

FOR PUBLIC RELEASE



Integrated Country Strategy

Hong Kong and Macau Special Administrative Regions

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Approved: August 28, 2018
Reviewed and Updated: January 5, 2021

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1. Chief of Mission Priorities

Hong Kong is on the front line of the United States Government's global effort to preserve a free and open international order in the face of the People's Republic of China (PRC)'s attempts to promote illiberal and authoritarian economic and political models. Part of China, the Hong Kong Special Administrative Region (SAR) was promised a high degree of autonomy under the "One Country, Two Systems" framework and the Sino-British Joint Declaration of 1984, a UN-registered treaty signed by the PRC and the United Kingdom in preparation for Hong Kong's 1997 reversion to PRC sovereignty. In 2019, the Hong Kong government (HKG)'s bid to allow criminal extradition to the PRC sparked months of widespread protests by a public already uneasy about Beijing's incremental erosion of the city's autonomy.

While it eventually withdrew the controversial extradition bill, the HKG was unwilling or unable to respond with meaningful reform or dialogue. Rather than allowing the HKG to pursue a political solution, the PRC backed a toughened security response, and blamed the continued unrest on alleged interference from the United States and other "foreign forces." The PRC and HKG invoked violent protest and "foreign interference," in turn, to justify the marked curtailment of freedoms and autonomy promised in the Joint Declaration.

In the 2020 Hong Kong Policy Act Report released on May 28, 2020, the U.S. Government determined that Hong Kong was no longer sufficiently autonomous to warrant all the forms of differential treatment under U.S. law that it enjoyed in the past. On July 14, 2020, President Trump responded to Hong Kong's loss of autonomy in his Executive Order on Hong Kong Normalization, which eliminated most of the policies under U.S. law that gave Hong Kong differential treatment in relation to the PRC.

Civil society, business, media, education, and other sectors are still adjusting to Beijing's imposition of the National Security Law, Hong Kong's diminished autonomy, and the effect of U.S. sanctions and other policy changes. These factors are significant challenges to U.S. engagement in Hong Kong, and require adjustments to policies, procedures, and strategies. The PRC's denial of U.S. ship visit requests has limited the city's role in facilitating military-to-military engagement. New formal and informal measures by Beijing are designed to limit the scope for U.S. engagement. Cooperation across a wide range of issues, from law enforcement to human rights, will likely be more difficult. Moves to constrict

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press freedom, via intimidation of independent local outlets and administrative roadblocks imposed on international outlets, threaten to compromise Hong Kong's traditional role as a regional media hub. Curriculum revisions and government commentary and criticism of Hong Kong's education system – especially with respect to liberal studies – are designed to undermine Hong Kong's traditional emphasis on critical thinking, create an atmosphere of self-censorship in the classroom, and restrict academic freedom.

Despite the challenges, U.S. engagement is vitally important in Hong Kong, and the stakes are high. Hong Kong's open, service-oriented economy remains an important base for hundreds of U.S. businesses, and at approximately \$26.1 billion in 2019, the bilateral goods and services trade surplus with Hong Kong remains one of our largest in the world. One of the busiest air and sea hubs in the world, Hong Kong is critical to our efforts on a wide range of issues including, countering proliferation, enforcing U.S. global sanctions, and fighting trafficking in persons, illegal drugs, and wildlife. The Hong Kong people are enthusiastic about U.S. engagement, and still enjoy more rights and freedoms than those in the mainland. Although imposition of new national security legislation is increasing self-censorship, as well as the scope for HKG coercion, Hong Kong retains diverse and active civil society and education sectors.

An important destination for U.S. investment in the entertainment, tourism, and gaming industries. The Macau gaming sector is estimated at six to seven times larger than that of Las Vegas, and currently three major U.S. companies operate casinos there. The concessions for all gaming companies in Macau are up for renewal in 2022, with the process set to begin in late 2020.

