

Center for Strategic and International Studies

TRANSCRIPT

“Hong Kong and the Indo-Pacific Political Economy with Former U.S. Consul General Kurt Tong”

EVENT DATE

Tuesday, July 30, 2019

TIME

4:00 p.m. EDT

LOCATION

2nd Floor, CSIS Headquarters, Washington, D.C.

FEATURING

Keynote Address and Armchair Discussion:

Ambassador Kurt Tong,

Former U.S. Consul General to Hong Kong and Macau

CSIS Experts:

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Matthew Goodman: OK. Good afternoon, everyone. Nice to see a full house here on a warm afternoon. Thank you for coming to CSIS. Welcome. My name is Matthew Goodman. I hold the Simon chair in political economy here at CSIS. And delighted to welcome you to this unique opportunity to talk to Kurt Tong, an old friend and colleague of, I can see, several in the room in addition to me, and former – or just recently departed consul general in Hong Kong and Macau. And I'll introduce him in a second.

But first, just to get through the administrative issues, please turn off your phone or put it on stun, and if there are any kind of incident – which is unlikely; has never happened – just follow me. There are emergency exits down here, and we rally at National Geographic behind here. And as John Hamre always says there's a nice exhibit right now on Queens of Egypt, or something. So welcome. By the way, welcome to our online audience as well. Delighted to have you with us as well.

So delighted that Kurt Tong is here to give a speech that I think he was kind of supposed to give a few weeks ago, according to the press, before he left Hong Kong, and didn't. I think hopefully we're going to hear a version of that speech, maybe one – a little more liberated version, perhaps, because Kurt has now retired from the foreign service after 30 years there. He is partner at the Asia Group now here in Washington, but he served for, I think, almost 30 years in the State Department, in most major posts around the East Asia and Pacific region, in particular, and also in a couple of important jobs at the State Department.

He was the principal deputy assistant secretary for economics and business affairs, and also was the APEC ambassador at a time when he and I worked – one of the times that he and I worked together in government. And so he's done pretty much every interesting job around East Asia and in economics and business, which is very close to, of course, our hearts in the Simon chair. So we're delighted. Kurt's the perfect person to address, I hope, a broader range of issues beyond the immediate, obviously, issues of interest in Hong Kong.

Let me just tell two quick stories about Kurt. First, I actually knew about Kurt before I met Kurt because in the 1980s when I was here in grad school, and I think he was at Princeton at the Woodrow Wilson School, he wrote a tract, a sort of pamphlet called "Time for Plan B" I think it was called – something like that – and it was actually a very provocative piece about in the midst of the U.S.-Japan trade frictions of the time that the U.S. and Japan should negotiate a trade – a free trade agreement.

I mean, that's what it boiled down to, as I recall, and that was, you know, kind of 30 years ahead of his time and perhaps a little fanciful at the time, maybe still fanciful on – in some people's minds. But Kurt's been an innovative and a forward-thinking person for, as I say, since even before I knew him.

The other story I want to tell, which I admit is a little self-indulgent, is that – I don't know if it was the same for Kurt, but definitely my singular accomplishment in U.S. government, my U.S. government time – a dozen years or so in government – was working with Kurt on a project, which was when he was APEC ambassador every other country in APEC had accepted this little card called the APEC business travel card as a passport and visa, effectively, to get into other APEC economies – the 21 economies around the region.

The United States had never acknowledged this card. I guess they gave special – they allowed people to go through the diplomatic line, but they didn't really acknowledge this card and didn't issue this card. There wasn't legislation to enable this card. And Kurt came to me when I was at the White House and he was doing APEC and said, you know, we could fix this. You know, we should – we should do this.

And it was part of a series of things that Kurt did as APEC ambassador, which were under his slogan for the year when we hosted in 2011, if I didn't say that, which he entitled – sort of entitled, “Get Stuff Done.” That's the PG version of what the theme of our – of our APEC year was, and this was one of those pieces of stuff that we thought we could fix.

So we actually – long story short, we got – he got this legislation sponsored and passed through Congress. The president signed it at the Sheraton Waikiki in November of 2011, walked out on stage. And I had had a really hard time with Mike Froman, my boss at the White House, convincing them this was worth White House time to try to get this little card issued. And I told Mike, no, I think this is worth doing.

The president walks out on stage, gets a big round of applause. He gets applause, of course, at the end of his speech. The only other applause he got during his speech – President Obama – was when he said, I just signed the APEC Gold Card back here in the back room. The place went wild. A thousand businesspeople stood up and applauded. And so if you don't have your APEC card, get one and thank Kurt Tong for making it happen.

So that's enough of me. So, Kurt, please come up.

Please join me in welcoming Kurt to the stage. Thank you. (Applause.)

Ambassador Kurt Tong: Well, thank you, Matt, and good afternoon, everybody. It's a real pleasure.

The card costs \$100 but I think it's a good investment. If you get your – you got to get your global entry first and then you get the APEC card, and it saves a(n) infinite number of hours in various Asian airports.

