



ASIA MAIOR

Vol. XXXV / 2024

Asia in 2024: Fragile democracies amid global turmoil

Edited by
Michelguglielmo Torri
Filippo Boni
Diego Maiorano
Elena Valdameri

viella

A large, intricate mandala pattern is positioned on the right side of the page, extending from the middle section down to the bottom. It features complex, symmetrical geometric and floral designs in a dark brown color, partially overlapping the text area.

CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

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The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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ISBN 979-12-5469-681-1 (Paper) ISBN 979-12-5469-682-8 (Online)

ISSN 2385-2526 (Paper) ISSN 2612-6680 (Online)

Annual journal - Vol. XXXV, 2024

This journal is published jointly by the think tank Asia Maior (Associazione Asia Maior) & the CSPE - Centro Studi per i Popoli Extra-europei «Cesare Bonacossa», University of Pavia

Asia Maior: The Journal of the Italian Think Tank on Asia founded by Giorgio Borsa in 1989 is an open-access journal, whose issues and single articles can be freely downloaded from the think tank webpage: www.asiamaior.org.

The reference year is the one on which the analyses of the volume are focused. Each *Asia Maior* volume is always published in the year following the one indicated on the cover.

Paper version	Italy	€ 50.00	Abroad	€ 65.00
Subscription	abbonamenti@viella.it www.viella.it			

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HONG KONG 2024: ADJUSTING TO THE NATIONAL SECURITY LAW

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2024 is probably the first year in which it is possible to openly discuss the consequences of the implementation of the National Security Law (NSL) in Hong Kong (2020). Multiple developments seem proving that Beijing has eventually started considering the Hong Kong Special Autonomous Region of the People's Republic of China (HKSAR) as fully integrated into the Chinese political and economic system. This is allowing Beijing to start fully integrating Hong Kong in its global economic strategy, transforming the city into a stronghold to reinforce its position abroad, particularly towards Europe, the United States, and the Middle East. After discussing the nuances of this evolution, the article explains to what extent former Hong Kong partners, mainly Taiwan, the United States, as well as the European Union, are also adjusting their positioning vis-à-vis HKSAR to limit the indirect influence China might exert on them through the city.

Keywords – Hong Kong; China; National Security Law; Censorship; Jimmy Lai; Patriotic Education; Dissidents.

1. Introduction

The essay examines the key developments in the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China in 2024, focusing on politics, media, the domestic economy, and international relations. The first section explores the consequences of the National Security Law (NSL) on both the political and media landscape, carrying forward the analysis from last year's issue of Asia Maior [Kiū 2024], focusing in particular on both dissidents' hearings and the evolution of the national schools' curriculum. The second section evaluates the current economic situation, exploring the new role China is playing in coordinating local economic and financial strategies, including the increase deepening of relations with the Middle East. The final section places these developments in the context of Hong Kong's international standing, offering a realistic outlook for its near future.

2. *The progressive integration between Hong Kong and China*

The year of 2024 was marked by the further consolidation of Beijing's political dominance over the HKSAR, particularly with a zero-tolerance interpretation and applicability of the National Security Law. Starting with the Jimmy Lai case, passing through the biggest dissident trial in Hong Kong's history, and, finally, the efforts to implement patriotic education in the schools' curriculum, it is possible to see a clear change in the political landscape in the city.

2.1. *A media mogul on the spot*

The year of 2024 marked another turning point in the process of the media tycoon Jimmy Lai. There were two major hearings on his process during 2024. The first one happened on 2nd January, when the prosecution presented its case and Lai pleaded «not guilty» when being accused of collaborating with external forces and using his newspaper, Apple Daily, to spread «seditious materials». As for the second one, on November 20th – possibly the most awaited hearing –, he took the stand for the first time to testify on the national security case after having the trial adjourned in July due to the judges' availability.

Back in January, Lai, 77 years old, was called a «radical political figure» by the lead prosecutor Anthony Chau Tin-hang for taking advantage of the protests in 2019 for freedom and democracy to pursue his «illegal agenda» – that being engaging in hostile activities with foreign countries against the Hong Kong government. Chau listed the names of the countries with which Lai supposedly conspired, such as the US, Australia, Japan, and Ireland, and of the people (deemed as «collaborators») who allegedly helped him realize his goals, like several senior Washington officials. Clips from interviews given by Lai to foreign media outlets and events' speeches made between 2019 and 2020, before the imposition of the national security law, were also played in court to prove his conspiratorial plot. Six interviews were played. According to prosecutors, they are proof of Lai's request for support for foreign interference in local affairs.

