



CONTENDING ON THE PERIPHERY: TAIWAN AND HONG KONG

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EXECUTIVE SUMMARY

China's policies toward Taiwan and Hong Kong became more aggressive in the last four years. The PRC has undertaken a more coercive policy toward Taiwan out of frustration that its past efforts to persuade the island's citizens to accept unification on Beijing's terms have not succeeded. Regarding Hong Kong, it has restricted the political freedoms it had previously granted the city's residents in the interests of political control. The next U.S. administration will face decisions regarding whether to change policy toward each territory in order to secure its interests: for Taiwan, helping it sustain economic growth, security, international participation, and self-confidence as it faces China's challenge; for Hong Kong, preserving its prosperity and a political system that allows for popular choice.

CONTEXT

As in the past, the next U.S. administration's policies toward Taiwan and Hong Kong will be contingent upon and shaped by its policy toward the People's Republic of China (PRC). In this regard, the fundamental question is whether Washington and Beijing will jointly try to re-invigorate the cooperative dimension of their relationship (and succeed in doing so) or remain trapped in competition and conflict. If competition and conflict are the future norm, should Washington include the Taiwan and Hong Kong issues in that competition, and if so, how?

In the early 1980s, Beijing set forth the same approach for incorporating the two territories, over which it claimed ownership, into the PRC. Each would be administrative units within the PRC regime but not under direct control of the Communist Party. Local people would administer local affairs, but Beijing would retain control over picking those leaders. This was the one country, two systems formula.

From the U.S. point of view, however, the two territories are quite different in legal and practical terms. The U.S. government recognizes that Hong Kong is part of China's sovereign territory; it merely "acknowledges the Chinese position" that Taiwan is a part of China. The PRC has an official and unofficial presence in Hong Kong that gives it ways to influence events in the city — levers that it is increasingly pulling. It has no official presence in Taiwan but does have a degree of political influence, which is a sensitive issue in Taiwan politics.

THE PROBLEM: TAIWAN

Taiwan has been a neuralgic issue for the PRC since the founding of the regime. Beijing sought to restore the boundaries of the last imperial dynasty, within which Taiwan was included. It was to Taiwan that the Chinese Communist Party's civil war rival, the Kuomintang regime, had retreated after they lost control of the mainland. No armistice or peace treaty has been signed, so technically that conflict is not over. The PRC regards any U.S. security relationship with the island's military to be a threat to its security. Moreover, Chinese leaders assert that without the incorporation of Taiwan, their country can never be a great power.

The PRC government had hoped they would be able to persuade the island's leaders and public to accept unification under the one country, two systems formula. However, the dynamics of Taiwan's democratic politics have reduced the odds that persuasion will work to a minimum. During the Ma Ying-jeou administration, Beijing had excessive hopes that providing Taiwan with economic benefits would accelerate movement on political issues, but it was not to be. Since Tsai Ing-wen, who is also leader of the Democratic Progressive Party (DPP), became president, China has persistently charged her with pursuing *de jure* independence when she has actually been quite cautious. Beijing has also

sought to punish and undermine her government through intimidation, pressure, international marginalization, manipulation of Taiwanese public opinion through social media, and cooptation of allies within the island's political system. So far, however, Taiwan's democracy has proven quite resilient. It is worth noting that Taiwan faces both a military threat because of China's growing military capabilities *and* a psychological threat from its "coercion without violence."

Fundamental U.S. interests regarding Taiwan remain the same: helping the island's leadership promote a secure, resilient, prosperous, and democratic society that is free from PRC attack and coercion. In pursuit of those interests, Washington depends on Taiwan's leaders pursuing prudent policies and avoiding steps that Beijing will perceive — or misperceive — as challenges to its fundamental interests and trigger a disruptive response. Fortunately, Taiwan's PRC policy since 2008 has been marked by such caution.

THE PROBLEM: HONG KONG

From 1997, when Britain returned Hong Kong to China, until the late 2010s, Hong Kong had a partial democracy. Civil and political rights were protected. Elections for half of the Legislative Council were free and fair. But the system blocked people and parties that Beijing mistrusted from coming to power. In the mid-2010s, a process began that might have led to a fuller democracy, but Chinese policy was biased toward preserving control; the pro-democracy forces made tactical mistakes; mutual mistrust between the Hong Kong establishment and Beijing on the one hand and the democratic camp on the other was profound; and so, the process foundered. Beijing began nibbling away at political rights. In 2019, the Hong Kong government proposed legislation on extradition that local activists correctly gauged would put their freedoms at risk. The resulting demonstrations, sometimes violent, led Beijing to impose a national security law (NSL) in June 2020 that gave it and the Hong Kong government significant powers to criminalize the exercise of civil and political rights.

