

Hong Kong's evolving role in US-China relations

By Stephen J. Yates

Through much of Hong Kong's modern history, its value to the United States has been defined by the role it is seen playing in U.S. strategy for dealing with China. It has been a forward-deployed base of freedom from Communism during the Cold War, and it has been a key conduit for trade and investment into China in an era of diplomatic engagement and economic modernization. In this role, Hong Kong is seen in the context of efforts to keep China from imposing change on its neighbors and efforts to transform China from within.

This way of thinking was very much on display in 1997, as big questions loomed about the extent to which Chinese sovereignty would impose changes on Hong Kong's way of life and whether integration into the People's Republic would facilitate broader adoption of Hong Kong's "best practices" within China.

In its first 10 years, "one country, two systems" has proven to be more of a shield for preserving the status quo within the two systems than many optimists or pessimists might have anticipated. It is reassuring to note that Hong Kong remains the most open and developed part of China, a vibrant society and a major international financial hub directly contributing to China's continued modernization. But it is disappointing to see the lack of progress toward universal suffrage in Hong Kong and the limited evidence of Hong Kong's effective legal and regulatory institutions broadly informing reform in China. From both perspectives less has changed than many thought or hoped would be the case.

While close observers focus on change (or the lack thereof) in Hong Kong and China, there also have been important changes in America's global engagement and strategy towards China over the last 10 years that affect Hong Kong. From the Clinton Administration's focus on commercial engagement to the early Bush campaign's emphasis on strategic competition, one common element in the American approach was the identification of China as a top-tier strategic priority. U.S. policy was justified by the claim that it facilitated positive change within China.

Realignment of American Priorities

The Bush Administration has said for some time that the events of September 11, 2001, "changed everything." It may not be well understood how much the response to that tragic day affected U.S. strategy towards China. Counter-terrorism and the broader Middle East superseded the initial strategic priority placed on shaping Asia's future and the challenge of China's rising power. More importantly, however, the U.S. strategic focus on China shifted from its internal development to its international responsibilities.

In the 1990's media and government commentary was led by issues related to human rights, economic reform and military modernization in China. The dominant discourse of this decade has keyed on China's votes at the United Nations Security Council, its role in negotiations with Iran and North Korea and the impact of its expanding engagement in regions beyond Asia. China's international actions of course were relevant prior to 9/11 and U.S. officials would

bristle at the notion that military, economic, and human rights issues have been brushed aside. But it is hard to deny that in recent years the scarce time and resources of the nation's top policy-makers have been preoccupied with issues deemed to be more urgent, largely beyond China's borders.

Former Deputy Secretary of State Robert Zoellick captured this enhanced focus on China's international action in his now famous September 2005 speech, "Whither China: From Membership to Responsibility?"

"The U.S. response [to China's "peaceful rise"] should be to help foster constructive action by transforming our thirty-year policy of integration: We now need to encourage China to become a responsible stakeholder in the international system. As a responsible stakeholder, China would be more than just a member - it would work with us to sustain the international system that has enabled its success."

Where Hong Kong fits in such a U.S. strategy is more complicated than was the case with prior efforts aimed at influencing China's domestic development. Hong Kong ably served as a gateway to China. It also has been an important gateway for China to the world. Could it now contribute to (or even guide) China's pursuit of a greater and more responsible international role?

To outside observers it is clear that Hong Kong has much to offer in terms of institutions and regulatory practices that are consistent with high international standards and appropriate to emerging strategic challenges. Increasingly important in the war on terror, transparency and rule of law are established principles in Hong Kong governance, whereas they appear to be more aspirational ideals in China. Major efforts have been undertaken on the Mainland to improve standards and practices in these areas, but top officials concede they have a long way to go.

In the wake of September 11, 2001, Hong Kong authorities enhanced already strong programs of cooperation with U.S. and international agencies in areas related to counter-terrorism – ranging from port security to counter-terrorism financial measures to counter-proliferation controls. Hong Kong had a strong self-interest in doing so, but it also set a good example for the rest of China in that its regulatory agencies and practices already were highly interoperable with leading global institutions, making it easy to quickly contribute in a time of crisis and seamlessly integrate into global action plans.

