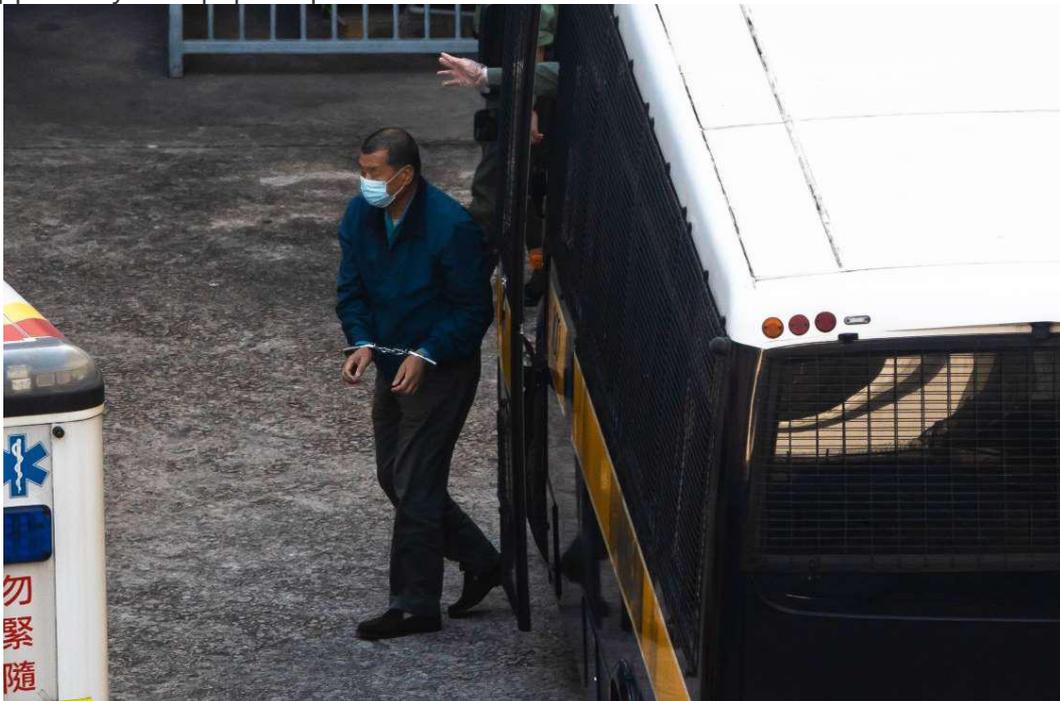


B *Hong Kong Tycoon Jimmy Lai Denied Bail in Ongoing Crack Down*

Sheridan Prasso & Kari Lindberg

(Bloomberg) -- Jimmy Lai was denied bail on new charges related to an August arrest under a China-drafted security law, potentially keeping the Next Digital Ltd. founder behind bars for months as he fights the allegations.

Lai, 73, was ordered to remain in custody pending further proceedings, according to Mark Simon, an aide to the media tycoon. Two other Next Media executives who were charged alongside Lai were released on bail, Simon said. Judge Victor So Wai-tak, of the West Kowloon Magistrates' Courts, adjourned the case until April 16, Next Media's Apple Daily newspaper reported.



*Bloomberg Hong Kong Media Mogul Jimmy Lai Denied Bail in Fraud Case
Jimmy Lai arrives at the Lai Chi Kok Reception Center in Hong Kong on Dec. 3.*

Photographer: Billy H.C. Kwok/Bloomberg

The ruling means Lai, whose support for Hong Kong democracy has caused China to dub him a “black hand” working for foreign forces, could remain in jail for the foreseeable future. Lai will seek to appeal the bail decision, Simon said.

Lai wasn't immediately charged with potentially more serious allegations of foreign collusion under the security law, which in August prompted his arrest and a dramatic raid of the Apple Daily's newsroom. In an interview with Bloomberg News on Tuesday, Lai said he was “preparing for the worst.”

“The more danger I am in, the more effectively I can draw the attention of the world to Hong Kong,” he said.

Lai and his fellow executives were charged with violating the lease terms of the office park housing Next Digital's headquarters by basing a family office there to manage his personal finances. Simon said the charges appeared to be an attempt to criminalize a commercial dispute.

