

Hong Kong: The Rise and Fall of One Country Two Systems¹

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To obtain perspective on today's Hong Kong tumult, it's useful to go back to the origins of one country two systems. The idea was invented for Taiwan in 1979. China offered to allow Taiwan to keep its economic system, social system, government and even its military in return for acknowledging that it was part of the People's Republic. Taiwan rejected that.

From a Taiwan policy to a Hong Kong policy with Taiwan implications

Deng Xiaoping next used the idea to resolve an emergent crisis over Hong Kong. By 1984 there was an emergent crisis because the biggest section of Hong Kong, the New Territories, was scheduled to revert to mainland rule in 1997. Investors in real estate were terrified that they would lose everything in the reversion. Those concerns led to a historic confrontation between Deng Xiaoping and Margaret Thatcher in December 1984. Few things seemed more unlikely than that the old communist and the right-wing democrat, both known for toughness, would come to terms. But both understood the costs of potential conflict and the benefits of compromise, so they reached a deal that became the 1985 Joint Declaration, which promised to preserve the judicial system, legislative and executive autonomy, and all the key freedoms: "Rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research and of religious belief." (Article 3.5) This was an international treaty that is still legally in effect.

Annex 2 provided that the British and Chinese would consult on any matter of disagreement.

Deng believed that one country two systems for Hong Kong would facilitate eventual reunification with Taiwan. He believed that by 2047 China would have developed to Taiwan's level both economically *and politically* and therefore would be an attractive partner for Taiwan. By that time Taiwan would, he thought, be impressed by China's sincere implementation of one country two systems and would welcome reunification.

Chinese leaders were determined to make the agreed deal work. They consulted widely. I met with top leaders once or twice a year as a Governor of the American Chamber of Commerce, more often and more importantly as Chair of the Economic Committee of the Business & Professionals Federation, a group of top Hong Kong business leaders that was originally called the Basic Law Drafting Committee. China's leaders were accessible and eagerly sought advice, from foreigners and particularly from the business tycoons whom they regarded as the real experts on Hong Kong. Our conversations were quite wide-ranging. Zhu Rongji was always the most impressive, because he was so open. Fully in control of his own ego, he welcomed criticism and answered delicate political questions with humorous alacrity.

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The British Governor, Sir David Wilson, a lifelong China expert, was equally open and sensitive to what would work in this complex interaction of the UK, China and Hong Kong. The interaction between Wilson and the Chinese government ensured a flexible, optimistic spirit.



The author presenting his book, **The Rise of China**, to Zhu Rongji. Left, delegation leader Vincent Lo.

It is difficult today to convey that period's good will between Hong Kong, the rest of China, and foreign ideas, so I'll mention just one example. At one point China sought to turn Hainan Island, a much larger Chinese version of Hawaii, into a free port. The Governor of Hainan hired my friend Charles Wolf at the RAND Corp. to help plan how to turn Hainan into a new Hong Kong. Charles Wolf in turn asked me to write the section on whether Hainan should henceforth use the Hong Kong dollar rather than the Chinese RMB as the province's currency. That kind of pragmatism was typical.

Britain reacts to June 4, 1989

Then June 4, 1989 intervened. The Hong Kong stock market and property market collapsed. In reaction to the tragedy, the world's relationship to China changed. The British felt that decisive action was necessary to restore confidence. They did two things. One was to build a gigantic airport. Hong Kong did need a new airport and China offered to cede Hong Kong some land in Shenzhen, plus a road to that land, for a new airport that would have cost about \$3 billion. The British rejected that, on the argument that China could not be trusted, and classified the offer as top secret so that the Hong Kong people would not find out about it. Instead they planned a \$24 billion airport to be built by flattening and extending an island in the nearby South China Sea and building a road and railroad out to it. The original Chinese offer has never been revealed to the Hong Kong public.