Beyond counter-terrorism, Hong Kong continues to set a good example as a "responsible stakeholder" in global economic arenas. Consistently rated the freest economy in the world by the Heritage Foundation and Wall Street Journal and an active advocate of regional and global trade liberalization, Hong Kong is doing what Mr. Zoellick urged of Beijing – contributing to the maintenance of the global order from which it has benefited.

Beginning before the 1997 handover and accelerating since, Hong Kong has done its part to share its experience and propose options for Mainland authorities to consider in managing the reform and modernization of core national institutions such as courts, banks, stock markets and the monetary authority. Insiders suggest that a great deal of progress has been made in these

initiatives, but the extent of Hong Kong's influence and evidence of progress is not widely known to the public in China or abroad.

2008 – The Spotlight Returns to China

There are several transitions of importance to the United States in 2008. There is of course the protracted and competitive presidential campaign as the era of President George W. Bush comes to a close. In Asia there are several new governments with whom to explore fresh opportunities for cooperation on the major regional security and economic challenges, many of which relate to China and its evolving international role. Interestingly, constituent concerns from the campaign trail (especially economic anxiety) and the timing of the Beijing Olympics together are pulling America's strategic focus back to China.

With the onset of Olympics coverage, there likely will be a return of intense scrutiny of domestic developments in China, along with mixed reviews on international issues such as Darfur, North Korea, and trade. On the heels of the Beijing Olympics, America's two major parties hold their respective national conventions – Democrats in the last week of August and Republicans in the first week of September.

While China has not been seen as the highest priority or most urgent strategic challenge in recent years, the Summer Games guarantee that Americans will be presented with unprecedented coverage of China – in terms of the sustained focus of the major media and the range of issues likely to be addressed. It is hard to predict what impact these images will have on the national party conventions and final stretch of the presidential campaign that follows, but it also is hard to imagine that the impact will be small.

As the United States goes through this interesting period, policy-makers will grapple with the enduring challenge of developing and defending strategies and initiatives that adequately account for uncertainty about China's future direction. There are gaps in our knowledge when it comes to key areas of China's development. This is not entirely due to a lack of effort or insight on the part of American experts. Indeed, a great deal of effort is spent interpreting more data than we have ever had access to in the past. But China remains a hard target – a vast country lacking the culture of transparency that is the norm for government and financial institutions in much of the modern world. Hong Kong is uniquely positioned to offer perspective and fill some of the knowledge gaps associated with the major questions that emerge as this year unfolds.

What kind of power is China becoming?

Absent core institutions of democracy in China – a free press, competitive party politics, independent oversight of executive agencies – Americans are unlikely have an adequate supply of independently verifiable data about China on which to base long-term policy with high confidence. Thus we are constantly in search of indicators of the kind of power China is becoming. Is China adapting to global norms or making global institutions adapt to Chinese standards? As China grows wealthier, is it becoming more tolerant of democracy and more cooperative with the U.S.? As China's economy is increasingly integrated with neighboring and global partners, are we tied to a juggernaut or a house of cards? Must China's rising power come

at America's expense? Hong Kong shares an interest in addressing these questions and is in a unique position to deepen American understanding of the evidence behind the answers.

China's Economic Power. Americans have placed an enormous bet on China's economic success, shifting record capital and trade flows to China in support of U.S. consumption and investment returns. The bet was based in part on the notion that economic modernization would transform China's politics and international outlook in ways that narrowed strategic differences with the U.S. Thus China's economic rise might enhance cooperation and not necessarily come at the expense of U.S. interests. After decades of reform and opening policies, what are the consequences of China's rising economic power? How healthy and sustainable is China's growth? Has modernization enhanced institutions necessary to support economic freedom in China?

