Human Rights, Credit Downgrading, and Hong Kong Elections

China Insider #57

TRANSCRIPT

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Miles Yu:
Welcome to China Insider, a podcast from Hudson Institute's China Center.

Shane Leary:
It's Tuesday, December 12th, and we have three topics this week. The first is the 75th anniversary of the Universal Declaration of Human Rights and Miles’ reflections on the legacy of human rights abuses in the People's Republic of China. We then discuss Moody's downgrading of China's sovereign credit rating and what this portends for the Chinese economy. And finally, we discuss the recent local elections in Hong Kong and the state of democracy in Hong Kong today. Miles, how are you?

Miles Yu:
Very good. Shane, nice to be with you again.

Shane Leary:
Yeah, it's great to be back. So for our first topic, this past Sunday marked the 75th anniversary of the Universal Declaration of Human Rights, originally published in 1948 with over 50 UN member countries contributing to the final draft. As we've spoken about previously on the podcast, Chinese intellectual PC Chang contributed to this draft and this contribution has served as an inspiration to succeeding generations of Chinese citizens fighting for human rights. In particular, Lu Xiaobo who published the Charter Eight Manifesto on the 60th anniversary 15 years ago. So Miles, this offers us an opportunity, I think, to reflect on the legacy of human rights and in particular, that legacy or perhaps lack thereof in the People's Republic of China. We've obviously spoken substantially in the past about human rights abuses in China, but we can always use a refresher. So how should we think about human rights abuses today in China, and what springs to your mind as we reflect on the 75th anniversary of this declaration?

Miles Yu:
Well, the sharp contrast between China and the rest of the universal order precisely lies in the name of the document that was adopted 75 years ago last Sunday. It's called the Universal Declaration of Human Rights. This is right after World War II, countries realize the carnage and massive human rights abuse occur before the war, during the war. So they came with this document. There are two words are very, very important here. Two words. One is universal. Those are universal values, not particularly unique to one particular country. Secondly is human rights versus state rights. So China basically fairied miserably on both accounts. China does not recognize, acknowledge the universality of human rights, number one. Number two, China absolutely against human rights, but stresses the utmost importance of state rights. Basically, when we say China's communist country basically is the, you're talking about the maximization of the state power versus individual rights. So that's why conceptually China is against this. Now, China, of course, guided by this kind of wrong conceptualization. China's human rights situation has been consistently among the worst human rights organizations are many in the world. China consistently ranked at the bottom five at most, bottom 10. So year after year, the Freedom House, for example, ranked China at the bottom. This year, out of a 100 freedom index, China got only nine. It's close to the bottom. Heritage Foundation has a yearly assessment of economic freedom globally. This year, China’s economic freedom ranks at 154th. So that's pretty bottom but when it comes to press freedom, China is even worse. Reporters without Borders issued annual report about press freedom worldwide. This past year, China ranked the second worst from the bottom. It was nearly tied
with North Korea. So this is really bad. Not only this, China constantly colluded with all the human rights abusers worldwide, particularly with countries like North Korea, Iran, and Syria.

And they also, those countries do things together to have some kind of a human rights violation. International, if you will. For example, in the month of October and November, 2023, China has rounded up 600 North Korean escapees. Most of them were women, and China shipped them back to North Korea to face cruel punishment, many to certain death. So you’re talking about this is a regime that is not only doing bad things, but doing bad things together with other bad guys. In addition to this Universal Declaration of Human Rights, there’s also another very fundamental documents in the United Nations that is the International Covenants of Civil and Political Rights, ICCPR. China up to this day has refused to ratify that document. As a matter of fact, of the five permanent members of the UN Security Council, China is the only one that has not ratified the ICCPR. So you can see China act like a rogue in the international human rights arena.

Shane Leary:

So we’ve seen in the past Chinese dissidents or citizens pushing back against the regime and sort of drawing from this document, what is that legacy like today? I mean, 15 years ago we had the charter eight manifesto. Is this a significant date for people in China for those who are dissatisfied with the government?