The Joint Declaration required consultation about any initiative that might bring disagreement and there was plenty of disagreement about this. The Chinese feared that the airport could be a way to channel funds out of Hong Kong to British firms. In my personal experience some of their fears were justified; the British consulting firm that set standards for airport construction products sometimes chose standards, for instance on cement additives, that specified a British product even when alternatives were vastly superior. The British argued that informing the Chinese about their decision was the same as consulting them. This nonsense was a clear breach of the Joint Declaration.

In addition, the British business community in Hong Kong argued that Governor Wilson, a diplomat, should be replaced by a tough political figure. In response the British government chose Christopher Patten, who didn't know much about Hong Kong or China but postured himself as a plenipotentiary of the mighty British Empire putting the uncivilized Chinese in their place. His tone in speaking about China was a kind of muted contempt. The Chinese responded with their usual enthusiasm for such things.

A few weeks into his tenure, he announced that he was going to reorganize Hong Kong's Legislative Council to make it more democratic. His applause line in that speech was that he had not consulted China. That was the ultimate insult to the Chinese leadership and a clear breach of the Joint Declaration. It was the definitive end to any chance of further political reform in Hong Kong. From then on, the only possible next political step was to wait for 1997 when the Chinese would, as everyone who knew China understood, reverse his unilateral changes. They of course did.



Governor Patten and Governor Wilson

In my opinion, with patience and empathy, the kinds of reforms that Patten imposed could have been achieved and extended, gradually, much further had someone knowledgeable and with a diplomatic temperament, like one of the great British Foreign Office China experts, been Governor rather than

Patten. Hong Kong would be much more democratic today without the multi-year pause in open exchanges that was the inevitable outcome of Patten's unilateralism.

Crisis of the legal system

China felt it had to respond in kind to Patten's unilateralism. So Premier Li Peng announced that China would withhold decision about the structure of Hong Kong's Court of Final Appeal until after the 1997 handover. Previously the ultimate Hong Kong judicial decisions had been made in London. Since Hong Kong's vitality required continuity of the legal system, by April 1995 the uncertainty had created a sense of crisis for Hong Kong's local business leadership. A group of Hong Kong Chinese tycoons plus myself, representing the Business and Professionals Federation, went to Beijing to confront Li Peng with the likelihood of an economic crash if he didn't reverse himself.



Li Peng with Overholt. In the background, to the right of Li Peng, is Henry Tang, later briefly China's leading candidate to become Chief Executive of Hong Kong.

The tycoons were afraid to confront the man known as the Butcher of Tiananmen Square, so they asked me to do it. I did so, enthusiastically, telling him that legal uncertainty would deter investment and create an economic crisis just before the handover. Li Peng responded, testily, your job as businessmen is to build roads and ports and telecommunications and my job is to decide about courts. You do your job and I'll do mine. I continued to press the case. He and I had a quite vigorous exchange and then, with conspicuous irritation, he dismissed us. But the next morning the Beijing newspaper carried an article about our visit, headlined: Premier calls for early decision on Court of Final Appeal. Hong Kong's British legal system continues to thrive, despite Christopher Patten.

Role of the Western media

Western understanding of one country two systems was informed by Western media in what may have been the most irresponsible sustained period of Western journalism in the 20th century. The virtually universal story was the death of Hong Kong. According to this story, Hong Kong was being depleted as its population fled; Hong Kong people and businesses were moving en masse to Singapore; and the economy of Hong Kong and southern China was a mess. Almost all newspapers reported that 64,000 people left Hong Kong in a year—the year that happened to have maximum departures; as far as I could tell, not one reported that 80,000 people moved into Hong Kong during that year. If the story had been valid, as 1997 approached more people should be leaving, but actually the number leaving declined to around 40,000 and the number arriving rose to about 120,000.

The story about everyone moving to Singapore was particularly ludicrous. People did get permits, as insurance, but they didn't move. Initially the Singapore and Hong Kong governments both treated the migration numbers as secrets but one year Lee Kwan Yew mentioned in his National Day speech the number of Hong Kong people who had moved to Singapore. It was fewer than 40 in four years—about nine people per year. A senior Hong Kong official leaked to me the number of Singaporeans who had moved to Hong Kong in that period. It was thousands, so many that Hong Kong had to build a new Singapore International School to accommodate their children.

