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Modifications of “One Country, Two Systems”, a Chinese Principle

Marcin Przychodniak

Since Xi Jinping took power, China has strengthened its control over Hong Kong and Macau, special administrative regions. They are governed based on the principle of “one country, two systems”, which implies the maintenance of social-economic solutions different from China’s. The citizen protests in Hong Kong against an extradition agreement signal the rise of objections to China’s limiting this principle. China’s authorities argue that the principle will also be used after unification with Taiwan, a major goal. The Chinese policy, though, violates key EU democratic standards and hinders the work of European companies with operations mainly in Hong Kong.

“One Country, Two Systems”. This principle defines China’s policies concerning Hong Kong and Macau, former British and Portuguese colonies, respectively. China in the 1980s came up with the system as a way to allow it to regain territories lost in the 19th century. The preservation of the colonial-era liberal socio-economic system was also seen as a way to serve China’s development needs because of these special regions’ integration with the world economy. In these circumstances, the first Chinese special economic zone was established in the 1980s in Shenzhen village, near Hong Kong. In 1982, the Chinese authorities indicated that they intended to extend this principle to Taiwan after unification with mainland China.

The principle was included in the Sino-British Joint Declaration of 1984 and the Joint Declaration on the Question of Macau in 1987. According to these documents, Hong Kong and Macau returned to China in 1997 and 1999, respectively, as special administrative regions with separate border control. China guaranteed this system would remain in place for 50 years, ostensibly ensuring personal freedoms and private ownership, unlike in communist China. It took over foreign and defence policy, though. Hong Kong, and to a lesser extent also Macau, became a financial centre for China and a place to safely invest capital.

For a couple of years now, the Chinese authorities clearly have increased restrictions on freedoms under the “one country, two systems” principle, especially in Hong Kong. The main reason is Hong Kong’s weakening share of China’s economy, dropping from 23% in 1993 to 2.8% in 2017. The freedoms allowed in both regions run contrary to the centralisation of power under Xi and the rhetoric of the “rejuvenation of the Chinese nation”, which in China’s understanding means the full integration of Hong Kong and Macau—and in the future, also Taiwan—with China. The “rejuvenation” policy is an important instrument of legitimacy for the Communist Party of China (CPC). The freedoms in Hong Kong and Macau to criticize the authorities and lack of unification with Taiwan undermine the credibility of the CPC and even Xi himself.

The Situation in Hong Kong. The restrictions being enacted touch mostly on civil liberties, including passive and active laws affecting elections. China’s authorities did not fulfil their promises to organise direct elections for the office of Chief Executive. In the election, the regional authorities did not let candidates opposing integration with China register. Four pro-democracy representatives were deprived by a Hong Kong court of

their mandates because they declined to take an oath swearing obedience to China. In 2015, some Hong Kong publishers issuing books China viewed as negative disappeared and then several days later showed up in detention in the mainland, without any evidence they had crossed the border legally. Hong Kong is also the only place under China's control where events commemorating the massacre of Chinese students and others in 1989 (Tiananmen Square protests) are regularly held. Freedom of the press is also limited and independent outlets such as the South China Morning Post have been taken over by China and others eliminated from the market by a lack of advertisements as companies cooperate with the Chinese authorities.

China has much more influence on Hong Kong's economy. More and more Chinese are coming to the city as tourists (51 million in 2018) and investors, which has caused the prices of services and properties to jump. In 2018, China extended a high-speed rail line to Hong Kong—and incorporating part of the railway station into its territory—and opened a bridge between Hong Kong, Macau, and Zhuhai in a special economic zone in the Pearl River Delta.

China's limitation of the "one country, two systems" principle has met with protests in Hong Kong. Citizens opposed to changes to the city's electoral law hit the streets in 2014, and this year, more than 2 million people have taken part in demonstrations against the extradition agreement, which would have allowed Hong Kong residents to be covered by China's judicial system. The people of Hong Kong are afraid the law will be used against dissidents, critics of the Chinese government, and foreigners. The protests forced the Hong Kong authorities to suspend work on the agreement. Also, an increasing number of people who live there—more than 65% in a recent survey, compared to a bit less than 50% in 1997—identify themselves as Hongkongers, not Chinese. They prefer to Cantonese over Mandarin and protest against the influx of Chinese citizens.

Macau. Even under Portuguese rule, the CCP's influence over Macau was much greater and Portugal's desire to give Macau back to China stronger. Participation in elections is also lower, as is the attachment to the democratic mechanism, which is why in Macau, the limitation of the "one country, two systems" principle is less visible. One example is the implementation of patriotic education. In 2018, rulings by non-Chinese judges on matters of national security were forbidden. Macau is unique in that the majority of its economy comes from gambling. It is the only place in China where it is legal, and the nature of such business makes the need to obey the rule of law less urgent.

Relations with Taiwan. In 2008–2016, when Taiwan was ruled by the Nationalist Party (KMT), China less frequently referred to "one country, two systems". The dialogue was based on the so "1992 consensus", defining that there is one China but with different interpretations. In the election of 2016, power on the island returned to the Democratic Progressive Party (DPP), which rejected the consensus. China then again started to refer to the importance of the principle. In January 2019, Xi presented a vision of Taiwan after unification. He announced the preservation of the social system, respect for private ownership, and acceptance of legal regulations. At the same time, he did not rule out the use of force in case the island's authorities took actions oriented towards independence. Such rhetoric is an element of pressure on the DPP, which in November 2018 lost in local elections, mostly to KMT and mainly because of the worsening Taiwanese economy and social dissatisfaction. The offer of integration with a "prosperous" China was directed to the portion of Taiwan's society unhappy with the DPP government. The situation in Hong Kong has helped President Tsai Ing-wen (DPP) raise her position and the party's in the polls.

Conclusions and Perspectives. China will continue to limit the freedoms under the "one country, two systems" principle in Hong Kong and Macau, preventing and reducing independence tendencies. It will, however, act with caution because of its relations with the U.S. The Hong Kong protests prompted American politicians to think of possible changes in the *U.S.-Hong Kong Policy Act*, which provides better trade regulations with the city than with China. The latter is afraid that President Donald Trump will include the Hong Kong issue in the ongoing U.S.-China dispute.

In relations with Taiwan, China will not abandon reference to the principle in a future unification formula, but after the latest protest in Hong Kong, the Chinese authorities are concentrating rather on support (e.g., financial assistance and online information campaigns) for pro-China groups and candidates ahead of the parliamentary and presidential elections in Taiwan in 2020.

China's actions towards Hong Kong and Macau comprise another example of the country increasing its control over its periphery or areas recognized as such by the Chinese authorities (e.g., similar to the building of artificial islands in the South China Sea). The sharpening of policy in Xinjiang to repress the Uyghur minority, accused by the authorities of separatism, is also part of the same process.

The limitation of the freedoms in Hong Kong also means a de facto break with the China-UK declaration of 1984, so the British authorities are trying to navigate between criticism of China's policy and their ability to restore relations with China after Brexit. It is in the EU's interest to counteract the limitation of freedoms under the principle because it contravenes liberties and partial democratic solutions important to the Union. The limitation of civil liberties and legal changes (such as those implementing Chinese standards and regulations in these regions) negatively influence the functioning of about 2,200 EU companies in Hong Kong and Macau and, by violating the rule of law, increases the risk for foreigners living there, including EU citizens.