In one of the clips, an interview from July 2019 with the American research institute Foundation for Defense of Democracies, Lai described tensions between Beijing and Washington as a modern-day Cold War: «Hong Kong is fighting a war of the same values as yours. It means we are fighting your war in your enemy's camp.» [Wong and Lin 2024, 2 January]. In other clips, Lai points out how the national security legislation, yet about to pass at that moment, would destroy Hong Kong's autonomy; that the US president back in 2020, Donald Trump, was the «only salvation» for the region; and that Hongkongers would welcome support from overseas entities.

Prosecutors used as their main argument publications made either by Lai or his «collaborators» on social media platforms or private messages. In

January's hearing, they presented a report made by a computer forensics expert [Leung 2024, 9 January]. The specialist, Chow Kam-pui, an associate professor at the University of Hong Kong's computer science department, was asked by the National Security Department (NSD) to prepare a full report on the following platforms: Telegram, WhatsApp, Signal, Facebook, Twitter (now, known as X), and YouTube.

While in court, Lai, a businessman who would not typically be considered a high-security threat, was accompanied by three prison officers, linked by an escort belt. The hearing took place in the West Kowloon Law Courts Building under heavy police presence, with a significant number of officers deployed to secure the Court. According to the news outlet South China Morning Post, about 50 people queued for seats in the public gallery for more than one hour before the hearing began. The veteran activist Alexandra Wong Fung-yiu stood in front of the court building with a British Union flag voicing support for the accused. Part of Lai's family attended, including his wife Teresa Li Wan-kam, his sons Timothy Lai Kin-yan and Augustin Lai Zhun-yan, and his daughter Claire Lai Choi. A delegation from Reporter Without Borders was present as well as foreign diplomats and other civilian supporters.

In November, Lai had the chance to take the stand at the Court and testify. He explained his relations with Western politicians, Taiwanese figures, and both the creation and involvement of Next Magazine and Apple Daily in the case, both owned by him and discontinued in 2021. He denied trying to influence Hong Kong and China's affairs and donating to political parties overseas. He admitted donating to US think tanks and religious organizations only. Lai pledged to have banned Apple Daily staff due to mentioning independence for Taiwan and Hong Kong, which he explained to be «a conspiracy» and a «crazy» idea [Wong *et al.* 2024, 20 November].

The Jimmy Lai case represents much more than just a regular judicial matter and correct application of the law. It acts as a crucial indicator for the trajectory of Hong Kong's freedoms is going to be under the National Security Law (NSL). His role as a media mogul, alongside his connections with internationally relevant figures, especially from the West, and his outspoken criticism towards Beijing make him a strong symbol for both sides of this chess board. For the pro-democracy movement, Lai represents a defiant voice for press freedom and civil liberties. While for Beijing and its allies, his case will act as an example to deter dissent at the same time it sets clear limits of international interference in Chinese affairs with a «zero tolerance» attitude, as stated by Chris Tang [DW 2024, 20 November], Hong Kong Secretary for Security, when speaking with journalists after the hearing of the 45 activists that took place the day before Lai's one in November.

If convicted, the businessman will face a life sentence, ensuring that he spends his final years behind bars. The harsh stand taken by prosecutors (likely acting on instructions from Beijing) reflects China's aim to consolidate

control over Hong Kong and sent a clear message to other media outlets, activists, and businesses: any attitude that could be interpreted as alignment with foreign forces or advocating for political reforms will have consequences. Since the implementation of the NSL, Hong Kong's media landscape has changed (or adapted) by applying self-censorship or closing entirely in fear – for example, in March 2024, the Radio Free Asia (RFA) announced the withdrawal of its staff in Hong Kong [*Reporter Without Borders* 2024].

In addition, the heavy police presence during the hearings, the participation of diplomats and foreign supporters, and the detailed presentation of Lai's interviews and social media activity as their main proof underscore how the case has been politicized to serve Beijing's narrative and is being used as a high-profile example of the consequences for opposing the regime. Unlike many other dissidents, who were mainly involved in organizing or participating in political activism, Lai's influence has an international reach, posing a threat to Beijing's international relations. It is likely that this circumstance played an important role in how aggressively the prosecutors have pursued his case. Its outcome will shape how dissent is managed in the city and whether international pressure has any sway over the government's actions.