U.S. Consulate General Hong Kong and Macau is a versatile interagency platform representing twelve federal agencies spanning 22 entities to promote U.S. interests in Hong Kong and Macau, toward China, and in the Indo-Pacific. U.S. engagement with Hong Kong is based on the Hong Kong Policy Act of 1992 and its amendment, the Hong Kong Human Rights and Democracy Act of 2019, as well as the Hong Kong Autonomy Act of 2020 and the President's Executive Order on Hong Kong Normalization.

In response to the PRC's failure to honor the terms of the Sino-British Joint Declaration, the U.S. Government now treats Hong Kong like the PRC in most important respects, but continues to advocate for the preservation of its remaining areas of autonomy as well as the fundamental freedoms of the Hong Kong people.

A separate Macau Policy Act, passed in 1999, codifies U.S. ties with Macau. The Consul General has Chief of Mission authority and reports directly to Washington.

Our Mission strategy is designed to:

- Promote U.S. values and support fundamental freedoms;
- Promote free, fair, and reciprocal economic ties;
- Protect and assist U.S. citizens, and promote legitimate travel to the United States; and
- Fight terrorism and transnational crime, and enhance regional security.

Promote U.S. Values and Support Fundamental Freedoms: The Central Government in Beijing has failed to honor its commitments in the 1984 Sino-British Joint Declaration to allow Hong Kong a high degree of autonomy in the governance of its own affairs, eroding the “One Country, Two Systems” framework to the detriment of U.S. interests and Hong Kong’s economic competitiveness and future.

The PRC and HKG’s assault on Hong Kong’s autonomy has prompted the end of most aspects of differential U.S. Government treatment and the imposition of U.S. sanctions on PRC and HKG officials, affecting the degree and scope of our bilateral engagement. As a result, the Consulate General will focus on expanded engagement with civil society, education, media and other sectors, prioritizing people-to-people exchange in order to promote American values, bolster the remaining areas in which Hong Kong differs from the PRC, and support the Hong Kong people in the face of ongoing efforts by the PRC and the HKG to constrict their fundamental freedoms.

The Consulate General will advocate for democratic values and governance, including a credible elections process, realization of universal suffrage, and respect for judicial independence. The Consulate General will promote and defend human rights and good governance in Hong Kong and Macau, including attention to issues such as politically motivated reprisals against opposition figures, access to an uncensored internet, labor rights, and trafficking-in-persons. The Consulate General will support the independence of the media, civil society, and educational institutions, and advocate for freedom of the press, freedom of expression, and academic freedom.

Promote Free, Fair and Reciprocal Economic Ties: Hong Kong is a trade-based services hub, and an excellent market for U.S. products and services. The Consulate General will take advantage of the continued openness and transparency of the Hong Kong and Macau economies to advance U.S. economic and commercial interests, including expanding markets for agricultural, health, information and communications technology (ICT), education, services and other priority U.S. sectors for exports. The Consulate General will also emphasize the importance of data security, intellectual property protection, and supply chain diversification. The Consulate General will work to eliminate any barriers to U.S. trade and investment, and to codify protections for U.S. investors, as needed.

Protect and Assist U.S. Citizens, and Promote Legitimate Travel to the United States: The consulate will protect American citizens, including by advocating with the HKG and PRC governments against any opaque and draconian imposition of the new National Security Law to coerce or penalize American individuals or businesses under the “foreign collusion” provisions. The Consulate General will give U.S. citizens high-quality consular services. The Consulate General also will provide top-notch visa and travel facilitation services for foreign nationals, and work with U.S. Government agencies and travel service providers to further expand business, tourist, and educational travel to the United States.

