2021–22 WILSON CHINA FELLOWSHIP

# Hong Kong's Political Economy and the Crisis of Democracy

**Macabe Keliher** is an Assistant Professor at Southern Methodist University and a 2021–22 Wilson China Fellow

Wilson Center | Asia Program | Kissinger Institute | Wilson China Fellowship

## Abstract

Over the past two decades protests in Hong Kong have numbered in the tens of thousands to peak in 2019. Despite the incessant calls of Hong Kong citizens for a greater say in shaping everyday life and the national future, the Hong Kong government has responded violently and in July 2020 introduced a rigid National Security Law outlawing all forms of dissent, which it has used to prosecute political activists and critics. Scholars and observers have viewed these events as the failure to fulfill constitutional promises of democracy under an increasingly autocratic government. This report argues that existing analyses overlook the role of the political economy both in driving protests and mobilizing state interest in the crackdown; furthermore, they do situate Hong Kong and China within an international context of democratic backsliding and authoritarianism. Analyzing the nature and development of Hong Kong's political economy and its legal structure over the past three decades, the report shows how the concentration of capital in contemporary Hong Kong has alienated people from economic life and offered little hope of a future. The manipulation of political democracy and deterioration of civic life by Beijing has only exacerbated the situation.

## Implications and Key Takeaways

- Engage China on its stated commitment to democracy in Hong Kong by pushing for greater pluralism and the implementation of economic democracy.
- Negotiate rights of development and production including access to finance, defending small business, and removing barriers of intellectual property.
- Institute global rights of labor and push for the implementation of social inheritance.
- Foreclose Chinese retorts to U.S. criticism of anti-democratic practices by pursuing democratic reforms and developments at home.
- When necessary isolate China internationally by pursing a robust program of global democracy.

## Introduction

In the first two decades of the twenty-first century, protests, demonstrations, and marches recurrently filled the Hong Kong streets. The casual observer might readily point to 2014 and 2019 as the key episodes of unrest, for these were the years that captured the world's attention. The former witnessed the occupation of three downtown districts for seventy-nine days and came to be known as the Umbrella Movement in reference to the ubiquitous protest tool of the umbrella, which was used to fend off the onslaught of police pepper spray. The latter protests of 2019 and early 2020 quickly became even more prominent due to their size, continuity, and scale of police violence, all of which dwarfed previous demonstrations in Hong Kong. On June 16, 2019, for example, estimates of two million people—over a quarter of the Hong Kong population—marched in protest of government policies; in subsequent months demonstrators smashed up the legislative building, occupied the airport, and engaged in pitched battles with the police on college campuses and city streets.[1]

These movements did not appear out of nowhere. Tens of thousands of marches, demonstrations, and protests have taken place every year over the past twenty years. According to Hong Kong police statistics, there were 5,656 such protests in 2010 and well over 6,000 annually through 2015. That number jumped to 13,158 in 2016 and stayed well above 10,000 through 2019.[2] At somewhere on the order of an average over 30 demonstrations, marches, and protests happening every day, day after day, one must conclude that the Hong Kong people living in the early part of the century found something terribly wrong with their society and were constantly engaged in active opposition and a search for methods, practices, and ideas to do something about it.

The issues at stake ranged from school curriculum to personal freedoms and universal suffrage. Consider the controversies that sparked major protests in the first decades of this century. In 2003, over half a million people turned out to object to the introduction of a national security bill that would "prohibit any act of treason, secession, sedition, subversion" against China. People here saw the potential of the proposed law as limiting freedoms of expression and introducing vague demands of subservience to a distant sovereign. The bill was withdrawn and the Chief Executive (the equivalent of a president) resigned. In 2010, tens of thousands of demonstrators marched under the slogan

of democracy while calling for the release of Liu Xiaobo, a Chinese activist who Beijing sentenced to eleven years for "inciting subversion of state power." In 2012, high school students led nearly 100,000 in protest of proposed education reform, which would impose a Chinese nationalist and moral curriculum that demonstrators assailed as "brainwashing education." That summer they marched across the city and in August occupied the government headquarters building for over a week. In 2014, a movement was sparked by over rules for the selection of the Chief Executive; protestor demands were best encapsulated by the yellow banner they hung on Lion Rock overlooking the Kowloon Peninsula that read, "I want real universal suffrage." Protests beginning in 2019 were set off by the introduction of further security legislation that would have allowed the extradition of criminal suspects to China. Given the threat of political prosecution Hong Kong citizens turned out in overwhelming numbers.

In short, the people of Hong Kong demanded a larger voice in social issues affecting their lives and a say the national future. Time and time again they took to the streets in collective action against social and political restrictions to call for democratic mechanisms and institutions to take the place of tightly controlled processes and illiberal practices.

All this came to an abrupt end on July 1, 2020. On that day, the Hong Kong government, under sway from Beijing and the Chinese Communist Party, issued the Hong Kong Special Administrative Region (HKSAR) National Security Law (NSL), which, among other things—indeed the most immediate for protestors—criminalizes anti-government speech or expressions that advocate Hong Kong independence. Under the new security law over a hundred activists, politicians, and journalists have been arrested and some are now serving sentences for crimes of "incitement against the government" for simply speaking against the law.[3] More severely, one protester was sentenced to nine years in prison for "incitement to secession" for carrying a flag calling for the liberation of Hong Kong and "engaging in terrorist activities" for driving his motorcycle into a group of police officers during a protest.[4] Meanwhile, the publisher of Hong Kong's largest daily newspaper has been arrested for criticizing the NSL and encouraging foreign sanctions; in addition, the entire active political opposition was arrested and now being prosecuted on grounds that organizing a primary election was an act of subversion.[5]

The government has taken ever further measures to give itself broad anti-democratic powers. Special national security branches in the Justice Department and police force have been set up with the capacity to, among other things, conduct secret surveillance and warrantless searches, seize passports, and confiscate property. Overseeing these divisions and their practices is The Office for Safeguarding National Security, which operates in secrecy.[6] Political advocates and activists have been overwhelmingly if not solely targeted, and in order to ensure that they are prosecuted accordingly, the legal system has come under increasing manipulation through the removal of judges deemed unfavorable the NSL rulings and the capacity to transfer cases out of Hong Kong to mainland China. Similarly, bail has been denied defendants without due qualification, and Beijing has threatened to intervene if procedures do not go according to its wishes.[7]

To explain this dual development—protest and Chinese authoritarianism—a small body of literature has emerged proffering an analysis focused on a combination of two key factors: the lack of political participation, and China's infiltration into Hong Kong politics and society. On the one hand, the rallying cry of demonstrators for universal suffrage provides an easy narrative of the decades of protest movements and can readily encompass both democratic aspirations and the failed promise of the Basic Law to provide universal suffrage. At the same time, increasingly authoritarian actions by the Chinese government provide a ready explanation of why those aspirations remain unmet: In short, Beijing fears that a democratic Hong Kong would quickly release itself from political control and become an independent Hong Kong. Beijing's political influence in Hong Kong is further manifest through an influx of mainland Chinese immigrants and capital that create an ethnic tension and highly polarized sociopolitical environment, as witnessed in the 2019 demonstrations.

Such studies provide invaluable insight into the current situation yet are beset by two shortcomings, one local and one global. The local problem is that these explanations touch on the immediate political context but do not probe the structure of Hong Kong society. The interface of the political structure with the political economy is the product of a social framework that implicates aspects such as democratic limitations and high housing prices, and it stretches decades into the past, not years. Many of the existing studies take

note of contradictions in the political economy, to be sure, such as the exacerbated inequality, but the economic analysis is often subordinated to the immediacy of either democracy or China. In doing so, political narratives and analysis leaves a false impression that universal suffrage or Hong Kong independence will solve all problems. Recognition of this first problem dissolves the easy solution, to be sure (e.g. more democracy or affordable housing), but promises greater insight into the structure of society and thereby points to a larger critique that forces us to ask what democracy really looks like and what kind of society we want to build.

