

# CRISIS AND TRANSFORMATION IN CHINA'S HONG KONG

MING K. CHAN AND ALVIN Y. SO  
EDITORS

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# Introduction

## The Hong Kong SAR in Flux

*Ming K. Chan*

This multidisciplinary volume aims to assess the major crises confronting and the crucial transformative processes reshaping China's Hong Kong since July 1, 1997. While drawing definitive characterization of or rendering a summary verdict on the overall performance of the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) would be premature, its five years of local autonomy under Chinese sovereignty did yield some sufficiently clear indicators on the actualization of the "one country, two systems" formula as being practiced in the HKSAR.

Despite many of the pre-1997 doomsayers' dire predictions about Hong Kong's inevitable loss of political autonomy and basic freedoms as part of Communist China, the worst did not happen. So far Beijing has exercised considerable restraint and avoided any overt interference in the HKSAR's internal administration. Yet the highly optimistic forecast of post-1997 Hong Kong's "better tomorrow" with undiminished "stability and prosperity" also has been far off the mark. In fact, the most serious crises that have assaulted the HKSAR came from an almost totally unexpected area—the economy. Since late 1997, the HKSAR has been engulfed by rising unemployment, negative growth, widening budget deficits, rapid equity depreciation, and unprecedented price deflation. Such economic woes stemmed at first from the autumn 1997 pan-Asian financial turmoil and the subsequent bust of the twin economic bubbles—the overheated local property market and runaway stock market speculation. Such serious threats to the livelihood of Hong Kong's populace were also partly due to the painful and long-term fundamental economic restructuring that has been unfolding since the late 1980s. More recently, the already deeply depressed local economy was dealt another devastating blow by the global fallout effects of the September 11, 2001, terrorist

attacks in the United States, Hong Kong's foremost international economic partner. Even though both the worst and best post-1997 scenarios failed to materialize, popular expectations, collective self-confidence, and common aspirations of the nearly seven million HKSAR residents did undergo very drastic changes within the last five years. A disturbing mood with the public fearful about the deteriorating employment picture, with little prospect of either immediate relief or near-future improvement, and a widespread sense of helplessness and inability to cope with the deepening economic crisis have hit the entire HKSAR community, from the hard-squeezed middle class to the still more deprived grassroots.

On the surface, the daily life of the great majority of the local populace in the early SAR era seems to remain little changed from the pre-July 1, 1997 colonial days. Other than the replacement of the British Union Jack by the five-star PRC national flag, the sovereignty retrocession has not been particularly noticeable in a physical sense. Even the once-worrisome stationing of People's Liberation Army (PLA) troops has become a nonissue, as the local PLA garrison is almost invisible behind its barracks. Despite this façade of apparent normalcy, Hong Kong, its institutions, and its residents have been negotiating tight and delicate processes of subtle changes and uneasy adjustments, sometimes in response to unexpected external forces, other times due to the need to conform to administrative and constitutional requirements framed by the Basic Law. In fact, the HKSAR's autonomous status under PRC sovereignty has reshaped institutional structure and personnel decisions of the Hong Kong polity, while the need to manage a growing community and complex economy necessitated novel undertakings in infrastructure projects, government programs, and public services. As an organic and dynamic functional hub and economic center of global significance, Hong Kong should change and has changed since the sovereignty retrocession. Depending on the specific criteria and particular perspectives, however the changes have not always been for the better in the early HKSAR era.

If change indeed belies the reality of China's Hong Kong, the past five years saw the SAR regime under Chief Executive Tung Chee-hwa confronted with more than its fair share of devastating crises and major disasters. These challenges placed his administration under considerable strain and stress, often magnifying hidden faultlines and revealing sheer incompetence on the part of both the SAR leadership's governing capacity and the entrenched civil service's emergency response capabilities. These crises included the pan-Asia financial meltdown that resulted in deficit budgets for the SAR government; the 1997-98 bird flu; the 1998 new airport opening fiasco; the unsafe construction of public housing estates scandal; and other glaring cases of serious misdeeds by government personnel, agencies, and public bodies.



They testified to the grave crisis mismanagement of the new regime's civil bureaucracy that was inherited from the British colonialists. In addition, the conservative, paternalistic, and interventionist Tung Chee-hwa regime also suffered from self-inflicted wounds in that he tried, at the very start of his reign, to launch numerous far-reaching reforms in various vital policy fields almost simultaneously; these fields included education, housing, welfare, and the civil service. Tung's too-much, too-soon, all-at-once, multifront chain of reforms provoked stern opposition and determined resistance from almost all affected quarters; many of them, such as teachers and civil servants, even resorted to public protests on the streets. Coming together, all these constituted many of the basic causes underlining a clearly discernable crisis of governability that has troubled the HKSAR regime under Tung's leadership from its early days.

If the 1985–97 transition period had been overshadowed by the Beijing–London–Hong Kong political discords on disputed sovereignty and contested democratization, then it should be natural that the new SAR leadership would deem it desirable to refocus public efforts on, and to reallocate official resources to, various necessary but long-delayed domestic reforms ignored or avoided by the departing British sunset regime. The very rigid and restrictive Basic Law provisions do not yield much room for the Tung administration, even if it were ever so inclined, to attempt many major changes in the political system, at least not until the premandated 2007 constitutional and electoral review. Rather, it is in the socioeconomic realm that the SAR regime supposedly can enjoy much more room to maneuver.

In fact, on the domestic front, the HKSAR has a completely free hand to move forward to seek breakthroughs, to unleash new initiatives, and to chart fresh courses for both novel undertakings and exploration of untapped opportunities, as well as to remedy colonial defects and address past inadequacies in order to make Hong Kong a better place under Chinese rule. However, as the first local-led administration that was inaugurated with very strong Chinese national goodwill and high local expectations, the Tung regime's performance on the domestic front so far has been quite disappointing. It not only failed to inspire public confidence and enhance people's trust in the government amid the worsening economic crisis, but unrelenting public criticisms of his misguided policies and administrative failures became so severed and widespread that Beijing was compelled to step into the fray in order to buttress the tattering Tung regime and salvage the "one country, two systems" experimentation in the HKSAR.

To rescue Tung from plummeting popularity, senior PRC leaders on different occasions repeatedly expressed strong approval of his performance. Aimed specifically at countering the very loud calls from all quarters in Hong

Kong demanding Tung not to seek another term of office, Beijing's top brass, including President Jiang Zemin, even openly issued clear endorsements to support his reelection as HKSAR chief executive for a second five-year term starting July 1, 2002. Such high-profile signals, if not high-handed intervention, from the PRC central government did have a direct deterrent effect in preempting other credible and qualified potential candidates from joining the March 24, 2002, contest to challenge Beijing's preordained Tung Chee-hwa. Nonetheless, even though the prospect that Tung would easily be "reelected" without opposition as the sole candidate for the chief executive's office was very high, there could be no guarantee that Tung would automatically receive an overwhelming share of votes from the eight hundred members of the Election Committee as a show of popular support. A near-nightmarish scenario would have Tung win unopposed but receive little more than four hundred votes out of eight hundred. This would reflect an approval ratio in line with Tung's about 50 percent popularity rating in various public opinion polls during the past two years. Had that been the case, it would reconfirm the legitimacy crisis that has been haunting the Tung regime and has further complicated its governability problems. In early March 2002, as the only nominated candidate (by 7 of 794 electors), Tung was deemed the winner without the need to conduct the actual voting.

While Tung is undoubtedly a very decent, sincere, and honest person, his questionable democratic legitimacy as the first SAR leader (anointed in late 1996 by Beijing's hand-picked HKSAR Selection Committee of four hundred) was compounded by his strong aversion to political parties, electoral campaigns, and parliamentary politics; his noncharismatic leadership style, coupled with an acute lack of public communications skills (along with an equal lack of desire to communicate); and his submissively overt pro-Beijing (as against staunchly pro-Hong Kong) slant on many sensitive political matters. All these factors did little to enhance his political effectiveness and public credibility, or to make his task in implementing sweeping reforms any easier. Nor have his belated crisis alertness, narrow and shallow attempts, and generally meager responses with incoherent policies or ad hoc half-measures to refloat the deeply depressed and still-fast-deteriorating economy proved to be timely and effective.

Reflecting his grand capitalist origins, big business career experience, and clear tycoon sympathies, but handicapping unfamiliarity with the plight of the grassroots, critics were justified in labeling many of Tung Chee-hwa's economic relief policies as aiming more at "saving the market" for the business elites but doing little at "saving the victimized people" from unemployment, wage freeze or salary reduction, and negative equity burdens.

Eventually, the cumulative effects of his sudden policy shifts and secretive about-faces on key issues (such as the fiasco over his housing policy with a targeted eighty-five thousand new units annually), self-contradictory official pronouncements, ill-thought-out proposals, biased decisions, and counterproductive measures alarmed and disturbed even those in the business world, including many of his previous elite supporters, in addition to the already alienated middle class and the hard-pressed grassroots.

On top of its various administrative debacles and policy missteps, the HKSAR regime, in its search for administrative expedience or political correctness, also seriously undermined judicial independence and the rule of law in two mainland China-related cases in the eyes of many legal practitioners and informed observers. The first was the by-now-notorious case of the right of abode for Hong Kong residents' mainland children, against whom the SAR regime resorted to requesting the PRC National People's Congress to reinterpret Articles 22 and 24 of the Basic Law in order to invalidate the HKSAR Court of Final Appeal's January 1999 ruling in their favor. This in fact amounted to opening the front gate to invite Beijing's direct judicial interference in order to save the SAR executive arm from certain defeat on purely legal ground in vital matters of great consequence.