Fight Terrorism and Transnational Crime, and Enhance Regional Security: The consulate will identify and mitigate threats against the Homeland. Although the erosion of autonomy and U.S. Government sanctions against senior HKG security and law enforcement officials will affect bilateral cooperation, the consulate will continue to advocate U.S. Government law enforcement priorities related to terrorism, transnational organized crime, money laundering, drug trafficking, smuggling, trafficking in persons, and other areas of concern with HKG counterparts. The consulate will work with Hong Kong and Macau to identify and thwart threats to U.S. national security in the Indo-Pacific region, and to enforce sanctions and export controls.

2. Mission Strategic Framework

Mission Goal 1: Promote U.S. Values and Support Fundamental Freedoms

Mission Objective 1.1: Hong Kong residents are able to take part in free, fair, and credible elections. Implementation of the 2020 National Security Law does not entirely preclude freedom of expression and assembly. There is progress toward political reform, including election of the Chief Executive by universal suffrage. The Hong Kong government shows signs of greater accountability to the public.

Mission Objective 1.2: The judiciary is able to maintain independence in the face of growing central government pressure, and continue to set examples of transparency, integrity, and the rule of law.

Mission Objective 1.3: Hong Kong local media, civil society, academic, and religious organizations continue to operate freely and openly despite coercion and self-censorship facilitated by the National Security Law. The Hong Kong government does not impose restrictions on the reporting, operations, or staffing of international organizations, including the media. Educational institutions are able to maintain free and open academic discourse. Hong Kong's internet remains uncensored and open. Mission contacts from across Hong Kong society and the political spectrum continue to welcome engagement with consulate staff. There is no significant drop-off in the number of civil society, educational, and media organizations applying for PAS small grants.

Mission Objective 1.4: Facilitate academic and cultural exchange and engagement in support of American values. Promote study abroad opportunities in the United States. Support and promote English language programs.

Mission Goal 2: Promote Free, Fair, and Reciprocal Economic Ties

Mission Objective 2.1: U.S. firms expand their market share in Hong Kong and Macau, and the United States attracts foreign direct investment from Hong Kong's private sector.

Mission Objective 2.2: Hong Kong and Macau maintain status as separate customs jurisdictions from mainland China, maintain fair and transparent regulatory environments, and participate meaningfully and autonomously in multilateral fora in ways that support our common economic interests.

Mission Goal 3: Protect and Assist U.S. Citizens, and Promote Legitimate Travel to the United States

Mission Objective 3.1: Bolster outreach and support for U.S. citizens in Hong Kong and Macau.

Mission Objective 3.2: Promote legitimate U.S. tourism, investment, study, and business travel, in addition to supporting family reunification.

Mission Goal 4: Fight Terrorism and Transnational Crime, and Enhance Regional Security

Mission Objective 4.1: Maintain law enforcement and security partnerships with the governments of Hong Kong and Macau on combatting international terrorism and transnational crime.

Mission Objective 4.2: Cooperation with Hong Kong and Macau contributes to regional stability and American interests, including by thwarting North Korean proliferation and enforcing sanctions and export controls.

Management Objective 1: Diplomatic effectiveness is advanced through maintenance of an appropriate presence, improved facilities, and incorporation of the latest and most innovative work technologies, which help create a professional work environment that attracts quality local staff.

3. Mission Goals and Objectives

Mission Goal 1: Promote U.S. Values and Support Fundamental Freedoms

Description and Linkages: U.S. Consulate General Hong Kong and Macau's primary goal is to promote and support democratic values such as freedom of expression; freedom of assembly; freedom of religion; the free flow of information, goods, and services; and respect for human rights. Hong Kong's political, legal, and economic systems remain more open and transparent than their equivalents in the Mainland, and it is crucial to ensure this remains the case, allowing civil society engagement, private sector transactions, and law enforcement cooperation to continue. In the public sphere, the United States must continue to champion the values Hong Kong and American people share, such as individual liberties, respect for human rights, and democratic governance. This goal links to Pillar IV of the National Security Strategy ("Advance American Influence"), specifically "Encourage Aspiring American Partners" and "Champion American Values," and also to Pillar II of the National Security Strategy ("Promote American Prosperity), specifically, "Promote Free, Fair, and Reciprocal Economic Relationships." This goal supports our aim to encourage a free and open Indo-Pacific, as articulated in the Indo-Pacific Strategy in the National Security Strategy, and is also linked to Goals 1.3, 2.1, 2.2, 2.3, and 3.3 of the State-USAID Joint Strategic Goal Framework.