Miles Yu:

No, you cannot even bring up this date. I mean, in China, obviously this is the international human rights date, December 10th. It's international. It's human rights and it's rights. Every element in that holiday commemoration is antithetical to the organization. I may want you to just mention another thing. China obviously is the most egregious human rights violator in the world. Not just because it’s bad, but also because the size, the scale. China is a very huge country. So China's bad human rights violations would affect a much, much bigger portion of humanity. There are a lot of international non-government organizations dedicated to human rights improvement in China. Human rights watch, for example, human rights in China, based New York, amnesty International is another one. Most of them are dedicated to documenting CCPs rights abuse, and they’re focused on cases and rescue and assistance to the victims of human rights abuses.

Very few of them are actually dedicated to eradicating the sources of those rights abuse, except that perhaps the Washington based victims of Communism foundation. So my view is what we should absolutely continue to work on cases. We also need to focus on the sources and fundamentals of PRC rights abuse. It’s very systemic. It’s ideologically driven. It’s institutionalized that destroy China from many other bad guys. For example, there's a prevailing system of labor reform camps in China. It's based upon Marxist theory about human nature. Marx believed bad guys, the bourgeoisie bad social classes, they're bad because they don’t work hard enough. They don't involve in labor. They were basically exploiters of other people's labor. So that's why the best way to change human nature, to make somebody good person, you have to be reformed through hard work and labor. That's the theory of the labor camp system, which is pervasive.

Tens of millions people went through that. Another thing, we talk about the torture and torment experience by the Uyghurs. It's not just about physical torture and violation of the human rights of this Uyghurs. To the core, it's really about Chinese communist parties, war against any organized religion, particularly [Islam] and Christianity. Those things we have to go through. The fundamentals guided by those fundamentals are the Chinese institutions. China criminal codes, for example, it which runs the chill through the spine. If you read that carefully, it's very blatant. All democracies in the dictatorship
that began to change or become democracy, they start with something like a criminal code. For example, Taiwan - Taiwanese democracy started in the mid to late 1980s. All those champions of freedom, democracy are led by a bunch of lawyers. They tackle the article hundred of the ROC criminal codes at the time, and because according to that article, even if you have the thought of disagreement with government, and you'll be criminally charged.

So this is kind of a very important thing. Having said that, unlike most other human rights abusers like North Korea, Iran, and Syria, China is also different because China also actually give the world a lot of opportunities to improve China's human rights. Because China is the only major totalitarian country that has simultaneously maintained massive comprehensive economic engagement with the West, particularly with the United States. That's opportunity and through academic economic engagement, we definitely have to tie the economic engagement with China, with the human rights conditions. Unfortunately, tragically, we squandered that opportunity to improve Chinese human rights because in the early 2000s, the United States government championed, pushed by President Bill Clinton, and completely delinked our economic engagement trade with and human rights condition. This is through the notorious HR-4444, also known as the China Trade bill, which basically provides normalization of trade relations with China, delinking trade and human rights.

So American companies since then have been traded and invested in China unconditionally, which has allowed the CCP to enrich itself, utilize American technological know-how to build the most draconian state in modern history. For example, the company Cisco plays a very important role in providing the CCP surveillance technologies that form the basis for today's PRC high-tech surveillance system, Apple, Walmart, a lot of companies run sweat shops all over China. Most of these companies could not have gotten away with the labor laws, environmental laws in the United States. So that's opportunity squandered. So then of course, next question is what to be done? So I would have basically a few recommendations. Number one, we absolutely have to make human rights a condition for America's economic and trade engagement with China. We should do what the 1992 Hong Kong Policy Act does because that 1992 Hong Kong Policy Act demanded yearly reassessment of China's promise of high degree of autonomy in Hong Kong. The moment that autonomy, China's promise is broken, and states treat Hong Kong separately from China. So that's exactly what happened during the Trump administration. When Secretary Pompeo certified Hong Kong's autonomy is gone and then that trigger all bunch of policy responses as well. So my first recommendation is that all American companies must certify that their business operations in China will not violate human rights. Otherwise they could be liable for civil lawsuits and punishment by the government. We have anti-bribery law in place right now. In other words, American companies were not supposed to be engaged in bribery in foreign operations, but that's just very tiny. It is not. We should have a sweeping human rights law in this regard. Second recommendation, I would say is in the same event, we demand oral Chinese business in the US to certify that their operations in the US will not violate human rights and American law, or they should be expelled. The last one, I must say in this regard is that we should basically weaponized the Congressional Executive Committee on China. That was the committee created by this dreadful China trade bill as some kind of window dressing because there's no certifying power. In other words, unlike the Hong Kong Policy Act of 1992, the CECC has done incredible work, but just to expose China's violation of human rights. But they don't have a power to certify act as a trigger to turn off economic engagement with China on human rights condition, ground. So I think that the CECC should not just be the window dressing and should be really have some kind of real teeth.
Shane Leary:
Well, there's some great recommendations, and I mean this economic angle dovetails quite nicely in our next topic. That is the ratings agency Moody has downgraded China’s sovereign credit rating from stable to negative, citing things we've spoken quite a bit about, such as the country's crippling debts, particularly within local governments as well as the current property crises they're undergoing. So Miles, could you walk the audience through this a little bit? Why is this particularly important and what consequences are we seeing or do you intend or do you think we'll see as a result of this change in the rating?