The second case occurred in spring 2001, when Tung Chee-hwa, carefully toeing Beijing's official line, openly condemned the Falun Gong as "definitely a devious cult," without any solid factual proof, and without proper legal justifications regarding the probable unlawfulness in the Falun Gong's activities according to the HKSAR's own laws. Such deliberate actions by the SAR leadership's "looking to Beijing" for an easy exit from the unwelcome practical consequences of due legal process as administered by the SAR's supposedly independent judiciary system or in an anticipatory attempt with political correctness to seek Beijing's approval on controversial matters could only erode the independence of the judiciary and hamper the fair administration of justice for all, which are the key pillars supporting Hong Kong's rule of law to guarantee basic freedoms and economic fair play. Such actions also would run counter to the true spirit and real intent of the one country, two systems design in the legal and administrative spheres. These are but two of the more alarming examples of questionable political judgment, leadership inadequacies, and legal lapses that have tarnished the SAR regime's early record and contributed to a potentially fatal constitutional crisis undermining the SAR's much cherished high degree of autonomy.

Another SAR malaise has been manifested in a serious lack of confidence in near-future prospects among Hong Kong's populace, whose trust in the SAR regime has been sharply declining. In turn, the officialdom itself also suffered from both a growing public credibility gap and pervasive civil ser-

vice demoralization, while desperately trying to confront the many crises and challenges in the post-1997 era. Unlike the prehandover era's common fear of Chinese communism under the negative China Factor, this new confidence crisis is much more than just the normal and expected teething pains for the new HKSAR community while undergoing the inevitable political and constitutional transformation and long-term economic restructuring. In large measure, this stemmed from the populace's collective sense of desperate victimization and panic helplessness as well as the Tung regime's proven incapacity and even ineptness in relieving the majority's threatened livelihood and alleviate the common economic sufferings, which were first set in motion by the 1997 pan-Asia financial turmoil and further intensified by the post-September 11, 2001, global downturn.

Within the SAR's highly autonomous domain in domestic affairs, the new regime has ushered in several deliberate measures of drastic institutional change such as the December 1999 abolition of the Urban Council (which had the longest history of local elected representation) and Regional Council, and the reintroduction of appointed members to the previously all-elected District Boards (renamed District Councils). From July 1997 through April 1998, the SAR was also burdened with an unelected and extra-constitutional (as it was not provided for in the Basic Law) "provisional legislature" (PLC) which replaced the all-elected Legislative Council (Legco) formed in 1995 under British auspices. This PLC of dubious legitimacy and low public esteem, after repealing a host of prehandover era liberal laws on labor protection and civil rights, enacted a set of regressive electoral rules for the creation of future HKSAR legislature.

When the first ever HKSAR Legco elections were held in May 1998, they were conducted according to new rules under which almost a million voters in some of the thirty functional constituencies were disenfranchised. As for the twenty directly elected geographic constituencies, a new proportional representation system was adopted to marginalize the democratic camp and to effect a divisive partisan alignment to retard the emergence of a single majority party. So serious was this deliberately crafted electoral mandate-legislative representation disconnect under the new SAR rules, that while the democratic activists in May 1998 still captured the same two-thirds of the popular votes as they did in 1995, they were entitled to only one-third of the Legco seats, down from their near majority in 1995. All these electoral twists and turns supposedly would fit in well with Tung's often-repeated emphasis on "depoliticizing" Hong Kong public affairs and on refocusing the populace's energies on socioeconomic undertakings in order to mitigate Hong Kong's rapid politicization during the 1985-97 transition era, which was marked by Sino-British conflicts on local democratization. Thus, a con-

tinuing crisis of democracy interacted with the crisis of legitimacy to deepen the new SAR regime's own crisis of governability.

Despite its avowed "depoliticization," the SAR regime is about to formally politicize its own administrative top echelon and overhaul the entire policymaking system with plans for political appointees on contract terms to head key government policy bureaus. Serving a fixed term and occupying a seat on the Executive Council (Exco), these appointees would be directly accountable to the chief executive in a "pseudoministerial system" that should become effective by July 2002, at the start of the chief executive's second term. Perhaps this new system, first suggested by Tung Chee-hwa in his October 2000 fourth policy speech and more clearly outlined in his Legco public speech on April 17, 2002, will enhance the chief executive's overall personal control of the policy formulation, decision-making, and public promotion processes currently undertaken by career bureaucrats who are ill suited for such overt political and even partisan functions.<sup>1</sup> The earlier-than-planned April 2001 departure of Anson Chan (the most senior of the colonial era handover officials) from the post of chief secretary for administration and the appointment of an experienced banker, Anthony Leung, as financial secretary to replace Donald Tsang (who became Chan's successor) in fact had already enabled Tung to enlist personally loyal and politically "patriotic" talents from the private sector to fill two of the top three portfolios in the SAR regime under him.

These personnel decisions could be taken as the vital first steps toward a political appointees-dominated cabinet form of executive-led government, allowing the chief executive much stronger direct command over the entire policy machinery, which for the first four years of his tenure had not been functioning optimally while staffed by colonial-groomed civil servants. Of course, after this new system is inaugurated, Tung Chee-hwa would no longer have as a convenient pretext for policy failures the lack of full cooperation from or smooth coordination among someone else's senior officials whom he had simply inherited. As such, he would have to be fully responsible for all the decisions he made with his own hand-picked appointees. Yet, this new system, which is labeled by Tung as "improving the quality of administration," while definitely constituting a major political reform, will not necessarily yield greater governmental accountability to the Legco and the public at large. Without the advice of and institutional constraints by a civil bureaucracy top layer, these political appointees could well be selected on the basis of their personal loyalty to and ideological compatibility with the chief executive rather than for their public affairs experience, professional expertise, administrative skills, political wisdom, or developmental visions.

These top officials would be recruited and appointed by, accountable solely

to, serve only at the pleasure of, and easily removed from office by the chief executive at will, and yet the chief executive himself or herself is not directly elected by the HKSAR community on a universal franchise. Thus any notion of this system as enhancing genuine “executive accountability” to the public or its elected representatives, the Legco councilors, is far off the mark. It will remain very much a scheme to consolidate more power directly into the hands of the chief executive and thus supposedly to facilitate greater administrative efficiency and policy effectiveness in the executive-led SAR government. Neither would this new system be able to solve a major built-in defect in the SAR polity. The Tung regime’s lack of a stable and firm base of support among the political parties in the Legco will continue to strain executive-legislative relations in the SAR, at least until electoral reforms, if any, can be introduced to change the realpolitik dynamics by 2008.

Another significant postcolonial transformation has already been unfolding in the realm of political software—the official ideological tilt and partisan color underlining policy orientation and public affairs mechanism. Despite its avowed wish at depoliticization, the HKSAR leadership has been practicing a new kind of political correctness by increasingly looking toward Beijing, often in an anticipatory and solicitous mood, in purely domestic and hence supposedly “autonomous” matters. As an integral part of this “northern orientation” and perhaps also a concerted effort to rectify the past British slights and compensate for the nearly five decades’ repression under the old colonial order, leftist partisans received more than their fair share of HKSAR official appointments to public bodies, political honors, regime patronage, and Tung’s personal attentiveness while the democratic camp activists were systematically sidelined and underrepresented in the corridors of power.

Of course, reflecting Tung Chee-hwa’s shipping family scion background and very strong pro-big business sympathies, the tycoon elites and their high professional surrogates also took a disproportional large bulk of government appointments, from District Councils seats to membership in supervisory committees, advisory panels, and various statutory organs, much more so than the business circle’s public affairs leadership role and civic representation during the last three decades of British colonial rule. Such very deliberate and obviously partisan twin criteria—patriotic and big business—monopolization of the communal or sectoral representation and interest articulation channels, as well as public affairs participation mechanism under the Tung regime, can only further intensify the already worsening undercurrents of political tensions and the sharpening social classes schism. It is the very worst kind of the politics of exclusion and divisiveness, definitely not in the true spirit of united front inclusiveness that was so effectively practiced by the founding fathers of the PRC against the Japanese and the

Kuomintang on the mainland more than half a century ago. This unhealthy trend of political correctness and societal polarization along partisan ideological and socioeconomic class lines would compromise the indispensable political pluralism and social harmony buttressing the very core values as the moral foundation of the HKSAR's autonomy under the one country, two systems formula.

The HKSAR government's rather disappointing early record could only diminish its positive showcase effects to facilitate the mainland's peaceful reunification with Taiwan. Indeed, in the realpolitik of the HKSAR's future fate calculus, the real danger would very likely not be coming from Beijing's high-handed direct interference, but rather from the gradual undermining of and even brutal assaults on local autonomy by the pro-Beijing partisans, appeasing politicians, incompetent officials, mainland interest-vested tycoons, and newly minted "patriotic" turncoat elites in the SAR. This is the critical area in which enlightened, farsighted, and courageous political leadership is required to guide the HKSAR in its multifold and complex interactions with the PRC central authorities. This calls for a leader with popular mandate and unquestioned legitimacy to stand firm for Hong Kong, both for its own sake and for the real good of the one country, two systems formula, the true success of which the PRC state and the entire Chinese nation across the Taiwan Straits have much at stake. During these past five years at the helm of the HKSAR ship of state, Tung Chee-hwa has yet to demonstrate such needed leadership qualities, and thus to earn genuine affection and popular acclaim as a great Hong Kong leader and a true Chinese patriot.