The second shortcoming is one of global perspective: Hong Kong is not unique. For the past two decades the world has experienced both an increasing number of protests, of which those in Hong Kong are just a part, and mounting democratic backsliding. In 2019, for example, mass protests erupted in at least 114 countries around the world, and since 2009 the number of protests globally have increased on an average of 11.5 percent per year. The size and frequency of these recent expressions transcend those of other eras, even those of the 1960s and 70s. In the fall of 2019 in Santiago, Chile, for example, marchers numbered well over a million people, accounting for nearly a quarter of the city's residents, and in the United States over 16,000 protests in every state from 2017 to 2020 have drawn a total of nearly 11.5 million people for the largest protests in U.S. history. These national and global actions have brought down heads of government in Lebanon, Iraq, Bolivia, Algeria, Sudan, and Malta, while other regimes, such as Chile and Iran, deployed military and police violence.[8]

At the same time, reactionary right-wing authoritarianism is on the rise. The Economist Intelligence Unit's 2021 Democracy Report found that democracy worldwide is at an all-time low and under increasing censorship accompanied by an acute curtailing of civil liberties.[9] Mounting local and global discontent has led to authoritarian tendencies, where public anger towards socioeconomic inequality and deprivation is manipulated to support dictator-like leaders around the globe who form international support networks to share strategies, offer instruction and tactics, and provide economic and technical assistance.[10] The result is a proliferation of hybrid regimes that use democratic-like institutions to prop up authoritarian leaders: elections might be regularly held, as in Russia, but incumbents abuse state

resources and can deny opposition candidates media coverage or harass and jail them.[11] Further actions include suppression of civil society and independent media, accompanied by judicial manipulations, military politicization, and constitution revisions. Democracy is gradually whittled away until only a hollow shell remains.[12]

Hong Kong is part of these global trends of discontent and democratic backsliding. From mass protests to the use of elections to empower authoritarianism, as well as the arrest of opposition candidates, the issuing of "patriot" qualifications and oaths for political office, the arrest of independent publishers and seizure of independent media assets, subtle judicial interventions, and penetrations into civil society—these developments mirror what is happening elsewhere from Latin America to Eastern Europe. If this is the case, then localized explanations are insufficient not just in understanding Hong Kong but also international social developments. The position one takes and how to respond is contingent on this perspective.

What follows develops an analysis of contemporary Hong Kong along these lines. It reaches back into the recent past to chart the trajectory of the Hong Kong political economy that has brought society to this breaking point, and implicates both Hong Kong capitalists and Beijing in these developments. Doing so further helps situate Hong Kong with the global political economy of neoliberal trends and democratic backsliding. The report begins with an analysis of the drafting of the Basic Law in the 1980s and how this constitutional document helped structure the economy. Section two turns to the political and economic developments of the past three decades, which saw a rollback of government services and privatization of key sectors such as housing. This both corresponded with and facilitated a concentration of capital in the territory, whereby a handful of conglomerates took control of the economy as manufacturing fled to mainland China. The third section outlines Beijing's actions and interest in Hong Kong since the handover, noting the subsumption of civic life and manipulation of politics. The conclusion warns against making universal suffrage the solution to Hong Kong's dilemma and points out the errors of current U.S. policy. The final section outlines a comprehensive approach to the situation of Hong Kong and the rise of authoritarianism worldwide. It proposes policies for greater civil and economic democracy to empower individuals and diverse groups to partake in the co-creation of their worlds.

## I. The Problem with the Basic Law

Hong Kong society is structured by the Basic Law. The Basic Law is akin to a constitution, but it is not a traditional constitution. It was drafted in the 1980s by Hong Kong capitalists at the invitation of Beijing to serve as the framework for the governance of Hong Kong under Chinese sovereignty after the 1997 handover.[13] Rather than communicating general principles encapsulated in political institutions, however, it offers a series of precepts that seek to protect private capital from government control. These elements are articulated in the following claims: state protection of private property, state facilitation of free markets, balanced budgets, and administrative and judicial autonomy.[14]

Of foremost concern of the framers was the need to protect existing assets and ensure that law would guarantee private property. This is laid out as a "General Principle" in Article 6: "The Hong Kong Special Administrative Region shall protect the right of private ownership of property in accordance with law." This is further enumerated in Article 105: "The Hong Kong Special Administrative Region shall, in accordance with law, protect the right of individuals and legal persons to the acquisition, use, disposal and inheritance of property and their right to compensation for lawful deprivation of their property." Of significance here is not only the fact that property is secured but also that the state has been employed to ensure that it is secured. The law is mobilized under the authority and power of the state to protect private property.

For property to continue to have economic meaning it must be able to be exchanged. The Basic Law enshrines a state policy that encourages the unobstructed movement of capital. Article 115 states: "The Hong Kong Special Administrative Region shall pursue the policy of free trade and safeguard the free movement of goods, intangible assets and capital." Complementing this is article after article working to mobilize the state and outline a legal regime that creates a market favorable to capital and the production of value. Consider the following:

> The Government of the Hong Kong Special Administrative Region shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial center. (Article 109)

> The Government of the Hong Kong Special Administrative Region shall provide an economic and legal environment for encouraging investments, technological progress and the development of new industries. (Article 118)
>
> The Government of the Hong Kong Special Administrative Region shall formulate appropriate policies to promote and co-ordinate the development of various trades such as manufacturing, commerce, tourism, real estate, transport, public utilities, services, agriculture and fisheries, and pay regard to the protection of the environment. (Article 119)

Of concern in these articles is how the Basic Law mobilizes the state and constructs law to conjure up a market within a certain economic environment that is of benefit to certain groups with certain interests and who have an orthodox if not limited vision of markets in Hong Kong society.

The third key precept for the creators of the Hong Kong Basic Law was a balanced budget. The idea is that for markets to work efficiently in the distribution of resources the government needs remain out of the market directly and not engage in deficit spending. Hence Article 107: "The Hong Kong Special Administrative Region shall follow the principle of keeping the expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product."

All this could only work if Hong Kong remained autonomous in its capacity to govern, legislate, and adjudicate. China should not be able to interfere. Article 2 thus clarifies, "The National People's Congress authorizes the Hong Kong Special Administrative Region to exercise a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication, in accordance with the provisions of this Law." While Article 8 reassures, "The laws previously in force…shall be maintained." Chapter two of the Basic Law is devoted to further clarification of this "high degree of autonomy," articulating Hong Kong's control in all areas save foreign affairs (Article 13), defense (Article 14), and reinterpretation of the Basic law (Article 11). Thus, Hong Kong was "vested" with independent executive power (Article 16), legislative power (Article 17), judicial power (Article 19).

In fact, Article 22 specifically states, "No department of the Central People's Government and no province, autonomous region, or municipality directly under the Central Government may interfere in the affairs which the Hong Kong Special Administrative Region administers on its own in accordance with this Law," unless they "obtain the consent of the government of the Region and the approval of the Central People's Government."

These enshrined concerns of property, exchange, budgets, and law are precisely the problem with the Basic Law and its formulations. Framers tried to capture the general institutions behind what we now know to be contingent and somewhat arbitrary success of Hong Kong at that particular point in time, and to do so out of concern that China would interfere.[15] The goal was not general prosperity for future generations, but rather ensuring that socialism did not come to these shores and seize capital. Thus, the constitution that emerged was not to lead society into the future but to freeze it in the past on the assumption that the world from here on out would be free trade for all to see so long as overenthusiastic states could be kept at bay. Unfortunately, the world changed and China changed and such thinking has only worked to retard social, political, and economic development.[16]

## II. The Economic Program in Hong Kong

The Basic Law and the interests that structured its formation have guided governance in Hong Kong. Chief Executives have been drawn from the business community, advisory committees have been staffed by business leaders, and the legislative agenda has been set by business interests. Administrative action and civil service employment have worked to frame the principles of the Basic Law, namely capital and its accumulation, and the government has been run in a way that is consistent with Article 107 (i.e., austerity and tax cuts).

In the name of fiscal conservatism, the Hong Kong government has consistently pursued a policy of cutting government spending. This began almost immediately with the Enhanced Productivity Program in 1998 to privatize the public sector while cutting off administrative funds and staff to carry out the functions of government and the enforcement of regulations and law. Under the program, agencies operating expenses were slashed by 5 percent, yet at the same time they were expected to take on more responsibilities and

functions. When new positions or appointments were needed managers were instructed to turn to the private sector and hire contractors.[17]

Further cuts continued in social services across the board, including health care, child care, education, and social security. Whereas the colonial state had built a robust system of social welfare including public housing and health care (largely in response to housing riots in the 1960s), the HKSAR began chipping away at it in the name of privatization and competition.[18] Tung's successor, Donald Tsang, a career civil servant who had early tenures as Treasurer and Financial Secretary in the Colonial government was eager to please the business community. He put it this way: "The government must never try to assist the poor using its own resources, for this is doomed to failure, just like pouring sand into the sea to reclaim land." By 2016, one in five people in Hong Kong were on verge of living below the poverty line. Determined to further reduce spending, however, a few years later the government raised the threshold for social security assistance—a last resort safety net to provide funding for those without sufficient income to meet their basic needs—condemning tens of thousands more to dire poverty.[19]

Public housing also came under attack. Whereas the colonial government was committed to providing good, affordable housing, HKSAR aimed to turn everything over to the private sector. In 1997, almost half of the Hong Kong population lived in public housing, but over the next five years new supply would be cut by 62 percent. The stated rationale was to reduce government subsidized competition in the housing market, which, according to the Chief Secretary, "competes unfairly with the private sector market."[20] This development actually led to a sharp drop in the supply in private housing between 1997-2012, all while average prices rose by 47 percent.[21] At the same time, the government sold off prime real estate earmarked for public housing construction. In 2000, for example, there were over a thousand building sites slated for the development of three-quarter of a million homes over the next eight years. These were all liquidated and when a housing crises was recognized in 2011 the government found that there was no land on which to build.[22]