Looking at the Chinese government's websites and state-affiliated media, we can find either complete silence or strong affirmations. While Xinhua News Agency has refrained from writing any articles on the story, the China Daily has published pieces emphasizing Lai's conspiratorial activities and portraying him as a disruptor of the social order, or the «mastermind and participant of the anti-China riots in Hong Kong as well as the 'agent' and 'pawn' of the anti-China forces» [*China Daily* 2024, 21 November]. The relative scarcity of official journalistic coverage seems to suggest an intent to downplay the case within mainland China, possibly to confirm that, thanks to the implementation of the national security law, *peace and harmony* have been successfully restored in the region. Indeed, the selective reporting in English, like the ones found at China Daily, which is a vehicle of the Chinese external propaganda system specifically designed to engage foreign audience appears calibrated to create a match with the government's position on the matter.

2.2. *The endless hunt for dissidents*

In 2024, Hong Kong continued to intensify its crackdown on pro-democracy activists under the National Security Law (NSL) that came into effect in June 2020. Of 47 activists and lawmakers, 45 were sentenced to prison terms that range from four to ten years for their roles in what was considered an unofficial primary election in July 2020, two weeks after the national security law was imposed over the territory. At that time, organizers estimated nearly 600,000 people voted at polling booths set up across the city. By planning and participating in this illegal election, according to Bei-

jing, they have conspired to subvert State power with acts that were aimed at disrupting the Hong Kong Special Administrative Region (HKSAR) government's duties.

The hearing for the activists happened on 19th November 2024, one day before Jimmy Lai's hearing. People started queuing to guarantee seats inside the West Kowloon Law Courts gallery the weekend before, staying overnight with boxes of food and personal items to endure the hours of waiting – on the morning before, they were at least 26 in line [Wong and Chow 2024, 18 November]. Police had cordon lines to monitor the perimeter and did body searches on activists on the site.

The former legal scholar labelled by Chinese government and media as the «mastermind» behind the plot, Benny Tai Yiu-ting, 60 years, was handed the heaviest sentence: ten years in prison [Lam *et al.* 2024, 20 November]. His prison term was previously set at 15 years for being considered a «principal offender», but the judges downgraded it to 10 years after he pleaded guilty. The activist Joshua Wong Chi-fung, a 28-year-old former student leader, was sentenced to four years and eight months. However, more than half of the convicted have been held in detention since March 2021, which will count toward their time left in prison.

This was Hong Kong's biggest national security trial and marked the first instance in which the HKSAR has addressed a case concerning the subversion of State power. Before it, China appeared in the global headlines related to the same subject when the Chinese coast guard arrested 12 activists at sea as they tried to escape to Taiwan by speedboat [BBC 2020, 30 December]. This case happened in August 2020, about 70 km south-east of Hong Kong. Most of them were linked to the protests that took place in 2019 and, therefore, not legally allowed to leave the country. By the end of 2020, the authorities charged eight of them for illegally crossing the border (leading up to two years in jail) and two for organizing the crossing (up to seven years in prison). The hearing happened in December that year and it was closed to foreign reporters and diplomats. Between the group, two minors (the whole group had ages between 17-33) confessed to their actions and did not face prosecution.

It is possible to interpret these cases as a strong message to all those who attempt to challenge the NSL. As stated by a South China Morning Post (SCMP) editorial [South China Morning Post 2024, 21 November], the Hong Kong judges established with the sentences that a subversion plot does not need to succeed or to be violent in order to breach the law. At the November hearing, the judges pointed out that the participants were determined to ensure a successful primary, back in July 2020. Therefore, this should be treated to be as a serious attempt to overthrow the government by force.

Chris Tan, Hong Kong Secretary for Security, read a statement for journalists after the hearing on November 19th. «We believe these sentences reflect the severity of the crime and show that crimes endangering national

security must be heavily punished. The sentences have sent a clear message to the public that we have zero tolerance for any acts endangering national security, including subverting state power», he affirmed [DW 2024, 20 November].

In December 2024, Hong Kong placed six people on a wanted list. Now living abroad, they are considered fugitives and a danger for national security. In addition to that, the HKSAR intensified its efforts to capture them by offering rewards of HK\$ 1 million (US 128,760) for any information that may lead to their arrest [Kunling 2024, 24 December]. On their website, the Hong Kong Police Force has a list of all the wanted activists with their names, photos, date of birth, and a paragraph explaining what they are wanted for. Among the six on the wanted list accused of committing national security offences (including inciting secession and collusion with foreign forces), there were a former district councilor, activists, a political commentator, a YouTuber, and a former actor. On the same day, the authorities also canceled the passports of seven people wanted under the security law, two lawmakers and five activists.

