

HONG KONG

The rise of shadowy pro-Beijing protest groups is one visible sign of China's campaign for control in Hong Kong

The battle for Hong Kong's soul

BY GREG TORODE, JAMES POMFRET AND BENJAMIN KANG LIM

PRO-DEMOCRACY FORCES: Tens of thousands in Hong Kong took part in a June 4 candlelight vigil marking the 25th anniversary of the military crackdown on pro-democracy protests in Tiananmen Square. **REUTERS/PAUL YEUNG**

HONG KONG THE BATTLE FOR HONG KONG'S SOUL

HONG KONG / BEIJING, JULY 1, 2014

Since Britain handed back colonial Hong Kong in 1997, retired primary school teacher and Falun Gong devotee Lau Wai-hing has fully exercised the freedoms China promised this city of 7.2 million.

Lau and fellow believers regularly staged protests to explain the teachings of their spiritual movement and draw attention to the persecution of followers on the mainland, where the sect is banned. Until about a year ago, their protests were uneventful. That changed when a noisy rival group set up their placards and banners on the same pavement in the busy shopping area of Causeway Bay.

The 63-year-old Lau and her fellow protesters said they've been punched, shoved and sworn at since the newcomers from the "Care for the Youth Group Association Hong Kong" arrived with their blaring loudspeakers. Each protest is now a battle to be heard. "It is much more difficult now given these attacks, this external pressure, these forces from China," said Lau amid the amplified din on Sogo Corner, Hong Kong's neon-lit version of New York's Times Square.

For critics of the pro-Beijing government in Hong Kong, groups like the Care



VOTING TO VOTE: "Occupy Central" organizers (L-R) Chan Kinman, Benny Tai and Reverend Chu Yiu-ming announcing results of an unofficial referendum for full democracy. **REUTERS/TYRONE SIU**

1,200

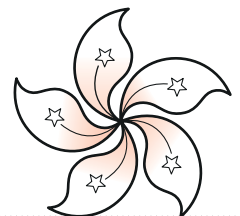
The number of people currently on Hong Kong's election committee, which selects the Hong Kong Chief Executive.

Source: Hong Kong government

for the Youth Group Association are part of a campaign from the mainland to tighten control over China's most freewheeling city. Increasingly, they say, Beijing is raising its voice. In the streets, boardrooms, newsrooms, churches and local government offices, individuals and organisations with links to the state and China's Communist Party are playing a bigger role in civil and political life, well-placed sources in Hong Kong and Beijing say.

Creeping controls

Since Hong Kong returned to Chinese rule in 1997, Beijing has gradually increased control over the territory even though Beijing promised wide-ranging freedoms and autonomy under the formula of "one country, two systems", along with an undated promise of universal suffrage.



July 1997

Hong Kong is handed back to China after more than 150 years of British rule. Tung Chee-hwa, a Shanghai-born former shipping tycoon, is hand-picked by Beijing to rule the territory.

February 2001

Hong Kong's number two official, Chief Secretary Anson Chan, who opposed Chinese interference in the territory's affairs, resigns under pressure from Beijing.

June 2002

Trial of 16 members of the Falun Gong spiritual movement arrested during a protest outside Beijing's Liaison Office in the territory. The 16 are found guilty of causing a public obstruction.



CRITIC AND CHIEF: Anson Chan (L) and Hong Kong Chief Executive Leung Chun-ying. REUTERS/BOBBY YIP AND TYRONE SIU

Whenever there are anti-government public protests, a pro-Beijing counter movement invariably appears. This year's 25th anniversary commemoration of the protests centred on Beijing's Tiananmen Square drew a rival demonstration to defend China's bloody crackdown on June 4, 1989.

Mainland officials based in Hong Kong now routinely seek to influence local media coverage.

Catholic priests in Hong Kong report that agents from China's security service have stepped up their monitoring of prominent clergy.

And, Beijing's official representative body, the Liaison Office of the Central People's Government in Hong Kong, now is able to shape policy in the office of city chief executive Leung Chun-ying, say two sources close to the city's leader.

“Leung Chun-ying is just a puppet for Beijing's interests.

Anson Chan

Former head of Hong Kong's Civil Service

Residents of this global financial centre could not help noticing a more overt sign of China's rule in the former British colony: Huge Chinese characters spelling out “People's Liberation Army” in a blaze of neon alongside the military's waterfront headquarters that suddenly appeared at the beginning of June.