It is a real pleasure to be here and I thank you all for taking an hour out of your afternoon on another beautiful sunny day here in Washington, and I want to say thank you to the – to CSIS for your patience. This was once rescheduled for various reasons relating to getting clearance and I appreciate your flexibility in that. And also, Scott, thank you for being involved today.

That's also part of the reason why the title for my discussion today is so boring, something – and I don't even remember what it is – something like Hong Kong and the political economy of somewhere. And the – that was part of the clearance process as well, because if you say you're going to give a boring talk then there's a good chance that your State Department desk officer might let you get away with it.

But the actual better title for the discussion I'd like to make, and I'll just talk for about 10 minutes and then we'll have some conversation with all of you, is – would be something along the lines of the United States loves Hong Kong, or why the United States loves Hong Kong, or why the United States should care about Hong Kong, or why we would be – and you might find this counterintuitive, given current events – but why we should

actually be optimistic about Hong Kong and its – and its future and its role in the Asia Pacific economy. Or what the U.S., China, and the Hong Kong governments might do about the current situation there or the long-term prospects for that important city.

So delving into that, I think many of you have been there. Who's been to Hong Kong? Pretty much everybody. Who hasn't been to Hong Kong? (Laughter.) Oh, just a couple folks. OK. Well, you got to go. You got to – first, you got to get the APEC travel card – (laughter) – and then try and take the direct flight. Cathay's got a direct flight now. It's really exciting. It's very expensive, but if you can – (laughter) – if you can afford a ticket, go for it.

But Hong Kong is a – is a very special place. It's been there for 175 years as an important trading entity, a place where business has been conducted on – with a theme of being a free place to do business. It has low taxes. It's an easy place to invest. It always scores very high on various international measures of economic freedom.

But the more important characteristics of Hong Kong actually date from the way that it was developed and its legal structure. Hong Kong is characterized by a profound respect for the rule of law. It has an independent judiciary which is respected around the world. And in fact, many people don't know this, but a judgment reached in Hong Kong courts can actually have an influence on British law or on Australian law or Canadian law because it's all part of the same common law tradition. Hong Kong has significant freedom of expression, freedom of assembly, which are guaranteed in the Basic Law establishing the Special Administrative Region in 1997. And it has, and increasingly over the last many decades – 50 years or so – a reputation for good governance or clean governance and effective governance. And that has all added up to a positive business environment, and an environment where many people choose to travel and work and live.

The founding characteristic of all of that or the most important factor enabling all of that to continue despite the return of Hong Kong to Chinese sovereignty in 1997 is the autonomy which is guaranteed to Hong Kong under the one country, two systems framework and the Basic Law which establishes that. To the extent that – and I've got a couple actual members from our, quote/unquote, “country team” in Hong Kong, and you've heard me say this before – the phrase that “it's the autonomy, stupid.” You know, you've all heard about “it's the economy, stupid,” and Bill Clinton using that for his successful campaign in 1992. With respect to Hong Kong, I'm not accusing any of you of being stupid – please don't misunderstand that – but accusing ourselves, sometimes we don't realize that that is actually the key to Hong Kong's long-term competitiveness as well as its way of life.

With that high degree of autonomy under the one country, two systems framework, the city has been a roaring success, and it still is. Even today, with demonstrations happening on a regular basis week after week, the economy continues to forge forward. Deals are being made. The financial sector is sound. Lots of business activity is continuing to happen. It's important to keep that in mind and keep that in perspective.

Some of the interesting characteristics. Well over half of all investment – non portfolio investment – coming to and from China to the rest of the world passes through Hong Kong in one form or another. Why would that be? Well, it's because of the legal structure, and the reliability of the – of the Hong Kong courts, and the reliability of Hong Kong law, and the advantages of using that law and that tax structure to execute deals. This makes Hong Kong really – I think everyone – most people in financial sectors

would agree that it would probably be considered the number-three financial center globally, with London and New York perhaps playing a more important role than Hong Kong, but Hong Kong swinging in there as a very, very important, and certainly the most significant financial center in Asia in terms of the range of products that are offered, the types of activities that are conducted.

So even today, with China having grown – and many people say, well, is Hong Kong that important anymore? Because now it's only 3 percent of Chinese GDP, whereas in 1997 it was more like 15 percent of Chinese GDP because of the differing – differential growth rates. But the fact of the matter is that China's growth actually makes Hong Kong more important because of those characteristics that I mentioned, which are not duplicated anywhere within the rest of the PRC in terms of a place to make deals and conduct business. And that, I think, is very important, and that's one of the reasons why there's 1,400 U.S. companies that are – you know, significant U.S. companies that operate there, and that the United States has more – by proportion, more regional headquarters in Hong Kong than any other foreign investor. So our companies consider Hong Kong to be a very important place to do business. And they really continue to base their entire Asia operations there, with Singapore being the other very, very important center for that kind of activity.

So what's the problem, then? I've described a kind of very positive state of affairs. The problems come from, I would say, forgetfulness, or people losing track of what are the core sources of competitiveness and relevance for the Hong Kong people, as well as the Hong Kong economy. The sources of – that make it a good place to live, as well as a good place to invest? And I think there's a tendency to forget where that success comes from.