The judge who presided over Lai's hearing, So, is one of six designated by Chief Executive Carrie Lam to handle national security cases, under a provision of the law that rights lawyers said undermines judicial independence in the former British colony.

His arrest comes a day after another prominent activist, Joshua Wong, was [sentenced](#) to more than a year in prison for leading a protest outside of police headquarters last year.



Bloomberg Activists Joshua Wong Appears In Court For Sentencing After Guilty Plea in Protest Case. Joshua Wong on Dec. 2, Photographer: Paul Yeung/Bloomberg

China's crackdown on Hong Kong dissent has prompted international condemnation, and the U.S. has hit Lam and several other officials responsible for the city with sanctions. Earlier this week, Lam said she was collecting "piles of cash" at home because the financial measures were barring her from basic banking services. For more on Hong Kong:

Hong Kong authorities have moved quickly to employ the sweeping legislation, which carries sentences as long as life in prison, since it was imposed by China without local debate in June. The police unit tasked with enforcing the measure has so far arrested 32 people, most for allegations related to slogans, banners or internet posts deemed to be secessionist or seditious.

Lai said Tuesday that he had no intention to leave Hong Kong and that police had already confiscated his passport. The security law allows courts to deny bail before trial because defendants may "continue to commit acts endangering national

security,” a power that could clash with the presumption of innocence in the city’s Common Law tradition.

Shares of Next Digital were halted from trading in Hong Kong on Thursday. They’ve been on a roller-coaster ride in 2020, hitting record lows and 12-year highs. They last traded at HK\$0.23, down 10% for the year.

Separately, a sedition case against another Hong Kong activist, Tam Tak-chi, was transferred Tuesday to a designated security law judge, broadcaster Now TV reported, even though he hasn’t been charged under the measure. The ruling suggests that Hong Kong authorities may seek to apply the law more broadly than the four activities criminalized by the law: secession, subversion, terrorism and foreign collusion.

And former Hong Kong legislator Ted Hui, among those arrested last month in connection with a disruptive protest in the legislative chamber in May, declared himself to be in exile while traveling in Denmark this week.

In a statement Thursday on his Facebook page, Hui said he had resigned from his political party and would focus on broadening international support for the embattled pro-democracy movement.

Sheridan Prasso & Kari Lindberg

The End of a Wonderful Friendship and the Beginning of Trade Woes
Rosalind Mathieson

China and the U.K. tried to be pals. That didn’t last. Now Beijing is seizing on the economic vulnerabilities arising from Brexit to press its advantage, just as it’s doing with Australia.



China's President Xi Jinping (left) and Britain's Prime Minister David Cameron share a pint at a pub near Chequers, the prime minister's country residence northwest of London, in 2015. PHOTOGRAPHER: GETTY IMAGES

*When Xi Jinping visited London in 2015, aside from enjoying fish and chips and a beer at the pub with then-Prime Minister David Cameron, the Chinese president addressed a joint sitting of Parliament. Speaking in the Royal Gallery behind the House of Lords, he invoked Shakespeare's *The Tempest*, telling lawmakers "what's past is prologue."*

The visit was a roaring success. A Scottish wool cape was given to Xi's wife, Peng Liyuan; its fit had been calculated using data technology to measure her size off public photos. The Duchess of Cambridge wore a scarlet dress to the state banquet honoring Xi, with the Chinese press cooing over her choice of "Chinese red."

Cameron declared the trip evidence of a "golden era of ties" between the countries. It was a stunning turnaround for a relationship that had sunk into a diplomatic freeze just a few years earlier when Cameron met with the Dalai Lama, the exiled Tibetan spiritual leader.

The warmth didn't last. Fast-forward to 2020, and things are in another downswing, with potentially even greater ramifications for the U.K. as it nears the Dec. 31 exit from the European Union's trading rules. The departure from the bloc requires the country to negotiate its own accords, including with China, its third-biggest trading partner. The omens are not good.

China is asserting itself with multiple countries at the same time as it tries on the role of emboldened superpower to that of the second-biggest economy in the world.

Australia and Canada have seen firsthand what happens when Beijing is publicly criticized or feels slighted. "China reacts directly to the vulnerability of the country involved, and in this case the U.K. has made itself very vulnerable by withdrawing from [the European community](#) and going it alone and not having trade deals lined up with either China or the United States," says Jeff Moon, a former assistant U.S. trade representative for China affairs. "[China is going to maximize that.](#)"

As Xi tightens his grip at home—with the leeway potentially to rule for life—his army of "wolf warrior" [diplomats](#) is becoming more aggressive in defending his policies and actions elsewhere.