After I published these numbers, which became well known in Hong Kong but were not republished in any major Western newspaper, the Monetary Authority of Singapore wrote to the chairman of my bank and demanded to know why they were “harboring this anti-Singapore economist.” Since Singapore was a major profit center for the bank, usually that would end an analyst's career, but after months of deliberation my bank wrote back that it was difficult to fire an economist for publishing numbers that the Singapore government agreed were true. The Monetary Authority relented only when, in another National Day speech, Lee Kwan Yew quoted both Henry Kissinger and me at paragraph length. On a later occasion, when Lee Kwan Yew visited Hong Kong he and his wife took me to dinner. When I complained about his government's treatment of the issue, he laughed and said that when Hong Kong was in trouble naturally Singapore would send lots of people to help it out.

How did this happen? Reporters from the leading newspapers would fly into Hong Kong, spend a day talking to Christopher Patten and Martin Lee, dutifully taking notes about the imminent death of Hong Kong, and fly out. Patten, Lee, and the Singapore government were deliberately spinning the numbers for political reasons, but Patten and Lee were regarded as heroes of democracy and therefore sufficiently authoritative that no checking of facts, context or alternative views was required. The New York Times, The New Yorker, the New York Review of Books, the Washington Post and all the other leading papers played a shameful and consequential role during this period. Newsweek reporters (Adi Ignatius and Dorinda Elliot) in Hong Kong complained that their New York editors changed the stories they wrote about the booming southern Chinese economy. On the evening of the handover, when Jiang Zemin quoted parts of the Joint Declaration to reassure Hong Kong people, CNN reported that he was trying to frighten them. If you want an example characteristic of the time, look up the biography of Patten published by The New Yorker, an article so riddled with factual errors even about basics like the composition of the Hong Kong legislature, that it would have failed as a Hong Kong high school paper. Or read the prominent photo essay published in the New York Times Week in Review section one year before the handover.

Sovereignty transition and aftermath

Hong Kong people were nervous about what China would do but were mostly happy to be rid of the colonial British. I had a painful knee for a while after a taxi driver smacked his door into me because he assumed I was British; when I explained that I was American, he apologized. The celebrations of the handover by local people were the best parties I've ever attended. Local people detected a wonderful omen when rain poured down on the last day of British rule but sunshine brightened the first day of Chinese rule. Although nervous, people were proud of China's emergent success. Nearly everyone felt Chinese and was proud of China's rapid modernization. In my first 16 years of living in Hong Kong I only heard one person, Emily Lau, express any interest in independence. Given today's very different situation, that's important to remember.

In the years after 1997 China scrupulously honored the promises of the Joint Declaration and the Basic Law. But it implemented the law in a stingy rather than generous way. Most notably, the promise of "universal suffrage," meaning simply that everyone gets to vote, could be interpreted as anything from Western-style democracy to allowing everyone to vote for a predetermined leader. Beijing's interpretation was much closer to the latter than to the former. Although there were continued expectations in both Hong Kong and Beijing of gradual liberalization, Chinese leaders were fearful and distrustful. This was their chance to consolidate the good will of the Hong Kong people, but they squandered the opportunity.

Nervous new leaders

In 2003 China chose new leaders. Hu Jintao had qualified himself for the top job by being very tough on Tibet, and he adopted a tough stance on Hong Kong. The mood in Hong Kong became nervous. To my surprise, two thought leaders from Shanghai flew to Los Angeles, where I was by then working at RAND. They said that China's new leaders were mismanaging the relationship with Hong Kong and asked my advice on what to do. With them I analyzed the new leaders' fears and showed how to assuage them.

- When the leaders saw Hong Kong demonstrations, they feared a Tiananmen Square; I documented how, in those days, Hong Kong demonstrators applied for permission, walked where they were allowed to walk, and went home. No Tiananmen Square.
- When Beijing leaders heard demands for democracy, they feared a Taiwan-style independence movement. But Hong Kong had no independence movement.
- Beijing leaders tended to see Martin Lee, an obsessively anti-China figure, as the face of Hong Kong's democracy movement. I pointed out that Martin Lee's Democrat Party had fewer than 50 members and that in polls no more than 11% of Hong Kong people had ever said they could trust Martin Lee as Hong Kong's leader. (Tung Chee-hwa polled in high 50s and Anson Chan in high 60s.) Martin Lee was an important figure but his stature in Washington DC was higher than in Hong Kong.

