes the formula.

Moderator Mr Stuart Lau asked what the strategy would be, when Taiwan encounters challenges in international participation. Dr Tseng mentioned that for Taiwan, obtaining a greater representation in the international community is a great issue and remains an ongoing debate. It will take a good long-term relationship between the EU and Taiwan to be able to foster further cooperation.

Dr Kerry Brown explained that it has been nearly 25 years since Hong Kong was handed over from the United Kingdom to China, the transition period thus being approximately halfway. Until 1997, not many people could have imagined that China would have changed so much economically. At the time, Hong Kong's economy counted for about 23-24% of the Chinese one, where this has now dropped to only 2-3%. This had not been contemplated back then and was therefore not discussed during the handover. It is an interesting exercise to estimate what the situation would have been if they had anticipated this at the time. Today it seems as if the 50-year-period of transition has been reduced to 25-years and the 'one country two systems' relegated to a mere rhetoric.

The new security law is said to benefit security. Nevertheless, Beijing seems to have real response over Hong Kong. The law seemingly abides by the letter of the 1997 agreement, but maybe not so much by its spirit. It is rather unfortunate that the United Kingdom has limited traction nowadays, especially after leaving the EU, which could have served as a platform for a common stance and response. The United Kingdom's offer for Hong Kong nationals shifting nationalities was an interesting case, and the most radical opening up of immigration under the current governing organ of Boris Johnson. However, the power is in its rhetoric, as Hong Kong people will most likely feel the solidarity of this move, even though it would be a more desirable outcome for them to stay in Hong Kong itself.

Mr Stuart Lau then asked if there are any changes on China, from a London perspective, as there has been a lot of hardening rhetoric in the parliament of Downing Street. Dr Kerry Brown mentioned that China is a major investor in the United Kingdom, so the UK's politicians will need to identify red lines and what they can and cannot afford to do in hardening their tone. Reality in Hong Kong is that various groups have been defining their political view in very tough circumstances between China and Hong Kong and moral support from the west is already conditional.

In order to observe any potential compromise, we need to look at the viability of Hong Kong's financial situation, and how it operates. The markets, with all their equities are functioning and have not been impacted by the uncertainties caused by the security law. In addition, Hong Kong's transformation since 1997 does not only concern political and geographical integration, but merely the incredible internationalisation of the financial market. It has been integrated as a bridge between China and the rest of the world. Eroding this would entail a significant change. In January 2020, during the build-up of the presidential elections in Taiwan, President Tsai benefited from the situation in Hong Kong.

In what followed, Mr Erik Famaey mentioned that the collective power of investors is extremely important and questioned if investors working as activists could help the situation. Dr Kerry Brown underlined that having investors work as activists could be a feasible option. Although it needs consensus on what people actually want of Hong Kong. Beijing's red lines are clear so a consensus would be needed on what the red line is for Europe and the US. If the United Kingdom can take leadership on this like it did when it was still an EU member, it could surely help in building this consensus.

Dr I-Chung Lai indicated that there were presidents in the past that said that after China has focussed on Hong Kong, it will be Taiwan's turn to become China's centre of attention. When we look at Hong Kong today, it is effectively a part of China, but the two-systems policy also assures that Hong Kong remains having a very unique status within China. It is inside, a part of China but also not really a part of China.

When looking at the national security legislation in Hong Kong, the issue is more about the way China handles the legislation. China pushes a law which it just put in the appendix of Hong Kong's basic law. In this way, they are eliminating the 'one country, two systems policy'. If China can enable the national security legislation like this, China could act similarly in a range of different fields and topics.

Dr Kerry Brown emphasised that the concern about national security is more about the way China imposed it, rather than its content. The civil society should stand by Hong Kong and make it clear to Beijing, that this cannot be done without any consequences.

As a response to Mr Stuart Lau's question regarding the Taiwanese sentiment of the military future, related to concerns about the cross-strait relations, Dr I-Chung Lai highlighted that regarding the Taiwanese sentiment on the military future, the issue about the recent activities is that whether it is about the rhetoric of the military actions or the actual military harassment against Taiwan, there is an increasing preference for military measures regarding unification. Also, in Taiwan there is a need to stay united, because the COVID-19 crisis has shown that Taiwan is small, but when united and working together, a lot can be achieved. These thoughts have contributed to the sentiment that Taiwanese people started to believe that they can stay alert and withstand the threat from China.