Mission Objective 1.1: Hong Kong residents are able to take part in free, fair, and credible elections. Implementation of the 2020 National Security Law does not entirely preclude freedom of expression and assembly. There is progress toward political reform, including election of the Chief Executive by universal suffrage. The Hong Kong government shows signs of greater accountability to the public.

Justification: National and local authorities cited COVID-19 concerns to postpone Hong Kong's legislative elections, scheduled for September 2020, until September 2021 at the earliest. Free, fair, and credible elections remain a key test of Hong Kong's status. Progress towards universal suffrage of the Chief Executive would help ensure the Hong Kong government's accountability to the public, not just to the central government. Since late 2019, Hong Kong police have severely restricted public demonstrations, citing COVID-19 concerns as well as violence during protests. Police and prosecutors have increasingly detained activists for spoken, written, and online speech, including under the National Security Law. As

COVID-19 restrictions ease, the question of whether police are willing to allow a space for legal anti-government demonstrations will be an important barometer of Hong Kong's fundamental freedoms.

Mission Objective 1.2: The judiciary is able to maintain independence in the face of growing central government pressure, and continues to set an example for transparency, integrity, and the rule of law.

Justification: Hong Kong's independent legal system underpins U.S. interests and engagement in Hong Kong. Continued non-interference by national authorities in Hong Kong's judicial framework and proceedings is not only a litmus test of the SAR's rule of law, but also a factor in determining the scope of the National Security Law's reach.

Mission Objective 1.3: Hong Kong local media, civil society, academic, and religious organizations continue to operate effectively despite coercion and self-censorship facilitated by the National Security Law. The Hong Kong government does not impose restrictions on the reporting, operations, or staffing of international organizations, including the media. Educational institutions are able to maintain free and open academic discourse. Hong Kong's internet remains uncensored and open. Mission contacts from across Hong Kong society and the political spectrum continue to welcome engagement with consulate staff. There is no significant drop-off in the number of civil society, educational, and media organizations applying for PAS small grants.

Justification: The operating space for civil society groups has historically been far greater in Hong Kong than in mainland China. While this remains true, civil society, business, media, and education, which collectively help form the backbone of Hong Kong's society, are still adjusting to Beijing's imposition of the National Security Law (NSL). The expected effect of the law's vague and far-reaching provisions criminalizing subversion and "foreign collusion" on civil society, education, and the media is significant, particularly in the short term as people gauge how aggressively the law will be implemented. The NSL also stipulates that the HKSAR will promote national security education and "supervise" the media, the internet, nongovernmental organizations, and schools and universities. This deeply troubling law, coupled with the PRC's move to restrict the Consul General's engagement with government and the education sector, have created a chilling effect among the traditionally law-abiding Hong Kong people. Desirous to "follow

the rules” and fearful of violating the law, some civil society, educational, and media institutions are wary of engaging with the U.S. Consulate. There are also increasing reports of self-censorship. There are strong indications that the education sector is under threat, including increased scrutiny of teachers’ political stance and hiring of current or former Chinese Communist Party members for senior academic positions. In addition, the Hong Kong authorities have taken steps to undermine the freedom of the press. The Hong Kong Police have arrested several independent and investigative journalists on various charges, including at times the NSL, and have targeted Apple Daily, the largest independent (and anti-Beijing) local news outlet, with raids on both the newsroom and the home of its founder, Jimmy Lai. Lai, as well as members of his family and senior staff at Apple Daily, have also faced arrest.