The pursuit of dissidents abroad shows the ongoing escalation nature of the crackdown under the National Security Law in Hong Kong by extending the strategy to those who have sought asylum. It sends a clear message that Beijing is determined to target those it considers as a threat to its authority regardless of their current location.

International reactions in the West have been largely condemnatory [European Parliament, 2024]. Governments and human rights organizations have criticized the sentences, viewing them as punitive measures against individuals engaging in lawful political activities. Despite these concerns, the Chinese government has shown no intention of loosening its grip and their spokespeople continue to reiterate the same «zero tolerance» alongside a demand of non-interference in local affairs. Beijing continues to assert its authority over Hong Kong, signaling a steadfast commitment to integrating the region more closely with mainland China's governance model. The fact that the crackdown on dissidents has reached beyond the country's borders is a strong indication that Beijing's efforts to end dissent will persist and likely intensify in the future.

2.3. Reframing local mentalities to build a dissent-free society

The educational landscape in Hong Kong has become, through 2024, a way of spreading even more the political views of the Chinese party. Starting on 1st January, the Patriotic Education Law came into effect in the region. The law sets out the main content regarding patriotic education. Some measures included intensified efforts to embed patriotic courses into the curriculum and a close attention to the implementation process.

In another push to strengthen Hongkongers' national identity and patriotic awareness, the government established a Working Group on Patri-

otic Education in April 2024 [Shao 2024, 29 April]. With students as their main focus, the group dedicated their efforts to outlining strategies to make the patriotic education more impactful. Exhibitions, commemorative ceremonies, and artistic performances were a part of the «soft tactics» the government decided to use to evoke and nourish the patriotic spirit.

However, in a regular visit to assess the implementation of the curriculum at The Hong Kong and Macau Lutheran Church Primary School in Hang Hau and the Yan Chai Hospital Lim Por Yen Secondary School in Tsuen Wan, something caught the attention of the inspector in a negative way: how the students were singing the national anthem [Leung 2024, 26 June]. In a detailed report, it was stated that during the traditional flag-raising ceremony in these two schools the singing of the anthem by the students was weak [教育局质素保证分部 2024, January]. The document instructed teachers to «give reminders and help students develop a habit of singing the national anthem loudly». Other schools were praised for the students' attitude during the same ceremony.

The document is not something new. Reports have been prepared since the school year of 2003-2004. Nevertheless, it was only last year that the Education Bureau decided to upload parts of the school reports for the general public to see. For the schools, this can mean an even bigger scrutiny, as they are being rated on how far they were able to integrate the national security curriculum into their practices for the public to witness. While transparency can promote accountability, the emphasis on publicizing compliance with patriotic standards risks creating a competitive or punitive environment, especially for schools struggling to meet these expectations.

The new school year of 2024-2025 started not only with new demands, but also a new addition to the curriculum: «*Xi Jinping Thoughts on Socialism*». The teachings of the Chinese leader were encased in the course Citizenship, Economics, and Society, a mandatory one for all 512 secondary schools. With classes like this one, students are learning about, for example, the country's political structure, challenges about the Belt and Road initiative, national security, and the opium war. The dedication totals 12 lessons of 40 minutes each [Sharma 2024, 3 September]. All students are regularly tested on new knowledge. Their answers are carefully monitored by both school directors and CCP fonctionnaires inside the schools, most likely to achieve two results. First, assessing students' capacity to interiorize the official Chinese narrative. Second, to verify if the latter is somehow challenged at home by parents that are less inclined to formally endorse it.

The 2023-2024 academic year also witnessed an unprecedented rise in applications from mainland Chinese students seeking to enroll in Hong Kong schools. Institutions in border districts, such as the North District, have declared a «full house» turning away many applicants due to a lack of capacity or inadequate academic qualifications. Driven by policies like the Top Talent Pass Scheme, the influx has led to significant integration

challenges. Mainland students often face difficulties adapting to the English-medium curriculum, with language barriers being a common obstacle. In some cases, schools have organized intensive English classes to support these students.

The integration of patriotic themes into English-language education exemplifies the disconnect between policy ambitions and classroom realities. New government-issued teaching kits incorporate national security topics into grammar lessons and reading materials. For example, passages on food security and nuclear development are used to teach sentence structures. While the intention is to combine language learning with patriotic themes, many educators argue that such materials are too dry and complex for students with limited proficiency, potentially disengaging them further.