On the Beijing side, there's a tendency – and I think this is particularly true under recent leadership in Beijing – to think that Hong Kong's success is a reflection of China's success. And I just said it was, right, but that's not the reason why it's successful. It's successful because it's different from China, but it's still part of China. That's the ingredient that makes it all work.

It's like trying to make bread without yeast, right? You can have a lot of dough, money, or a lot of other ingredients – flour and whatnot – but if you don't have some yeast in there to make it work, make it pop, it's not going to be – it's not going to be a yummy cake to have. And that gets lost. People lose track of that. I think the Hong Kong government also has tended to a bit lose track of that – of that important element of what makes Hong Kong tick.

Another thing that has sometimes underestimated – and I think that's become very clear in the last few months – is there's a tendency to underestimate the anxiety that stems from this one country two systems framework, which is kind of by – in itself, it's an oxymoron. And if it's not, if it doesn't handle properly, it can become sort of a same bed different dreams type situation. And I think that that's important to keep a focus on that and address it and be explicit about it, because the perceptions of the reality of the situation depend upon – they're in the eye of the beholder.

Actions by the mainland towards Hong Kong from a mainland perspective were perfectly benign, and maybe even beneficial to Hong Kong. But from the perspective of people in Hong Kong, they actually upset the status quo and change the situation there in ways that are unwelcome to investors to the people there. And understanding those perceptions and

the gap between them I think is very, very important. And it's that gap that then gets reflected in Hong Kong politics as well, in the struggle between the pan-democratic forces and pro-establishment forces in the legislative council, or in broader Hong Kong politics in terms of how things play out.

So it's not – it's not a good thing to underestimate that fundamental friction that comes from a one country two systems situation, even though that is also the source of the success of the city. So keeping all of that working is tricky. And it's particularly difficult when the city also has some of the most severe economic inequalities anywhere in an urban environment, where there's a very broad gap between the wealthy and the not wealthy. And that has become reflected in the difficult circumstances of lower-middle class people and lower-class people in finding a place to live, and work, and succeed in a very, very expensive economy.

So in that context, the steps taken by the mainland government, by the PRC government, in the last five years or so to try and sort of push in the direction of making Hong Kong seem less different from – in a governance perspective, and a little less uncomfortable for the mainland – because it is kind of uncomfortable for the mainland, too, that Hong Kong has freedom of expression. What's going on with that, right? We don't let our people do that. Why should we let these people who are Chinese citizens do that? That push to make things a little more consistent between the mainland and Hong Kong has actually then engendered greater anxiety and led to a lot of problems.

And some of the things that the U.S. government – I'm no longer in the U.S. government. I think that's been made clear. But which it has pointed out in recent years have been problems are things like the National People's Congress stepping in on this whole question qualifications for legislators preemptively while there was a court case still pending in Hong Kong; or the push to ban the Hong Kong National Party, which no one had heard of until it was banned, and then once it was banned suddenly became a famous entity; kicking out a foreign journalist for hosting a public meeting with that still almost-banned entity; and in general kind of using Hong Kong law – as I said, it's a place with rule of law – to push in the direction of amalgamation between the Chinese system and the Hong Kong system.

That then sets the context for the story around the extradition bill, which is the most recent set of circumstances that have happened and provoked the big demonstrations in Hong Kong. People like myself have been warning Hong Kong government leaders, as well as mainland government leaders, that if you start to mess with the politics of Hong Kong in a(n) interventionist way from the mainland perspective, you can start to impact people's confidence in the economic structure. And I think that that's what played out in the case of this extradition bill, where in fact when it was first proposed the most dedicated opponents to it were actually businesspeople who were concerned about how it would impact them personally given their long-term investments and record of doing business with the mainland and some of the non-transparencies involved in mainland law. And they started to push back on it quite a bit.

And in the process of pushing back and pushing forward and negotiating and whatnot, the Hong Kong public got involved. And somehow – and I honestly don't completely understand yet why the Hong Kong public thought that this was such a big deal for them personally, but they – but they did, and they – and I think it has to do with the underlying anxieties that I described about the one country, two systems framework. And then we've seen what happened over the last couple of months with very, very large

demonstrations and very emotional acting out, if you will, on this whole question about Hong Kong's future direction and what should happen to the city.

So finally, then, what should – what should everyone be doing about this? I think it's clear from what I've said that from my perspective the mainland would be well advised to just kind of dial it back a little bit in terms of how it approaches Hong Kong affairs. Just give it the space that it stated that it would in the Sino-British joint declaration or in the Basic Law and reestablish a little more distance between the rest of China and Hong Kong. But that's a – when I say that, being a foreigner, most Chinese people react negatively to that, and I recognize that that is the case. But it's still a good suggestion or the right advice, I believe, because respecting Hong Kong's autonomy will then allow Hong Kong to operate in the way that it always has, which has redounded to the benefit of China.

Now, the corollary to that is that the mainland should be confident in Hong Kong and its role in China. Certainly, the track record is one of making an enormous contribution to China's economic development and its social development and its – and its bridging to the rest of the international community. And so I think that that is basically the set of advice that applies to the mainland government.