In other words, Beijing's most important fears were unfounded.

I recommended that one of China's senior leaders go to Hong Kong to assuage local fears. They wrote back that they couldn't get a senior leader, but they had sent the United Front Minister and she had been quite successful in calming the mood.

However, they said that the new leaders were very fearful of the coming July 1 demonstrations. What should they do? I said that the democracy movement was reaching out to Beijing by calling their annual event a "celebration of civic society" rather than a demonstration. I recommended that one of China's top two leaders go to Hong Kong and keynote the celebration. With RAND's permission, I even drafted

an indicative speech for the leader to give. They wrote back later that they couldn't get one of the two top leaders to keynote the event, but Vice President Zeng Qinghong had flown to Shenzhen and spoken with Hong Kong political leaders and had become much more comfortable with the Hong Kong situation.

I learned two things from this exercise. One was that, although Chinese top leaders are the world's most broadly experienced, having reached the top only after dealing with numerous levels of government and a broad variety of functional areas, they had no experience of Hong Kong and were very nervous about this weird little corner of their country. If one country two systems were to survive, they needed a mechanism for becoming knowledgeable and comfortable with Hong Kong. No such mechanism was created, with ominous consequences for the next transition, in 2013.

The second thing I learned was that the U.S. National Endowment for Democracy (NED) had given Martin Lee its big democracy award, a replica statue of the Goddess of Liberty from the Tiananmen Square demonstrations of 1989, potentially nullifying all of our efforts to reassure Chinese leaders about the democracy movement in Hong Kong. I drew a conclusion that has some relevance for today: the NED is too small and too ideologically rigid to have much beneficial effect, but prominent enough to be a scapegoat and to damage one country two systems.

Managed strains, rising frustrations over electoral constraints

There have been stresses and strains at the boundaries of one country two systems, notably over concerns in 2003 about enacting a required Anti-Subversion Law and in 2012 over efforts to enact a Patriotic Education Law, but Hong Kong people demonstrated and Beijing leaders accommodated, however reluctantly. Such strains were inevitable but they were successfully managed.

In 2014 expectations of electoral liberalization rose, yet again. Frustrating those expectations, China proposed to elect the Chief Executive by popular vote but candidates would be restricted to those who received more than 50 percent support from a committee of 1200 selected by Beijing, effectively allowing Beijing to designate the Chief Executive. That triggered extensive demonstrations, which petered out when the public tired of having its major streets blocked. Toward the end, the government used tear gas, a fateful decision that triggered future protestors to prepare for tougher future confrontations, with face masks and other gear.

I was sympathetic with the values of the 2014 Occupy Movement, but interviews with participants left me disturbed. Leaders like Joshua Wong were exceptionally knowledgeable and articulate, but the students I spoke with on the street were shockingly ignorant. They spoke in memes, most notably, "When the British were here we could stand up but now we are forced to kneel down." That had no relationship to the realities of British colonial rule, drawing me to the realization that these 17 year-olds were born in 1997 and had no idea what they were talking about.

Having started my career analyzing China's Cultural Revolution, I suddenly realized how it was that Mao's idealistic slogans were able to mobilize millions of schoolchildren to beat their teachers, parade their political leaders with dunce caps, and throw people out of third story windows. Hong Kong students are much less worldly and mature, because of a more rote education, than Western counterparts and Western high school kids are hardly deep thinkers. However noble the ideals, I have come to believe that mobilization of schoolchildren for demonstrations is exploitative and dangerous. College students, okay. High school and middle school students, no.

The reemergence of nativism

More importantly, Beijing's misunderstanding and distrust of Hong Kong were beginning to induce mirror image distrust in Hong Kong. When I returned to Hong Kong in 2013-2015 I was amazed to find a nascent nativist movement and a few supporters of independence.