*"What you see is a kind of a creep in how expansive its coercive diplomacy has become," says Susan Shirk, a former U.S. deputy assistant secretary of state and author of *China: Fragile Superpower*.*

"It's not really about foreign policy. [China is trying to pressure other countries to adhere to the Chinese Communist Party's political line.](#)"

In that environment, the U.K. finds itself taking a leading stance against China over Hong Kong, a former British [colony](#). A treaty agreed ahead of the 1997 return of the

city to Chinese rule stipulated a “*high degree of autonomy*” for Hong Kong. For decades the treaty seemed largely intact.

But recent years have seen an erosion by Beijing of that autonomy, especially with the imposition on the city of a sweeping *national security law* in June after more than a year of unrest by pro-democracy protesters.

There’s been a flurry of critical statements from the British, plus the promise to give holders of British National (Overseas) passports a path to citizenship from January, prompting Beijing to accuse it of “*political manipulation*.”

The U.K. has also weighed in on China’s treatment of its *Uighur Muslim minority*, has *barred Huawei Technologies Co.* from its 5G networks by 2027, and found itself disparaged by China as the “*weak link*” in the Five Eyes intelligence sharing network of which Australia and Canada are also members.



Meng Wanzhou, chief financial officer of Huawei Technologies Co., arrives for a court hearing in Vancouver on Nov. 25. PHOTOGRAPHER: DARRYL DYCK/BLOOMBERG

For Malcolm Rifkind, who as British foreign secretary from 1995 to 1997 played a key role in Hong Kong’s handover, the city represents a core issue for the U.K. that it cannot sacrifice. “*Trade agreements are very important, but you can’t allow that to dominate your foreign policy,*” says Rifkind, now a visiting professor at the Department of War Studies at King’s College London.

“We’re not just talking about playing at diplomacy, we’re talking about fundamental interests.”

The Chinese also see Hong Kong as a core interest. “*For China, the Hong Kong issue means a humiliating past, and it is unwise for the U.K. to open old wounds,*” says Ruan Zongze, a former Chinese diplomat in London who’s executive vice president of

the China Institute of International Studies, the think tank of China's Ministry of Foreign Affairs.

"The U.K. has misjudged the situation and misjudged its influence. It is even trying to rope in a few other countries to form anti-China small circles."

The experiences of Canada and Australia augur ill for the U.K. On a trip to China in December 2017, Canadian Prime Minister Justin Trudeau was expected to come away with an agreement to formally start trade talks. But a lengthy meeting with Premier Li Keqiang ended badly as Trudeau insisted any talks include gender and labor rights and environmental standards.

He also raised human rights and China's use of the death penalty, according to Margaret McCuaig-Johnston, who served for almost 40 years in senior management positions in Canadian governments, including assistant deputy minister in the Department of Finance.

"Basically, he was shown the door and he was told no, there would be no negotiation of a free-trade agreement," says McCuaig-Johnston, now senior fellow in the Institute for Science, Society and Policy at the University of Ottawa.

Things soured further with Canada's arrest in 2018 of Huawei Chief Financial Officer Meng Wanzhou in Vancouver on a U.S. extradition request. Beijing locked up two Canadians and halted billions of dollars in agricultural imports in the months that followed.

"Frankly, nobody is talking about a free-trade agreement" anymore, McCuaig-Johnston says. "I think the free-trade agreement is dead."

Australia, the world's most China-dependent developed economy, finds itself embroiled in a dispute that's affected exports of everything from coal to beef to lobster to wine. China has warned tourists—and its overseas students—to stay away.

As of Nov. 25 more than \$500 million worth of Australian coal was on ships anchored off Chinese ports, with more than 50 vessels waiting a month or longer to offload.

Beijing's retaliation comes at a bad time, with Australia just emerging from its first recession in almost 30 years. Iron ore and liquefied natural gas, which are a significant proportion of Australian exports to China and are crucial for China's own economy, are for now unaffected.

Australia's sin? In April it called for a probe into the origins of the coronavirus, banned Huawei from its 5G network, and has actively pushed back against China's territorial expansionism in the South China Sea.