For the Hong Kong government – and this is advice that I gave them back when I worked in government not so long ago – I think that a useful thing to do would be to really reidentify with the people, but also reidentify with Hong Kong's international characteristics. Hong Kong has a(n) official slogan of being "Asia's World City." And really doubling down on that notion and really doubling down on the idea that Hong Kong is a place to make connections, that has international characteristics but is also part of China, and reach out and sell that concept I think would be – would be very, very useful.

Sometimes I mention that there are sort of three kinds of money in Hong Kong. I don't want to talk too – you know, make it seem like I'm only about business, but it's really an important part of the city. There's Hong Kong money, and there's mainland money, and there's foreign money, and each one of those is actually essential to the cocktail that is the success – the economic success story of the city, and they're each drawn to one another. So without the foreign money, the mainland money doesn't want to come to Hong Kong. And without the mainland participation, then the foreign money's not as interested. And it's bringing them together in a – in a – under a preexisting framework which I think is really the key to success.

So then, finally, what about the United States? There's really two things that I think any foreign government should do, not just the U.S.

One is engage a lot with Hong Kong, keep the – keep the energy level up in terms of the relationship between – government-to-government relationship, but also private-sector relations between foreigners and Hong Kong both as a city and as a government. Just engage a lot, do lots of activities. And help – that helps reinforce the autonomy muscles of the Hong Kong government and the Hong Kong people and then feeds, again, this positive cycle of international activity relating to China and building bridges internationally.

And the other is to be – to be frank, like I am today, and be truthful about how we see the situation on the ground in Hong Kong, and not either on the one hand pull punches or

downplay the concerns, but also on the other hand not exaggerate them. And I do get worried that sometimes people in the United States choose to criticize the situation in Hong Kong disproportionately because it's China and because we feel like we're in a strategic competitive relationship with China, and therefore if we can score a point on Hong Kong then, you know, mark one up for our team. But that's really not very useful in – for the city or for the long-term relationships that can be built using Hong Kong.

So last thing I'll say – I guess I probably went longer than I expected – is what does this mean in a broader sense, or how does this discussion that I've had with you reflect the challenges of making international economic policy and foreign policy for the United States more generally? I think one lesson about recent U.S. policy towards Hong Kong is that – so-called second-tier issues. Now, I used to, you know, congratulate myself for being de facto ambassador in a place that was a second-tier account, because then you don't get as many visitors, you don't get, like, people calling you in the middle of the night. Lots of pressure from Washington isn't that great. But you still can't ignore it, right? And it's important to keep them in mind and keep an eye on them and keep after them, because later they can become – suddenly seem more important, as has been the case with Hong Kong.

And I do think that recently, particularly under this administration, there's been a tendency to focus on primary goals – trade with China, the North Korea issues, some other issue sets, Iran, whatever – what have you – and that the second-tier stuff kind of slips, and that happens in an implementation sense. And one of my self-reflections as a person working on Hong Kong for three years is that we really didn't do as good a job as we should have in doing what I said should be our objective earlier, in engaging with the Hong Kong government and with Hong Kong. We didn't get enough visitors. We didn't get enough government-to-government interactions and negotiations and new initiatives as we should have done to support Hong Kong's autonomy and help it develop as a useful asset for the international community, as well as for China.

The second lesson, I think, is that values matter. A lot of people say that these days, but I think it's absolutely true that the conduct of foreign policy is not just a process of reaching a number of deals or a series of negotiations across the table, or trying to reach some specific objectives. You also need to have a framework in mind that you're trying to explain and to sell of how you view how the international community should be structured, and what those relationships should be like, and how they should be shaped going forward. And Hong Kong is a good example of that because in many ways what I described about the city of Hong Kong is a reflection of a lot of shared values with the United States of rule of law, openness, capitalism, a reflection of participatory governance, et cetera. Those are values that we share, and if – and we can reinforce those if we're clear about what our values are. Because I worry in recent days or recent months/years that there's been a tendency towards defining what we don't like as the United States and not enough of an emphasis of what we're about ourselves, and defining ourselves as a negative I think just confuses people and doesn't – is not as compelling in terms of explaining what the United States is trying to achieve internationally. So with those thoughts, I look forward to discussion. Scott, I hope you'll grill me here and we'll have a – we'll have a good time. Thank you all. (Applause.)

Scott Kennedy:

(Off mic) – Tong. Terrific speech. I'm Scott Kennedy. I'm with the Freeman chair here in China Studies at CSIS. And it's an honor to be able to have this conversation with you so that I can thank the person that helped me get my APEC card. (Laughter.) I really appreciate that. You know, actually, I want to, you know, as an American citizen, thank

you for service to our country over the many years. And I want to talk about Hong Kong and what's occurring now, but maybe what we can do is just sort of turn back the clock a little bit. When was the first time you were there, in Hong Kong?

Ambassador Tong: 1986.

Scott Kennedy: OK.

Ambassador Tong: I went to visit that gentleman sitting in the back there. He was studying in Beijing.