Hong Kong can contribute to American assessments of these trends by expanding public discussion in the United States of Hong Kong's experience with rule of law, generally accepted accounting standards, anti-corruption, monetary policy and stock market regulation. Global standards on intellectual property protection and environmental protection also are central to Hong Kong's experience with China. Americans need to know more about Hong Kong's experience in sharing these "best practices" with Mainland authorities. Real progress in these areas has the potential to greatly increase American confidence in the bet made on China's

China's Market Authoritarianism. Americans need to be assured that investment in broad-based engagement with China contributes to moral progress. This is both strategic and idealistic. We want engagement to enhance the quality of life for average Chinese citizens, and we hope to empower the Chinese people to take greater control over their government (reducing government control over the people). Both of these ideals, many believe, have the added virtue of reducing the likelihood of Sino-U.S. conflict. The clear trend in China appears to be one of sustained economic opening while resisting political liberalization. Many Americans wonder whether China will ever develop democracy on the Mainland or grow tolerant of democracy in Hong Kong and Taiwan. Many also wonder whether China's current blend of openness to the benefits of global markets while avoiding democracy will present a model that undermines American interests in developing countries around the world.

Can Hong Kong assure Americans that politics in China are progressing in the right direction, and that continued engagement with China strengthens rather than competes with our interest in supporting those who pursue democracy? Hong Kong's continued observance of the June 4th anniversary and peaceful tolerance of large demonstrations are reassuring. The 500,000 demonstrators that effectively resisted the government's attempt to define and combat sedition (Article 23) was an important demonstration of the power of ordinary people to guard against erosion of civil liberties. However Beijing's resistance to universal suffrage in Hong Kong, recently postponed until 2017 at the earliest, raises big questions about the future of democracy in China. After all, if Hong Kong now (much less in 2017) is not ready for universal suffrage, when will Beijing deem any unit of government above the village level to be ready for democracy? In the recent NPC decision on universal suffrage in Hong Kong, Beijing appears to be within its rights under the Basic Law, but is sending a chilling (and unnecessary) signal about its lack of tolerance for democracy in any territory covered by its constitution.

China's Limited International Responsibility. Over the last three decades China has achieved membership in just about every international organization. Once a member Beijing's agenda in international bodies has often stayed close to a limited agenda – extract benefits for China, block criticism of China, and marginalize or exclude Taiwan representation. There is no doubt that presents opportunities that are important to many international organizations – ranging from nuclear security to environment and public health to economic development. There also are examples of China contributing peacekeepers or using its economic leverage in advancement of an international security objective. But by and large, Washington and other capitals continue to labor strenuously to find ways to get China to increase its contribution to the burden of sustaining the institutions of global peace and prosperity.

We look to China as a World Trade Organization member to make a bold trade liberalization proposal. We look to China as a World Health Organization member to be more transparent about the dangers that occasionally emanate from within its borders. We look to China as a Non-Proliferation Treaty signatory to take more decisive action to thwart those who violate its provisions – as have North Korea and Iran. Does Hong Kong have experience or insight that could guide our efforts in a more productive direction? Absent clear evidence of results in this area, Americans may devalue the notion of expending effort to encourage China to become a responsible stakeholder, opting instead for more sticks than carrots in dealing with China.

2009 – A New Beginning?

By the end of 2008 the transition will be underway in Washington to new leadership in the Executive Branch. While every candidate claims to represent a clear break from the current administration, the next U.S. president will have tough decisions to make about how much to change in U.S.-China relations. Does he or she apply the Bush Administration's "freedom agenda" to China? Does he or she continue to pursue the responsible stakeholder agenda? Will the old notion of strategic competition and economic cooperation be replaced by strategic cooperation and economic competition?

Odds are there will be more continuity than change in the U.S. approach to China. As the new administration pauses to outline its particular approach, it would do well to build upon the established foundations of cooperation with Hong Kong, seeking perspective on how to achieve "change we can believe in" [Barak Obama's campaign slogan] with regard to China. It will be up to Hong Kong to determine the extent to which it continues to fulfill its traditional role of helping the world navigate uncertainty in China and helping China adapt to the norms and responsibilities of the international order from which it benefits so greatly.

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