Language policies also reinforced the cultural integration process. The increased use of Mandarin (Putonghua) in public life, including in the education system, further diminished the prominence of Cantonese, Hong Kong's traditional language, which had been a key marker of the city's distinct identity [You 2024, 20 March].

3. The slow transformation of Hong Kong into a pawn of China's economic strategy

Throughout 2024, Hong Kong underwent several notable economic and financial shifts. These changes were shaped by post-pandemic recovery, ongoing geopolitical tensions, and HKSAR evolving role as a global financial hub.

3.1. Untangling China's contribution to Hong Kong economic recovery

After a couple of difficult years marked by COVID-19 restrictions and geopolitical instability, Hong Kong's economy began to stabilize and show several signs of growth in 2024.

The end of strict pandemic-related measures in the city, combined with global improvements in public health, created a foundation for economic growth. Mainland China, Hong Kong's largest trading partner, also opened up more broadly in 2023 [Menegazzi 2024], boosting business and consumer confidence in 2024. This evolution helped the city to stabilize and recover by focusing on key sectors like tourism, retail, and finance, as well as leveraging its role as a global trading hub.

The Hong Kong Tourism Board and government worked on various promotional campaigns to attract tourists back to the city, and in particular tourists from mainland China [Weilan 2024, 12 May]. This recovery benefited sectors like retail, hospitality, and entertainment, especially during holidays and festivals. As a consequence, the unemployment rate started

declining and the progressive increase in consumer confidence further supported domestic consumption and contributed to more sustainable growth.

Global trade also started showing some signs of recovery. The reopening in China proved to be crucial in boosting Hong Kong's key industries – such as electronics, machinery, and high-end consumer goods – whose exports registered an encouraging increase. In this context, the Hong Kong Monetary Authority (HKMA) and local trade associations have also been particularly reactive in supporting businesses with initiatives to facilitate smoother trade relations, including adjusting customs processes and enhancing digital trade infrastructure.

In this context, the Hong Kong government also confirmed its commitment to boost both trade and logistics connectivity as well as talent and labor mobility. Infrastructure projects in the Greater Bay Area (GBA), such as the Hong Kong-Zhuhai-Macau Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, and the Qianhai Free Trade Zone, continued to expand, confirming Hong Kong as an essential shipping and logistics hub, with cross-border infrastructure seen as essentials in supporting e-commerce, import-export businesses, and manufacturing supply chains.

The year of 2024 also marked a significant acceleration of talent flows between Hong Kong and mainland China, with not only more workers, executives, and entrepreneurs traveling between the two regions, but also with an apparent new strategy implemented by Hong Kong to boost its own ability to attract highly skilled workforce from mainland China [Li and Xue 2024, 18 October], particularly in fields like technology, finance, engineering, and digital transformation. Hong Kong situation remains very solid, thanks to its 2.5% economic growth, marking a moderate slow down compared to 2023 (+3.2%), but expected to maintain a similar one in 2025.

3.2. *Hong Kong as a renewed (Chinese) financial hub?*

Hong Kong has long been one of the world's leading financial centers, acting as a gateway between China and the rest of the world. However, since the 2019 protests and the imposition of the National Security Law in 2020, combined with the global COVID-19 pandemic, Hong Kong faced significant challenges to its status. During this period, the competition from other financial hubs like Singapore emerged as a new challenge to the city.

Although throughout 2024 several financial firms continued to relocate to more politically stable environments such as Singapore, 2024 marked a turning point in Hong Kong strategy to recover and reposition itself within the global financial landscape. This recovery was supported by several important initiatives, including economic stimulus measures, the continued influx of mainland Chinese capital, and efforts to diversify its financial sector, especially in emerging fields like fintech, green finance, and digital assets [HK Gov 2024, 24 September].

Generally speaking, the strengthening of Hong Kong's financial sector in 2024 largely stemmed from rebuilding investor confidence in the face of political uncertainty, as well as from the efforts made to modernize the financial infrastructure, especially in areas like digital finance and sustainable investment, and the renewed perception of Hong Kong as a privileged financial hub for mainland China. In this context, data confirm that the strengthening of both commercial and financial relationship with Mainland China was the key drive of Hong Kong recovery. The evolution of the Hong Kong stock market is an effective example of that.