In November a Chinese diplomat in Canberra gave a document to Australian media outlets outlining 14 grievances and accusing the nation of "poisoning bilateral relations."

On the surface, the U.K.'s trade relationship with China is less exposed. China exports a lot more to the U.K. (\$65 billion in 2019) than it imports from the country (Britain is not even among the top 15 exporters of goods to China).

But there's the elusive prospect of China's domestic market, which many bigger economies have also struggled to gain access to. Now, "China may just tell the British, 'We don't need you,'" says Moon, the former assistant trade representative.

"What the Chinese will frequently do, almost always do, is claim: 'It's all your fault. You need to take action. We're not going to tell you what action you need to take, but you need to take action.' And then you get in a cycle where you are negotiating against yourself."

Beijing may also use the U.K. as a tool in a broader divide-and-conquer strategy when it comes to talks with the EU and the U.S. China's protection of its behemoth state-owned enterprises is a sticking point in both sets of negotiations.

"I would not be surprised if the Chinese didn't insist on some favorable terms for their SOEs that would undercut the interests of the EU and U.S." in those other talks, Moon says.

Former Chinese diplomat Ruan also cited the China-EU investment-pact talks when it came to the U.K. "The wheels of China and the EU are rolling forward. Once the investment treaty is signed, China-EU relations—to use a metaphor—will be entering the era of high-speed rail. But the U.K. is still looking at the world using old lenses," he says.

One question for the U.K. in any talks is to decide which parts of the economy are off-limits and which are on the table, says Julia Friedlander, a former U.S. Treasury official who served on the National Security Council in 2017.

"How do you find a way to technocratically draw a boundary there and use your financial, economic, and regulatory levers to force that, rather than making it about Cold War 2.0 or decoupling?" asks Friedlander, now a senior fellow for trans-Atlantic relations at the Atlantic Council.

"There is no such thing as actually decoupling from China."

So far the U.K., Canada, and Australia have largely resisted getting into a tit-for-tat with China over trade and politics, though Australia has flagged potential World Trade Organization action and exchanged angry words with Beijing over propaganda.

"We aren't turning around and banning their manufactured products," says McCuaig-Johnston.

"That would be making a linkage between one thing to a very different thing. We don't do that as a matter of policy. We've had all this retaliation, and we haven't done anything to oppose it."

Still, she suggests the Canadian government activates so-called Magnitsky-style laws—named for U.S. sanctions legislation first levied against Russian citizens—against Chinese officials involved in the detention of the two Canadian citizens.

The challenge for each of the countries is how to keep politics and economics on somewhat separate tracks as China bleeds the lines between the two. Rifkind, the former British foreign secretary, believes it's possible. "During the whole of the Cold War we had economic relations with the Soviet Union," he says.

"There were no prohibitions on trade. So I would hope that there will be not only a continuing, but an improving, level of trade between China and the United Kingdom."

Shirk, who chairs the 21st Century China Center at the University of California, San Diego believes China won't walk away from trade talks with the U.K. despite the tensions over Hong Kong.

"The British government should and can put these on two tracks and simply move forward. China also has a lot of economic interests right now," she says.

"They are going to want trade agreements that show they remain open to trade and investment. It's kind of a test of their priorities and how pragmatic Xi Jinping is because, if he really cuts off his nose to spite his face by trashing the trade agreement with the U.K., then I think the rest of the world will see that, and it will intensify the global backlash against the Chinese government."

Some current and former officials say that, above all, a conversation needs to keep happening. And equally that greater collective action by "like-minded" countries against China can bring some pressure to bear.

"Saving face is very important in China," says John Hewson, a former Liberal Party leader in Australia.

"That doesn't mean abandoning our stance on Beijing's human-rights record—just allowing both parties to recognize that they have different values."

McCuaig-Johnston argues for caution on the part of the U.K. in any trade talks with Beijing. "The lesson I am drawing is that the more points of engagement we have with China, the more places they have to turn the screws." Although Australia signed its trade deal with China in 2015, she says,

"basically China ripped it up, tossed it out, and they are doing whatever the heck they want on trade."

In the end, it may come down to Xi and what he wants. And what that is is not all that clear. "He's pretty opaque," says Rifkind.

"He obviously sees himself as the greatest leader since Mao Zedong."

With assistance by Jing Li, and Jason Scott