Miles Yu:
Well, Moody's downgrading of China's a sovereign credit from stable to negative is very important. Not only this is unprecedented, but also because it marks the end of the era of illusion and self-kidding. Because in the past, Western credit rating companies more or less had to rely on Chinese statistics to make economic trade and investment decisions. And those credit rating ratings were the basis for western companies involved in China, which is pretty funny because Chinese statistics also are always really known to be unfaithful. Moody's rating this time also marks the beginning of the new era of realistic assessment of Chinese economic reality. The reason is very simple, because PRC had cut off all data sharing, all economic data sharing with the Western companies. So Moody and Goldman Sachs, companies like that would have to really come up with their real thing, real data, their real research rather than rely on China, because China is not cooperating.

So they don't have Chinese government to blame. If something goes wrong, things always go wrong. So otherwise they're not doing their fiduciary duty and legal and financial liabilities will be very, very huge. So that's why they're doing this. But I'm very glad they're doing this, and that Moody's also did this. It take a lot of courage because they anticipated retribution. And so Moody actually warned its staffers inside China to stay at home before the report came out to avoid physical harassment from the Chinese agents and Chinese police and mobs, since they predictably launched a propaganda smear campaign against Moody's. The Moody's downgrading of China's sovereign credit is not just about that is far more because in the meantime, in the same report, Moody's had also downgraded Macau and Hong Kong to negative region. And I also specifically mentioned a name. Each one of the 22 local government financing vehicles, and eight of the largest state-owned banks, 10 largest insurance companies in China and 18 largest Chinese companies.

Most of them were state owned companies like Alibaba, Tencent, China Mobile and Pec, et cetera, et cetera. So this is a massive downgrading. So the Chinese entire economic system has been downgraded to a negative. In essence, this also, this Moody forecast is becoming more believable because it is perfectly in line with the massive capital flight from China in recent months. By end of October for example, it's been reported that over $100 billion of US capital has left China. Even big firms like Tesla is having second thought because Elon Musk just announced that he's going to build another gigantic Tesla factory in Southeast Asia, 5 billion in Thailand. So that's sort of some kind of plan B. Not only this in China, people with the money they were fleeing in droves. And I've seen a report in last year, 700 super rich Chinese families have moved their family fortunes to Singapore. In 2020 alone, over 10,000 Chinese super rich families left China taken with them something around 350 billion. That's equivalent to about 50 billion Chinese US dollars. That's a lot of capital flight. So you can see the Moody's rating is resonating globally because Chinese economy has been built upon a lot of mirage, a lot of very fake data. So now it’s for real.
Shane Leary:
For our last topic, we turned to Hong Kong who has just this past weekend held district council elections. Despite the significant get out vote effort from the government, what we've seen is an electorate, which is increasingly politically disengaged. Obviously, there's reason for Hong Kongers in particular pro-democracy Hong Kongers, to be pessimistic given the abuses to their freedoms since 2019. But in particular, there's been quite a bit of criticism of what the Hong Kong government is calling the Patriots only system, which carefully vets those allowed to run in the first place. Miles, could you tell us a bit about this Patriots only system and the state of democracy in Hong Kong today?