The Hong Kong stock market succeeded at displaying stability and resilience in 2024, despite ongoing global uncertainties such as inflation and trade tensions. If IPOs surged due to a recovery in global investor sentiment and the return of international capital, it is also true that the Hong Kong Stock Exchange (HKEX) remained a leading venue for initial public offerings (IPOs) thanks to a number of Chinese tech giants and emerging companies that chose to list in Hong Kong attracted by its proximity to mainland China's market and its more flexible listing rules compared to Western exchanges [KPMG 2024, 3 October]. Additionally, Hong Kong strengthened its position as a platform for Chinese companies seeking to attract global capital, to be collected from both international and local investors.

Indeed, thanks to both Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect platforms, the direct access to Hong Kong's capital markets for mainland Chinese investors and vice versa was further simplified. Beyond facilitating China-Hong Kong financial cooperation and ensure that the latter remains one of Asia's leading financial centers, the consolidation of Hong Kong financial position was also meant to prove to international investors that Hong Kong remains a privileged entry point to mainland Chinese markets, regaining some of the attractiveness lost during the previous years, especially vis-à-vis Singapore. For example, the expanding of the Bond Connect platform further facilitated international investors' acquisition of Chinese bonds, strengthening the role of Hong Kong as the most valuable intermediary.

Another trend that was confirmed in 2024 is Hong Kong determination to continue to diversify its financial services beyond traditional banking and real estate, to embrace fintech, digital banking, and green finance, as a consequence of the new emphasis placed by global financial markets on Environmental, Social, and Governance (ESG) investments. The city saw increasing investment in cryptocurrencies and digital currencies with the adoption of initiatives such as the Hong Kong Digital Asset Exchange and regulations around ESG investments were enhanced to confirm Hong Kong as a key player in the sustainable finance movement in Asia. Indeed, the city's alignment with global efforts to promote green bonds, carbon markets, and sustainable investments helped attract both impact investors and

companies looking to meet international sustainability standards [HK Gov 2024, 24 September].

Hong Kong's role as a testing ground for China's central bank digital currency (CBDC) – the digital yuan (e-CNY) – also became more pronounced in 2024, as the city increasingly supported digital payment platforms that could bridge mainland China's domestic digital currency systems with international markets [*China Daily* 2024, 15 March]. The previous work made at boosting the development of digital currencies and cross-border payment systems to allow Hong Kong to integrate more deeply into China's digital economy proved to be essential in facilitating this transition.

4. *Hong Kong progressive distancing from historical partners*

Since the implementation of the National Security Law in 2020, Hong Kong's relations with several Western countries, particularly the United States and European Union member states, had deteriorated significantly. Western governments criticized Hong Kong's decreasing political freedoms, erosion of autonomy, and the diminishing space for democratic opposition.

Throughout 2024, Western diplomatic sanctions were maintained or expanded. The U.S. continued its policy of imposing sanctions on individuals and entities in Hong Kong deemed responsible for undermining the city's freedoms and autonomy, including asset freezes, travel bans, and restriction of business dealings [Magnier 2024, 25 December]. If Washington has been more vocal in imposing restrictions on sectors like financial services, technology, and media, with President Joe Biden going as far as emphasizing that Hong Kong was no longer autonomous under the Hong Kong Autonomy Act and that, as a consequence, the region lost its status as a special administrative region, the European Union has been keener to issue diplomatic protests and condemnations of Hong Kong's political repression, raising concerns over the city's press freedoms, civil rights, and rule of law. Also, it has become more and more frequent to see political and mediatic debates in Western countries questioning the status of Hong Kong as an autonomous entity, emphasizing its deeper and deeper alignment with mainland China in matters of foreign policy and trade.

Increasing reluctance to issue visas for Hong Kong pro-democracy activists emerging in countries such as the U.S., U.K., and Canada, which had welcomed them immediately after 2019 protests also became visible. Today, several Western nations providing asylum or protection for those fleeing Hong Kong experience an increasing pressure from China offering generous bounties to have the refugees back [*Al Jazeera* 2024, 24 December].

This situation progressively fueled the rise of a local alarm in terms of talent and investment losses. Indeed, continued sanctions and diplomatic isolation had the potential to impact Hong Kong's job market, with many

young professionals, journalists, and pro-democracy activists leaving the region to seek opportunities abroad – primarily in countries offering political asylum, such as the U.S., Canada, and the U.K. – and being potentially replaced by newcomers from mainland China.