Scott Kennedy: Terrific, terrific. So tell us a little bit about what Hong Kong felt like in 1986, and then forward several – you know, 33 years later.

Ambassador Tong: In – I don't – I don't know if there were that many – Hong Kong seemed just like another Asian city to me in 1986. It was – I had been to other places like Tokyo, Manila, Seoul, and the like. It had a more international character to it, and there was – certainly the British influence was evident. But it did not – you know, in the 1980s, of course, China was a very separate thing. And it was not – it didn't feel very Chinese, I guess, is what I would say.

Scott Kennedy: Yeah. Yeah. And so now over the last three years that you served there, and the other times that you've come back since reversion to Chinese sovereignty in '97, what is – what is that amalgamation feel like to you? Has it drawn out the best of Hong Kong and accentuated it even more to make it a more exciting place to live and do business, and to connect to the rest of the region?

Ambassador Tong: Well, see, I think the Hong Kong success formulate in the '70s and '80s was one of rapid industrialization, and the beginnings of development of a financial sector that would be globally competitive. But most of that development actually happened a bit later in the – with the prospect of return to China becoming very real starting early 1980s. So it's an interesting paradox that at the same time that Hong Kong's return to China was becoming a done deal, that that was the same period where Hong Kong's financial sector started to blossom. And I think some of that's in anticipation of opportunities presented by Chinese growth, and also just good financial market operation and management.

Scott Kennedy: So I guess it's a – (audio break) – this kind of irony when the British and Beijing signed the joint declaration in 1984, peering out 13 years ahead in the future. By that time actually Hong Kong was still changing. And it's always been changing. So it's never been fixed in stone.

In the last few years, as you mentioned – you know, I'm from – Washington's my hometown. I've traveled to Hong Kong a lot. And being in Washington, I'm supposed to be pessimistic all the time. So I'm supposed to ask lots of pessimistic questions. But you're going to help us see some of the silver lining or the brighter sides. I was in Hong Kong in 2014, during the Umbrella Movement. And I haven't been back in the last few weeks. But it seems to me that the nature of the groups protesting, what they're protesting for, the view of Hong Kong society toward them seems to have evolved. And I was wondering, what do you see as the biggest change from 2014 and the Umbrella Movement what now some are calling the hardhat movement?

Ambassador Tong: I hadn't heard that one. I wasn't in Hong Kong in 2014, so I can't give you a definitive suggestion on that. But my sense is that the participation level is higher in the current set

of protests and that the issues are more fundamental. At the – in 2014, there was a relatively narrow focus on universal suffrage and disappointment with the Beijing proposal for how that would be conducted in the chief executive elections. It was a fairly discrete issue similar to the extradition bill issue, if you will, and then a very discrete protest activity focused on that issue.

The interesting thing that is taking place at this time is that that discrete issue, which resulted in large-scale protests, has then morphed into something that seems – feels more like a more gut reflection of people's level of anxiety, and that's why, you know, speaking out on this and encouraging people to think about it is that that anxiety could, over time, start to threaten Hong Kong's success.

I am still very optimistic because I think the key ingredients for Hong Kong's success are still there and there's very smart people and well-intentioned people on many sides that will try to get to the – to a good formula for continued success. But their – but that fundamental concern that people have about the contradictions between the two political systems in Hong Kong and on the mainland I think is something that needs to be reflected upon and then acted upon in appropriate ways along the lines of what I suggested.

Scott Kennedy: Sure. So you mentioned during your speech this changeover the last five years, and those of us who follow China have also recognized changes in China with regard to other types of policies in China, you know, consistent with the time in which Xi Jinping has been China's leader, toward other regions in China, toward China's management of its economy, its overall foreign policy.

And so it raises the question, you know, is a Hong Kong with a high degree of autonomy compatible with a Xi Jinping-led China. Should we – do they just need to make some modest adjustments which really wouldn't threaten Beijing or is the way Beijing viewing things through such a dark lens of, you know, the need for control that they – that they just couldn't envision themselves taking what you would think would be a few small steps back?

Ambassador Tong: So I think that Hong Kong is a challenging thing for the Beijing government because for the reasons that you cited. It's, if you will, irritating to the mainland and uncomfortable that Hong Kong is different even though it's part of China and why does it need to be that way, and why can't we get rid of those different parts that we don't like and keep the different parts that we do like.

And I think that that's the issue is that the parts of Hong Kong that are – that China, I think, sincerely continues to value are part and parcel with the parts of Hong Kong that they find irritating, and so that's where the tolerance comes in and having a philosophy that allows Hong Kong to be Hong Kong.

And you do see that. I mean, there – you know, there's been discussion lately about the PLA's role in Hong Kong, for example. And the conclusion of everyone in that conversation, including the PLA people, if you think about what they're actually saying, is that that's a distant prospect and it's not something that would be – that anyone is really seriously considering, nor is it necessary. And there's lots of reasons to think that it won't happen or that it's not necessary. And that's in itself a recognition that Hong Kong is different.

Scott Kennedy: Right. Sure.

Ambassador Tong: So just extending that a little bit further to allow the political space and the social space that Hong Kong needs in order to thrive I think is what's necessary.