Miles Yu:
Yeah, let me just dial back a little bit. This district council election took place this past Sunday is a farce. It's actually a mockery of the democratic process. This is how it works. So the district councils were not legislators. They were just a consultative body providing advice on administrative and governance issues. But it excited Hong Kong people because it was once the only direct elections of any kind in Hong Kong before 2019, 95% of them were directly elected by voters. That's why people were excited about this. So the 2019 election however, shocked the CCP in Beijing because the pro-democracy candidates won. Overwhelmingly, they won 81% of all positions in the district council race. The other candidates suffer a near blowout defeat. And it was against this background, the Chinese Communist Party in Beijing enacted the notorious National Security Law for Hong Kong just before the upcoming, much more important legislative council election.

So the national security law for Hong Kong was passed by the end of June, 2020, and it arbitrarily reduced, the directly elected the council members from 95% to 20%. In other words, even if the pro-democracy groups won all of the 20% seats, it will only make up 20% of the whole body. So rather than 85% seats they had just won the year before. In fact, because of the national security law, not one single pro-democracy candidate became even eligible, qualified to run in 2020. So by the end of 2020, Hong Kong had become a pure fascist regime, just like communist China. This brings up to the last Sunday's election, so-called election. This year, the election is nothing by the sham, all candidates must be patriotic. They have been approved by pro prevention authorities. There is another single one candidate who belongs to the pro-democracy camp in this race that had just won in 23 years, four years ago, won 81% of the race.

So what happened to the pro-democracy winners of the 2019 direct elections? Well, many of them are in jail. Now this is the reality, Hong Kong, it's basically just like China. There's no difference anyway, and by the way, there's another legal drama, which is kind of what triggered by a rather insignificant, that is saga of the activist Agnes Chow. I met her once. She's a brave young soul. She was the leader of the 2020 street protest against Hong Kong's proposed extradition law. What happened to her was that she was charged for illegally organizing a protest. She went to the court hearing and she was granted a parole and bailout, and then she went to Canada to go to school and waiting for her court date. And then suddenly before the court date, the approach, she decided a couple weeks ago that she's not going to go show up in this kangaroo court for her trial because she didn't commit any crime.

This leader acted, defiance, enraged the CCP and the Hong Kong chief executive John Lee, made some dramatic statements to the world, vowed to catch her back to Hong Kong, wherever she might be. That's basically part of the National Security law for Hong Kong says, because that lost jurisdiction cover entire world. If anybody violate that clause, the Hong Kong government, Chinese government had the authority, has the authority, to implement that law worldwide. So that's make this really, really, really interesting. But the CCP underestimates, the young lady, it turned out that she had learned flawless Japanese during this period of exile, went on Japanese TV and absolutely charmed the whole nation of
Japan with her eloquence grace and the will of steel. So it's quite remarkable. So I see that the forces of tyranny and freedom is manifested in Hong Kong, around Hong Kong issue on a daily basis

**Shane Leary:**
With the government being so keen on getting the vote out and things like that. I was reminded of the recent report from Benedict Rogers and Hong Kong Watch that we did an event on at Hudson [called] Sell Out My Soul, where he sort of argued that the aim of the government is to sort of slowly and insidiously suppress freedoms while maintaining the appearance of democracy and religious liberty in these things. Do you think that's what's at play here? I mean, I guess I'm asking what is the end game of the CCP and those running the Hong Kong government in terms of suppressing freedom? Is there a real desire on their part to sort of maintain a picture that Hong Kong is still democratic?

**Miles Yu:**
Well, Hong Kong used to be a financial center of the world, that financial center needs some kind of a facade of a free flow of information, some kind of democratic window dressing. And that's precisely that. I mean, nobody believes that anymore. I think that's why Hong Kong is fast going downhill to irrelevance, even oblivion, if you will. What that Hong Kong panel we held a couple of weeks ago, it did not say that there was the veneer of election or democracy. That's all gone. China doesn't need that. Hong Kong doesn't need that anymore. There was however, some degree of freedom worshiping remaining in Hong Kong. That's just a matter of time because there are a lot of Catholics over there. They were organized, were connected to the world. And also I think China also has played the game because China has been in an intense negotiation process with the Vatican, with the Pope. So I think that they want to have the good grace of the Pope to give up the Catholic authority's rights to appoint Bishops. So China, I think China is playing a larger game. That's why the even freedom of religion in Hong Kong is pretty flimsy.

**Shane Leary:**
Well, Miles, I think that's all the time we have for today. Thanks so much for joining me again, and I look forward to joining again next week.

**Miles Yu:**
Okay, thank you very much and see you next week.

**Shane Leary:**
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