Another major change in Hong Kong's international relations is linked to the fact that its foreign relations started to become increasingly framed through the lens of its role as part of China's global strategy, thanks to a slow but progressive alignment among Hong Kong's foreign policy and Beijing's broader diplomatic goals. Hong Kong is now perceived as a region that is progressively giving up its historically more neutral and autonomous role in international organizations such as the United Nations or the World Trade Organization (WTO), with Beijing taking a more direct role in managing the city's diplomatic affairs.

The sudden reorientation of Hong Kong diplomatic and economic relations further confirms the ongoing transition. As a global financial hub and trade center, Hong Kong had traditionally maintained strong ties with Asia-Pacific nations, the European Union, and North America. Today, its role in international trade is increasingly tied to mainland China's foreign policy priorities. A trend that might potentially affect its relations with former core economic partners [HK Gov 2024, 24 September].

Throughout 2024, Hong Kong has consolidated its image as a financial hub for investments in infrastructure projects tied to China's Belt and Road Initiative in Southeast Asia, the Middle East (energy, finance, and technology), Africa, and Latin America (resource extraction).

The Middle East in particular is emerging as the new priority for Hong Kong economic strategy. In October last year, an important step was taken towards strengthening Hong Kong ties with the whole region. The Saudi Arabia Stock Exchange started to trade the first exchange-traded funds (ETFs¹) that track 30 Hong Kong-listed companies (those being mainly Chinese firms, including the holdings Meituan, Techtronic Industries, and Anta Sports). HKSAR Financial Secretary Paul Chan did an in-person visit to Riyadh, the capital of Saudi Arabia, along with a business delegation to take part in the ETF listing ceremony. While there, they attended an investment conference with bilateral meetings and round-table discussions with the presence of institutions and representatives from the region.

The step came one year after Hong Kong launched Asia's first ETF on Saudi Arabia equities market (including Saudi Aramco and Al Rajhi Banking & Investment) [Au and Sedgwick 2023, 6 December], which had Saudi's sovereign wealth fund, The Public Investment Fund, as an anchor investor. Both movements had a strong government support on their backs, with

1. ETFs are a "basket" of equities that trade like a regular singular stock in the stocks market system. It is seen as an option to diversify investments by limiting the risk of investing in one single stock. It usually tracks a selection of stocks in a specific index, industry or any other given category of equities.

Hong Kong officials yearning for investments from wealthy Middle Eastern investors and family offices, as well as establishing closer ties with the region. The *quid-pro-quo* was the first step of what the government explained to be the beginning of a series of «more diversified products» to connect investors from both regions [‘FS continues to explore’ 2024, 31 October].

This was not, however, the only preferential bridge created between the two regions. The CEO of the Hong Kong Monetary Authority (HKMA), Eddie Yue Wai-man, and the governor of the Saudi Central Bank (SAMA), Ayman Al-Sayari, met in December 2024 to discuss topics such as financial infrastructure development and investment outlooks. This was a follow-up meeting after another reunion that happened in July 2023, when they agreed to promote financial innovation projects and develop the fintech sector to diminish the reliance on oil and property sectors.

Hong Kong rapprochement to the Middle East is not a local-framed strategy, rather another confirmation of the role the former colony is now playing in facilitating China’s broader economic agenda. Aimed at securing the precious resources of the region and consolidating new partnership in a region traditionally closer to the United States than China. From the perspective of Middle Eastern countries, engaging with Hong Kong is an opportunity to expand beyond an energy-focused investment portfolio and take part into technological development in Asia. More importantly, Hong Kong’s active outreach to other countries reflects its ambition to sustain relevance as a global financial hub. Whether these efforts will yield long-term, mutually beneficial partnerships remains to be seen, but they show the region’s capacity to adapt to global shifts in power and economic influence [HK Gov 2024, 24 September].

As far as the European Union and the United States are concerned, instead, in 2024 their relationship begun to stabilize at a lower level of engagement. On a general note, the continued U.S. sanctions, combined with increased political control from Beijing, led to concerns about Hong Kong’s legal environment, which was once one of the city’s key strengths. Therefore, despite having been able to maintain (so far) a relevant role in global finance, Hong Kong reputation and status are regularly challenged by political developments, particularly the risk of political interference in business operations. For these reasons, as it started happening in 2022, several multinational companies opted to reassess their presence in the city, as geopolitical risks associated with Hong Kong’s future began to manifest.

A particular attention should be given to the case of the United Kingdom, where the Labour Party’s victory in the July general election has injected a fresh breeze into the country bilateral relations with China. If the fourteen years of Conservative rule were marked by instability and contradictions in the UK’s approach to Beijing, the Labour Party, through their Foreign Secretary David Lammy, immediately emphasized its commitment to adopt a more «consistent» strategy. This was made public by an article

two months before the election in which Lammy described his vision for the post – an approach he calls «progressive realism» [Lammy 2024, 17 April].