Desperate concern about the deepening local economic crisis, coupled with the new-regime culture of an ever-ready and unduly submissive pro-Beijing stance, would be galvanized into an official orientation of "looking to the north" that is fast coming into conflict with an increasingly common private apprehension of the HKSAR's overdependency on the mainland in almost all functional areas at the expense of local autonomy. Such a clash of mindsets and orientations could only further polarize the entire Hong Kong community. The widening of the wealth and poverty gaps since 1997 has already resulted in much sharper class divisions and deteriorating social cohesion. Constricted by such a depressing combination of frail and fragmenting social fabrics, threatened livelihood, and economic insecurity, Hong Kong's populace have become highly skeptical and even cynical of the Tung regime's earlier boastful claims and grand utopian visions of transforming the HKSAR into a world city, perhaps as "Asia's New York or London" and serving the high value-added functions of a "Manhattan plus" (at least before the September 11, 2001, attacks on the World Trade Center twin towers in lower Manhattan).

In his first four policy speeches from 1997 to 2000, Tung Chee-hwa has been trumpeting the wholesale, full-speed-ahead development of high-tech industries, information networks, and knowledge-based and high-value-added economy as the true key to uplift Hong Kong from its current economic restructuring pains and elevate the SAR into a global service superhub, with the Disney theme park and Cyberport projects as landmarks for this new age of Hong Kong. Of course, none of these promised rose gardens of the future can meet the very immediate livelihood demands and dire poverty concerns of the deprived grassroots and alienated middle class who are forced to make do with an emptying rice bowl. Such unbridgeable divergence between the public's urgent survival needs and the regime's futuristic grand projections has not been helpful in raising Tung Chee-hwa's rather low and still plummeting public approval ratings. Indeed, Tung's personal popularity has been dragged down and his political reputation has been tarnished by his ineffective responses to the continuing economic recession; his now notorious indecisiveness and policy flip-flops; his taint with the PRC's harsh stance on sensitive matters; and of course, the many highly publicized cases in serious maladministration in his government and in other public institutions under his purview.

Many of the latter mistakes were not of Tung's own doing, but the earlier (1997-98) crisis mismanagement by his young regime had dissipated much of its public credibility as well as the initial trust and good will from the community that he once enjoyed as the first local Chinese leader inaugurating the new SAR era. Then his inability to effectively contain and mitigate the sweepingly destructive impact on livelihood from the inevitable burst of overblown domestic economic bubbles did not endear Tung, with his pro-big business bias, to a depressed community already laced with social fissures along class lines. The resultant strains and stresses of socioeconomic dislocations further accentuated the many inadequacies and defects within the regime. While many of the recent public grievances against the regime are rice-bowl related, it would be erroneous and irresponsible, as some SAR senior officials have suggested, to place all the blame on the lackluster performance of the Tung regime in dealing with negative external economic forces, especially the 1997 pan-Asian financial crisis and the post-September 11, 2001 downturn. Such economic crises, triggered by an unfortunate combination of two successive powerful assaults from the outside world in the first four years of the HKSAR's infancy, were wholly unexpected.

Before the 1997 handover, senior PRC officials repeatedly emphasized the need for Hong Kong to continue its very useful, Beijing-prescribed role as an economic, but not political, city. The seemingly robust local economy was often hailed as Hong Kong's trump card to a much better tomorrow of



lasting “stability and prosperity” locally in the SAR and continuous contribution to the mainland’s development nationally. In the countdown to 1997, the conservative tycoons and business elites’ support for the reunification had much to do with their enormous China market gains, while they personally have also become the favored targets of Beijing’s united front efforts. Rather unexpectedly, external destructive forces unleashed by the Asia financial malaise, coupled with unhealthy property and stock market bubbles, rendered the Hong Kong economy, not the political arena, the crisis frontline for the SAR regime and its sovereign in Beijing. Economic crisis and regime mismanagement have posed the most severe tests for the SAR political order, for without economic prosperity, social and political stability could become elusive. With the Tung regime’s “looking-to-Beijing” political correctness and deliberate greater emphasis on the “one country” uniformity requirements at the expense of SAR’s promised “high degree of autonomy” under the “two systems,” then the once optimistic prospect of mainland-HKSAR interactions as a case of mutually beneficial economic integration without undemocratic political integration simply could not be easily actualized in the short term.

The Hong Kong populace’s serious lack of confidence in their domestic economy’s near future improving prospects has been further complicated by a growing apprehension among some circles of the HKSAR’s increasing dependency on the mainland Chinese economy which has been exceptionally robust and growing steadily at 7 to 8 percent annually. The now very necessary and even inevitable reliance on the mainland market for trade, investment, and source of tourism to compensate for the declining U.S. market and other international business opportunities, and the massive official efforts to promote closer infrastructural integration with the Pearl River Delta (which has always been Hong Kong’s natural geo-economic hinterland) foster a new dark undercurrent of uneasiness among some HKSAR minds. Their alarm at the prospect that such a China market dependency, which would soon be reinforced by increasingly extensive functional interfaces with the mainland, would result in the HKSAR’s being more fully absorbed into the PRC mainland orbit, not just in a nominal political sense, but also into its powerful, much larger, but less liberal social and cultural loci. Then Hong Kong would gradually lose its unique cosmopolitan outlook and treasured global linkages, eventually becoming just another big city of the PRC. Even though Hong Kong is a Chinese city, many Hong Kong people are increasingly fearful of fierce competition with and ultimately displacement effects by a fast-rising Shanghai as the preeminent Chinese economic and functional hub in the global arena. Thus, it was not surprising that the pride of many Hong Kong persons both inside the SAR and overseas seemed to have

been deeply wounded when PRC Premier Zhu Rongji, during his spring 1999 visit to the United States and Canada, called Hong Kong metaphorically “China’s Toronto” but not “China’s New York” (a title that is commonly given to Shanghai).

In an immediate context, the PRC’s recent entry into the WTO may provide timely new opportunities and positive psychological uplift to help ameliorate some of the HKSAR’s economic pains. An effective economic helping hand from Beijing did provide beneficial buoyant effects and ensure Tung Chee-hwa’s uncontested and easy reelection for a second term as SAR chief in March 2002. Yet, in the deepening crisis of self-doubt and lack of confidence in the SAR’s uncertain economic and functional transformation, the “China in WTO” image has also triggered in many Hong Kong hearts and minds a new fear that the once efficient, modern, and productive city dominating the Pearl River Delta would soon be superceded by Shanghai at the apex of the much larger and richer Yangtzi Valley hinterland as the preeminent East Asian megametropolis at the cutting edge of the twenty-first century. Furthermore, with the city of Beijing fully dedicated to the task of hosting the 2008 Summer Olympic Games with massive new construction, extensive infrastructural upgrade, and wholesale environmental refurbishment, very soon Hong Kong might not even qualify as the PRC’s most modern and hygienic urban center. The mixture of pessimism about Hong Kong’s future vibrancy with not fully justified fears of mainland absorption or Shanghai dominance bodes ill for the emergence of the local populace’s new and proud identity as the PRC’s HKSAR citizens entitled to a brighter future in China’s Hong Kong.

While mainland China’s remarkable growth and development might be substantially geared up by WTO membership, HKSAR’s functional survival and economic significance depend not only on its competitiveness vis-à-vis Shanghai or Singapore in the business realm, infrastructural hardware, or technological advancement. Rather, the continued vibrancy, creativity, and global relevance of China’s Hong Kong must be sustained by the strengthening and refinement of its most treasured assets—the sociopolitical values, mentalities, institutions, processes, and procedures buttressing and empowering a free, fair, open, liberal, pluralistic, and cosmopolitan community that is enjoying basic freedoms under the rule of law. This seems to be the crux of both Hong Kong’s past success story and its future course, which has yet to be fully accepted by Tung and understood by many of his tycoon allies and pro-Beijing supporters.

While few would doubt, with the PRC top leadership’s openly declared support, the certainty of Tung Chee-hwa’s serving a second term as HKSAR’s chief executive, the road ahead for his regime and the entire community is

full of unknown challenges because of Hong Kong's economic vulnerability to extraneous factors, the volatility in the PRC-U.S. relationship (both [the HKSAR is part of the PRC] being Hong Kong's major economic partners), and the unpredictable PRC leadership realignment and possible policy reorientation scheduled to take place during 2002-03. If the flag-raising ceremony on July 1, 2001, HKSAR's fourth anniversary, could be taken as an omen for the future, then very guarded optimism and generous precautionary margins should be in order. The ceremony, which was presided by Tung and attended by the HKSAR political top brass, took place in the rain, while the number 3 typhoon warning signal was hoisted, hardly the ideal weather for smooth sailing.

On the same day, a seven-hundred-strong democratic camp demonstration demanding the direct election of the SAR chief executive by one-person-one-vote universal franchise unfolded in the wind and rain. Among the marchers were Martin Lee (Democratic Party chair), Szeto Wah (teachers' union kingpin), Lau Chin-Shek (veteran leader of the free labor movement), Emily Lau (famed journalist and the most outspoken local legislator), and six other pro-democratic legislative councilors. This collective protest action signified the still undiminished local demands for political participation despite the economic downturn that often made rice-bowl issues the headline stories and a top priority public concern. Such unwavering commitment to democratization has also been reinforced by the larger-than-expected turnout (over forty-eight thousand) at the twelfth annual mass candlelight vigil in Victoria Park on June 4, 2001, to commemorate the 1989 Tiananmen Incident (the PRC authorities' armed suppression of pro-democratic activists in Beijing). Perhaps these very public undertakings of demonstration march and mass commemoration vividly symbolized the unchanged hearts and minds, hopes and desires, of many HKSAR citizens seeking greater democracy under Chinese sovereignty. In this sense, Tung Chee-hwa has yet to resolve the democracy crisis that has been directly linked to his own legitimacy crisis.