The United States has an array of interests regarding Hong Kong: business, law enforcement, and so on. The emergence of a political system reflecting the popular will is certainly one of them. For complex

but correct reasons, Washington chose not to insert itself in the city's political struggles. But the imposition of the NSL has created a harsh new environment for U.S. policy.

RECOMMENDATIONS: TAIWAN

In conducting its relations with China, Washington must be wary of consciously or unconsciously creating negative consequences for Taiwan's interests. On the one hand, if a "re-set" of U.S.-PRC relations is possible, with a movement back to some degree of cooperation, Washington should reject any demands by Beijing to reverse the improvements in U.S.-Taiwan relations that have occurred during the Obama and Trump administrations that fit U.S. interests.

After all, the reason the PRC's Taiwan policy has failed so far is not because of anything the United States has done. Beijing has simply not made a compelling case to the Taiwan public why they should agree to unification on PRC terms. Its 2020 crack-down in Hong Kong has weakened its case even further. On the other hand, if the U.S.-China rivalry is to continue and deepen, the United States should not use Taiwan as a weapon in that competition to its detriment. Nor should it take actions that play into Beijing's coercive approach. Whatever the overall trend, Washington should maintain a robust dialogue with Taiwan's senior leaders in order to understand how they define Taiwan's interests.

There is significant potential to improve U.S.-Taiwan policy. What is required in Washington at the outset is the formulation of a coherent policy that reflects all of its interests.

The top priority for the United States is to undertake an economic policy that will support Taiwan's prosperity, innovation, and reform of government policy. For too long, the U.S. Trade Representative (USTR) has refused to begin consideration of a 21st century economic agenda with Taipei unless it makes politically difficult concessions on market access for pork and beef. It is high time to realign this grudging economic policy with Washington's positive view of Taiwan's political and security importance. The U.S. administration's target should be opening talks on a bilateral trade agreement (BTA), with two underlying purposes. One is to foster the structural adjustment of the

island's economic policies (including de-regulation) to stimulate innovation, growth, and broad-based employment. The other is to reduce the PRC-induced marginalization of the Taiwan government from the international economy. In August 2020, Taiwan unilaterally met the USTR's preconditions for advancing the economic relationship. The ball is now in the American court.

In one specific area — technology — the Trump administration's campaign to impede the growth of Chinese power has damaged the interests of Taiwan's most successful companies and therefore the island's economy more broadly. The central role that Taiwan tech firms have played in creating trans-Pacific supply chains has meant that they do business with both American and Chinese counterparts. As the Trump administration has sought to squeeze the access of PRC companies like Huawei to semiconductors and other key components, and as it has tried to pull supply chains out of China, Taiwan companies are caught in the middle. Because preserving a healthy Taiwan economy remains a key U.S. interest, the next administration should conduct a comprehensive assessment of U.S. tech policy, especially the commercial and security risks of transferring technology to China and the consequences for Taiwan's economy. It should consider approaches that are more selective and create less collateral damage than those pursued by the Trump administration. For example, how much harm does it do to allow Taiwan companies to sell products that embody lower-end technology to Chinese counterparts?

On security, Washington and Taipei face three tasks. Taipei must first fully implement its "overall defense concept," which starts with a more realistic definition of its threat environment and of available budgetary resources. It must then identify the asymmetric capabilities required to better deter the likely PLA campaigns against the island. Procurement, personnel, and training policies must be aligned with those appropriate capabilities. Washington must be clear-eyed about how improved PLA capabilities constrain its ability to intervene in a Taiwan conflict, if the order to do so is given. Countermeasures should be developed to address areas of PLA advantage and to identify its points of exploitable weakness.

The third task is less related to military affairs. It concerns Beijing's ongoing "coercion without violence" efforts to influence Taiwan's domestic politics and, over the long term, sap the confidence of the government and public to maintain Taiwan's autonomy and special identity. In view of that concerted PRC campaign, Taipei must continue and expand its countermeasures. The United States has already provided some support to Taipei concerning Beijing's theft of its diplomatic allies and in countering its cyber and social media efforts. But more could be done. Creating an FTA between the United States and Taiwan would be a strong counter to Beijing's long-standing effort to marginalize Taiwan internationally.

