

**Testimony of Daniel Russel
Assistant Secretary of State
Bureau of East Asian and Pacific Affairs
U.S. Department of State**

Before the

Senate Foreign Relations Committee

9:30 a.m. Wednesday, December 3, 2014

Hong Kong Hearing

Introduction

Today's hearing is timely given the debate taking place in Hong Kong over electoral reforms and the implementation of universal suffrage for the 2017 selection of Hong Kong's next Chief Executive. I welcome this opportunity to share with the Committee the Administration's views and response to political developments in Hong Kong, particularly with regard to the National People's Congress Standing Committee's (NPCSC) August 31 decision and the Hong Kong Government's response to the protests. I would also like to touch on the importance of our relationship with Hong Kong under the "One Country, Two Systems" framework.

Secretary Kerry is watching the situation in Hong Kong closely. The Administration believes that an open society, with a high degree of autonomy and governed by the rule of law, is essential for Hong Kong's stability and prosperity – indeed this is what has made Hong Kong such a successful and truly global city. As we do around the world, the United States advocates in China for internationally recognized fundamental freedoms, such as freedom of peaceful assembly and freedom of expression.

Long before Hong Kong made its way into headlines, we made clear to Beijing our support for universal suffrage and the aspirations of the Hong Kong people under the "One Country, Two Systems" framework. We will not back off on that support. We have reaffirmed our position publicly and privately in numerous meetings with Chinese and Hong Kong officials at all levels of government. Most recently, Secretary Kerry raised Hong Kong in meetings with Chinese interlocutors in the run-up to the APEC Summit in Beijing, and President Obama made these

points there in his meetings with President Xi. As the President said at a press conference in Beijing with President Xi standing next to him, the United States is going to “consistently speak out on the right of people to express themselves, and encourage that the elections that take place in Hong Kong are transparent and fair and reflective of the opinions of people there.”

The “One Country, Two Systems” model, which is a long-standing Chinese position put forward by Deng Xiaoping and reflected in the PRC’s constitution, has provided a solid foundation for our strong relationship with Hong Kong. It means, among other things, that China accepts that Hong Kong government will retain its own legislative and judicial powers, as well as its own laws. And it means that Hong Kong’s freedoms should be guaranteed by the PRC. At the time of reversion in 1997, China – under the “Basic Law” - committed to several important principles: “One Country, Two Systems,” “Hong Kong people governing Hong Kong,” maintenance of “a high degree of autonomy,” and that the Chief Executive and all the members of the Legislative Council should be elected by “universal suffrage.”

The “One Country, Two Systems” principle has enabled Hong Kong to flourish as an important example of prosperity, tolerance, open expression, and free market ideals. “One Country, Two Systems” has been central to Hong Kong’s economic success. Hong Kong currently ranks *first* in the Heritage Foundation’s Index of Economic Freedom. The PRC, I would note, ranks 137th.

Mr. Chairman, preserving Hong Kong’s unique system and character serves the best interests of all parties. So we are concerned by signs that China’s commitment to the “One Country, Two Systems” model, as well as to maintaining a high degree of autonomy, are eroding. While Hong Kong’s media environment remains far less restricted than on the mainland, the steady downward trend in media freedom is troubling. The ability of Hong Kong’s judiciary system to remain independent in the long term will be another critical indicator of China’s commitment to the unique “One Country, Two Systems” model.

In addition, the legitimacy of Hong Kong’s Chief Executive will be greatly enhanced if the promise of universal suffrage is fulfilled. By this I mean an election that provides the people of Hong Kong a meaningful choice of candidates representative of the voters’ will. This means allowing for a competitive election in which a range of candidates with differing policy approaches are given an opportunity to seek the support of eligible Hong Kong voters.

That is why the Administration has called on the PRC to uphold its commitments to Hong Kong under the Basic Law to preserve Hong Kong's freedoms and autonomy, including through universal suffrage. We encourage Beijing, the Hong Kong government and the people of Hong Kong to work together to advance Hong Kong's democratic development, establish universal suffrage by 2017, and preserve Hong Kong's autonomy and its free and open society.