It was, however, the Tung regime that stole the headlines on this otherwise low-keyed HKSAR fourth anniversary by bestowing the Grand Bauhinia Medal (GBM, the highest official honor awarded by the HKSAR government) on Yeung Kwong, a former head of the pro-Beijing Federation of Hong Kong Trade Unions (FTU), who was a well-known leader (as chair of the ultra-left "All-Hong Kong Anti-British Colonial Atrocity Struggle Committee") of the 1967 riots in Hong Kong where over fifty people were killed by leftist urban terrorism. This latest display of Tung's political correctness and high-profile "looking-toward-Beijing" stance for patriotic legitimacy was perhaps not really intended to become an attempted official reversal of the

popular local verdict on the 1967 riots as a nightmarish spillover of the PRC's Cultural Revolution, which itself has already been officially condemned and thoroughly discredited on the Chinese mainland since the late 1970s.

Some observers regard Tung's symbolic gesture as a desperate and even risky but necessary campaign device in order to gain the support of the traditional local leftist hardcore and the pro-Beijing laboring grassroots for his reelection. This partisan honor to Yeung Kwong might also be designed as a goodwill gesture to pacify the "patriotic" unionists, in particular to compensate for Tung's pro-tycoon class bias and to mollify the rank and file about the regime's failure to offer effective economic bailout measures. In making this GBM award, Tung Chee-hwa in effect reopened the far from fully healed old wounds and pained memories of the 1967 leftist rampant violence, a prospect of blatant lawless unrest and societal disturbance that he definitely would not wish to be confronted with as the head of a local government responsible for maintaining law and order. Furthermore by resurrecting in public consciousness this very destructive 1967 disturbance staged by the frenzied local leftist militants, perhaps the single darkest page in the pro-Chinese Communist circle's historical experience in colonial Hong Kong, Tung also violated his own dictum that one should only "look forward" instead of lingering on the unhappy past, as he had repeatedly stressed when trying in vain to dissuade the pro-democratic camp from organizing local commemorations of the 1989 Tiananmen Incident. Despite prolonged public outcries and protest demonstrations, Tung personally bestowed the GBM award on Yeung at an official ceremony on October 13, 2001, ironically exactly one month after PRC President Jiang Zemin publicly stated that the Chinese government was fully determined to cooperate with the world community in eradicating all forms of terrorism.

Perhaps the Tung regime had once again seriously misjudged the public mood, or it was simply too ignorant of the fury and unaware of the power in Hong Kong residents' collective memory, especially in the current circumstances of dire socioeconomic hardship combined with strong antiregime sentiments, which was not unlike the situation in spring 1967. The HKSAR leadership definitely had grossly underestimated fierce public criticism from all areas of the community, except for some members in "patriotic" minority camps of the unrepentant diehard leftist core and various pro-Beijing unionists. Of course, the Tung regime could, with twisted logic and perverted justifications, even try to claim that this exercise in political expedience and naked partisanship was a positive example of his actualization of the "one country, two systems" formula. By giving the GBM award to the nominal head of a radical organization tainted with urban terrorism to undermine Hong Kong's "stability and prosperity," he was in effect demonstrating his

independence from Beijing, as he did act against both (1) the PRC's official verdict and societal consensus on the horrors and evils of the Cultural Revolution and all its external ramifications (including the Hong Kong 1967 riots) and (2) the PRC's latest commitment to combat world terrorism, which definitely should include urban terrorism with bomb attacks (as in the 1967 Hong Kong leftist vantage). Of course, all the negative fallout from the ill-considered GBM award would further diminish what little was left of Tung's political capital, leadership legitimacy, and moral authority in the eyes of the HKSAR community and the tribunal of historical justice.

After nearly five years in office, Tung is, according to many informed observers, still lacking in political wisdom; flawed in his perception of the looming crisis ahead and of special hidden opportunities; lacking in judgment on the full implications of his own actions, or, more often, his nonactions; far too willing and much too ready to take the partisanship shortcut and resort to politically correct expedience; and ignorant of or inattentive to the public mood. Some of these leadership attributes and operational traits could well remain with Tung Chee-hwa during his second term as HKSAR chief executive. As Hong Kong and its people have changed considerably during the past five years of the SAR era, so has Tung. In comparing and contrasting his first (1997) and second (1998) with his latest, the fifth (2001), policy speech, the changes in overtone and the direction of the main policy thrust are easily discernable. Largely gone are the grand-vision highlights of an almost utopian future with blueprints for massive undertakings and broad stokes of fundamental reforms in all areas as promised in the 1997–98 versions. Instead, the 2001 speech was finally scaled back to adopt a more realistic approach, and one more firmly grounded in the reality of economic hardship, with some nodding gestures toward the urgent needs of livelihood relief and economic uplift measures. While many critics and Legco councilors deemed the SAR regime's total package of HK\$15 billion (about 1 percent of the HKSAR's GDP) in immediate economic relief as merely symbolic and definitely much too little even if not too late, most did agree that by now the Tung regime has finally come to grips with the crisis situation and the plights of the middle class and the grassroots. Some, such as the Democratic Party, even lauded his still firm and unchanged commitment to improving the entire field of education, from primary school to university level, but they also keenly questioned how such noble goals as he outlined could be achieved with dwindling funding from a government burdened with four consecutive deficit budgets. Soon Tung and his political appointees as senior officials must develop a clear strategy to decisively salvage the entire crisis front and uplift the HKSAR people from the many economic ills and social injustices as well as political deprivation, most of which were not

fully foreseen on the celebratory moment when Hong Kong became a part of China on July 1, 1997.

All these pressing issues and their yet-to-be-found solutions reflect the profoundly uncertain but definitely exciting journey ahead for the HKSAR, through crisis and transformation in economic, societal, and political realms under Tung's guiding hands for another half-decade. As Premier Zhu Rongji pointedly said, when he shared his views with some Hong Kong journalists on September 3, 2001, the HKSAR must move beyond its past practice of "discussing without deciding, and deciding without acting." He further called upon the HKSAR populace to look for solutions to problems "together," as "it is important for Hong Kong people to unite and discuss solutions in the spirit of democracy. Once a decision is made, everyone should make full efforts to move forward." These comments seemed to constitute both a fair and a perceptive characterization of Tung's first-term performance in many areas and also to be pertinent advice on how to overcome the crux of the problems that undermined that performance. Premier Zhu's exhortations should be regarded as a tall order for Tung, exhorting him to exercise true leadership so as to unite the community in seeking and acting upon the right solutions. In this sense, the final verdict on the early phase of the HKSAR experience must await the completion of the chief executive's second term on June 30, 2007.

So far, it is not clear that Tung Chee-hwa has really recognized the full dimensions of his governance crisis, especially his own leadership style. Recently, in his SAR chief executive reelection campaign, Tung only acknowledged "inadequacy" in three main aspects of his first term administration, namely, appreciation of public opinion, political orientation, and policy research.<sup>2</sup> As revealed in his December 13, 2001 formal declaration to seek a second term and in a late January 2002 booklet sent to the eight-hundred members of the HKSAR Election Committee (that should supposedly elect the next chief executive in March 2002), Tung claimed major achievements in seven areas while only admitting to "administrative inadequacies" of a mere technical or procedural nature, such as in predicting community response to his policies, balancing sectoral interests, and setting clear priorities.<sup>3</sup> Even his pledges for second term "commitments" focus principally on administrative reform and elimination of budget deficits. It remains to be seen if the second Tong Regime could undertake breakthrough efforts to mitigate the many problems experienced in his first term.

While no single academic volume could easily encompass the full dimensions, myriad issues, and complex experiences of the HKSAR in its first four and a half years of existence, the collection of thirteen substantive scholarly essays in this book will vividly delineate and carefully assess the key devel-

opments and critical changes unfolding in Hong Kong as a part of China since July 1, 1997. Following this brief introductory and impressionistic sketch are five chapters focusing on the SAR's political, electoral, and administrative systems in action. The next two chapters analyze some of the vital facets of the SAR's legal and constitutional functioning. Then come two chapters that review the territory's economic crisis impact and response, and also land-use planning and developmental politics in the still capitalistic HKSAR. Another two chapters address the pertinent issues in the controversial discourse on language policy and higher education autonomy, and the final two chapters examine media politics and cultural trends in postcolonial Hong Kong. At the end a conclusion first summarizes the major findings and key observations of these essays in the broader context of the HKSAR's overall experience with many crises and unique blessings, and then offers a sweeping vista on the unfolding trends and future prospects of China's Hong Kong in its transformative path toward "soft authoritarian developmentalism."

Together, the thirteen learned chapters that are the core of the book offer expert analysis and keen insights by international scholars, both Hong Kong-based and overseas-based. They provide an informed, balanced, solid, extensive, and multidisciplinary baseline from which one can appreciate, articulate, critique, and evaluate the performance of the new HKSAR regime, as well as the issues, challenges, and opportunities confronting China's Hong Kong in the tumultuous initial phase of its long march toward complete political and socioeconomic reintegration with the Chinese mainland by 2047. Perhaps, by then, the full record of the HKSAR's transformative processes, which it is hoped will be a record of turning adversities into opportunities, making more with less, and creating success out of necessity, as well as building consensus out of divergences, will justify and vindicate the "one country, two systems" experiment promoting unity of the Chinese nation in the new millennium.