The U.S. Government will continue to advocate for the Hong Kong people’s fundamental freedoms, including the freedoms of expression and assembly, and freedom of the press, in our interactions with the media, and by speaking out when we see evidence of diminished freedoms or specific threats against these sectors. We will support professional, ethical, and independent journalism in Hong Kong public diplomacy programs and exchanges. We will use public diplomacy and American soft power to support freedom of expression by bolstering and providing American participation in local arts and cultural programs. We will continue to champion academic freedom and seek to expand our relationships with teachers and educators at the secondary and tertiary levels, as well as encourage academic exchange programs that further mutual understanding. We will explore interagency programmatic engagement (e.g. cooperation with OES) to support academia and civil society as we foster U.S. values such as transparency, openness, and diversity.

The risks posed by a failure to sustain free and independent media, an unfettered civil society, and a vibrant cultural scene are manifold, including the loss of a valuable diplomatic and messaging platform which enjoys unique access to the Chinese public and the rest of the region. Now more than ever, we must clearly highlight the strong, enduring, and universal appeal of American values, as well as the benefits of sustained engagement with the United States, and remind audiences in Hong Kong and the Indo-Pacific of the very different set of rules and values modeled by China.

Mission Objective 1.4: Facilitate academic and cultural exchange and engagement in support of American values. Promote study abroad

opportunities in the United States. Support and promote English language programs.

Justification: In the wake of the 2019 protests that roiled Hong Kong and the imposition of the NSL, there is rising interest among many Hong Kong parents and students in study abroad opportunities. In this arena, the UK, Canada, Australia, and New Zealand are our main competitors. Academic and cultural exchanges, study abroad programs in the United States, and English language programs are all key tools for advancing our strategic objectives. The experience of studying or participating in a professional exchange program in the United States helps develop lifelong connections, creating networks of goodwill among political, civil society, and business leaders that benefit U.S interests. Aggressively promoting EducationUSA as the only free and authoritative source for accurate information about studying in the United States, strengthening our cooperation with local teachers of English, and continuing to encourage both in-person and virtual exchanges are some of the most powerful tools in our soft power arsenal as we seek to maintain and broaden our engagement with the people of Hong Kong.

Mission Goal 2: Promote Free, Fair, and Reciprocal Economic Ties

Description and Linkages: Hong Kong is one of the world's most important business, financial, and logistics hubs. Despite the events of the past year, including the protests, COVID-19, and the imposition of the National Security Law (NSL), it still plays an outsized role in the global economy, and for this reason the U.S.-Hong Kong trade relationship remains of strategic importance. As such, the Consulate General will continue to use the openness and transparency of Hong Kong's and Macau's economies to push for trade and investment ties that promote job creation in the United States and reinforce American values.

The Consulate General will prioritize U.S. commercial exports in strategic sectors, including agriculture, healthcare, electric vehicles, environmental technologies, smart building, smart transportation, education, consumer and retail goods, franchising, and financial and other services. The Consulate General will also promote information & communication technologies (ICT) exports to Hong Kong in accordance with current U.S. export control policies. At the same time, the Consulate General will advocate for data protection policies to ensure privacy rights. The Consulate General also will actively promote the United States as an investment destination for job-creating, greenfield investments from private companies and investors.

In addition, the Consulate General will work to eliminate barriers to U.S. trade and investment, encourage the implementation of U.S. standards, and advocate for transparency and rule of law. The Consulate General will monitor the application of the NSL to ensure that U.S. firms continue to receive fair and equal treatment under the law and personal data remains protected.

This goal links to Pillar II of the National Security Strategy (“Promote American Prosperity), specifically, “Promote Free, Fair, and Reciprocal Economic Relationships.” Specific to the Indo-Pacific Strategy in the National Security Strategy, it supports our aim to encourage a free and open Indo-Pacific. It also is linked to Goals 1.3, 1.4, 2.1, 2.2, 2.3, and 3.3 of the State-USAID Joint Strategic Goal Framework.