There have always been nativist tendencies in Hong Kong. When I moved there in 1985, shopkeepers often treated Putonghua speakers with disdain while being unctuous toward Japanese. Over time the Japanese faded and a tide of wealthy mainlanders persuaded shopkeepers to drop Japanese, learn Mandarin, and become polite. But this shift didn't affect many people along the Hong Kong/mainland border. Moreover, in the early days nouveau riche mainlanders behaved like American tourists from the 1950s, tossing McDonalds containers onto the street from their Mercedes 500s, sometimes allowing their toddlers to defecate on the street. They crowded out local shoppers along the border; humiliated local college students because the mainlanders spoke both better Mandarin and better English than the locals; became at least an equal weight, much resented, in local culture; and drove already high property prices to levels often unaffordable for locals. One indicator of their newly assertive role in Hong Kong: during the demonstrations of 2019, from a concentration in the North Point district of men from Fujian Province, men sometimes collected weapons and marched with the police to subdue demonstrators. Most Hong Kong people still overwhelmingly feel Chinese, but these reemergent cultural tensions combined with political frustrations to radicalize a small group.

The decisive change

Still, Hong Kong politics remained manageable. But a decisive change began in 2015. In that year China moved to shut down a group of book publishers and book sellers who thrived on publishing embarrassing stories about top Chinese leaders. That genre no longer exists. Freedom of the press ended for book publishers.

Then Public Security Bureau officers showed up at Hong Kong's Four Seasons Hotel and spirited Xiao Jianhua, a businessman accused of very extensive corruption, back to China. So much for promised reliance on Hong Kong's legal system. Hong Kong residents from the mainland now frequently refer to the Hong Kong legal system with contempt because it employs many foreign judges—something that Deng Xiaoping and Jjiang Zemin understood as contributing to the objectivity of the Hong Kong judiciary.

Then the Foreign Correspondents Club hosted a meeting with Occupy leader Joshua Wong and asked the Financial Times Editor to chair the meeting. The Hong Kong government refused to renew the editor's visa. That decisively ended freedom of the press for journalists.

A watershed in Beijing's handling of international and local commitments

In response to complaints that these decisions infringed China's promises, in 2017 Foreign Ministry spokesman Lu Kang said the Joint Declaration is a purely historical document that "no longer has any practical significance." That's a very important statement because the Joint Declaration is a treaty filed with the United Nations that has no provision for withdrawal and that China has never repudiated. Recent years are a watershed for a country whose record in honoring international commitments until recently had few peers.

My first professional paper, in November 1971, was an analysis of China's record in honoring commitments so that Henry Kissinger, preparing for Nixon's February 1972 trip to China, would know

whether China could be trusted to honor any deal that might be made about Taiwan. To my surprise, and to the surprise of my conservative bosses, China's record was impeccable. In the two decades when I worked as a banker I firmly supported many contentious decisions based on that superb record and, sure enough, the central and Shanghai governments always honored their commitments. That era is now past.

But for Hong Kong Beijing's repudiation of the Joint Declaration is irrelevant because the Basic Law, written by China as a constitutional commitment to Hong Kong citizens, contains virtually the same promises. Basic Law Article 27 says: **Hong Kong residents shall have freedom of speech, of the press and of publication; freedom of association, of assembly, of procession and of demonstration; and the right and freedom to form and join trade unions, and to strike.** There is no way such language can be rendered consistent with shutting down book publishers, however embarrassing, or canceling journalists' work permits.

Basic Law Article 22 says: **No department of the Central People's Government and no province, autonomous region, or municipality directly under the Central Government may interfere in the affairs which the Hong Kong Special Administrative Region administers on its own in accordance with this Law.**

Article 22 absolutely precludes the Public Security Bureau from kidnapping individuals in Hong Kong, however serious their crimes. Beyond that, pervasive Public Security Bureau and Party activities in Hong Kong clearly infringe Article 22.