When it comes to matters germane to the United States' one-China policy, since the 1990s Washington has faced the desire of Taiwan administrations and the public to upgrade the conduct of the bilateral relationship and to expand Taiwan's international participation with American assistance. Since 2008, Washington has been willing to liberalize how it interacts with Taipei bilaterally as Taiwan leaders have better aligned their interests regarding China with those of the United States. In Washington's view, those improvements are plausibly consistent with the pledge of unofficial relations that Washington made to Beijing at the time of normalization of relations.

Concerning international organizations, Taiwan has been most successful in expanding its international space in cooperation with the United States when it does not target institutions and arrangements where Beijing already has a presence and can block Taiwan's participation. A key example here is the Global Cooperation Training Framework. Such creative initiatives should continue.

The next U.S. administration should step up efforts to articulate the rationale for its Taiwan policy, with three audiences in mind. The first is the American public, to whom it should explain why Taiwan matters to the United States and what is at stake in the island's relationship to China. The second is the Taiwan public, whose understanding of U.S. policy is clouded by the ambiguity that U.S. officials traditionally have employed in their public statements and by the sensationalist coverage of the Taiwan media. The third is the PRC government, with which the focus should be stressing the

importance of Taiwan's democratic system in determining the future of cross-Strait relations and the respect the United States accords to the will and wishes of the Taiwan people. As noted above, Beijing has not been able to achieve unification for the simple reason that it has not made a convincing case to change the broad spectrum of Taiwan public opinion. U.S. diplomats should also stress to their PRC counterparts that Washington does not believe, as Beijing asserts, that President Tsai is moving toward Taiwan independence, and it believes that the PRC's "coercion without violence" is an inappropriate tool for resolving the Taiwan issue. (In an optimal world, the Chinese public would be another audience, but circumventing the government's monopoly of information is almost impossible.)

RECOMMENDATIONS: HONG KONG

In response to the PRC-imposed national security law (NSL), the Trump administration sanctioned eleven senior Hong Kong Special Administrative Region (HKSAR) and PRC officials, "de-certified" the city's autonomy according to the terms of the Hong Kong Policy Act, and suspended U.S. special treatment under U.S. law in certain areas, originally granted on the assumption of the city's continued autonomy (for example, technology transfer and extradition of fugitives). So far, those steps have not changed PRC or HKSAR policies, but their impact, if any, is likely to be long term.

In response to the city's circumscribed political environment, the next U.S. administration should first ensure the freedom and safety of Americans in or intending to travel to Hong Kong. Article 38 of the NSL applies to "offences...committed against the Hong Kong Special Administrative Region from outside the Region by a person who is not a permanent resident of the Region." Article 55 concerns "strengthening the management" of foreign NGOs in the city. The State Department has already updated its travel advisory to take account of the threats implied in these provisions. It should also inventory the activities of all NGOs working in Hong Kong to assess their legal vulnerability, consult with them on the NSL's effects on their operations, and periodically assess whether new changes in the travel advisory are necessary.

Second, the United States should do no harm with respect to the people of Hong Kong. Any proposed

sanctions that would diminish their standard of living should not be considered. Given Beijing's narrative that Washington promoted the 2014 and 2019 protests, the U.S. administration should be guarded in conveying public support to anti-establishment activists, which might put them in greater danger. At the same time, Washington should quietly assist Hong Kong people at risk to re-locate to America and find jobs.

Hong Kong's tragic political situation will remain frozen for the foreseeable future, unamenable to any real change by the United States. Under current circumstances, Washington should follow the approach suggested by former consul general Kurt Tong, that of "crafting a medium-term strategy" regarding future relations with the city.¹ It should work with other like-minded countries to sustain international attention on the Hong Kong issue and press Beijing diplomatically to relax its crack-down. The U.S. administration should engage officials of the HKSAR government to identify ways in which it can restore sufficient autonomy in specific policy areas in order to resume cooperation with the United States. In specific circumstances as appropriate, the U.S. administration should also consider using the waiver authority in the amended U.S.-Hong Kong Policy Act to adjust or eliminate sanctions on individual officials.

Finally, the next U.S. administration should step up its public diplomacy in and toward Hong Kong. It should reject Beijing's false narrative about the U.S. role over the last six years. It should reaffirm its legal position that Hong Kong is a part of China's sovereign territory. It should stress its hope for an early return to the HKSAR government's protection of civil and political rights, as was the case before 2016 and for a revival of discussions of electoral reform. At the same time, the next U.S. administration should dampen any lingering illusions among Hong Kong activists that Washington can force Beijing to radically change its Hong Kong policy.

REFERENCES

- 1 Kurt W. Tong, "Playing a Long Game on Hong Kong," *The Brookings Institution*, August 26, 2020, <https://www.brookings.edu/articles/playing-a-long-game-on-hong-kong/>.