For Beijing's critics in Hong Kong, the 1997 handover is feeling more like a takeover.

“Blatant interference is increasing,” says Anson Chan, who led Hong Kong's

160,000-strong civil service in the last years of British rule and continued in that role for several years after the handover.

Chan cited as examples pressures on Hong Kong companies not to advertise in pro-democratic newspapers, attempts to limit debate about democratic reform, and the higher profile increasingly being taken by Beijing's official representatives in the city.

“It's not another Chinese city and it shouldn't become one. Hong Kong is unique,” said Chan.

XI'S TOUGHER LINE

In China's opaque political system, it is impossible to determine whether the party's growing clout in the territory is entirely the result of a campaign organised from on high, or partly the doing of mainland and local officials eager to please Beijing. Still,

July 2003

Half a million people protest in the city against proposed anti-subversion laws. The proposed laws were shelved.

April 2004

China rules that its approval must be sought for any changes to Hong Kong's election laws, giving Beijing the right to veto any moves towards more democracy.

December 2007

Beijing says it will allow the people of Hong Kong to directly elect their own leader in 2017 and their legislators by 2020.

HONG KONG THE BATTLE FOR HONG KONG'S SOUL



COUNTER-PROTEST: Hung Wai-shing, chairman of a pro-Beijing group called “Care for the Youth Group Association Hong Kong”. The group has been countering the protests of the Falun Gong spiritual group in Hong Kong, which is banned in the mainland. **REUTERS/BOBBY YIP**

a tougher line on Hong Kong is coming from the top.

Despite promises that post-handover Hong Kong should enjoy a high degree of autonomy, China’s President Xi Jinping, is said to have decided that Beijing has been too lenient.

“Xi Jinping has rectified (China’s) policy for governing Hong Kong,” a source close to the Chinese leader told Reuters in Beijing, requesting anonymity. “In the past, the mainland compromised toward Hong Kong too much and was perceived to be weak.”

This tightening grip has fuelled resentment and sparked a civil disobedience movement called “Occupy Central”, which threatens to blockade part of Hong Kong’s main business district.

Mass protests can paralyse this high-density city. Business leaders have warned that Occupy could damage businesses:

Four of the largest multinational accounting firms placed advertisements in local newspapers warning against the movement, which has been branded illegal by Chinese authorities.

Occupy’s primary aim is to pressure China into allowing a truly democratic election in 2017.

Beijing says Hong Kong can go ahead with a vote in 2017 for the city’s top leader. But mainland officials stress that Hong Kong’s mini-constitution, the Basic Law, specifies that only a nominating committee can pick leadership candidates. Pro-democracy activists demand changes that would allow the public to directly nominate candidates.

Nearly 800,000 people voted in an unofficial referendum that ended on Sunday, which called for Beijing to allow open nominations of candidates for the 2017

poll – a vote China’s State Council, or cabinet, called “illegal and invalid”, said the state Xinhua news agency.

Fears that the screws are tightening were heightened when Beijing published an unprecedented cabinet-level White Paper in June on Hong Kong. It bluntly reminded Hong Kong that China holds supreme authority over the city.

“The high degree of autonomy of (Hong Kong) is not an inherent power, but one that comes solely from the authorisation by the central leadership,” it says.

The policy document took about a year to prepare and was approved by the 25-member, decision-making Communist Party Politburo around a month ago, a second source close to Xi told Reuters in Beijing.

It’s a tricky issue for China’s new leadership. Hong Kong’s democratic experiment

Text continues on page 6

December 2009

Hong Kong unveils proposals for political reform in response to pressure for greater democracy, including an enlarged Legislative Council; critics say the moves do not go far enough.

July 2012

Leung Chun-ying takes office as chief executive, succeeding Donald Tsang whose last months in office were dogged by controversy over his links with wealthy businessmen.

June 2014

Nearly 800,000 people cast votes in unofficial referendum on democratic reforms in Hong Kong, part of a civil campaign branded illegal by the Hong Kong and Chinese governments.

The Party in Hong Kong's underground

BY GREG TORODE AND JAMES POMFRET

Among dozens of suspected pro-Beijing groups registered with Hong Kong authorities as companies or societies, one is conspicuous by its absence – the Communist Party itself.

While Beijing is playing an increasing role in Hong Kong affairs, the local branch of the ruling Communist Party remains officially underground in the free-wheeling capitalist hub – a legacy, in part, of British colonial rule that ended in 1997.