The consequences of these policies have reverberated throughout society. From health care to libraries, budget cuts have undermined social institutions and the ability for Hong Kong citizens to fully partake in social and economic life.[23] Most egregious for government function has been cuts to

the civil service leading to widespread public safety incidents. Insufficient resources and personnel in the Marine Department, among others, led to a collision between passenger ferries in 2012 killing thirty-nine and injuring ninety-two. The lack of housing inspectors has led to a rise of faulty electrical wiring and fittings, leaky pipes causing frequent flooding, and overcrowding creating slum-like conditions, or what the Development Bureau called "urban time bombs waiting to strike and cause injuries and fatalities." The Urban Renewal Authority estimates that over 600 buildings annually become decayed and in immediate need of renewal. Without attention some 30,000 buildings will be unfit for habituation by 2046.[24]

Many commentators point the finger at Hong Kong's leaders.[25] Critics readily draw a line from the decisions and actions of the Chiefs Executive since handover to implement austerity and serve business interests over public welfare to the decline of institutions, degradation of infrastructure, and ultimately death. The problem with this analysis is not so much that it discounts the prevalent political and legal structures but rather it simply ignores them. This analysis seems to say that all choices are personal—that one can choose to do good and make life better for people, or one can choose to serve capital. It moralizes politics without providing an account of how things got this way and why they operate as they do. The so-called mismanagement of Hong Kong is not just a failure of leadership but also a success of capital in capturing the political and legal institutions through the legislature and Basic Law. This capture has not only enabled capital to effectively reproduce itself through overtly pro-business, neoliberal ideology and practice in government, but also—and I do not exaggerate—orchestrate a complete takeover of all of economic life in Hong Kong.

One place to start in analyzing this slide is deindustrialization. In 1980, Hong Kong—and the East Asia region in general—was at the tail-end of a decades-long post-war manufacturing boom. When China's economic reforms began to take hold in the 1980s and accelerate in the 1990s, however, manufacturing migrated north to Shenzhen and other areas in Guangdong that offered free land, ample investment capital, and a pass on environmental and labor regulations. In the mid-1980s, manufacturing accounted for more than a quarter of Hong Kong's GDP. Today it is less than 1 percent. In 1981, over 41 percent of the population was employed in manufacturing. By 2011, that number had fallen to 4 percent and has continued to decline.[26]

This demise of manufacturing has been offset by the growth of financial, business, and consumer services. Rather than producing goods, Hong Kong began to transform itself into a processor of raw materials and produced-goods going in and out of China on the one hand, and a financial center that funded the manufacturing boom taking place in the Pearl River Delta on the other. Hong Kong began servicing import and export trades and catered to travelers moving throughout the region, and did wholesale operations and warehousing of goods. In 1981, wholesale and retail, import and export trades, and restaurants and hotel sectors employed 19.2 percent of the workforce; by 2011 it had grown to over 30 percent. Similarly, financing, insurance, real estate, and business services went from under 5 percent of the workforce in 1981 to almost 20 percent by 2011.[27]

The consequences of this shift have not been widespread social prosperity, however, but escalating inequality. Hong Kong domestic growth has been phenomenal, to be sure, with GDP gains of nearly 70 percent in real terms from 2000-2014—and that is in the midst of numerous economic and financial crises. Likewise, unemployment has continued to decline from over 8 percent in 2003 to just over 3 percent in 2015. However, the gains here have gone to an economic elite who extract rents. Hong Kong's Gini coefficient—the gold standard of inequality—was one of the highest in the world in 2020 at 0.539, up from 0.525 in 2001, where 0 represents perfect equality of income among citizens and 1 a situation where one citizen owns all the income. The United States, by contrast, recorded 0.485 in 2020, still its highest in fifty years.[28]

The lack of social mobility has become particularly galling as it has taken place within a generation. In 1991, 84 percent of university graduates found a middle-class job, but by 2011 that number had dropped to 75 percent. Once upper and lower middle class jobs are differentiated—that is, managers, administrators, and professionals in the former and associate professionals in the latter—the decline was more extreme, from over 60 percent of graduates in 1991 obtaining work in upper middle class jobs to less than 40 percent in 2011. Meanwhile, a growing number of graduates had to settle for non-middle class jobs in clerical, service, and retail positions.

At the same time, the cost of living has increased. Property prices have shot up 126 percent since the handover, and a mortgage can consume 70 percent of individual's income. Indeed, at around $2,500 per square foot, housing

in Hong Kong is consistently the most expensive in the world.[29] Consumer prices have also followed suit with astronomical increases. Petrol prices, for example, have surged 108 percent in the past seven years (2013-2020) to clock in at over $8 a gallon in April 2020, or 131 percent higher than the international average.[30] Food prices also remain some of the highest in the world, with fresh food costing two and a half times more in Hong Kong than Britain.[31]

Jobs have become fewer, pay stagnating, housing lies out of reach, prices are rising, and debt is accumulated. A big part of the story of this concentration of economic power revolves around land and land developers. In the 1960s a handful of developers began to consolidate control of land and corner a market that was being restricted by the colonial government. As political instabilities rocked China in the late 1960s and 70s, and uncertainties surrounded both handover negotiations and the outcome of Chinese rule, British companies began to divest their portfolios. These assets were snatched up by local developers as they increased their holdings from 1.6 million square meters in 1979 to 11.5 million square meters in 1997. By 2009 the largest single developer, Henderson Land, held nearly 20 million square feet of developable floor area plus over 30 million square feet of agricultural land, increasing this amount to 44.5 million square feet by 2015.[32]

Rather than developing this land, however, Henderson and its few other competitors bank it. They sit on land and wait for prices to rise then release home sales slowly so as to ensure that prices remain afloat. In addition to ensuring high rents, this strategy has the advantage of pushing out smaller developers who cannot afford to sit on land waiting for prices to rise, nor who have the connections and know-how to mobilize bankers, investors, and auctions markets. In recent years, the ranks of developers have shrunk, as only a few big, capital-rich companies from mainland China have been able to enter.

Developers own far more than land—they control most of the Hong Kong economy. Supermarkets, utilities, transportation, banking, broadcasting, and telecommunications all fall under their purview. In fact, they are conglomerates with oligopolies in these areas. They provide most services for consumers and collude to block competition, raise prices, and extract maximum rents. When French hypermarket Carrefour tried to penetrate the Hong Kong market and break the supermarket duopoly of Wellcome and ParknShop, the conglomerates who also own all the real estate, made sure that Carrefour could

not find enough premises to open stores. They also control and collude with wholesalers, who refused to supply the new entrant. With their position secured, the two chains increased prices by an average of nearly 4 percent during a two-year period when overall retail prices fell by over 5 percent. Commercial sectors from textbooks, motor vehicle instruction, building services, and even noodles have all been subject to cartel activity from these conglomerates, according to official reports.[33]

This type of concentration frames the general economic trends of Hong Kong over the past three decades. As government services were rolled back and privatized, a few large conglomerates emerged to dominate the economy in the wake of deindustrialization. The concentration of capital has meant the ability of these few corporations to insulate themselves from competition and raise prices while limiting variety throughout the territory. At the same time, they have come to set the terms of economic life in Hong Kong: manufacturing jobs disappeared, replaced by low-end service sector work largely in some subsidiary of one of these corporations. In the end, a home and middle class life lies largely out of reach and the future that most youth stare at is not just dull but bleak.

## III. Chinese Politics

Throughout these developments China has not been a neutral actor. Despite the outlines of autonomy in the Basic Law, Beijing has intervened strategically to shape local politics. Ensuring a chief executive favorable to the regime and its agenda has been key for Beijing, as has been the courting of law makers and creating electoral conditions to ensure that China remains in control of politics.

Beijing's meddling goes much deeper than politics, however; it seeps into the economy and penetrates into society to touch all aspects of life. Sociologist Ching Kwan Lee likens this percolation to a "recolonization," whereby the Chinese Communist regime has simply replaced Great Britain as the colonial master and set about imposing institutions, practices, and laws favorable to its political and economic classes.[34] In contrast to the overt stacking-of-the-deck in the election of the chief executive, however, a much subtler form of influence transpires in other realms, which at once captures and reconstitutes

existing institutions while imposing new ones and thereby further integrating Hong Kong with mainland China until the two are no longer separate as two distinct systems.