In short, after scrupulously honoring its promises to Hong Kong from 1997 to 2015, Beijing decisively repudiated both its international treaty and its domestic constitutional commitments to one country two systems.

Beijing's repudiation of the core promises of one country two systems created a buildup of frustration that was triggered by the proposed Extradition Law earlier in 2019. When someone is kidnapped, the incident is over before anyone can act. But the legislative process for the Extradition Law gave people time to mobilize and express all their frustrations. As this is written, they have been doing that for months on end.

The ultimate repudiation of the promise of free speech is the demand that companies censor their employees' posts about Hong Kong or face destruction of their businesses, a demand that has been imposed on Cathay Pacific, PwC, and the U.S. National Basketball Association, among others. That demand, which affects not only companies based in Hong Kong but also overseas companies, has the potential for a civilizational clash. Free speech is the core value of the Western world. If continued, attempts to export Chinese censorship will lead to massive business disruption and political tension.

Demonstrations

The 2019 demonstrations have repeatedly drawn hundreds of thousands of protestors, sometimes over one million. This is a huge proportion of Hong Kong's total 7.5 million population—a multiple of the

population typically involved in major political changes elsewhere.



Mainland scholars have attributed the crisis mainly to severe economic inequality driven by a great housing crisis. Their findings about extreme inequality are accurate, but every poll shows that the primary drivers of peaceful demonstrations are political fears that Hong Kong freedoms are being taken away.

The economic findings are important, however in explaining some of the violence. The violent protestors tend to be from broken families and other groups that are fearful, angry and feel that they have nothing to lose. They are quite distinct from the largely educated, successful middle class protestors that march peacefully.

Conspiracy theories

China's Propaganda Ministry has blamed the protests primarily on "black hands" supported by the U.S. and Taiwan. Their propaganda videos and social media campaigns have been technically brilliant. They argue that the protestors are paid. Are the Americans or the Taiwanese really able to pay a million educated middle class people to march? Or are they really able to pay a few people, who in turn by some magic are able to motivate a million people? If so, what is the magic?

If it is just the violent protestors who are being paid, is that consistent with what we know about American and Taiwanese government motives? I have never met or heard of an American of stature who believes that committing violence or advocating Hong Kong independence will accomplish anything other than ensure forceful defeat. The violence is a great way to destroy democracy and autonomy, not to promote it.

Likewise for arguments that the Taiwan government has taken young Hong Kong men to Taiwan for



Violence has been terribly destructive.

military training. Everything we know about Tsai Ing-wen's policy is that she does what is necessary to pacify her political base and avoids doing anything to provoke China. Paying for violence in Hong Kong would be the ultimate provocation.

Two other conspiracy theories have significant followings. One is that enemies of Xi Jinping in Beijing are stirring up trouble to make him look weak. A second is that a vast international conspiracy is backing the violence and this is why in some areas the shops that are not attacked have a symbol based on the

Jewish Star of David outside while the ones that are attacked do not. Nobody outside of China's inner circles can judge the credibility of the theory that Xi's enemies are promoting violence.

The use of a modified Jewish Star of David as the symbol of a grand international conspiracy theory can only inspire contempt and disgust from any Western government and indicate that no Western government would have any connection. One can reasonably question whether the stickers are actually put up by protestors.

One of saved buildings with modified Star of David



Trashed buildings had no star.



Closeup of star on building



Star on nearby post



Are some wealthy individuals subsidizing some of the violence? Possibly, but we know that most of the support comes from family and friends. All the conspiracy theories fail to explain how a million or more people are motivated to demonstrate other than by political or economic anger. By distracting attention from the core problem of very widespread discontent they interfere with dialogue about solutions. The idea that a foreign country, or some small group of black hands, could manipulate or buy a million protestors is the ultimate insult to the Hong Kong people.

Structural political problems

Efforts to resolve Hong Kong's problems encounter four difficulties.

Hong Kong Chief Executive Carrie Lam: carefully chosen as a bureaucrat, not a leader



The most important one at this point is that Beijing decided to repudiate its own constitutional promises. The only way out of that is for top leaders to say that lower ranking officials made mistakes, which will not be repeated.