## Notes

1. *Ming pao*, April 18, 2002.
2. *World Journal*, January 26, 2002, p. A-14.
3. *World Journal*, January 21, 2000, A-12; January 29, 2002, p. A-14.

# Conclusion: Crisis and Transformation in the Hong Kong SAR

## Toward Soft Authoritarian Developmentalism?

*Alvin Y. So and Ming K. Chan*

The chapters in this volume have provided detailed analysis on the Democratic Party (DP), the District Council elections, political cleavages, mainland–Hong Kong political interactions, constitutional repositioning, economic performance, urban planning, reform in the education and civil service systems, cultural trends, media politics, and so on. They have greatly enhanced our understanding of the major changes in these areas since the handover. Still, in this conclusion it will be useful to bring their findings together in order to provide a broader perspective in which to examine the development of Hong Kong Special Administrative Region (HKSAR) as a whole.

What really has happened to Hong Kong since July 1, 1997? What are the distinctively new features of the HKSAR? What are the major factors determining the course of Hong Kong's development as a part of the People's Republic of China (PRC)? Finally, in which direction is the HKSAR heading? In order to answer these questions, a "crisis-transformation" framework will be used to highlight the findings in this volume. First, we will examine the five major crises facing the HKSAR, namely, the democracy crisis, the constitutional crisis, the governability crisis, the developmental crisis, and the legitimacy crisis. Then we will discuss the "blessings" that have empowered the various HKSAR actors to deal with these crises, resulting in such transformations as a weakening of democratic forces, constitutional compromise, executive accountability, developmental state, and soft authoritarianism. At the end, we will try to project the trajectory of Hong Kong's development into the future.



## The Crises

The HKSAR has been a crisis-ridden city. No sooner did Hong Kong become a SAR of the PRC than various crises propped up. Some crises—such as the democracy crisis, the constitution crisis, and the legitimacy crisis—can be regarded as the legacies inherited from the British colonial era. But the other crises—including the governability crisis and the developmental crisis—are rather unexpected and came as very unpleasant surprises.

### *The Democracy Crisis*

Since the mid-1990s, Hong Kong has seemed to be heading toward a contested democracy. Influenced by the 1989 Tiananmen Incident, the Democratic Party adopted a harshly critical stance toward Beijing. In response, Beijing denounced key DP leaders as “subversive,” and PRC officials refused to communicate directly with the DP. Pro-Beijing forces labeled the DP as “pro-British, anti-Beijing, troublemakers in Hong Kong.” There were even doubts about whether the DP could legally survive in Hong Kong after the retrocession.

Ming Chan’s chapter highlights the fact that Beijing’s decision to dismantle Governor Chris Patten’s electoral reforms, especially the replacement of the Legislative Council (Legco, which was fully elected in 1995) with the appointed SAR Provisional Legislative Council (PLC), signaled an antidemocratic rollback and disenfranchisement. There was no firm legal basis to force the 1995 elected legislators to step down right after Beijing resumed sovereignty over Hong Kong on July 1, 1997. In protest, DP members chanting “Oppose the provisional legislature, oppose the rubber stamp” frequently demonstrated outside the Xinhua News Agency local office (the PRC’s de facto consulate in Hong Kong) before the handover. Most democratic camp activists asserted that because the PLC had no clear legal or constitutional basis under the Basic Law, it was an unlawful and illegitimate body. Subsequently, the DP launched a court challenge to the PLC in early June 1997.

In addition, Chan also points out that the democratic camp as a matter of principal boycotted the proceedings of the Beijing-appointed SAR Selection Committee, which selected Tung Chee-hwa as the first SAR chief executive and also selected the sixty members of the PLC. In return, Tung accused DP chair Martin Lee of “badmouthing” Hong Kong in the international arena. As Lee’s “patriotism” was already under hostile scrutiny, there were doubts about whether he would be allowed to play any political role in the HKSAR. It was also feared that the DP would be disallowed to participate in post-1997 local elections.

In early 1997, Lee revealed a plan: Some DP Legco members had threatened to chain themselves to pillars or chairs in the Legco building on the night of June 30, 1997. As many democrats were elected in 1995 to serve a four-year Legco term, they felt they had a right to remain in the Legco to prevent the PLC from taking over after the handover. If they had followed through with the plan by refusing to exit the Legco after June 30, 1997, midnight; if DP Legco members were to be arrested during a political protest; if the DP were barred from reentering electoral politics; or if the PLC was ruled unconstitutional by the courts, a serious democracy crisis that might result in political instability in the new HKSAR would have been triggered.

### *The Constitutional Crisis*

Immediately after the 1997 transition, the PRC Central Government began to largely pursue a “hands-off” policy toward the HKSAR, except for maintaining control of foreign affairs and defense. The People’s Liberation Army garrison has stayed nearly invisible. Chinese state leaders have paid only cursory visits to the HKSAR. Analysts have begun to praise Beijing for faithfully keeping its promise to yield Hong Kong a high degree of autonomy in internal affairs.

Still, Benny Tai’s chapter provides a very interesting account of the emergence of a constitutional crisis in the SAR (see chapter 7). According to the Basic Law, the HKSAR shall be vested with the power of final adjudication. The Court of Final Appeal (CFA) exercises the power of final adjudication on behalf of the HKSAR. Since the establishment of the CFA itself was a matter of constitutional controversy, it was important to see how the CFA would exercise its authority to deal with the difficult political questions and constitutional disputes.

Not until early 1999 did the CFA have the opportunity to clearly spell out its own constitutional position, as manifested in its controversial decision on the right of abode of the mainland children of Hong Kong parents. According to Article 24 (2)(3) of the Basic Law, the children of Hong Kong permanent residents born outside Hong Kong shall enjoy the right of abode in the HKSAR. Before the sovereignty transfer, these children did not enjoy any legal right of abode in Hong Kong. Anticipating that they could have the right of abode in the HKSAR after the Basic Law came into effect on July 1, 1997, many of these children illegally entered or deliberately overstayed in Hong Kong. Since the HKSAR government feared that the sudden influx of these children might have a strong adverse effect on social services, the PLC enacted amendments to the Immigration Ordinance

(such as they must hold a valid entitlement certificate affixed to a PRC one-way exit permit to prove that they did enter Hong Kong legally) limiting the rights of these mainland children to exercise their presumed right of abode. The legality of these Immigration Ordinance amendments was challenged in the HKSAR courts and finally reached the CFA.

According to Tai, after the CFA considered the substantive issues of the case, it held that the PLC's amendment contradicted the Basic Law and was thus invalid. The CFA ruled that the HKSAR exercises a high degree of autonomy and is obliged to admit people who under its constitution are its permanent residents with the legal right of abode, which should not be subject to the discretionary control of mainland authorities.

However, serious criticisms were fired at the CFA from four mainland legal experts. Tai points out that these four experts, who were all involved in the drafting of the Basic Law, criticized the CFA for placing itself above the National People's Congress (NPC) and the Standing Committee of the National People's Congress (SCNPC). They charged that the jurisdiction of the CFA could not be extended to the PRC Central Government in Beijing and the Basic Law has not granted such authority to the CFA. The power of constitutional review as asserted by the CFA is sovereign in nature, and it is thus ridiculous that the CFA should claim such power. Their most serious criticism was that the CFA's judgment would have transformed the Hong Kong SAR into an independent entity beyond Beijing's purview.

It was generally believed that these mainland legal experts could not possibly openly criticize the CFA judgment without Beijing's official blessing. This was soon confirmed, as right after their opinions were publicized, the director of the PRC State Council Information Office insisted that the HKSAR court rulings were wrong and should be reversed. As such, their criticisms could be regarded as a constitutional challenge to the CFA's duty and authority to exercise the power of final adjudication on behalf of the HKSAR. If the CFA and the SAR administration failed to meet this constitutional challenge, then the foundation for the "one country, two systems" formula and the autonomy of the SAR would be fatally undermined.

### *The Governability Crisis*

Although the territory was governed as a British colony, Hong Kong's civic administration had enjoyed a high reputation for efficiency and integrity before 1997. However, as Anthony Cheung's chapter delineates, a "governability crisis" unfolded soon after the handover (see chapter 6).

First, Cheung points to the incompetence and sleaziness of some civil servants, as revealed in two incidents of crisis mismanagement. In December

1997, the confusion and ineptness with which government departments handled the outbreak of the "bird flu" epidemic, and the subsequent slaughter of over 1.2 million chickens and fowls, put the public image of the new SAR government in jeopardy. The chaos during the July 1998 opening of the new and very expensive Chek Lap Kok international airport resulted in huge economic losses in addition to adverse international publicity.

Second, Cheung shows that the SAR bureaucracy was plagued with scandals. Since November 1998, the director of audit has published a series of "value-for-money" audit reports accusing junior civil servants, particularly outdoor staff, of sleaziness and laziness. Not only that, but improprieties involving senior officials were also exposed by the mass media; these officials included a former commissioner of Inland Revenue who failed to report his wife's business as a tax consultant, a former deputy director of Urban Service who rented out his government-provided apartment, and a former director of building who ordered his staff to take immediate action on an illegal structure attached to a private apartment that he was in the process of purchasing as his retirement home. In July 2000, Legco passed a motion of nonconfidence in Housing Authority Chair Rosanna Wong and Director of Housing Tony Miller over the widespread "short-piling" scandals in public housing construction. These reports led to demands by legislators and the community for drastic actions to shape up the civil service.