Beijing's Decision and the Nominating Committee

Based on the Sino-British Joint Declaration and the Basic Law from 1997, in 2007 the Standing Committee of the National People's Congress (NPCSC) agreed that the election of Hong Kong's chief executive "may be implemented by the method of universal suffrage" in 2017. Over the last year, the people of Hong Kong, the Hong Kong Government, and the authorities in Beijing have vigorously debated how that process should take place.

Early this year, the Hong Kong Government held a first round of public consultations to discuss the implementation of universal suffrage for the 2017 election. Hong Kong residents submitted numerous suggestions for designing the electoral system and many Hong Kong residents voiced their desire for significant democratic reform. I visited Hong Kong in early May and met with a broad cross-section of the public, including representatives of civil society and various political parties, in addition to the head of the Legislative Council and senior officials in the Hong Kong government. I can attest to the vigorous and open debate in Hong Kong about how best to implement universal suffrage.

That debate intensified during the summer. Local NGOs conducted an online poll of public opinion in which almost 800,000 Hong Kong residents expressed pro-democracy views, and in early July, perhaps as many as 500,000 Hong Kong residents took part in the annual pro-democracy demonstration. The Hong Kong Government in July submitted a report to Beijing based on its results of the public consultation and the NPCSC then issued its decision on August 31.

The NPCSC decision on August 31 set limits on the selection of the Chief Executive by universal suffrage. It limited the number of candidates to two or three, required the Chief Executive to be a person who "loves the country and loves Hong Kong," and mandated that any nominee must receive the endorsement of more than half of the 1,200 person nominating committee. While the NPCSC's decision conformed to requirements of the Basic Law in the literal sense, it was criticized by many Hong Kong groups and triggered the public protests that are

still underway. The objection to the NPCSC decision of August 31 is that it would effectively block non-establishment candidates from competing in the election for Chief Executive.

The Protests and the Hong Kong Government Response

On September 26, a week-long student strike and independently-organized demonstrations against Beijing's decision escalated when a few dozen university students entered the grounds of Hong Kong Government headquarters. When a crowd surged onto a major adjacent thoroughfare, Hong Kong police used tear gas to disperse the crowd. Rather than dispersing the protesters, however, the use of tear gas prompted more residents to take to the streets and protesters settled into three main protest locations.

On October 21, the Hong Kong Government and leaders from the Hong Kong Federation of Students engaged in one round of televised talks, but there has been little dialogue reported between the two sides since. The Hong Kong Government has complained that the protest movement lacks representative leadership it can negotiate with. Protesters have countered that the Government is not taking their demands seriously.

Within the past two weeks, Hong Kong police have enforced civil court injunctions to clear certain protest sites. While there were some clashes between police and protesters in clearance operations in the Mongkok area, we assessed that both parties had for the most part acted with patience and restraint. The alarming flare-up on November 30 near Hong Kong Government offices demonstrates, however, that the potential for violence remains and that all sides need now more than ever to exercise restraint and to lower tensions.

Since these protests began in September, we have emphasized at all levels our support for freedom of peaceful assembly and freedom of expression without fear of retribution. We have encouraged the Hong Kong authorities and the protestors to address their differences through dialogue. We have urged the Hong Kong government to act with restraint and the protestors to express their views peacefully. We have also categorically denied allegations from China that the United States is in any way involved in the protests. It is disingenuous to suggest that this debate is driven by outsiders when it is so clearly about Hong Kongers' hopes for their future.

Next Steps

It is important to note that the electoral reform process in Hong Kong is still underway. Due to the protests, the Hong Kong Government delayed a second round of public consultations, which are now expected to begin later this month. These consultations are meant to allow the public to provide input into how the nominating committee will be constituted and the mechanism by which candidates will be selected. It will be during this round of consultations that the Government and the residents of Hong Kong explore options for devising a nominating system that can garner a sufficient number of votes to pass the legislature.

In order for electoral reforms to be implemented, a bill to amend the Basic Law must pass the Legislative Council with a two-thirds majority and be approved by Beijing. This legislative action is planned for the first half of 2015. If the Legislative Council does not amend the Basic Law by the summer of 2015, Beijing has said that the 2017 election for Chief Executive would again be carried out under the existing system under which the Chief Executive is selected by an Election Committee of 1,200 members rather than directly by Hong Kong's five million potentially eligible voters. This would be a significant setback to the democratization process, and it underscores the importance of the efforts by Hong Kong's authorities and its people to design an electoral process that maximizes progress toward universal suffrage under the Basic Law.