Scott Kennedy: OK. I got a couple more questions for Kurt and then open it up to the audience. So let's talk a little bit now about sort of governance in Hong Kong and politics. And, you know, Hong Kong – you know, Carrie Lam came into office in 2017. If she were to serve out her term, at least her first term, we get to January of 2022 and then the Election Committee would meet.

Legco had elections in 2016. In 2020 they're supposed to have theirs. Currently, I believe it's something like 43 of the 70 seats in Legco are pro-Beijing. Is the ballot box a way for Hongkongers – Hong Kong residents to try and effect the kind of change –

Ambassador Tong: For sure.

Scott Kennedy: – that would address some of the concerns they have?

Ambassador Tong: Sure. There are constraints on that because of the way the legislative council is structured. But there's also district council elections. And I think that much of what was happening in May and June in particular, to me, felt a little bit like pre-jockeying for the district council elections in terms of how people were saying and how they were presenting their opinions to the – to the public, and the kind of press that they were trying to get. Now, things have changed a little bit because of the scale of the demonstrations in June.

But the – but I do think that there's a lot of the sort of professional political activity in Hong Kong is being conducted right now with an eye on the November district council elections. November of this year. And then, of course, for the legislative council elections that are September of next year. So I do think that the ballot box is important. And it's a way for people to reflect. Now, the question is who runs and what they say, and what their positions are, because there's a lot of complexity of opinion on – it's not a – it's not a this side and that side clear-cut political distinction. Even though people talk about political polarization in Hong Kong, there's a lot of cross opinions and it gets very complex. It's not a two-party system, by any means.

Scott Kennedy: Yes, yes. OK. All right. Thank you. Last question. You mentioned a little bit about American policy or what others can do in terms of engaging with Hong Kong at the public and private level, speaking out about Hong Kong based on our values with Beijing. There is law, in that the U.S. has the Hong Kong Policy Act from 1992, that does govern some of what American policy towards Hong Kong would be. I believe in March, when the U.S. government reported to Congress on the situation in Hong Kong, they said that Hong Kong had sufficient, but declining, autonomy. So sufficient to maintain the current status, but declining.

And since we're a town now where we're thinking about many unconventional types of policies, some folks have raised this idea of looking to, you know, the fact that Hong Kong currently is a different customs territory than mainland China and raising that into question. That seems like a pretty radical thing to do, particularly given how central globalization is to Hong Kong in its role as an entrepreneur. Should we be thinking at all or anywhere close to these kind of ideas about Hong Kong's international status and what we could do?

Ambassador Tong: Yeah. I thought about that a lot and had some conversations with people on the Hill about it in my previous iteration. And the – I think my view is that the Hong Kong Policy Act is – fundamentally has served the United States very well, in that it's a sound framework and it's also a flexible framework for conduct of affairs with Hong Kong. The act, in case you're not – folks aren't familiar with it, is a law which allows – does not require – but allows the U.S. government to treat Hong Kong separately from the rest of China for matters of U.S. law. So, like, U.S. tariffs, export control law, aviation regulations, you name it. Lots of different types – visas. That Hong Kong could be treated separately from the mainland, in recognition of its high degree of autonomy and distinctive economic structure.

It passed before Hong Kong returned to China in 1997. And it works. It's a good legal structure. And I think it's fundamentally sound. Now, the U.S. government can use that structure in creative ways as necessary. If, for example, Hong Kong doesn't do a good job in acting differently than the rest of China or just in a general sense, earning its high score in a specific area of policy, then, like I said, for example, if there was some – you know, a real problem with overstays of people from Hong Kong in the United States on the visa front, then we could adjust the visa policy. But that – but getting rid of the entire framework doesn't make any sense whatsoever.

Scott Kennedy: OK. OK. Good.

Well, thank you very much. I think that's enough to – your speech and the questions – to get the ball rolling. And we're going to now allow the – ask the audience to chime in. If you would, for CSIS policy – I'm sorry, I can't – won't be able to get to everybody – if you just identify yourself, the institution you're from, and if you would keep your comment to a question. We're going to start over here, and then we're going to come around.

Yes. The microphone is coming your way.

Q: Barry Wood, RTHK in Hong Kong.

Mr. Tong, earlier when you were in Hong Kong you warned that Chinese interference would pose a dire threat to Hong Kong's freedoms. Your remarks today seem far more muted. I wonder, do you think there should be a commission of inquiry into police conduct?

Ambassador Tong: Yeah, I don't remember ever saying "dire threat." But the – you know, sometimes when you're being a gentle diplomat things can get amplified. The – I think what I've said today is actually fairly consistent with what I used to say in Hong Kong when I got paid by the taxpayers. By the way, thank you very much. (Laughter.) I really appreciate it. Thirty years. Put my kids through college. I appreciate it.

The – on the commission of inquiry question, there are a lot of voices in Hong Kong now calling for that. And the Hong Kong General Chamber of Commerce, the American Chamber of Commerce, quite a lot of private business leaders – pro-establishment-type folks have suggested that that would be helpful in calming things down. This would be a commission of inquiry to look into how the police have handled the demonstrations. My personal view is that that might be helpful if that were – if that could be done in way that

then doesn't create a lot of anxiety among the police force, who fundamentally have been handling a very difficult situation fairly well.