Third, Cheung reviews the March 1999 Hong Kong government civil service reform plans that aimed to transform an overly rigid permanent system of civil servants into a more market-competitive and flexible workforce in line with prevailing private-sector practices. The main proposals include the introduction of more contract-term appointments, the replacement of retirement pensions by a contributory provident fund, the strengthening of disciplinary mechanisms, the provision for induced voluntary retirement, and the implementation of schemes to link pay with performance.

Staff reactions to civil service reform were highly negative. The reform had created not only anxieties about job security, but also ill feelings among the rank and file, who saw it as an attempt by top officials to score political points by making them scapegoats for the poor leadership and performance of the SAR regime after the handover. As Cheung reports, for the first time in two decades, there were mass demonstrations organized by civil service unions in the summers of 1999 and 2000. Politicians who were affiliated with labor unions unequivocally stood behind the civil servants and the collective labor interests. In sum, the new HKSAR faced a crisis of governability caused by crisis mismanagement, public scandals, poor staff morale, and civil service unrest.

### *The Developmental Crisis*

Before the handover, most forecasts of Hong Kong's economic future were highly optimistic, as the colony had enjoyed a long period of rapid economic growth since the 1980s even while it was under the shadow of 1997. What was not predicted, however, was the damaging social and economic impact of the Asian financial crisis on Hong Kong after 1997.

Francis Lui's chapter confirms that, in just one year after the handover, stock prices plummeted by as much as 60 percent, from the peak in July 1997 to the bottom in August 1998 (see chapter 9). The property market has also been in deep trouble. The sharp decline in real estate value has exceeded the 50 percent mark in many instances, effectively causing investors to reverse their long-held belief that the property value in Hong Kong could only appreciate upward. On the income side, the real-term GDP per capita went down by 7.8 percent in 1998, a negative growth phenomenon almost unknown to Hong Kong, which had not experienced a year of declining GDP in its recent history.

Lui points out that, in January, June, and August 1998, speculative attacks on Hong Kong's currency occurred again and again. Yet the basic tool of defense by the HKSAR regime—a very high interest rate—not only failed to defend Hong Kong's currency but, rather counterproductively, also caused serious damage to the local economy. Unemployment went up sharply from 3 percent in the mid-1990s to more than 6 percent, income went down, and asset value declined sharply. As other Asian economies (such as Thailand, Indonesia, and South Korea) fell victim to the financial crisis, there were grave concerns that Hong Kong might be forced to follow in the footsteps of its distressed and devaluated Asian neighbors.

Although the negative impact of the Asian financial crisis is unmistakable, the economic recession in the post-1997 period also has much deeper structural roots. Starting in the mid-1980s, Hong Kong's robust economy was built upon two legs: its successful functioning as an international financial hub and as a global manufacturing center. However, by the mid-1990s, most of Hong Kong's manufacturing industries already had been relocated to the Pearl River Delta hinterland to take advantage of the much cheaper and more docile labor there. Lui delineates the massive shrinking of the manufacturing sector in Hong Kong, where employment declined from more than 900,000 workers in the 1980s to fewer than 400,000 in the late 1990s. Around 60 percent of the fluctuations in Hong Kong's unemployment can be attributed to this extensive deindustrialization of manufacturing relocation and production shrinkage.

The HKSAR, therefore, has faced a deepening crisis of development since

the late 1990s. It must search for a new path of development, given that its industrial base was largely dissipated and its financial base was badly shaken by the Asian financial crisis. What then could the SAR administration do to stop the trend of closing factories and offices, rising unemployment, increasing poverty, and a fast-widening gap of income inequality? And what could the government do to prevent Hong Kong from being overshadowed not only by Singapore but also by other Chinese cities (like Shanghai and even Shenzhen)? The HKSAR's slow and painful economic recovery from the 1997 pan-Asian financial turmoils was again set back if not entirely derailed by the deepening American recession, especially in the aftermath of the September 11, 2001 terrorist attacks. The sharp global economic downturn triggered off by the New York tragedies has already jeopardized the much heralded official investment in and expansion of Hong Kong's tourist industry, global-linked transport networks, and related services, as major sources of earning and employment to replace losses from manufacturing declines in the short term. The vulnerability of Hong Kong's economy to external forces would make the SAR's ongoing economic restructuring an extremely difficult process and thus render very uncertain its government-projected vision of development for the twenty-first-century world city.

### *The Legitimacy Crisis*

From the very beginning, the SAR government has suffered from a legitimacy crisis. There are several sources for this legitimacy crisis. First, the chief executive, the Provisional Legislative Council (PLC), and the Executive Council (Exco) are not popularly elected. Ming Chan's chapter points out that the SAR Exco and the PLC membership reflect the pro-Beijing and pro-big-business bias of the SAR polity (see chapter 3). Their composition as nonelected bodies only deepened their acute lack of public credibility and popular mandate.

Second, lacking electoral legitimacy, the Tung government has to rely upon economic growth and a high standard of living to gain the support of the Hong Kong populace. Unfortunately, Hong Kong's economy suffered a severe setback right after the handover and is still depressed, with neither much effective short-term relief effort nor many uplifting prospects for near-future improvement. Tuen-yu Lau and Yiu-ming To's chapter reports that an all-time high unemployment rate has resulted in further layoffs and retrenchment, while continual plunges in real estate prices have dominated the local news headlines (see chapter 13). Various public opinion surveys since mid-1999 have shown that over two-third of respondents were not satisfied with economic conditions. As in other matters, the SAR government was blamed—

this time, for the serious economic plight of Hong Kong. For instance, University of Hong Kong (HKU) opinion polls between July 1997 and April 1999 showed that fewer than one-quarter of respondents were satisfied with the HKSAR regime's performance. This is hardly an encouraging scorecard for its early performance.

Third, SAR Chief Executive Tung Chee-hwa, as Hong Kong's first home-groomed leader, has to take personal blame for the poor performance of his administration. Though Tung is a decent and honest person, his own dubious democratic legitimacy as the non-popularly elected SAR leader was further weakened by his overtly pro-Beijing slant on sensitive political matters and his narrow, pro-big-business sympathies on domestic socioeconomic policies. When people demanded decisive leadership during the 1997-98 Asian financial crisis, Tung failed to take charge decisively and did not respond with effective countermeasures to relieve the suffering populace, especially the grassroots. In the June 1998 HKU polls, 44 percent of respondents viewed Tung's performance in his first year in office as inferior to that of the last British colonial governor, Christopher Patten. Even today, Tung's public approval ratings remain low, hovering around 50 percent, much lower than the ratings of the two top officials under him.

Fourth, instead of acknowledging the narrow electoral basis of support and lackluster performance of the SAR government, especially on the economic front, various senior officials attributed the legitimacy crisis to negative reporting by the mass media. Lau and To amplify the series of verbal attacks on the mass media by senior officials: Secretary of Justice Elsie Leung condemned the press for being "socially divisive." She lamented that while the mass media in 1984 promoted the positive ideal of reunification with their blessings on the Sino-British Joint Declaration, the media has, since the late 1990s, mistakenly presented a negative image of a post-handover society by highlighting conflicts, confrontations, and controversies. In addition, HKSAR Security Secretary Regina Ip compared the local media with the "dictatorial leaders" portrayed in George Orwell's political satire *Animal Farm*. According to Ip, SAR officials are on trial by the mass media, while the mass media itself is above criticism. These verbal assaults by senior officials have only worsened the officialdom-media relationship, and were perceived as clear threats by the SAR regime to intimidate the mass media. Furthermore, Agnes Ku's chapter shows that the myth of administrative capacity of the Hong Kong government has become so badly shaken since the handover that the once highly praised civil service is now recharacterized and even publicly taunted as incompetent, arrogant, inefficient, unresponsive to popular sentiments, and lacking in real public accountability (see chapter 14). These are also the points vividly outlined by Anthony Cheung.

In sum, the narrow electoral basis of support, the economic recession, the poor public relations, and the worsening government-media relationships— together with the ongoing democracy crisis, the constitutional crisis, the governability crisis, and the developmental crisis—led to a serious legitimacy crisis in Hong Kong. Since the handover, the HKSAR has experienced an unprecedented tidal wave of social protests from the civil society. Government employees in the Housing Department protested against the subcontracting out of their services. Schoolteachers protested the imposition of an English proficiency examination to certify their language skills. Lawyers and overstayers from the mainland protested the SCNPC's restrictive reinterpretations on the right of abode. Students and human rights advocates protested the Public Order Ordinance's repressive clauses. Prodemocratic activists protested the regressive SAR electoral system. Middle-class home owners protested the SAR government's inaction to relieve their crushing negative equity burdens. In addition, there were numerous protests by workers and unionists against plant relocations, business closures, layoffs, worsening work conditions, wage freezes or salary reductions, and other dire threats to the already fast-shrinking rice-bowl bottom line.

### *The Blessings*

Facing one crisis after another within such a short period, other territories might have already fallen into dire conditions such as economic collapse, political instability, social disintegration, and even regime breakdown. Hong Kong, however, has been truly blessed in the sense that several favorable external and internal forces as well as auspicious circumstances have buttressed the ability of key HKSAR actors to confront these crises and make use of the opportunities afforded by Hong Kong's new status as a part of China.