(U) Mission Objective 2.1: U.S. firms expand their market share in Hong Kong and Macau, and the United States attracts foreign direct investment from Hong Kong’s private sector.

(U) Justification: Despite the challenges of the past year, Hong Kong remains an excellent market for U.S. goods and services. It is the United States’ tenth-largest export market and the global jurisdiction with which we have the largest trade surplus. Hong Kong was the third-largest market for U.S. wine exports, the fourth-largest market for beef/beef products and the ninth-largest market for agricultural and related products in 2019. Other major exports from the United States to Hong Kong in 2019 included electrical machinery, apparatus and appliances, electrical parts, and telecommunications equipment.

Due to new U.S. restrictions on certain high technology exports following the imposition of the National Security Law, and the subsequent revocation of Hong Kong’s export license waiver by the United States, post will stress the importance of data protection and requirements related to export controls when counseling U.S. companies on selling their products, services, and technologies in Hong Kong. Emphasis will be placed on increasing U.S. exports in agriculture, financial services, financial technologies, energy efficient technologies, health technologies, medical devices, professional services, logistics, retail goods, education, and travel and tourism.

U.S. Consulate General Hong Kong and Macau will also seek opportunities for U.S. companies to participate in Hong Kong’s construction of a smart, green, and resilient city as laid out in the Hong Kong Climate Action Plan 2030. Priority subsectors will include smart transportation, smart building, electric vehicles,

environmental remediation, and energy efficiency, all areas in which U.S. companies have technological advantages versus international competitors.

Despite the recent decline of foreign direct investment (FDI) from Hong Kong and mainland China into the United States over the past 24 months due to U.S.-China trade tensions and the COVID-19 pandemic, Hong Kong's private sector will continue to play a role as an important conduit for investment in the United States. As such, post will support greenfield investment from Hong Kong in the United States and investments that create American jobs.

Mission Objective 2.2: Hong Kong and Macau maintain status as separate customs jurisdictions from mainland China, maintain fair and transparent regulatory environments, and participate meaningfully and autonomously in multilateral fora in ways that support our common economic interests.

Justification: As a global finance and logistics hub, it is in the United States' interest for Hong Kong to adhere to U.S. standards, international business norms, and rule of law. As long as Hong Kong and Macau participate autonomously in international economic fora such as the WTO and APEC, the United States stands to benefit from market access, shared standards, and open dialogue on a full range of trade and economic issues.

If Hong Kong and Macau lose independent membership in international economic organizations or fail to maintain customs jurisdictions separate from mainland China, the result could be a regulatory environment in Hong Kong that more closely aligns with that of mainland China. Such a development would harm U.S. exporters and affect U.S. job growth. It would also erode the ability of the United States to promote free, fair, and reciprocal economic relationships in the region. Despite significant political concerns raised by the promulgation of the National Security Law in June 2020, Hong Kong's status as a free and open market with a strong tradition of rule of law and judicial independence stands in sharp contrast to mainland China. U.S. Consulate General Hong Kong and Macau will advocate strongly that Hong Kong maintain its independent judiciary and implement regulatory reforms that advance U.S. business interests. The Consulate General will also join hands with the U.S. business community and like-minded partners to promote core American values, including transparency and rule of law.

Mission Goal 3: Protect and Assist U.S. Citizens, and Promote Legitimate Travel to the United States

Description and Linkages: The primary responsibility of all U.S. overseas missions is the safety and security of American citizens. Promoting family reunification and the legitimate travel of non-citizens in Hong Kong’s consular district to the United States not only provides a significant economic benefit but also enhances the short- and long-term relationship between Americans and the people of Hong Kong and Macau through business, social, cultural, and educational ties. Provision of a high level of visa services also directly furthers Mission Goal 1 – promoting U.S. and shared values and supporting Hong Kong’s autonomy – and Mission Goal 2 – promoting economic ties. This goal links to Pillar I of the National Security Strategy (“Protect the American People, the Homeland, and the American Way of Life”), specifically, “Secure U.S. Borders and Territory,” and Pillar IV of the National Security Strategy (“Advance American Influence”), specifically “Champion American Values.” Specific to the Indo-Pacific Strategy in the National Security Strategy, it supports our aim to encourage a free and open Indo-Pacific. It also is linked to Goals 1.5, 2.1, 2.2, 2.3 of the State-USAID Joint Strategic Goal Framework.