I'm not – you know, it's a challenging situation. My own guess is that the commission might conclude that there's a need for more training, and different approaches to crowd control and things like that. But it could be a useful thing. I think there's concern about how a police force would react to that commission. My hunch is that that's being considered.

Scott Kennedy: Yeah. Maybe they would need a map that would give them instructions of how to get to subway systems more quickly, or something like that, occasionally.

We're going to come right here in front.

Q: Thank you. Thank you very much. My name is Raghbir Goyal. I'm a journalist in Washington.

It's a very timely event. Thank you. So much going on in Hong Kong. People are standing for Hong Kong always was free, and today also they are standing for freedom and democracy. Why China doesn't want human rights, or freedom, or free press, or free religion? What are they going to lose if they do so?

And also, how much do you think China is benefitting from Hong Kong?

And finally, what in the future now stands for those who have given their lives and continuously standing for freedom? Thank you.

Ambassador Tong: So the – it's a great question. As an American, I fundamentally believe that China could be an even better place. I think it's a nice country with nice people, and that it would be even more successful if it – if it were more open in terms of its governance, in terms of freedom of expression, freedom of information, and its political structure. So that's a very American point of view. I know that senior members of the Communist Party don't share that view. But you know, hope springs eternal.

Scott Kennedy: We're going to go in the fourth row here, the woman with the blue shirt. I think that's blue, my eyes –

Q: Hi. I'm Yao (ph). I'm a reporter from the Xinhua Media Group.

So the question is for Mr. Tong. For U.S. government, what is the best balance point as you can suggest for U.S. government is engagement and the interference? Thank you.

Ambassador Tong: Sorry. I'm not quite sure I got it.

Q: So what can you suggest for the U.S. government about the Hong Kong issue? What's the best balance point between engagement and the interference? Thank you.

Ambassador Tong: So I think that, as I said, the best thing for the U.S. government to do is think about things that we can do to help, in a sense – in a Machiavellian sense, take advantage of Hong Kong, in a generous sense bolster Hong Kong by having additional and greater engagement, sets of activities, specific initiatives in trade, or in investment, in travel, in

tourism. There's lots of things that we can do to strengthen our relationship with Hong Kong. And I think that that really should be the main focus of activity.

Scott Kennedy: OK. We're going to go all the way in the back there with the white shirt.

Q: Hi, Ambassador Tong. My name is Jonathan Fong (sp). I am a master's of science in foreign service candidate at Georgetown.

My question is, I just want to hear about what you think the implementation of the Greater Bay Area Plan means for Hong Kong's economy as well as Hong Kong's autonomy.

Ambassador Tong: Yeah, I think that's a(n) open question. Certainly, Hong Kong has a – Hong Kong money – I talked about Hong Kong money earlier – has invested a lot in Guangdong, in the Pearl River Delta area, the – you know, now called the Greater Bay Area. And I think that that will continue. The infrastructure investment that's been put in in the region I think will accelerate that investment. And the question is, can more sophisticated forms of economic interaction between Hong Kong, Macau, and Guangdong be developed based upon the existence of that infrastructure, but also the relaxation of rules in terms of how the three separate economies – because they are quite separate; they have separate currencies, separate legal structures – interact?

And in particular, I would – I think the question – the answer to that question will come around whether services-sector activity starts to accelerate, whether there's increased investment in multiple directions, in development of technologies or in more advanced sectors, because to date it's been mostly, you know, people investing in a factory and then that good being shipped someplace, much more sort of standard economic-integration formula. And I think the more sort of service-sector advanced types of economic activity would be very interesting, but that will only happen if the rules are relaxed. So what that means, in fact, is because the rules are already relaxed in Hong Kong and to a significant extent in Macau, it means relaxing the rules in Guangdong.

So there's potential in this Greater Bay Area – put the emphasis on the word “potential” – for it to be, if you will, a second coming of the southern initiative that Deng Xiaoping implemented in using Guangdong province as a forerunner in economic liberalization by allowing types of investment, types of economic activity and integration across borders in Guangdong that are not allowed more broadly in China. I don't know if that's going to happen or not, but I think that's the – that's the key question.

Scott Kennedy: All right. I'm going to take – if it's all right with you, not to throw a curveball at you, but I'm going to take three questions and then – because we're getting a little bit short on time. So I'm going to start with this gentleman here; and then we're going to come to the second row, the gentleman with the glasses; and then right behind you. OK.

Q: Yes. Thanks, Ambassador. Rob Colerane (ph) with AIIC (sp) Investment.

The Alibaba listing created a lot of potential story for the Hong Kong exchange there. You've been there, it sounds like, three or four decades. Could you comment a little bit about the spirit of entrepreneurship? Because it did seem to change a lot after 1997. And I was, you know, a regular doing their Doorknock. I was curious as to your opinion on the entrepreneurship spirit.

Scott Kennedy: All right, so that's the first question. We're going to come to the second row here.