From helping foment a wave of riots in Hong Kong in the 1960s that challenged British rule, to paving the way for China's reunification, the Communist Party is deeply embedded in the city's history.

"Nowhere else in the world is there a system where the ruling party remains an underground organisation as it does in Hong Kong," wrote Christine Loh in her book "Underground Front: The Chinese Communist Party in Hong Kong."

"Its presence in Hong Kong is meant to be a 'secret' although one that everyone has known about for a very long time," added Loh, who is now a senior Hong Kong official.

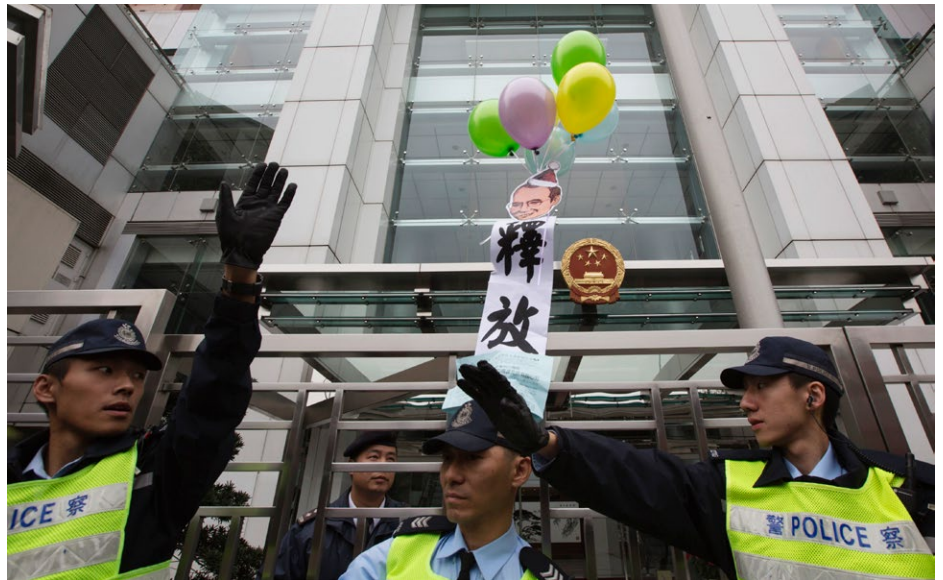
Nobody really knows how many Communist Party members there might be in Hong Kong, or how powerful it is.

Hong Kong's current leader, Chief Executive Leung Chun-ying, has had to repeatedly deny rumours he is a Communist Party member.

"I am not a member of the Communist Party. I am not a so-called underground member of the Communist Party. In fact, I'm not a member, and have not been a member, of any political party anywhere in the world," he told Reuters in 2012.

NEVER OUTLAWED

The British never actually outlawed the party. Sonny Lo, author of a definitive book



BEIJING'S CITADEL: Policemen confront protesters at the gate of China's Liaison Office in Hong Kong. The office is Beijing's administrative headquarters in the territory. **REUTERS/TYRONE SIU**

on China's underground control of Hong Kong, notes that London reached a "tacit understanding" after the Communist takeover of China in 1949 that Hong Kong could not be used as a battlefield between communists and the defeated Kuomintang nationalists that fled to Taiwan. Both would therefore have to remain underground.

The Party, which traces its origins in the city back to 1920s, operated through a secret committee, running schools, unions and newspapers. China's state Xinhua news agency office became its unofficial headquarters in Hong Kong.

To ensure a successful handover – and its promise of "one country, two systems" – Beijing opted for the status quo and no explicit role for the Party after Hong Kong returned to Chinese rule in 1997.

Xinhua was reduced in size -- its old building has largely been turned into a state-owned hotel -- and Party work moved to the new Liaison Office in 1998, a year after the handover.

No mention is made of the Party in the Basic Law, Hong Kong's mini constitution that outlines its freedoms and autonomy and governs its relationship with the rest of China.

Nor is there any significant public clamour for change – even though the situation is at the heart of a clash of political cultures as Beijing's confronts a Hong Kong populace eager for full democracy.

Across university campuses in Hong Kong, the mainland Chinese Students and Scholars Association has been active in organising underground party meetings, according to sources.

"I've got mainland students who have flat out told me they are party members, and even that they go to (the) Liaison Office for meetings," one professor said, speaking on condition of anonymity.

"Things can only get more complicated here as the communist shadows grow longer. That is Hong Kong's reality."