The second problem is a fundamental flaw in the conception of one country two systems. China conceptualized Hong Kong as a business entity, not a polity. So it has a Chief Executive, not a Mayor or Governor. To fill the Chief Executive role China chooses a business executive or civil servant. These are well-meaning people with no political skills. They have no idea how to mobilize popular support or to mediate conflicts. They have no experience in fighting for their city's interests against pressure from above. They have no idea how to reassure Beijing about Hong Kong or to reassure their people that their interests will be protected. No mainland city would ever be governed by someone with no political experience or skills. Any Shanghai mayor would push back against central policies that vitally affected the city. Carrie Lam will go, as Tung Chee-hwa did, but the problem is not a person. The problem is that Hong Kong is a polity, not a business unit. This can be solved only by creating a more competitive political process that trains leaders.

The third problem is the structure of the democracy movement, which is fragmented into small groups. The Democrat Party, which is the one that Washington happened to focus on, is essentially a tiny Leninist structure that doesn't work well with others and is not widely trusted. It's virtually impossible for Beijing to cut a deal with the democracy movement, because if one group agrees then other groups will accuse it of a sellout. The democracy movement needs to show that it really believes in democracy, by getting together, electing a leader with broad popular support, and cutting incremental deals that gradually build trust.

Fourth, when even peaceful leaders advocate protests, the Hong Kong government rushes to find ways to arrest them. Hence the evolution of a seemingly leaderless protest movement with the guerrilla slogan, "Be Water." If the government wants to be able to reach a resolution, it needs to negotiate with the leaders of an organized movement. In Taiwan Jiang Jinguo understood this. For years, he retained the laws that made the dissident movement illegal, but he informally encouraged them to organize so that, when there was a problem, he had effective interlocutors for a deal. The Hong Kong government lacks that pragmatic wisdom, but could learn this basic political wisdom: always seek a valid interlocutor.

It may be too late for all that.

Consequences

As this is written, popular fatigue for demonstrations and anger at the violence mean that the number of participants is declining fast. Violence remains high but gradually those who throw petrol bombs will end up in jail. Barring some dramatic development that changes this trend, Chinese military or paramilitary forces are not likely to intervene in force.

Positive reforms to restore freedoms and expand the influence of the electorate, which would be the only real solution to Hong Kong discontent, are unlikely under this Beijing administration. Beijing's diagnosis of its Hong Kong problem is that policy has been too soft, not too hard. More likely Beijing will finally impose an anti-subversion law, seek to impose a patriotic education system in Hong Kong, and impose tough surveillance measures and police controls. A degree of free speech and legal guarantees, compared with the mainland, will persist for many purposes but only when the central government feels there is no urgent need to override them. One country two systems will persist but in a greatly diminished version of its earlier form.

Western dreams that people on the mainland will be inspired by Hong Kong bravery to demand freedoms are doomed to disappointment. The predominant view on the mainland is that Hong Kong people are spoiled and need to be disciplined.

If some development were to trigger a paramilitary invasion, that in turn would probably precipitate some unified Western sanctions, but those might be relatively weak because Trump has so weakened relations with U.S. allies. If repression were severe enough to trigger U.S. removal of Hong Kong's exemption from export controls, Hong Kong's vital financial sector would collapse within two years. Beijing's disinformation campaign to blame the U.S. for the demonstrations will in the end have gained the Chinese government nothing substantial but will be remembered and resented by Americans and democracy-minded Hong Kong people for a long time.

Faced with the requirement to censor their employees, many Western companies may leave Hong Kong, ironically in many cases continuing the exodus to Shanghai. There may be a considerable Cantonese exodus. Western companies and local families will be replaced by counterparts from China. In this scenario Hong Kong will not collapse but it will be quite different.

Deng Xiaoping's hopes that Hong Kong would be a beacon for Taiwan unification have been totally defeated by his successors' actions. The Hong Kong example is now an equal and opposite source of determination in Taiwan never to accept unification in any form. That leaves Beijing with only one option for Taiwan: military conquest, if it can afford the terrible price.