In the beginning of 2024, ahead of the implementation of Article 23 in Hong Kong, the British government loosened requirements for holders of its British National Overseas (BNO) passport wanting to emigrate [Tung 2024, 18 March]. With the document, Hong Kongers became able to apply for a visa and eventual citizenship after six years. The rule became valid for both married and unmarried couples that did not live in the same address as long as you can prove you have an ongoing relationship. Previously, partners had to at least prove two years of cohabitation before being eligible.

After the general election, the new British Foreign Secretary visited China in what was interpreted by the Chinese as a new starting point [*Xinhua* 2024, 19 October]. However, the status of Hong Kongers living abroad – in particular those in the UK under their BNO passport – may be where the waters of bilateral diplomacy will continue to churn, sending mixed signals of what would be this «new starting point». In December, the UK government indeed reaffirmed its commitment to defending Hong Kong's freedoms and those seeking refuge on its soil. Yet, Lammy himself seems to be treading a delicate line, uncertain of how far to push back while maintaining diplomatic engagement with Beijing and pushing a new agenda.

Later that year, the British Minister for the Indo-Pacific Catherine West visited Hong Kong to meet government officials, in what was understood as a pact to the revitalization of bilateral relations. During the visit, the British consulate announced the UK government was «committed to a long-term, strategic and pragmatic relationship with China». This could be a restarting point for their relation after years of tension under the rule of the British Conservative Party regarding human rights and security concerns in the city. However, it is also possible that the rapprochement with Hong Kong has been made to confirm a sort of endorsement of the new role China has attributed to the city. Indeed, the year ended with a promise of another visit to China in January 2025, this time from the British Finance Minister, the Chancellor Rachel Reeves, in what was seen by the Chinese media as a sign to seek stronger economic ties and continue to focus on a new and promising pragmatic relationship.

The relationship between Hong Kong and Taiwan also experienced significant strains throughout 2024. Because of a narrative increasingly shaped by the broader context of China's policies, with Hong Kong being pulled closer into Beijing's orbit and Taiwan current leadership remaining resistant to any overtures from China, bilateral interactions also started deteriorating.

In fact, the evolution observed in recent years is progressing in two different directions. On one hand, the number of Hong Kong residents working on issues deemed sensitive under the National Security Law choosing to move to Taiwan – often without making it known – continues to rise

(not revealing the move is considered essential to maintain a low profile and feel safe). On the other hand, after serving as a bridge between the United States and Hong Kong during the 2019 protests, Taiwan has gradually reassessed its stance regarding any potential implicit or explicit support for Hong Kong's cause. By early 2024, this has led to the adoption of a form of self-censorship, aimed at avoiding overt concern about Hong Kong's situation and, consequently, attracting Beijing's scrutiny [*Intelligence Online* 2025, 21 January]. For this reason, several think tanks are discretely backing away from bilateral programs of collaboration, research, and reflection – once again, to avoid drawing attention. That said, bilateral trade remains stable, maintaining the volumes seen over the past three years.

5. Conclusion

In 2024, Hong Kong found itself in an increasingly precarious position, balancing its historical role as a global financial hub with the rising tensions between China and the West. The city's future as a neutral economic player continued to be undermined by its integration with mainland China, which limited its ability to act independently in the international arena. Hong Kong's standing in the global community became increasingly tied to Beijing's interests over the last year, complicating its diplomatic relations with the West.

As the legal and political landscape keeps shifting under the National Security Law, the city risks becoming more and more isolated from its former allies, raising questions about whether it can sustain its reputation as an open and competitive global center. With businesses and investors increasingly weighing the risks of engagement in such a landscape, Hong Kong's future may no longer be determined by its own ambitions, but by the strategic imperatives of Beijing.

The establishment of cash rewards for activists living abroad and passports cancelations sends a signal that Beijing is far from done demonstrating its power. These measures extend the reach of the National Security Law beyond Hong Kong's borders. They not only heighten fears among dissidents overseas, but also risk triggering diplomatic tensions with the countries offering them refuge. It is still to be seen how the zero-tolerance policy will be used by China. However, if Beijing is to use the argument of internal affairs, as it does with Taiwan every time other countries try to contest its acts, this can mean the beginning of further legal accusations and international disputes.

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