Editing by Bill Tarrant

is seen as a litmus test of Beijing's tolerance for eventual political reforms on the mainland, where calls for greater civil liberties and grassroots democracy have been growing, experts say.

President Xi, who has swiftly consolidated power in China since taking office by taking a hard line on domestic and foreign affairs, is unlikely to compromise on Hong Kong, the sources close to the leader said.

"Hong Kong is no different," the second source with ties to China's leadership said. "Pushing for democracy in Hong Kong is tantamount to asking the tiger for its skin."

SHADOW CABINET

China's Liaison Office in Hong Kong is housed in a skyscraper stacked with surveillance cameras, ringed by steel barricades and topped by a reinforced glass globe. Soaring above streets filled with dried fish shops and small traders, it is known in Cantonese slang as "Sai Wan", a reference to the gritty western end of Hong Kong Island where it is located. Each day, hundreds of staff, mostly mainland Chinese, stream into the matte-grey building and its marble lobby with a large Chinese screen painting of pine trees.

Hong Kong is both part of China and outside of it as defined in the 1984 Joint Declaration, the treaty under which Britain handed over its former colony.

"One country, two systems" - conceived by China's then-paramount leader Deng Xiaoping and British Prime Minister Margaret Thatcher - let Hong Kong keep its free-market economy and internationally-respected legal system, with the exception of foreign affairs and defence.

As China's on-the-ground presence in Hong Kong, the Liaison Office's formal role is described in China's recent White Paper as helping to manage the Chinese government's ties with the city, as well as "communication with personages from all sectors of Hong Kong society".

Two high-level sources with close ties



THREATS TO PRESS: Kevin Lau (above), former chief editor of the Ming Pao newspaper, was stabbed in February amidst a string of recent attacks and threats against journalists in Hong Kong. **REUTERS/STRINGER**

to Leung, the Hong Kong Chief Executive, say the Liaison Office does much more than that: It helps shape strategically significant government policies.

"The real cabinet is the shadow cabinet," said one source close to Leung. "The chief executive's office can't do without the Liaison Office's help on certain matters."

The Chief Executive's office did not directly respond to questions on the extent of its ties with the Liaison office. It said in an emailed response that China and Hong Kong shared a close relationship on multiple fronts, including at "government-to-government level". The office stressed Hong Kong's autonomy and noted that the Basic Law says no Chinese government body may interfere in Hong Kong affairs.

China's Liaison Office did not respond to faxes and phone calls seeking comment. The Hong Kong and Macau Affairs Office

in Beijing, which has Cabinet-level authority over the territory from Beijing, did not respond to faxed questions.

The Liaison Office uses its broad networks, spanning grassroots associations, businessmen and politicians, to help the Hong Kong government push through policies needing approval from a largely pro-Beijing legislature. These have included the debate over democratic reforms in Hong Kong and a multi-billion-dollar high-speed rail link to China, one source said.

Liaison Office chiefs were once rarely seen. But the current director, Zhang Xiaoming, has taken on a far more public role since taking office 18 months ago - around the same time that Xi Jinping became China's leader and Leung Chun-ying became chief executive in Hong Kong. Zhang has lunched with legislators and also attends society gatherings alongside local tycoons and business leaders. Zhang did not respond to requests for comment.

Liaison Office staff, including some from the propaganda department, regularly phone editors and senior journalists at



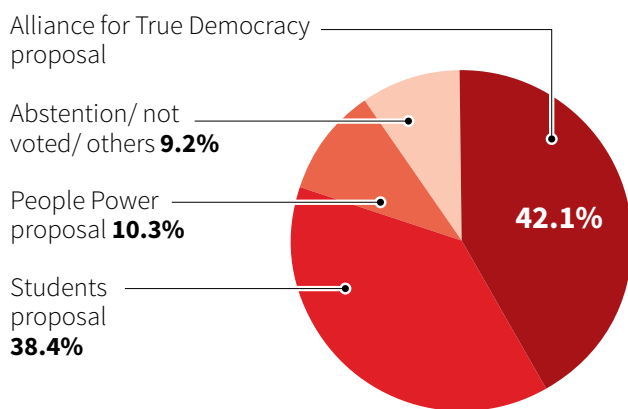
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Hong Kong referendum