Conversely, if the Basic Law is amended to provide for a multi-candidate selection process for the Chief Executive, 2017 will mark the first time in Hong Kong's history that its citizens will be given a voice in that choice. A multi-candidate competitive election would be a major step in Hong Kong's, and indeed the People's Republic of China's, political development.

U.S. Interests and Actions

Mr. Chairman, allow me to describe the importance we place on our relationship with Hong Kong. This relationship rests on three pillars: shared values, economic and cultural relations, and people-to-people ties. Hong Kong has long reflected and protected fundamental freedoms: freedom of expression, freedom of peaceful assembly, a strong independent legal system, rule of law, a free media, and an active civil society – all values shared with the United States.

We are also linked by strong economic ties. Hong Kong is the ninth-largest market for U.S. exports and the sixth-largest market for U.S. agricultural products.

Despite Hong Kong's small population, our trade surplus with Hong Kong is our largest surplus with any single trading partner. More than 1,400 American companies have invested in and set up shop in Hong Kong. Hong Kong is a key source of foreign direct investment in the United States, as well. Hong Kong's world class financial markets, which include Asia's second-largest stock exchange and third-largest foreign exchange market, are supported by a transparent regulatory regime and strict oversight. Hong Kong is a strong voice in both APEC and the WTO in favor of free trade, often in alignment with our own goals.

This is possible because of Hong Kong's special status under the principle of "One Country, Two Systems" that allows Hong Kong to operate as a separate customs territory from China and exercise autonomy in areas other than foreign and defense affairs, including its judiciary system and its U.S. dollar-linked currency and financial system. This has allowed us to develop a robust relationship in law enforcement arenas – including export control, counterterrorism, counter-proliferation, anti-money laundering, and anti-corruption – in which Hong Kong's authorities work with the United States to protect our security interests. The United States has signed a wide range of agreements with Hong Kong since the handover, which provide for extensive technical cooperation in these and other areas. For example, Hong Kong counterparts respond positively to more than 95 percent of requests from U.S. Customs to search containers and the Hong Kong Customs and Excise Department has actively enforced the Convention on the International Trade in Endangered Species (CITES).

In addition, we have deep social, cultural, and people-to-people ties, boosted by the tens of thousands of U.S. citizens residing in Hong Kong, and the thousands more who visit Hong Kong, visa-free, every day for business or tourism. Hong Kong is one of the highest per capita sources in the world of foreign students in America's higher education system and hosts thousands of American students, academics, and journalists as well.

Conclusion

The United States and China each have a vested interest in Hong Kong's continued stability, autonomy, and prosperity. It is therefore important that China upholds its international obligations and commitments that Hong Kong's high degree of autonomy will be respected and nurtured. It is in all of our interests to see electoral reform in Hong Kong that provides the people of Hong Kong a meaningful choice

of candidates, and that the 2017 elections in Hong Kong will be transparent, fair, and reflective of the opinions of the Hong Kong people.

We have also consistently counseled the Hong Kong government to exercise restraint and called on protesters to exercise their right to freedom of expression peacefully. We have consistently supported further dialogue between the government and protesters as the best way for Hong Kong to move this important debate forward. An open society that respects the rights of its citizens and universal freedoms, with the highest possible degree of autonomy and governed by the rule of law, is essential for Hong Kong's continued stability and prosperity.

We will continue to voice our support for universal suffrage in Hong Kong and to stand up for universal human rights and fundamental freedoms. We will stand up for Hong Kong's autonomy under "One Country, Two Systems" and the Basic Law. We will continue to encourage the government and people of Hong Kong to work together peacefully to advance Hong Kong's democratic development. We believe this engagement remains the most effective way to preserve Hong Kong's autonomy and free and open society.

Mr. Chairman, I thank you for the opportunity to appear before you today to discuss Hong Kong. I look forward to answering any questions you and others from the Committee may have.