Mission Objective 3.1: Bolster outreach and support for U.S. citizens in Hong Kong and Macau.

Justification: U.S. Consulate General Hong Kong and Macau’s Consular Section attends to the various needs of the estimated 90,000 U.S. citizens in our consular district (85,000 in Hong Kong and over 4,000 in Macau) and the approximately 1.3 million Americans who visit every year. This section also provides the full range of routine and emergency special citizen services to thousands of U.S. citizens each year, usually with no more than a one-business day appointment wait time. Post will continue to balance appropriate staff and resources to long-term crisis preparedness and the ongoing provision of first-class American citizen services so that we can respond to emergencies without sacrificing our high service standards for routine services. Post will increase the efficiency of routine services and build operational flexibility to meet increased demand for U.S. citizen services. Post will provide relevant and timely information to the U.S. citizen community and strengthen relationships with local counterparts in positions to assist U.S. citizens.

Mission Objective 3.2: Promote legitimate U.S. tourism, investment, study, and business travel, in addition to supporting family reunification.

Justification: U.S. Consulate General Hong Kong and Macau will continue to provide timely and efficient NIV services in the face of reduced staffing. The failure to provide a high level of NIV services could lead Hong Kong and Macau travelers and students (Hong Kong ranks 23rd overall as a source of foreign students in the United States, very significant for a single city) to go elsewhere, which would result in a multi-million-dollar loss to the U.S. economy each year and increase risks to border security. Accordingly, the Consular Section's efforts will continue to focus on improving the speed and efficiency of its delivery of visa services and then touting its successes on that front via outreach to encourage the public to continue to seek U.S. visas. Post will reduce the immigrant visa backlog that resulted from limited visa services due to the COVID-19 pandemic.

Mission Goal 4: Fight Terrorism and Transnational Crime, and Enhance Regional Security

Description and Linkages: Hong Kong's position as a strategic global shipping and financial center and its proximity to China make it vulnerable to exploitation by transnational criminal organizations (TCOs) involved in wildlife trafficking, narcotics smuggling, intellectual property crime and various financial crimes. Trafficking in persons and child exploitation is also a serious problem in this region. We must work with Hong Kong and Macau to counter these and other threats. Social and political unrest continues to bring unprecedented challenges to the community. The United States will continue to engage to protect the rights and liberties of individuals while adhering to the rule of law.

Terrorism is a grave threat to U.S. national security. International cooperation is paramount in advancing the overall U.S. strategy of defeating transnational terrorist groups that threaten both American and global interests. The conditions that enable these terrorist and criminal threats to persist must be addressed by the United States and its global partners. Collaborative partnerships with Hong Kong and Macau may encourage the sharing of intelligence to identify avenues where the United States can help address the underlying causes of these threats in the region.

Procurement networks and sanctioned countries continue to use Hong Kong's free market economic model to skirt sanctions and conduct illicit finance. The United States will continue to engage the Hong Kong government to curb this activity and raise awareness of the threat to regional stability.

Mission Objective 4.1: Maintain law enforcement and security partnerships with the governments of Hong Kong and Macau on combatting international terrorism and transnational crime.