The first of these forces is the positive China factor. During the immediate 1997 transition period, the PRC had a stable national leadership, a relatively cordial relationship with the United States and the other world powers, and an almost uniquely strong growth economy despite the negative influence of the Asian financial crisis. A stable and confident PRC regime enabled its leaders to speak with one voice, to actualize the HKSAR's promised high degree of autonomy without being labeled as betraying Chinese national interests, and to be flexible and even generous when dealing with Hong Kong matters. Friendly ties with the United States and the other Western industrial democracies, as well as glaring attention from the global media, induce Beijing leaders to respond correctly and cautiously to overt attempts to interfere in Hong Kong affairs, let alone to repression of local democratic forces. The mainland's strong and continuous growth directly and signifi-



cantly strengthens Hong Kong's economy, as the two economies have become even more closely integrated since the mid-1990s.

The second favorable force is the inverted Taiwan factor. In a curious sense, Hong Kong has indirectly benefited from the rising tension between mainland China and Taiwan over the issue of national reunification. After the hostilities of 1995–96, Beijing and Taipei seemed to be on friendlier terms until the Taipei regime's mid-1999 advocacy of the special "state to state" concept, which provoked stern reactions from Beijing, leading to the cancellation of scheduled cross-strait visits and bilateral talks. The victory of the Progressive Democratic Party's Chen Shui-bian in Taiwan's March 2000 presidential election further worsened cross-strait relations. Hong Kong has been the prime "one country, two systems" showcase in the PRC's top-priority drive for peaceful reunification with Taiwan; thus it might seem that the more intense the hostility between Beijing and Taipei, the greater the efforts Beijing would exert to ensure the effective functioning of the HKSAR system with its high degree of autonomy in internal affairs. The rapid souring of Taiwan's economy and the Chen regime's worsening maladministration have yielded various indicators pointing to a marked increase in ratings of Taiwan residents' receptiveness to the "one country, two systems" formula as being actualized in Hong Kong. The recent improvement in Hong Kong–Taiwan functional links (such as simplified HKSAR entry procedures for Taiwan visitors) underlines Hong Kong's continued usefulness and vitality in mainland–Taiwan interfaces for economic purposes and human traffic.

The third favorable force is the timing of the retrocession. Hong Kong was perhaps fortunate because the Asian financial crisis broke out only *after* the PRC had effectively resumed sovereignty over Hong Kong on July 1, 1997. Had this crisis broken out a year or even just a few months earlier, it might have triggered not only simply an economic recession but also a serious situation of social instability with widespread labor unrest and class conflicts, thus further complicating the preexisting crisis of confidence in Hong Kong's uncertain post-1997 prospects. This could be a most fortuitous case of historical timing when considering the very different consequences of the two contrasting scenarios. Although at its inauguration it escaped by only a few days a direct assault from the Asian financial meltdown, the new HKSAR is still engulfed by serious economic woes that have depressed the lives and work of many, as the unexpected growing pains of its infancy. Still, unlike the Macau SAR, which was established in December 1999 under economic dark clouds, the HKSAR was able to enjoy a celebration at its moment of birth.

Finally, Hong Kong could still be regarded as rather blessed because these crises impacted at a time when the territory had already built up a basically sound economic foundation to weather the pan-Asian financial turmoil. In

1997, the HKSAR government inherited from the earlier growth era with many fat years of budget surplus a very substantial pool of fiscal and foreign exchanges reserves. Such valuable and highly liquid resources should enable and equip it to respond creatively to the challenges of the Asian economic crisis, the developmental crisis, and the legitimacy crisis. The stock market intervention of August 1998 reflected, among other things, the impressive financial war chest at the SAR's direct command. In a technical sense, the HKSAR regime could, as proposed in Tung Chee-hwa's fifth policy speech on October 10, 2001, still afford to proceed with massive infrastructure projects as longer-term uplifting measures, and could continue to operate on a deficit budget in the current economic recession.

In sum, Hong Kong has indeed been well blessed by the China factor, the indirect fallout bonus from rising cross-strait tension, the fortunate timing of the crises, and the abundant financial resources that the SAR government still commands. Thus, even though these crises had shattered the confidence of many Hong Kong residents, key actors in the SAR are not entirely powerless in coping with these crises. The next section examines the profound transformations that the HKSAR has been undergoing as the actors and objective forces have interacted to make strategic decisions both to confront the challenges and to utilize the new opportunities for being a part of the PRC.

## **The Transformations**

### *Democratic Compromise and a Weakened Democratic Party*

A full-blown democracy crisis was soon averted after July 1, 1997, by the democratic compromise between Beijing and the Democratic Party. Ming Chan's chapter points out how DP leadership subtly modified its previous hostile stance toward the PRC leadership from harshly critical and condemning (following the June 4 Tiananmen Incident) to a more moderate critical tone (see chapter 3). The DP staged only a peaceful protest during the July 1, 1997, transition. It was also eager to participate in the 1998 elections, even though the Beijing-appointed Provisional Legislative Council (PLC) had so drastically changed the electoral rules that the democratic camp would have little chance to gain a majority in the post-1997 legislature. The DP diluted its anti-Beijing platform by emphasizing that it has always been "patriotic," as it has supported the PRC's resumption of sovereignty and has worked for Hong Kong's stability and prosperity.

In fact, Beijing has gradually yielded some limited political space for the Hong Kong democrats in the post-1997 era. The democrats were allowed to compete in the SAR elections, and local political protests were tolerated.

Beijing took no direct action even when local protesters shouted pro-democracy and pro-human rights slogans at Chinese communist leaders on their Hong Kong visit. Perhaps Beijing was confident that, once the DP was forced to operate under the regressive new electoral rules, it could not pose too much of a threat to the SAR regime as the Basic Law already entailed a restrictive framework to limit the power of the democratic forces. In the SAR's first legislative elections in 1998, only twenty seats were directly elected in the geographical constituencies, with the rest of the forty seats indirectly elected through functional constituencies (thirty seats) and through the small Election Committee (ten seats). In fact, the DP and its allies, because of their boycott of the PLC, failed to exert any influence on the design of new electoral rules that aimed to marginalize the democratic forces in the legislature.

First, the single-seat, first-past-the-post system in the 1995 geographical constituency elections was abandoned. Instead, the PLC adopted a proportional representation system for future SAR Legco direct elections. For the twenty directly elected seats in 1998, for example, Hong Kong was divided into five geographical constituencies, each returning three to five legislators. Candidates from either a party or a coalition would contest in each constituency. The number of seats allocated would depend on the percentage of votes they secured. This proportional representation system for the geographical seats aimed at intensifying the competition among the pro-democracy forces themselves. As Chan's chapter explains, under the proportional representation system, a political party participating in the direct election is required to put up a candidate list, and if there is more than one candidate, then the party candidates must be listed in ranking order for the geographical constituency. Candidates ranked at the top of the party list naturally stand a much better chance of getting elected than those with lower ranking. The need to work out an official party list of ranked candidates to contest the direct elections brought into the open the factional discords, personality clashes, and policy disagreements within the party ranks, as it was the case of the DP in 1998 and 2000.

Second, the PLC imposed a new parliamentary rule: Legco members cannot introduce bills that are related to public expenditure, political structure, or the operation of the government. As Benny Tai's chapter elucidates, for bills that are not related to these items, members still have to get the written consent of the chief executive if government policies are involved (see chapter 7). In other words, there is nothing of real significance that Legco members can introduce. This new rule is intended to marginalize the influence of democratic camp members in the Legco, as private member bills were important means for them to challenge the government on controversial issues and crucial decisions.

Third, the PLC also adopted a different procedure for the passage of private members bills and amendments. Tai explains that the passage of motions, bills, or amendments, introduced by Legco members to government legislation, would require a simple majority vote of each of the two groups of members present. The first group includes members returned by functional constituencies and the second group includes those returned by geographical constituencies through direct elections and by the Election Committee. In practice, it will be very difficult for the SAR Legco to pass any bill that is against the interests of the business class and the pro-Beijing bloc, whose combined strength has dominated the Legco since the 1998 elections.

Ming Chan shows that some DP "Young Turks," after feeling politically disempowered or even legislatively crippled by the above arrangements to roll back democracy, proposed a long-term walkout from both the Legco and the District Councils so as to take their fight against the SAR government directly into the street with public protests and demonstrations (see chapter 3). Although party senior leaders turned down their radical proposal, it created a deep internal division with the DP. The DP was deeply wounded by internal strife, unsure of its own class identity or socioeconomic constituencies, and unable to provide an effective platform on rice-bowl issues. These factors, along with the fading away of the negative fear-of-China factor and hence the direct relevance of its previous anti-Chinese communism stance, have led to the decline of the DP in electoral politics, as evidenced in the September 2000 Legco contests.

Shiu-hing Lo, Wing-yat Yu, and Kwok-fai Wan report that in the 1999 District Council elections, the democratic forces had lost their dominance in the electoral arena. The democratic forces received only about the same vote as the pro-Beijing camp, because the "patriotic forces" had much better coordination, organization, and mobilization than the democratic camp. Later, in the 2000 Legco elections, the DP saw its share of popular votes further decline to only 35 percent from 43 percent in 1998. Thus the once mythlike overwhelming electoral success record of the DP was finally broken.

Ngok Ma's chapter further delineates the new situation: Due to the change of the electoral system, a more pluralized cleavage structure in Hong Kong polity emerged after 1997 (see chapter 4). The change in cleavage patterns would pose a major challenge to the democrats in Hong Kong. Facing multiple new fault lines and the new proportional representation system, the democrats would find it extremely difficult to adopt a new ideological position or issue package to capture a wide range of supporters across multiple-issue fault lines, as they were able to do before 1997. The new pluralized cleavages would lead to the fragmentation of the democracy movement in Hong Kong, thus facilitating stronger executive control by the SAR regime.