Q: Mike Mosettig, PBS Online NewsHour.

Your basic advice to Beijing is to chill out on Hong Kong. (Laughter.) Is there anything in the track record of this current leadership that they chill out on anything? (Laughter.)

Scott Kennedy: OK. Right behind you.

Q: Thank you. My name is Zhaoyin Feng. I'm a reporter with the BBC.

So could you elaborate on the reasons why this event was postponed? You kind of hinted that this administration tends to prioritize trade talks over other issues, such as Hong Kong. Does it have anything to do with the delay, the meeting between the two presidents and the ongoing trade talk(s)?

And also, secondly, do you think Hong Kong still has sufficient autonomy? What will serve as a clear sign to the U.S. that Hong Kong has lost that sufficient level of autonomy? Thank you.

Scott Kennedy: So you got all three?

Ambassador Tong: I think so.

Scott Kennedy: All right.

Ambassador Tong: Well, for the first question, I think the spirit of entrepreneurship in Hong Kong is very strong. There is a real willingness to take risks economically, to invest, to take chances. There's a lot of energy, a lot of very, very smart people.

Hong Kong's – one of its development challenges right now is that it's skewed in the direction of – this might sound familiar to Washington – but it's got a lot of lawyers – (laughter) – and quite a few bankers, and not so many tech geeks. And if you're a tech geek, that's not an offensive term; it's a badge of honor. So Hong Kong needs more people in white T-shirts and blue jeans who really love computers, and I think they're working hard to develop that to supplement their legal structure. And in fact, they've got a lot of capital and a lot of really good people in marketing and doing business.

And so I would – I'm kind of optimistic about that sector, but I think it's really going to be an issue of attracting the right people. So this year's events are important from that perspective, and I think it's worth keeping an eye on whether they're still able to get people in science and technology research or in technology development to come to Hong Kong next year the same way that they were two years ago.

The chilling out, you know, just because there hasn't been a huge track record of chilling doesn't mean it's not the right advice. And so I think that we should continue to give the right advice and that China should – I think that China is capable of subtlety from time to time in its foreign policy. And this isn't foreign policy, this is actually internal policy. So I remain hopeful that the message will get through. And as I said earlier, I think there are some signs that, at least to a certain extent, that message is getting through and people in Beijing are thinking seriously about what might work best for Hong Kong going forward.

On the question about the rescheduling of this event, it had to do with getting clearances and bureaucratic procedures and the like. And you know, the government's a very complicated and convoluted beast.

Q: (Off mic.)

Ambassador Tong: Hmm?

Q: But you must have anticipated that clearance process being long.

Ambassador Tong: Sure, but it –

Q: But it seems like it was delayed last minute.

Ambassador Tong: Things always don't go the way they're supposed to, so –

Q: Did you ever receive any pressure from the State Department regarding your talk?

Ambassador Tong: Sorry?

Q: Did you ever receive any pressure or guidance from the State Department –

Ambassador Tong: I received pressure from the – when I was working for the State Department, I received pressure from the State Department every day. (Laughter.)

Q: – regarding the talk today?

Ambassador Tong: Just constant pressure. (Laughter.) It was like – it was like a pressure cooker of demands and –

Q: But regarding the talk today.

Ambassador Tong: Yeah, so I'd – you know, my intention in doing this today was not to tweak this whole issue about, you know, who said what and when. And as I think I made clear in my remarks, I think that the U.S. should be – should be both truthful and forthright in expressing its views on Hong Kong, and treat it as an important issue set, and do the right thing. And I think that that's – you know, I've got my fingers crossed and I'm hopeful that that's what the United States will do.

Scott Kennedy: Well, I'll say –

Q: (Is there enough autonomy ?)? (Off mic) – my second –

Ambassador Tong: Oh. You know, you started to sound like you were going to use the word “redline,” and I actually really don't like that idea. I don't think that it makes sense to establish specific redlines or benchmarks for what's sufficient and what's insufficient autonomy because it's really a judgment call.

You know, Scott mentioned that this year's report that the State Department put out – I thought it was a well-done report – it talked about sufficient but diminished autonomy in Hong Kong. I thought that was a balanced conclusion, and – but it's a subtle one. And I

think that that's – it's really not helpful to establish clear lines in the sand, not because they're going to be crossed but because it just – it just bends everyone's expectations and point of view, and they start focusing on that rather than what actual positive action would be going forward.

Scott Kennedy: Well, Beijing may be able to have subtle policies. Washington, we're learning and we're – and we're trying.

Ambassador Tong: Well, isn't that what CSIS is for? Yeah. (Laughs.)

Scott Kennedy: And that's what we're trying to do. And I appreciate your proposal for a change in uniform that maybe we'll implement and go to shorts and T-shirt and – and shirts like that. (Laughter.) We'll talk internally about it, I guess, over the next week.

Maybe slightly delayed, but well worth the wait to hear from you. And thank you for your remarks today, for your service. All of you please join me in thanking Ambassador Tong. (Applause.)

Ambassador Tong: Thank you. Thanks, Scott.

Scott Kennedy: Appreciate it.

(END)