Take the matter of press freedom as an illustrative example of how this works. In the early 2002 Beijing began to co-opt owners of Hong Kong media outlets with lucrative mainland investment opportunities and formal political titles, such as positions on city, provincial, or national committees. By the mid-2000s, most media organizations in Hong Kong were owned by those with robust economic interests in mainland China and held seats on the People's Political Consultative Committee in Beijing. Simultaneously, mainland Chinese investors and businessman began taking over Hong Kong media companies. Chinese businessman Wang Jing became the largest shareholder in Asia Television in 2000, Ku Zhouheng bought up the daily paper *Sing Pao* in 2014, media tycoon Li Ruigang took over the majority of shares of the dominant broadcaster Television Broadcasting (TVB) in 2015, and Jack Ma, CEO of e-commerce giant Alibaba, bought up the largest English-language daily paper in Hong Kong, the *South China Morning Post* in 2015, among other high profile cases. Cumulatively, by 2017, 35 percent of Hong Kong's mass media had majority ties to mainland Chinese capital.[35]

This Chinese takeover of Hong Kong media translates directly into censorship and self-censorship. Reporting on pro-democracy legislative activity and legislators actions has been muted, and coverage of protests has cast doubt on demonstrations if not hostility at times. Accounts abound of the mass media overtly blaming protesters for police violence, which has contributed to the plummeting of Hong Kong's ranking in the Reporters Without Borders freedom of press index, falling from 18th in 2002 to 73rd in 2019, now sitting below Mongolia, the Ivory Coast and Tunisia.[36]

The real-estate industry has entered into what is often called an unholy alliance with Beijing. Around the time of the handover in 1997 Beijing began to court real-estate tycoons in order to shore up political support among the Hong Kong financial elite and to solicit capital and technology to help modernize the mainland economy. What they got in return was not only risk-free economic opportunity to access Chinese markets and fulfill Hong Kong government contracts but also political power. Members of the real-estate elite put on various committees, including the Election Committee, to determine

who would administer Hong Kong and be in charge of the purse strings, thereby making the Chief Executive respondent to this elite. The political empowerment of the real-estate elite further enabled the suppression of democratic calls for higher taxation and stronger labor unions or labor standards that threaten their economic interests.[37]

This political and economic subsumption has been accompanied by an influx of Chinese travelers and immigrants challenging the pace of life. Chinese tourism in Hong Kong has increased exponentially since the introduction of the Individual Visitor Scheme in 2003, which allows mainland Chinese people to travel to Hong Kong individually as opposed to in tour groups. In 2002, there were 6.8 million mainland tourists accounting for 41 percent of all tourist arrivals. By 2018, there were 51 million accounting for over 80 percent of all tourism in Hong Kong.[38] Moreover, each day up to 150 mainland Chinese can receive a one-way entry permit to legally reside in Hong Kong, which has amounted to over half a million Chinese immigrants every decade since handover.[39] According to the 2016 census just over a third of the Hong Kong population was born in China, the majority of whom have been living there for less than seven years.[40]

Beijing's interest in Hong Kong is both financial and political. Financially, Hong Kong has long served as a conduit for domestic and foreign capital to move in and out of China. Capital controls in China and limits on foreign investments have made a financial center like Hong Kong necessary to facilitate the flow of money. Moreover, the Hong Kong financial markets have enabled Chinese companies to set up operation shells to both raise capital and invest internationally. For example, 60 percent of China's outward FDI is in Hong Kong, which presumably then moves to investments elsewhere.[41] In this way, Hong Kong has served as a financial center for China, facilitating capital flows and investment, and until recently, Hong Kong has been the entry point for sensitive technology that foreign companies are banned from selling to China and the port of export for Chinese products to evade tariffs on Chinese goods.

Politically, two key issues inform Beijing's actions in Hong Kong: territorial integrity and political factions. The former is more straightforward and can be summed up with the understanding that Beijing wants to ensure that Hong Kong remains part of China. To cede further political or territorial autonomy, not to mention outright sovereignty, would challenge Beijing's

political legitimacy in China and threaten its hold over other areas vying for greater autonomy, most notably, Xinjiang and Tibet. Similarly, claims over Taiwan could no longer be credibly made.

The issue of political factions within the CCP is more complicated and possibly of greater consequence. Due to the lack of transparency, information about the Party leadership and its interests are part guesswork and part speculative. The best independent analysis relating Party factions to developments in Hong Kong point to attempts by the Xi Jinping faction to wrestle control from the Jiang Zemin faction and to shore up command by imposing supra-authority that will enable Xi to dictate terms. The Jiang faction has been in control of Hong Kong both politically with members posted to positions in the territory, and also financially with members having links to corporations and investments. Since 1997, for example, three out of four heads of the central coordinating group for Hong Kong—the key group overseeing Beijing's Hong Kong policy—have been appointed from the Jiang faction. Similarly, up until at least 2019 all liaison office directors for Hong Kong belonged to the Jiang faction, and the intelligence networks were under control of his appointees.[42]

The Jiang influence in Hong Kong is a threat to Xi Jinping. The danger is not only that a faction hostile to Xi's leadership and policies will control Hong Kong, but that Hong Kong will be used as a base to disrupt and sabotage Xi's government. Over the past decade developments within Hong Kong point to internal provocation, violence against Falun Gong by front groups, including anti-Japanese demonstrations over the Senkaku Islands, and the use of Hong Kong ships to create international tension over contested territorial waters. While these acts are often attributed to Beijing or aggressive pro-Beijing groups, analysts see them working against Xi in attempt to create disturbance and force him to make a mistake internationally or domestically, leaving him open to criticism and thus weakening his hold. Even the escalation of the recent protests and the street-level violence can be seen as an attempt to push Xi into an unwelcome corner and sully his image and ability to act politically. In this view, Xi would have preferred a status quo in Hong Kong but the Jiang faction caused disruption.[43]

According to some analysts, the overbearing response of the Beijing government—not just towards the protests but also to assert internal political control—is a product of this struggle. Xi has moved to put his people in place

while at the same time created extra-legal organizations in the form of a national security apparatus that gives him control. This national security apparatus includes the National Security Law and enables Xi to operate beyond judicial scrutiny with no constraints in action or budget.[44] In short, Xi's interest in flushing out a rival Party faction has led him to create a supra-authority organization in the form of a national security apparatus that is wielded to stifle dissent, both external and internal.

## IV. Conclusions: The Future of Hong Kong and the Future of Democracy

Contemporary Hong Kong is a case of the universal in the particular. While Hong Kong is a striking example of neoliberal socio-economic practice, it is hardly unique.[45] Economically, the specific case here is a stark manifestation of the development of trends in the global political economy over the past forty years. In the 1970s and '80s, free market advocates and politicians began to advance ideas and implement policies that both empowered capital and mobilized government in service of capital. This led not only to the slow dismantling of social programs and protections, but also to the use of government powers to create an environment within which global capital could thrive. Through military, legal, and political means a certain set of ideas about markets, property rights, and individualism were implemented around the world. This blurring of the division between public and private finds governments overtly working on the behalf of corporations to extenuate an economic system that favors global capital over labor, private companies over society and social welfare, and economic concentration over economic democracy. It is a system that is perpetuated by the attenuation of politics and capital, whereby the rich purchase beneficial economic policies that further insulate their position and wealth. Through political influence they obtain lower taxes, larger deductions, fewer regulations, and corporate protections, among other things.[46]

At the same time, Hong Kong political and social developments correspond to international trends of protest and increasing autocracy. Growing economic disparity and lack of political and economic opportunity has driven people worldwide to protest their situations and their governments. Meanwhile the protection of privilege and wealth has simultaneously led to

the rise of increasing autocratic responses and the consolidation of political power. From this perspective, even if Beijing's response is a consequence of internal politics, the form that it takes is guided by this international context.

## The future of Hong Kong

The rallying cry of Hong Kong democrats and activists has been universal suffrage, or the ability for ordinary men and women to exercise greater control over their lives by casting a vote for a representative who will recognize and fight for their interests, needs, and aspirations. What becomes clear is that certain interests have leveraged power and position to recast politics in their name and articulate law in their benefit. These developments shaped the nature of economic power in order to favor concentration and gross accumulation. Over time this resulted in a small group of people who own the majority of wealth and pull the levers on political outcomes. It should thus be no surprise that this economic and political elite in collusion with Beijing resist structural change and challenge to the political order. Like any ruling class throughout history, their power and position is both confirmed and secured within the existing social, political, and economic arrangements. Their laws articulate those structures and try to encrust their relations in an increasingly hard shell with greater measures to suppress outcry and dissent.

With this structure in mind, democracy idealized, in real terms, might look like the following. Direct elections of the chief executive and free elections of the entire legislature would shift the political context by placing legitimacy and sovereignty into the hands of the voters. This would displace Beijing and perhaps even challenge the political location of sovereignty by making the holder of political office (especially the chief executive) directly answerable to the people and not the 1,500 person hand-picked, pro-China, business-stacked election committee. Furthermore, the business elite would find their megaphone reduced to but a shout, if not muted, as their influence over the government wanes and their position in the legislature diminished. Antimonopoly laws would be passed, breaking up the conglomerates' stranglehold on the economy. Meaningful competition laws would be enacted, enabling new entrants to easily enter the market and free consumers from the tyranny of cartel prices. Adequate public housing would get built giving citizens a suitable adobe and lowering the exorbitant prices of private homes.

Democracy would even lead to a forward looking constitution not subject to the follies of the economic orthodoxy.