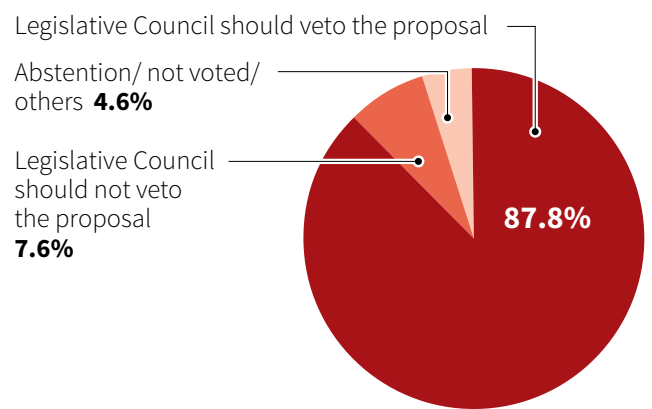
More than 780,000 votes were cast by June 29 in Hong Kong, as part of a civil campaign that has been branded illegal by local and mainland Chinese authorities.

REFERENDUM RESULTS

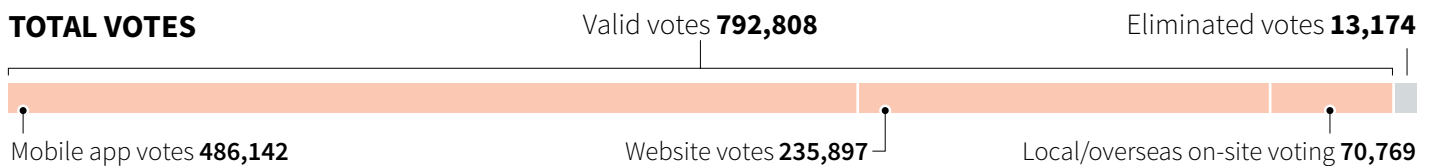
“For Chief Executive Election 2017, I support Occupy Central to submit this proposal to the government:”



“If the government proposal cannot satisfy international standards allowing genuine choices by electors, my stance is:”



TOTAL VOTES



Source: Public Opinion Programme of the University of Hong Kong

Hong Kong media outlets.

Sometimes, these officials give what are known as “soft warnings” not to report sensitive topics, according to media sources and a report by the Hong Kong Journalists Association in 2013.

In one case, a television journalist was called by a Beijing official who mentioned an interview the journalist was planning. The journalist “learned that this was a warning meaning that he was ‘being watched’ and that he should not conduct sensitive interviews,” the report said.

COMMUNIST PENETRATION

Foreign diplomats and local academics

believe the Liaison Office coordinates and implements the strategy of the Communist Party inside Hong Kong, although the hierarchy, membership and structure of the party in Hong Kong remain a secret. (See related story)

Before the 1997 handover, the Chinese Communist Party focused on courting businessmen, academics and activists to secure influence and loyalty. It has now become more assertive, attempting to isolate party enemies, silence critics, and deliver votes, Hong Kong scholars and a source close to the Liaison Office say.

The vehicle for this strategy is a Beijing-based entity called the United Front Work

Department, an organ of the Communist Party’s Central Committee, whose mission is to propagate the goals of the Party across non-party elites.

The Liaison Office’s Coordination and Social Group Liaison departments report directly to Beijing’s United Front Work Department, according to a source in frequent touch with Liaison Office staff, who declined to be named.

“There is deeper penetration by the United Front in Hong Kong in recent years,” said Sonny Lo, an academic and author of a book on China’s underground control of Hong Kong. “In part, the United Front is working to counter and adapt to

the rise of democratic populism and as a result we are seeing these new groups take to the streets.

“United Front groups are being more heavily mobilized to not just support government policy but to counter rival forces.”

A legacy of the earliest days of Leninist communist revolutionary theory, the United Front Work Department's mission is to influence and ultimately control a range of non-party groups, luring some into cooperation and isolating and denouncing others, according to scholars of Communist history.

“The tactics and techniques of the United Front have been refined and perfected over the decades and we are seeing a very modern articulation of it in Hong Kong,” says Frank Dikotter, a Hong Kong University historian and author of nine books on Chinese history.

The United Front - like the Communist Party itself - doesn't exist as a registered body in Hong Kong. There is no publicly available information about its network or structure. Neither the United Front Work Department in Beijing, nor the Liaison Office in Hong Kong, responded to questions from Reuters about the purported activities of the Front in Hong Kong.

But it is possible to trace links from some grassroots groups to mainland-owned businesses and the Liaison office.

