Is Beijing’s New Security Law a Threat to Hong Kong?

By Richard McGregor

Defenders of the law note that Hong Kong has long been required to enact national security provisions and say the territory’s independent legal system will ensure the law is administered fairly. This misses the people’s distrust of the Chinese Communist Party and the ways that Beijing has already flouted Hong Kong’s autonomy.

By David Dodwell

The obligation to draft a security law has for the past 23 years been clear in Hong Kong’s mini-constitution, and until Beijing unveils the finished law, no one can judge whether it will inflict harm or not. The introduction of such a law should not in its own right be a cause for controversy.
Don’t Write Hong Kong Off Prematurely

By David Dodwell

AS I WRITE, Hong Kong still awaits details of the draft Security Law, which continues to be discussed in Beijing. Since China’s leaders recently brought an end to 23 years of procrastination among Hong Kong lawmakers over the law by drafting it themselves, there has been a global explosion of speculation over Hong Kong’s future. Dozens of commentators — including Chris Patten, Britain’s last Hong Kong governor, and Mike Pompeo, the US Secretary of State — have rushed to conclude that fatal consequences await. That no one has yet seen a draft of the law has not inhibited their rush to melodramatic conclusions. I have no intention of making the same mistake. Until I see the content of the draft, and how the law is going to be implemented, it is not possible to judge whether the new law will inflict harm or not. For now, all we can say is that the obligation to draft such a law has for the past 23 years been clear in Hong Kong’s mini-constitution, the Basic Law. The introduction of such a law should not in its own right be a cause for controversy.

Predictions of the death of Hong Kong are also premature, even though there has been a veritable industry churning out such predictions for decades. The embarrassing falsity of the predications has never inhibited the flow, but have at the same time repeatedly demonstrated the power of prejudice even in the absence of information.

Look no further than the melodramatic 1995 “Death of Hong Kong” cover story in Fortune magazine: “The naked truth about Hong Kong’s future can be summed up in two words: it’s over.” It continued: “As Hong Kong becomes a captive colony of Beijing and increasingly begins to resemble just another mainland city, governed by corruption and political connections rather than the even-handed rule of law, it seems destined to become a global backwater.” A quarter of a century on, none of the dire predictions has come to pass.

Although Beijing has stood steadfastly by the “one country, two systems” principle at the heart of the Basic Law, and its commitments to let Hong Kong people rule Hong Kong, the reality is nevertheless that Hong Kong today is in the bleakest place I can ever recall, with its future uncertain. But blame for this cannot be put at Beijing’s door, and the factors at work deserve review.

Back in 1997, there were at least four clear reasons for confidence about Hong Kong’s future under Chinese rule. First was a widely-shared confidence that over time China would become more like Hong Kong than vice versa. The second was that Hong Kong’s natural advantage as the primary conduit for China’s huge and rapidly-growing international trade could only make it more economically important over time.

Two decades on, there is no longer confidence in these two forces for prosperity. China has become massively more successful economically, but building on its own distinct foundations, rather than converging towards the common law-based institutions that underpin Hong Kong. And as China’s domestic economy becomes more powerful, with declining reliance on exports and trade, so Hong Kong’s natural advantages linking to the global trading economy have become less pivotal.

But two important sources of confidence remain strong. First, in contrast with Britain’s colonial rulers who saw Hong Kong as a distant and insignificant liability, Beijing has seen Hong Kong as critically important ever since the opening-up launched by Deng Xiaoping in 1978, letting it learn about and interact with the global economy without the need to “domesticate” the global practices and institutions it inherited in 1997. Second, it continues to recognize a fundamental reliance on “one country, two systems” that enables it not only to maintain the confidence and commitment of most Hong Kong people, but equally importantly to exploit Hong Kong’s distinct, familiar and internationally trusted institutions to engage in the global economy without needing fundamental domestic reforms. This is particularly important in the legal, accounting and financial-services fields. These two forces make Hong Kong, in its present highly autonomous form, as indispensable to Beijing today as it has ever been, and make Beijing highly unlikely to draft the new Security Law with a heavy and intrusive hand.

But if Beijing has not wrought “The Death of Hong Kong,” what are the key reasons for the economy’s bleak situation? Perhaps most important is the persistent trail of shocks to the system that have destroyed job certainty and left households incomes stagnant since 1997. This began with the Asian financial crisis in 1998, and the dotcom crash two years later. Then came SARS in 2003 and the global financial crash in 2008.

Social unrest driven by these economic shocks has been linked to anxieties among a significant minority of people over increasing mainland engagement. Along with persistently weak Hong Kong leadership, these factors helped fuel violent protests that began in 2003 and metastasized through the Umbrella Movement, Occupy Central and on to the crescendo of last year’s catastrophic protests and immobilizing street violence.

Combine this profound social malaise with the US-China trade war, and the wrenching economic impacts of Covid-19, and the scene has been set for this bleakest of times. Among Hong Kong’s challenges, the Security Law — even if implemented with unnecessarily heavy hands — is unlikely to be a large factor determining how Hong Kong fares going forward. On the contrary, there are reasons to believe that Beijing genuinely hopes the new law will even the keel in Hong Kong and restore some much-needed calm.

Most significant harm comes from the US-driven assault on the multilaterally underpinned, trade-driven global economy, which — in focusing on China — is having powerful, unfortunate impacts on Hong Kong and other economies reliant on integrating complex global supply chains. The oft-threatened “decoupling” of the global economy would be hugely harmful to Hong Kong. Despite this bleakest of times, there are foundations on which Hong Kong has the potential to build a strong and prosperous future. It will remain a critically important “headquarters hub” for the fast-growing community of mainland companies looking to “go global,” building on legal, accounting and financial services. Also, through closer integration with the mainland’s 60 million-strong Greater Bay Area, it can play a much more significant role in China’s domestic economy.

Fortune was wrong about the death of Hong Kong in 1995, and anyone who has bet against Hong Kong in the past half-century has lost. Whatever the anxieties over the as-yet unseen Security Law, my bet is that this will not change. I expect a characteristically feisty local debate about the new law in the coming months. Intelligent discussion will be easier once we can see it.

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