There are two problems to this told fortune of democracy-cum-universal suffrage—one explicit and the other immanent. The first is widely recognized and well-rehearsed among most commentators: democracy is an unlikely prospect, precisely because of what it might actuate; too many entrenched political and economic interests are threatened by the possibility, and they have shown that they are more ready to fight to the death—or rather attack to kill—than to give up these interests. The new national security law has not only been used to arrest and charge protesters for exercising speech, but proactively employed to disqualify candidates from seeking legislative seats and, most radically, to arrest individuals on suspicion of "inciting secession."[47]

The second problem is perhaps more acute but rarely apprehended: The implementation of universal suffrage will not fulfill the hopes and aspirations of Hong Kong democrats but instead only further existing trends of late capitalism. This is to say the political institution of electoral voting as practiced in Western liberal democracies today is in crisis. Demagogues have risen to power by exploiting divisions in the name of the people and are increasingly enacting authoritarian measures to consolidate their power, from annulling democratic norms to stifling the press and free speech. They have done so on the back of electoral democracy and facilitated democratic backsliding. Here electoral democracy is increasingly used to justify and legitimize authoritarian governments, and methods of doing so are being further devised, developed, and shared among these governments in what some now call Autocracy Inc.[48]

At the same time, entrenched political elites use the state to create conditions that favor certain economic interests. The distinction between the political and economic elite is collapsed, making it impossible to tell where the policies and practices of government end and the interests and benefits of its leaders—both elected and self-appointed—and their inner circle and financial enablers begin. This trend is most pronounced in more authoritarian countries, such as China and Russia, where the line between business and politics is so blurred that it barely exists in many instances, but flourishes in traditionally robust democracies, such as the United States, where money can buy votes, support favorable policies, and literally write legislation.

From this perspective, Hong Kong is only an extreme case of a general trend—an advanced manifestation of the future that awaits contemporary society. Universal suffrage alone, it seems, cannot save us. Thus the question: What is the future of democracy?

## The future of democracy

The international alarm raised at these developments has been matched only by the incompetency of the American response: Harsh rhetoric, economic and individual sanctions, and democracy summits excluding perpetrators, all of which has been insufficient in reversing the global trend. The U.S. isolation of Venezuela and Nicaragua, for example, resulted not in changed behavior and the re-instillation of freedoms but rather support from China and Russia, who helped in developing further repressive techniques.[49] Likewise, the U.S.-hosted Democracy Summit in mid-December 2021 was met with joint condemnation from Russia and China, who mocked it as a farce and attacked the stated meaning of democracy articulated in the summit. "Democracy is not a prerogative of a certain country or a group of countries, but a universal right of all peoples," wrote the Russian and Chinese ambassadors to the United States in a co-authored article appearing before the summit. They went on to make the case that democracy was flourishing in Russia and China and floundering in the United States.[50]

The ineffectual promotion of democracy has played out in a similar script in Hong Kong. In the face of the violent response to the 2019 protests and the issuing of the National Security Law, U.S. Congress and government sought to punish Hong Kong. As protests heated up in 2019, Congress considered two bills, one requiring a review of Hong Kong's autonomous trading privileges, which would further lead to sanctioning Hong Kong and PRC officials overseeing the violent crackdown, and the other bill barring the sale of munitions to the Hong Kong Police. In the summer of 2020, the U.S. State Department moved to end Hong Kong's exemption from U.S. export controls, effectively closing China's back door to equipment and technology deemed sensitive. Shortly after, the US.. president issued an executive order on Hong Kong normalization eliminating special treatment for Hong Kong in areas of trade, taxes, and immigration and visas. All goods made in or originating from Hong Kong for export now must be labeled as made in China. In

August, Washington imposed financial and immigration sanctions on thirty-five Hong Kong and PRC officials involved in Hong Kong suppression.[51] At the time, even more extreme measures were on the table, such as ending Hong Kong's access to U.S. dollars, which would have forced Hong Kong out of the international currency system.[52]

Not only did these sanctions fail to achieve any measure of greater freedoms for the Hong Kong people but in fact led to the reverse: greater repressions and further attempts to redefine democracy by the PRC. In immediate response to the United States, China leveled its own travel restrictions on two U.S. Senators who had pushed sanctions and critiques.[53] Over the next year, Beijing continued to clamp down on both electoral democracy and freedoms of speech and press in Hong Kong. A political primary organized by an oppositional party was deemed illegal and organizers arrested, despite the fact that nearly 80 percent of registered voters cast ballots. Legislative elections were postponed, and when they were finally held all candidates had to be approved by Beijing. Establishment candidates won overwhelmingly and the election was declared a success despite an extremely low voter turnout of around 30 percent. Two independent media outlets were shut down and their editors arrested on grounds of sedition. A pro-democracy statue was removed from the campus of Hong Kong University. This list goes on as the Hong Kong government under Beijing has only become emboldened in the face of U.S. criticism.

Beijing's defiance recently culminated with a white paper on Hong Kong democracy. Released on December 20, 2021, the day after elections for the Legislative Council, it reads as a polemic for the promotion of Chinese rule in Hong Kong, which is credited with putting Hong Kong democracy on track. In this telling, democracy is embodied by the Chinese Communist Party, which helps facilitate the realizations of the Chinese people through democratic means. Britain had thwarted progress under colonial rule and agitators later subverted progress towards universal suffrage with their social disruptions. The NSL, it reads, is meant to save democracy. In the final analysis, the paper reads, "The people of China have always yearned for democracy, and the CPC has always stayed true to the mission of delivering their dream. Over the past century, the CPC has led the Chinese people on a long and arduous journey to establish a model of democracy with Chinese characteristics, and

it has enabled 1.4 billion Chinese, one fifth of world population, to run their own country with extensive and substantive democratic rights."[54]

China is here working to establish what it calls a "new model of democracy" based on not empowerment but rather "what works."[55] If true democrats are going to forge a path forward to help co-create a world of greater opportunity and engagement, where ordinary men and women are able to lift themselves up in the realization of their aspirations and co-create their own futures, then something else and something more needs to be done.

## V. The Policy Response

Given the legal and political violence that Beijing and the Hong Kong government are willing to wield to ensure control, very little if any domestic space is left for alternative voices or ideas and all avenues for increasing pluralism appear to have closed. Protests are banned and even gatherings are watched closely. Opposition symbols are removed, outspoken critics and scholars are attacked, and professors forced to resign.[56] Similarly, the political opposition has been jailed or silenced and even senior government officials veering from an official line are coming under fire.[57] American and international condemnation only invites fiery rebuke from the government and has the adverse effect, stigmatizing any progressive voice as "imperialist." In short, there appears to be little hope for opposition or change.

In addressing the situation, American policy makers and supporters of Hong Kong must think about Hong Kong developments as part of the global trends outlined above. Although we are unable to respond directly to Hong Kong's situation, we are able to begin rethinking democracy and how it is implemented and actuated worldwide. The broad, international response outlined below aims to shift the global structural framework away from reactionary movements and autocracy and towards democracy as a system of empowerment.

In this spirit, this final section proposes a number of policies that should be considered as a full package. They are meant to be taken up not in direct relation to Hong Kong or China, for some of the proposals may be impractical in this particular context, but rather as a comprehensive program to be pursued generally as an aspiration in service of the broader goal of self-

empowerment and individual and community control and self-governance. Many of these proposals already circulate and are footnoted accordingly—the following merely compiles these policy ideas into a cohesive program of two complementary aspects of democracy, political and economic, where the former address the problem of freedoms and liberties and the latter the ability to engage in the market.

## Political democracy

In addressing the shortcomings of political or social democracy, policies that encourage pluralism, support local actors over international NGOs, and develop deliberative forums and citizen councils should be pushed.

**1. Promote pluralism over elections.** The goal of democracy is not to hold elections in and of themselves but rather to empower ordinary men and women. It is to give them the tools to shape their communities and societies. The purpose is not simply to have a vote but to give people a say in the national future and address the issues that affect their lives.

An election is but one means in moving towards a realization of this larger goal of giving people a voice, yet it has been pushed as the end in itself. Democracy indexes are constructed with elections in mind: the recent Democracy Summit emphasized the need for free and fair elections, and international action is often triggered over accusations of unfair elections.[58]

While elections can be an important and useful tool for broader democratic goals, they are often prone to manipulation and fail to achieve the stated aims, as discussed above. Thus, rather than using electoral democracy as the standard, broader citizen participation should be emphasized, where a diversity of individuals and groups are encouraged to mobilize and express opinions and ideas with the objective of shaping policy and charting the national future.