A Reuters examination of the societies registration documents for the Care for the Youth Group Association obtained from

Hong Kong police show that the group's chairman is Hung Wai-shing and the vice chairman is Lam Kwok-on.

Police and corporate filings also show Hung is a director of a New Territories clan association that researchers believe is a core part of China's United Front operations in the city's northern fringes close to the Chinese border.

Hung is also a director of several Hong Kong subsidiaries of Beijing Yanjing Brewery Co. Ltd, a state-owned Chinese brewery that stock exchange filings show is in turn majority owned by two investment vehicles ultimately tied to the Beijing city government.

“It was clear he wanted secrets – gossip and views about (Hong Kong) relationships and trends and what might be going on at the Holy See.

Priest recalling a visit from a Ministry of State Security agent

Reports in the Ta Kung Pao and Wen Wei Po newspapers in Hong Kong - both mouthpieces for Beijing - have described Hung socialising with Liaison Office officials in the New Territories.

Hung denied any connection to the youth association when Reuters visited him at his Yanjing Beer office in Hong Kong's Fanling district.

“What you refer to, the Care for the Youth association, I tell you I'm not involved,” said Hung, a lean, middle-aged man with bushy eyebrows and thinning hair, who then called the police to complain about being questioned.

Youth care association Vice-chairman Lam is a regular at the anti-Falun Gong protests on Sogo corner. He ignored questions from Reuters about his role with the youth association at a recent demonstration.

Other street groups, including the one

that opposed Hong Kong's Tiananmen commemoration, are run by individuals linked to a network of business chambers and associations in Hong Kong, including some that are at the vanguard of United Front work in the city, scholars say.

The chairman of one of those groups, the Voice of Loving Hong Kong, Patrick Ko, is shown in company filings to be a director of the Chinese General Chamber of Commerce, which the researcher Lo identified as an organisation under the United Front umbrella in Hong Kong.

Ko denied any ties to Beijing's United Front Work Department. He said his group and the Chinese General Chamber of Commerce were “run by Hong Kong people”.

SECRET AGENTS

Behind the scenes, agents from Beijing's powerful Ministry of State Security are also expanding China's reach into Hong Kong, diplomats and members of various professions say.

The Ministry of State Security sits at the apex of China's vast security apparatus, responsible for both domestic and external secret intelligence operations.

Professionals in Hong Kong have been invited, often discreetly through intermediaries, to “drink tea” with agents.

The visits of these agents, who travel into Hong Kong on short-term permits, have become more frequent and their tactics more assertive, say multiple sources who have had contacts with such agents.

Their targets include Hong Kong-based priests, journalists, lawyers, businessmen, academics and politicians.

Two sources told Reuters the agents offer gifts in exchange for information and favours.

“They said they have an unlimited budget” for gifts, said one Hong Kong-based professional in regular contact with agents.

Two priests said they received repeated visits from State Security agents after



See the video: <http://reut.rs/1mM5k6p>



RED STAR OVER HONG KONG: A ferry passes in front of the headquarters of the People's Liberation Army in Hong Kong. **REUTERS/BOBBY YIP**

recent tensions between China and the Vatican stemming from China's moves to ordain bishops without the consent of the Holy See.

One priest recalled meeting a young and polite agent who "said he was a friend who wanted to help" while making it clear he was reporting to Beijing for State Security.

"It was clear he wanted secrets – gossip and views about (Hong Kong) relationships and trends and what might be going on at the Holy See," said the priest who declined to be identified.

In recent months, the agents have been asking about the Catholic Church's support for the Occupy Central movement, two priests said.

The Ministry of State Security did not

answer calls to its main telephone number in Beijing; the government does not disclose other contact numbers for the ministry to foreign reporters.

While the battle for influence continues, there is no let up on Sogo Corner for Lau Wai-hing and her fellow Falun Gong devotees.

On a recent Saturday, not far from where Lau was standing, members of the Care for the Youth Group Association held a "wanted" poster carrying Lau's photograph with the words "evil cult member" below it.

Lam, the group's vice chairman, raised his portable loudspeaker rigged to a car battery. "Wipe out the evil cult Falun Gong," he shouted, his voice reverberating down the busy street.

Lau, however, would not be deterred.

"People can see we only want to make ourselves heard. Hong Kong should give us that freedom."

Additional reporting by Yimou Lee, and the Hong Kong and Beijing newsrooms. Editing by David Lague and Bill Tarrant

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