Justification: Hong Kong has been an able and willing partner on a wide range of law enforcement and security concerns, including counterterrorism, money laundering, narcotics trafficking, wildlife trafficking, cybercrime, human trafficking, intellectual property rights infringement, export controls, and nonproliferation. Although there has not been a terrorist incident in Hong Kong, it is not immune from radicalization. There are over 400,000 domestic workers in Hong Kong, and recent reports identified some as sympathetic to ISIS. Although the number of radicalized domestic workers is marginal, it still presents a cause for concern. The broad-based and close U.S.-Hong Kong cooperation in law enforcement directly strengthens the regional U.S. security posture and supports our efforts to fight terrorism in the region, not to mention protecting the 90,000 Americans and nearly 1,400 U.S. businesses in Hong Kong.

As a global nexus for the flow of people, goods and money, the relationship with Hong Kong expands the reach and effectiveness of the United States throughout Asia, including to mainland China. This close cooperation continues to produce tangible results in combatting transnational crime, including a significant number of criminal investigations involving millions of dollars in seizures of criminally obtained funds, the seizure of illicit drugs, commercial fraud and other customs violations, and the interdiction of sensitive controlled technologies. Maintaining the integrity of Hong Kong's stringent export control regime remains a high priority.

The continued development of Macau's gaming sector and the deepening involvement of U.S. firms necessitate our increased engagement with, and assistance to, Macau security and law enforcement bodies, particularly but not limited to money laundering, financial fraud, trafficking in persons and child exploitation. We should strengthen efforts to highlight to Macau the benefits to be gained from partnering with U.S. counterparts and participating in multilateral bodies.

The State Department's annual Trafficking in Persons Report has ranked Hong Kong and Macau on the Tier 2 Watch List for the past three and two years, respectively. Both jurisdictions rely heavily on migrant labor, which creates potential vulnerabilities that traffickers can and have exploited. As a regional

financial center, Hong Kong also could play a major role in detecting and intercepting illicit money flows connected to trafficking in persons crimes. Although both Hong Kong and Macau have taken some steps to improve their governmental framework for countering trafficking in persons – such as creating action plans and high-level government steering committees to address the issue – more can and should be done in both jurisdictions.

The risks posed by failure to strengthen law enforcement cooperation and counter-trafficking in persons cooperation include a proliferation of risks to the homeland via the inability to interdict transnational criminals, resulting in a less safe and less secure United States.

Mission Objective 4.2: Cooperation with Hong Kong and Macau contributes to regional stability and American interests, including by thwarting North Korean proliferation and enforcing sanctions and export controls.

Justification: The Democratic People’s Republic of Korea (DPRK) and other sanctioned countries continue attempts to exploit Hong Kong’s free market economic model to skirt sanctions and conduct illicit finance. Post actively lobbies the Hong Kong government to curb illegal activity and raise awareness of the threat of sanctions evasion to regional and global stability. U.S. cooperation with Hong Kong Disciplined Services combats illegal activity, reinforces the rule of law and international rules-based order, and provides the U.S. unique insight and influence. Risks associated with not achieving this Mission Objective include weakened sanctions and export regimes. In addition, the risks associated with reduced port visits by the U.S. military include the diminishment of U.S. commitment and the loss of U.S. public diplomacy messaging and engagement. The risks posed by failure to thwart sanctions evasion include a less safe, less secure United States.

4. Management Objectives

Management Objective 1: Diplomatic effectiveness is advanced through maintenance of an appropriate presence, improved facilities, and incorporation of the latest and most innovative work technologies, which help create a professional work environment that attracts quality local staff.

Justification: The Hong Kong Consulate building is more than 60 years old, with a dated infrastructure leading the Bureau of Overseas Buildings Operations (OBO) to begin the design of a new office building (NOB) to replace the current facility. The new building will give occupants adequate space for their current operations with room to expand and bring off-site agencies into the same facility with other Chief of Mission personnel.

Macau is a significant and increasingly important part of the consulate's portfolio. Management support for the resumption of regular, in-person outreach visits to Macau is needed to develop good relations with the local government and to provide services and protection to the approximately 4,000 U.S. citizens present there.