**2. Support local groups and organizations over international NGOs.** Currently, democracy promotion worldwide is a technical project of international organizations that receive millions of dollars to carry out projects in target countries based not on local knowledge but theories of democratization with measurable outputs that can be quantified to satiate donors and foreign governments. At best, these projects have failed; at worst, they undermined

democratic efforts—Afghanistan is case in point. Rather than funding and pushing NGOs, policy should promote local communities and work to enable the greater engagement of local groups.[59] As democracy scholars Catherine Herrold and Aseem Prakash argue, "By facilitating discussion, debate, and collective problem solving by everyday citizens, the United States can effectively ensure that local people oversee their own democracies and cultivate democratic habits of civic participation in the process."[60]

**3. Advance deliberative democracy** and the establishment of citizens councils. One of the most successful democracy projects in recent years has been the random selection of citizens to make decisions about the national future. Similar to jury selection, citizens are invited to sit on a council and deliberate over an issue or issues and make a recommendation on how the government should proceed. In countries around the world, this form of deliberative democracy has been successfully employed to debate and provide policy on issues ranging from abortion to the environment. It should be institutionalized and spread, with more countries employing this form of participation in more ways on more issues.[61] Key to its success, and instrumental if it is to be implemented in China and Hong Kong, is the random selection of members, not a handpicked selection, as in the 1,500 member body that decides the Hong Kong chief executive.

## Economic Democracy

Democracy and the promotion of democracy is almost always conceived of in political and social terms. A broader understanding of democracy, however, looks beyond electoral democracy to all forms of practices that will empower people to rule themselves in all forms of life. As such, democracy cannot stop at politics but must be extended to the economy. Indeed, as this report has argued, Hong Kong's contemporary situation was constructed not simply through political choices and constraints on deliberative powers but also through the monopolization of economic life and the stripping of opportunity and economic control as capital became concentrated and entrenched. For democracy to flourish, economic control must be loosened and individuals, groups, and communities empowered to engage the economy on their own terms.

The plan of economic democracy has three key parts: rights of development and production, global rights of labor, and social inheritance.

**1. Rights of development and production.** At the core of democratizing the economy is the need to universalize the most advance forms of production. Often referred to as the knowledge economy or experimental economy, this new economy—comprising the most advance forms of production—combines the maximization of technology with evolving skills and continuous learning. Rather than multiplying and transforming economic development the world over, however, these new means of production remain the purview of isolated centers, such as Silicon Valley, and under the increasing control of large global firms. In short, the new economy is restricted to vanguards of production and engages relatively few workers.[62]

The task is to engineer a proliferation of this vanguard and ensure that all can engage in the new economy. This necessitates creating conditions where people are able to maximize their productive energies in self-confirming innovation and not be condemned to the mindless drudgery of repetitive tasks. Two key measures are needed that should be pushed for globally: ensuring equal access to resources and opportunities of the knowledge economy, and the promotion of alternative property-rights regimes.[63]

Foremost is the need to guarantee broad access for all to the resources and opportunities both for and within the vanguard of the economy. This includes **access to finance**, so that individuals are not restrained by capital in attempting to move from idea to product, and that new ideas and innovation can become part of the constant process of the economy. Similarly, the **barriers of intellectual property** should be loosened so that all are able to make use of existing invention and continue to build upon and develop. Limited guarantees can be made so that innovators can profit from their ideas, but this advantage should not be allowed to turn into rents and come at the expense of continued development. Lastly, the **defense of small business** against big business should be taken up and done so with an emphasis on decentralization with economies of scale rather than accept economic concentration as the price of scale.

The second measure in the task of universalizing the knowledge economy is to innovate in the social relations of the economy. This should take place

within the legal arrangements of private property, forms of employment, and the state. In **private property,** the means by which people have access to capital and technology in the legal arrangements of the market economy can evolve and develop accordingly. The space for experimentation here needs to be opened beyond the simple formula of private property promoted by the Washington Consensus. Alternative regimes in contract and private property beyond the limited means of the corporation can help economic actors develop and innovate. Similarly, **self-employment and cooperation** should be promoted above wage labor—doing so involves innovations in law and contract. Rather than letting the economy run the individual, it is the individual who can begin to set the terms of employment and engagement with the economy on his or her own terms through production and innovation. Lastly, advanced relations between the state and market can facilitate partnerships and diffusion of technology and economic development, as seen in the postwar north Asian economies.

**2. Global rights of labor.** The second aspect in facilitating economic democracy involves addressing the immediacy of the plight of wage labor in the world today. As innovation and advanced forms of production remain confined to isolated pockets, rearguard production searches for ever cheaper labor costs, sparking a race to the bottom as global corporations move around the world driving down labor costs and hollowing out communities. This trend can be stalled by instituting basic rights of labor internationally through the freedom and encouragement of unionization, whereby all workers can freely organize for their interests, and enactment of a global minimum wage.[64]

**3. Social inheritance.** The third measure of economic democracy is to ensure that all people have the freedom to engage the economy on their own terms and not be forced to become part of the economy on others' terms. Individuals must be assured of the basic necessities of health, sustenance, and shelter. A minimum standard of health-care access and housing can be assured, giving all the guarantee of sound body. In this spirit, one specific policy for Hong Kong is the use of land options for housing, which would give each resident an options right for housing that developers could bid for and use to open up residential development projects on new land.[65]

## Enactment and enforcement

This program of political and economic democracy can be enacted and enforced through existing channels and institutions. These measures can be insisted upon in international treaties and negotiations, and in condemnation of a country's anti-democratic actions and practices they can be held up and pointed to. Three key steps can be taken, forming what democracy scholars Ryan Berg and Christopher Sabatini call the "democrat's playbook" to counter the "autocrats playbook."[66] These steps include defining tipping points, reforming international institutions around democracy, and establishing a fund for democratic development.

**1. Define tipping points.** In the face of democratic backsliding and the rise of autocratic practices, clear boundaries of democratic demise must be set—all too often a country begins slipping slowly towards autocracy, yet not until protesters are gunned down in the streets does the international community take notice and act. Signs must be recognized at the outset, for democracy does not disappear overnight but slides slowly away.

Tipping points can be identified in practices such as the decline of judicial independence, electoral rigging, or curtails on independent media and shutting down civil society. When these lines are crossed, the international community needs to respond collectively with clear conditions. Sanctions can be proposed, but it is not enough to condemn and chastise—to simply wield a stick—it is necessary to offer a point of leverage and give countries a path forward for reversal and a roadmap for relief from imposed sanctions.

**2. Reform and update international organizations,** such as the World Bank and IMF. Rather than emphasizing economic growth and doing so even at the expense of democracy, these organizations ought to lead with democracy, making the measures of political and economic democracy outlined above conditions of lending and obtaining technical assistance. Those countries that do not live up to standards need not be excluded, rather the use of democratic measures should be laid down as markers for all to move towards. Encouragement and aspiration should be emphasized rather than the imposition of hard sanctions in the face of violation, and further assistance offered to ensure that the democratic ideals are being put into practice.

**3. Establish a global democracy development fund.** For Berg and Sabatini, "The idea would be to establish incentives for fledging democratic governments, or governments that have returned to democracy from autocratic paths, such as Ecuador, to stay the course by providing them with development assistance."[67] In addition, such a fund could be used to provide financial and technical assistance in the implementation of the political and economic agendas of democracy building.

For these measures to work on an international scale, Americans must also take seriously the backsliding at home. The United States has experienced significant democratic backsliding, according to *The Economist* democracy report, and is now classified as a "flawed democracy," downgraded from a "full democracy." Likewise, the frequent retort of China in the face of criticism is to point to American failings, as if it were justification for autocratic tactics. The United States should not pretend that it is the model democracy towards which all should hold up and emulate; rather the United States must commit to a continued striving and willingness to put these measures of political and economic democracy into practice and hold ourselves accountable for doing so. The aim, after all, is to unlock the ordinary genius of every individual—man or women, of low birth or high, in China, America, or Sudan—so that each can partake in the co-creation of their world and live a greater life.

*The views expressed are the author's alone, and do not represent the views of the U.S. Government or the Wilson Center.*

## Notes

1 Estimates of the number of protesters can vary widely. For example, official police estimates put protest figures in the mid hundreds of thousands not millions. For an overview of events see Austin Ramzy and Mike Ives, "Hong Kong Protests, One Year Later," *The New York Times*, June 9, 2020, sec. World, https://www.nytimes.com/2020/06/09/world/asia/hong-kong-protests-one-year-later.html.

2 Hong Kong Police Force, "Public Order Event Statistics," https://www.police.gov.hk/ppp_en/09_statistics/poes.html

3 Kelly Ho, "Seven Hong Kong democrats jailed for up to 12 months over banned protest against security law," *Hong Kong Free Press,* October 18, 2021, https://hongkongfp.com/2021/10/18/seven-hong-kong-democrats-jailed-for-up-to-12-months-over-banned-protest-against-security-law.

4 Kari Soo Lindberg, Natalie Lung, and Pablo Robles, "How Hong Kong's National Security Law Is Changing Everything," *Bloomberg.Com*, October 5, 2021, https://www.bloomberg.com/graphics/2021-hong-kong-national-security-law-arrests/.

5 Associated Press, "How a Primary Got Hong Kong Activists in Trouble," *AP NEWS*, March 1, 2021, sec. Primary elections, https://apnews.com/article/beijing-primary-elections-democracy-hong-kong-elections-ccda7eb61403f721ba8e56423203f72a.

6 "Implementation Rules for Article 43 of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region Gazetted," Government of the Hong Kong Special Administrative Region, Press Release, July 6, 2020, https://www.info.gov.hk/gia/general/202007/06/P2020070600784.htm.

7 See Michael C. Davis, "Testimony before the US-China Economic and Security Review Commission Hearing on 'US China Relations in 2021: Emerging Risks'," September 8, 2021.

8 See Samuel J Brannen, Christian S Haig, and Katherine Schmidt, "The Age of Mass Protests: Understanding an Escalating Global Trend" (Washington, D.C: Center for Strategic and International Studies, March 2020), 1.

9 "Democracy Index 2020: In Sickness and in Health?" The Economist Intelligence Unit, 2021.

10 Stephen G. F. Hall and Thomas Ambrosio, "Authoritarian Learning: A Conceptual Overview," *East European Politics* 33, no. 2 (April 3, 2017): 143–61. As one scholar put it, "The thought of academic-style conferences to discuss best practices in electoral manipulation and lessons learned in stacking judicial systems might be amusing, but elected autocrats from Venezuela to Turkey to Hungary really have borrowed from one another, sometimes even sharing advisors and exporting ideas in repression and election-rigging." Ryan C. Berg and Christopher Sabatini, "Autocrats Have a Playbook—Now Democrats Need One Too," *Foreign Policy*, February 10, 2021. https://foreignpolicy.com/2021/02/10/autocrats-have-a-playbook-now-democrats-need-one-too/. Also see Anne Applebaum, "The Bad Guys Are Winning," *The Atlantic*, November 15, 2021. https://www.theatlantic.com/magazine/archive/2021/12/the-autocrats-are-winning/620526/

11 Steven Levitsky and Lucan Way, "The Rise of Competitive Authoritarianism," *Journal of Democracy* 13:2 (2002): 51–65.

12 See Berg and Christopher Sabatini, "Autocrats Have a Playbook—Now Democrats Need

One Too," *Foreign Policy*, February 10, 2021. https://foreignpolicy.com/2021/02/10/autocrats-have-a-playbook-now-democrats-need-one-too/

13 This collusion between Hong Kong capitalists and Beijing served the interests of each. The former wished to protect their assets from the threat of state seizure, while the latter aimed to ensure the economic prosperity of the territory as it served as a conduit for China to the outside world. Tai-lok Lui, et al. "Introduction: The Long Transition," in *Routledge Handbook of Contemporary Hong Kong*, ed. Tai-Lok Lui, Stephen W. K. Chiu, and Ray Yep (London: Routledge, 2019), 1-32. Also see Yash Ghai, "The Past and the Future of Hong Kong's Constitution," *The China Quarterly* 128 (December 1991): 794–813; Danny Gittings, *Introduction to the Hong Kong Basic Law* (Hong Kong: Hong Kong University Press, 2017).

14 The text of the Basic Law can be found at https://www.basiclaw.gov.hk/en/basiclawtext/

15 On the contingent and arbitrary success of Hong Kong see Gary Hamilton, "Hong Kong and the Rise of Capitalism in Asia," in *Cosmopolitan Capitalists: Hong Kong and the Chinese Diaspora at the End of the Twentieth Century*, ed. Gary Hamilton (Seattle: University of Washington Press, 1999), 14–34. On the East Asian economies in general see Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990).

16 One such consequence is the failure of the Hong Kong government to develop an industrial policy in the face of the changing nature of manufacturing in the Pearl River Delta. See Godfrey Yeung, "End of a Chapter?" in *Handbook,* 397-413.

17 See Leo F Goodstadt, *A City Mismanaged: Hong Kong's Struggle for Survival* (Hong Kong: Hong Kong University Press, 2018).

18 Contrary to the myth of the lack of state engagement in the economy, as discussed below, the colonial government set up a welfare system that enabled companies to keep down wages and benefit costs. See Manuel Castells, Lee Goh, and R. Yin-Wang Kwok, *The Shek Kip Mei Syndrome: Economic Development and Public Housing in Hong Kong and Singapore* (Pion, 1990).

19 See Jeffie Lam, "Poverty in Hong Kong Hits Record High with 1 in 5 Considered Poor," *South China Morning Post*, November 17, 2017, sec. News, https://www.scmp.com/news/hong-kong/community/article/2120366/poverty-hong-kong-hits-7-year-high-one-five-people; Alex Jingwei He, "Hong Kong's Plight for a Better Welfare System," *Policy Forum*, February 27, 2019, https://www.policyforum.net/hong-kongs-plight-for-a-better-welfare-system/.

20 Donald Tsang, "Press Release: Statement by the Chief Secretary," September 3, 2001, https://www.info.gov.hk/gia/general/200109/03/0903236.htm.

21 Goodstadt, *A City Mismanaged,* 96. For a more thorough discussion of public housing in the colonial period see Adrienne La Grange, "Privatising Public Housing in Hong Kong: Its Impact on Equity," *Housing Studies* 13, no. 4 (July 1998): 507–25.

22 Goodstadt, *A City Mismanaged,* 110.

23 For some examples of these effects see Ka Wai Fan, "The Role of University Libraries in Supporting Research in Hong Kong: Facing a New Challenge," *Campus-Wide Information Systems* 22:1 (January 1, 2005): 43–50; "Docs Fear Uni Funding Cuts Will Imperil Health Care," *The Standard*, December 2, 2019, sec. Local, http://www.thestandard.com.hk/breaking-news/section/3/137864/Docs-fear-uni-funding-cuts-will-imperil-health-care.

24 Victor So Hing-woh, "Chairman's Statement," in *Annual Report 2018-2019,* Urban Renewal Authority (July 2019): 6, https://www.ura.org.hk/en/publication/annual-report/2018-2019.

25 For example see Goodsteadt, *A City Mismanaged.*

26 Figures from "Hong Kong Industry," *Nations Encyclopedia,* https://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/Hong-Kong-INDUSTRY.html; "Hong Kong: Share of Industry," *The Global Economy,* https://www.theglobaleconomy.com/Hong-Kong/Share_of_industry/; Chung Yan Ip "Youth and the Changing Opportunity Structure," in *Handbook,* 291.

27 Figures in Chung Yan Ip "Youth and the Changing Opportunity Structure," in *Handbook,* 291. For a good study of Hong Kong's deindustrialization and its employment consequences see Stephen W. K. Chiu and Tai-lok Lui, "Testing the Global City-Social Polarisation Thesis: Hong Kong since the 1990s," *Urban Studies* 41:10 (September 1, 2004): 1863–1888.

28 Figures from "Gini Coefficient By Country 2020," in *World Population Review,* https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country.

29 Cheryl Arcibal, "Hong Kong Tops Most Unaffordable Home Market as Protests Make Little Dent," *South China Morning Post*, January 20, 2020, sec. Business, https://www.scmp.com/business/article/3046868/hong-kong-tops-global-list-most-expensive-housing-market-again-protests.

30 Eric Ng, Lam Ka-sing, and Sandy Li, "Why Does Hong Kong's Petrol Pump Price Top the World? It Has Nothing to Do with Crude Oil Price?," *South China Morning Post*, April 26, 2020, sec. Business, https://www.scmp.com/business/article/3081593/why-do-hongkongers-pay-sky-high-prices-petrol-when-international-oil; Kanis Leung, "Hong Kong Consumer Council Calls for Review of City's Motor-Fuel Market," *South China Morning Post*, May 21, 2020, sec. News, https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3085526/hong-kong-consumer-council-calls-review-citys.

31 Neil Newman, "Is Hong Kong Being Served Fairly? Food Prices like These Suggest Not," *South China Morning Post*, July 27, 2020, sec. This Week in Asia, https://www.scmp.com/week-asia/opinion/article/3094641/hong-kong-being-served-fairly-food-prices-uk-singapore-and-japan.

32 Cited in Louis Augustin-Jean and Anthea H. Y. Cheung, *The Economic Roots of the Umbrella Movement in Hong Kong: Globalization and the Rise of China* (London: Routledge, Taylor & Francis Group, 2018), 93.

33 Figures from Mark Williams, "The Lion City and the Fragrant Harbor: The Political Economy of Competition Policy in Singapore and Hong Kong Compared," *Antitrust Bulletin* 54:3 (Fall 2009): 547-548.

34 Ching Kwan Lee and Ming Sing, *Take Back Our Future: An Eventful Sociology of the Hong Kong Umbrella Movement* (New York: Cornell University Press, 2019).

35 Francis Lee "Mediascape and Movement," *Take Back Our Future,* p. 113.

36 Jennifer Creery, "Hong Kong Stumbles in Reporters Without Borders Press Freedom Index, down 25 Places in 10 Years," *Hong Kong Free Press HKFP*, April 18, 2019, https://hongkongfp.com/2019/04/18/just-hong-kong-stumbles-reporters-without-borders-press-freedom-index-25-places-10-years/.

37 Stan Wong in chapter 20 in *Handbook,* "The Real Estate Elite and Real Estate Hegemony," p. 345.

38 Figures from Yun-wing Sung, "Becoming Part of One National Economy: Maintaining Two Systems in the Midst of the Rise of China," in *Handbook*, 67.

39 Cited in Alvin So, "Hong Kong Integration with Mainland China in Historical Perspective," in *Handbook,* 505.

40 Figures from Census and Statistics Department. https://www.bycensus2016.gov.hk/en/bc-pob.html, https://www.censtatd.gov.hk/hkstat/sub/sp180.jsp?productCode=B1130303.

41 See Hung Ho-Fung, in *Routledge Handbook of Contemporary Hong Kong*, ed. Tai-Lok Lui, Stephen W. K. Chiu, and Ray Yep (London: Routledge, 2019), ch. 24.

42 See "The Hong Kong Extradition Law and the CCP Factional Struggle," *SinoInsider*, June 11, 2019, https://sinoinsider.com/2019/06/politics-watch-the-hong-kong-extradition-law-and-the-ccp-factional-struggle/.

43 Especially see SinoInsider, "Politics Watch: How the CCP Factional Struggle Could Trigger a Tiananmen-like Event in Hong Kong – SinoInsider," June 12, 2019, https://sinoinsider.com/2019/06/politics-watch-how-the-ccp-factional-struggle-could-trigger-a-tiananmen-like-event-in-hong-kong/; SinoInsider, "Politics Watch: The Hong Kong Extradition Law and the CCP Factional Struggle – SinoInsider," June 11, 2019, https://sinoinsider.com/2019/06/politics-watch-the-hong-kong-extradition-law-and-the-ccp-factional-struggle/.

44 See "Hong Kong's NatSec Set Up Signals 'Supra-Authority' Status of the CCP's NatSec Commission," *SinoInsider*, July 8, 2020, https://sinoinsider.com/2020/07/politics-watch-hong-kongs-natsec-set-up-signals-supra-authority-status-of-the-ccps-natsec-commission/.

45 See Macabe Keliher, "Neoliberal Hong Kong Is Our Future, Too," *Boston Review*, September 9, 2020, http://bostonreview.net/global-justice/macabe-keliher-neoliberal-hong-kong-our-future-too.

46 A number of recent works chart the development of neoliberal trends and the emergence of an ideology and practice that does not just privatize and deregulate but also mobilize the state on the behalf of capital. See Wendy Brown, *Undoing the Demos: Neoliberalism's Stealth Revolution* (Cambridge: MIT Press, 2015); David Singh Grewal and Jedediah Purdy, "Law and Neoliberalism," *Law and Contemporary Problems* 77:4 (2014): 1–23; Jamie Peck, *Constructions of Neoliberal Reason* (Oxford: Oxford University Press, 2010). For a good discussion of the logic of neoliberalism see Thomas Biebricher, *The Political Theory of Neoliberalism* (Redwood City: Stanford University Press, 2019).

47 For example see "4 Ex-Members of pro-Independence Student Group Arrested on Suspicion of 'inciting Secession' under Hong Kong's Security Law," *Hong Kong Free Press*, July 29, 2020, https://hongkongfp.com/2020/07/29/breaking-pro-independence-student-group-leader-arrested-on-suspicion-of-inciting-secession-under-hong-kongs-security-law/; Kelly Ho, Tom Grundy, and Jennifer Creery, "Hong Kong Bans Joshua Wong and 11 Other Pro-Democracy Figures from Legislative Election," *Hong Kong Free Press*, July 30, 2020, https://hongkongfp.com/2020/07/30/breaking-hong-kong-bans-8-pro-democracy-figures-from-legislative-election/.

48 Anne Applebaum, "The Bad Guys Are Winning," *The Atlantic*, November 15, 2021, https://www.theatlantic.com/magazine/archive/2021/12/the-autocrats-are-winning/620526/.

49 See Ryan C. Berg and Christopher Sabatini, "The Democrat's Playbook," *Foreign Policy*, December 7, 2021. https://foreignpolicy.com/2021/12/07/

biden-democracy-summit-sanctions-world-bank-imf/

50 Anatoly Antonov and Qin Gang, "Russian and Chinese Ambassadors: Respecting People's Democratic Rights," *The National Interest* (The Center for the National Interest, November 26, 2021), https://nationalinterest.org/feature/russian-and-chinese-ambassadors-respecting-people%E2%80%99s-democratic-rights-197165.

51 "U.S. Relations With Hong Kong," United States Department of State, August 28, 2020, https://www.state.gov/u-s-relations-with-hong-kong/; "2021 Hong Kong Policy Act Report," United States Department of State, March 31, 2021, https://www.state.gov/2021-hong-kong-policy-act-report/.

52 Saleha Mohsin and Jennifer Jacobs, "Trump Aides Rule Out Ending Hong Kong Dollar Peg as Punishment," *Newsmax*, July 13, 2020, https://www.newsmax.com/newsfront/trump-hong-kong-dollar-peg/2020/07/13/id/976967/.

53 Senators Ted Cruz and Marco Rubio.

54 State Council Information Office, "Hong Kong Democratic Progress Under the Framework of One Country, Two Systems," December 20, 2021.

55 State Council Information Office, "China: Democracy That Works," December 4, 2021, http://www.chinatoday.com.cn/ctenglish/2018/zdtj/202112/t20211204_800269115.html. This white paper on democracy was released a few weeks before the statement on Hong Kong democracy.

56 See Ng Kang-chung, "Controversial Political Scientist Brian Fong Leaves Education University of Hong Kong," *South China Morning Post*, February 13, 2022, sec. News, https://www.scmp.com/news/hong-kong/politics/article/3166902/political-scientist-brian-fong-leaves-education-university.

57 For example see, Vivian Wang and Austin Ramzy, "Hong Kong Can't Live With the Virus. It Can't Stop It, Either.," *The New York Times*, February 16, 2022, sec. World, https://www.nytimes.com/2022/02/16/world/asia/hong-kong-covid-omicron-wave.html.

58 On the emphasis on electoral democracy see Aseem Prakash and Catherine E. Herrold, "When Promoting Democracy, Less Is More," *Foreign Policy* (blog), December 8, 2021, https://foreignpolicy.com/2021/12/08/biden-democracy-summit-pluralism-promotion-ngos/. The Economist's democracy index, for example, is structured largely around elections. "Democracy Index 2020: In Sickness and in Health?" (The Economist, 2021). A key point of the democracy summit was "defending free and fair elections and political processes." "Summit for Democracy Summary of Proceedings," December 10, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/23/summit-for-democracy-summary-of-proceedings/.

59 See the Global Fund Community Foundation #shiftthepower movement https://globalfundcommunityfoundations.org/what-we-stand-for/shiftthepower/

60 Aseem Prakash and Catherine E. Herrold, "When Promoting Democracy, Less Is More," *Foreign Policy* (blog), December 8, 2021, https://foreignpolicy.com/2021/12/08/biden-democracy-summit-pluralism-promotion-ngos/.

61 For a good discussion of deliberative democracy in theory and practice see Hélène Landemore, "What Biden's Democracy Summit Is Missing," *Foreign Policy*, December 7, 2021, https://foreignpolicy.com/2021/12/07/biden-democracy-summit-people-power/. On the program of deliberative democracy and its establishment see Claudia Chwalisz, "Eight

Ways to Institutionalise Deliberative Democracy," OECD, December 14, 2021, https://www.oecd.org/gov/open-government/eight-ways-to-institutionalise-deliberative-democracy.htm.

62 For a full discussion of the knowledge economy and its current social limitations see Roberto Mangabeira Unger, *The Knowledge Economy* (New York: Verso Books, 2019).

63 See Tamara Lothian, *Law and the Wealth of Nations: Finance, Prosperity, and Democracy* (New York: Columbia University Press, 2017), 124-126.

64 See Michael Galant, "The Time Has Come for a Global Minimum Wage," *Inequality.Org*, June 17, 2019, https://inequality.org/research/ilo-global-minimum-wage/.

65 Shitong Qiao and Jr Hills, "Land Options for Housing: How New Property Rights Can Break Old Land Monopolies," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, January 29, 2022), https://doi.org/10.2139/ssrn.4021239. Also see Roderick Hills and Shitong Qiao, "Breaking Old Land Monopoly to Overcome Hong Kong's Housing Shortage," *South China Morning Post*, March 1, 2022, sec. Business, https://www.scmp.com/business/article/3168623/breaking-old-land-monopoly-hong-kong-resolve-citys-housing-crisis.

66 Ryan C. Berg and Christopher Sabatini, "The Democrat's Playbook," *Foreign Policy*, December 7, 2021, https://foreignpolicy.com/2021/12/07/biden-democracy-summit-sanctions-world-bank-imf/.

67 Ryan C. Berg and Christopher Sabatini, "The Democrat's Playbook."