### *Defending the Rule of Law Through Constitutional Compromise*

How did the SAR government and the Court of Final Appeal (CFA) deal with the constitutional crisis? Benny Tai's chapter documents their constitutional repositioning in response to the constitutional challenge waged informally from the four mainland legal experts (see chapter 7). Instead of waiting for Beijing to formally invalidate the CFA's ruling as wrong, or declaring that the CFA had exceeded its authority in making such a decision (which then would have spelled the end of the CFA's authority), the SAR regime resorted to the measures described below, to preserve the rule of law in Hong Kong while trying to escape from the social and economic consequences of a massive influx of "legal" children immigrants from the mainland.

First, the secretary for justice representing the HKSAR government made an application to the CFA requesting a clarification of the constitutional jurisdiction of the HKSAR courts. The CFA accepted the application and exercised what it considered to be the inherent jurisdiction of the court to make a clarification. In its clarification, the CFA stated that the SAR courts have no power to question the authority of the NPC and its SCNPC to undertake any action, which is in accordance with the Basic Law and the procedure therein. Beijing seemed to be satisfied with this clarification, and the first wave of challenge against the CFA was settled after this act of the HKSAR judiciary's rearticulation of self-restraint.

Second, after a motion was approved in the HKSAR Legco, Chief Executive Tung Chee-hwa requested the central government's assistance to seek the SCNPC's reinterpretation of Basic Law Article 24(2)(3). As a result, the SCNPC did reinterpret the two provisions, which in effect overturned the CFA's original decisions. On the basis of the SCNPC's interpretation, the CFA was forced to make a constitution compromise; it reversed its previous ruling, and decided against those who applied for the right of abode in Hong Kong for their mainland children.

As Tai explains, the CFA did not have many choices. The SCNPC had already issued an interpretation overruling the CFA's verdict. The CFA could not play with words to avoid direct conflict with the central government without changing its own stance. On the other hand, if the CFA refused to accept the authority of the SCNPC to issue such an interpretation, this would be a direct challenge to the supreme authority of the central government, and this might invite Beijing to interfere further with the affairs of the HKSAR. In sum, the CFA has decided that the constitution is far more important as the guardian of the rule of law than as the guardian of Hong Kong's high degree of autonomy and human rights, with the hope of avoiding open conflict with

the central government so as to prevent any further direct interference from Beijing.

### *Governability Crisis and Executive Accountability*

Anthony Cheung's chapter contends that facing the looming governability crisis, the new SAR government quietly toned down the highly unpopular civil service reform in order not to agitate civil servants further (see chapter 6). In February 2000 Lam Woon-kwong, who spearheaded the civil service reform, was replaced by Joseph Wong as the secretary for the civil service. The SAR government has given up the previous proposal to eventually turn all basic ranks (representing two-thirds of the civil service) into contract posts. It also conceded that a full-fledged performance-related pay system is difficult to develop.

In addition, Cheung reports that Chief Executive Tung Chee-hwa became interested in "executive accountability" when considering the question of governance. Tung noted that the Legco and the community have expressed the view that as principal officials (the chief secretary of administration, the financial secretary, the secretary of justice, and other secretaries) are involved in policy making and in playing leading roles in public affairs, they should be held accountable for the outcome of their policies.

But how to make principal officials accountable? Cheung outlines the several proposals. First, Tung's sympathizers and the pro-Beijing bloc have criticized the top civil servants under the leadership of Chief Secretary for Administration Anson Chan for not offering Tung sufficient support and full loyalty. Tung's supporters place the blame for the looming governability crisis on the lack of cooperation by the senior civil servants and their sheer incompetence. Subsequently, Tung's supporters used this opportunity to propose a more "presidential" style of executive government, with more loyal and politically reliable "outsiders" recruited from the private sector into the SAR government as principal officials. Tung could then pick his own team with top officials from the private sector rather than drawing them entirely from the existing pool of senior career civil servants inherited from the British colonial administration.

Second, senior officials nevertheless favor a civil service-dominated system. The regular civil service continues to be the main supply source for politically appointed policy bureau secretaries. What the senior officials prefer is the introduction of a new "political contract" for the secretaries who form a clear "political" layer, with existing senior civil servants invited to leave their civil service terms to accept appointment on new "ministerial" terms, that is, working in full tandem with the chief executive on both political

and policy agenda, and being prepared to step down to take political responsibility for policy blunders or in case of policy disagreement.

Third, another proposal was offered by the Business and Professionals Federation, which envisaged that future Exco members will become "policy councilors," with clear policy responsibility, and will work closely with principal officials who have to relinquish their positions as career civil servants and be offered contract terms as appointed executive councilors themselves. These "policy councilors" will be appointed, will work full time, will be remunerated adequately, and will be expected to become spokespersons for their policy area, so as to explain and defend policies before the legislature. In practical terms, they will become full-time "ministers," overseeing senior officials who still head the various bureaus and departments, while the Exco will in effect become the real cabinet of the chief executive. The October 2001 policy speech tentatively suggested a combination of key elements from these three lines of thought on the new "political appointees" system that should become operational starting with the SAR chief executive's second term in July 2002.

### *Developmental State and Global High-Tech City*

Berry Hsu's chapter discusses how the new SAR government responded to the challenge of the Asian financial crisis (see chapter 8). In August 1998, the global effects of the Asian financial crisis led to a major speculative attack on the Hong Kong dollar. In order to defend the local dollar's peg to the U.S. dollar and the local financial markets, the HKSAR government finally responded with a full-scale counterattack on August 15, 1998. Taking no decisive direct action would risk a 50 percent surge in interest rates and the substantial drop in the Hang Seng Index of the local stock market. This would further depress property prices, and would impose enormous pressure on the banking system that held the mortgages.

Hsu points out that in order to restore investor confidence in the financial markets, the SAR government decided to deploy its sizable Exchange Fund to purchase shares in selected "blue-chip" companies. As a result of the SAR regime's two-week direct intervention in the financial markets, all external speculative attacks faded. The total cost of the share acquisition by the SAR government amounted to US\$15.2 billion. A consequence of such a colossal injection of funds was that it turned the SAR government into the single largest shareholder in the Hong Kong and Shanghai Banking Corporation (HSBC) and other locally listed business concerns. Subsequently, the regime did make profits on the initial investment in these acquired shares, but the public who later purchased units of a fund based on these shares have sustained losses due to the declining stock market since early 2001.

In addition, Hsu outlines the seven measures adopted by the SAR government to strengthen the currency board arrangements, and its thirty proposed measures to strengthen the order and transparency of the securities and futures market. Belatedly, the government tightened the rules on short selling and settlement; it also streamlined the autonomic trading systems that in the past had enabled speculators to take advantage of a delay in the settlement process.

The significance of the August 1998 official direct intervention is not only that it worked to defend the HK currency and strengthened its U.S. dollar-linked exchange rate, but also that it marked the advent of a developmental state in Hong Kong. The action of buying US\$15.2 billion worth of stocks has gone far beyond the confines of the previously enshrined but hollow policy of "positive nonintervention," not to mention the once-celebrated colonial hallmark of a *laissez-faire* state. Since then, the SAR government has presented a new plan of transforming Hong Kong into a global high-tech city. The aim was to promote the development of a new technology-based and high-value-added sector in order to strengthen the long-term competitiveness of Hong Kong's increasingly knowledge-based economy.

The SAR government set up a high-powered Commission on Innovation and Technology (CIT), chaired by Professor Tien Chang-Lin of Berkeley, to guide Hong Kong's transformation into a high-tech center. In its first report, the CIT stated that Hong Kong will be an innovation-led, technology-intensive economy in the twenty-first century. In this vision, Hong Kong will be a leading city in the world for information technology (IT), a world hub for health food and pharmaceuticals based on Chinese medicine, a leading supplier in the world of high value-added components and products, a regional center for multimedia-based information and entertainment services, and a marketplace for technology transfer between mainland China and the rest of the world. In March 1999, the HKSAR government announced plans to build Cyberport, a US\$1.7 billion technology park in Pokfulam aimed to create a strategic cluster of leading IT and service companies in Hong Kong in the shortest possible time. The project is expected to generate more than twelve thousand jobs in Hong Kong, while approximately four thousand jobs will be created in the construction industry to build Cyberport. Upon completion in 2002, Cyberport will generate demands for support services such as accounting, legal, and other back office functions. Such a full hand of government intervention in economic development seems to reflect Tung's paternalistic vision of his SAR regime's interactions with society. Lawrence Lai's chapter gives substance to this kind of interventionist approach to development planning and resource allocation (see chapter 10). However, the optimism of the Tung regime in such a "high-tech" grand vision for Hong Kong's rosy future developmental course has been reigned in by the dark



realities of continuing recession that was recently further deepened by the second external blow assaulting the HKSAR in its first four years, the September 11, 2001, events' global effects.

### *Legitimacy Crisis and Soft Authoritarianism*

How did the SAR government deal with the legitimacy crisis? Agnes Ku's chapter points out that the SAR government has appropriated the discourse of democracy and then incorporated it into the hegemonic discourse of governing success (see chapter 14). For instance, after repeated setbacks and glaring failures resulting in serious state-society disconnect, the HKSAR officialdom begins to actively mobilize its political machinery and communicative resources to maintain power by increasing publicity as well as strengthening its public relations skills. Senior officials work hard to develop better media publicity as a redress against a deficiency in their public communication skills. Their aim is to displace the democracy discourse through a modified paternalistic-administrative discourse that includes the practice of media publicity in its expectation for a more favorable public relations outcome.

Aside from improving its public relations skills, the SAR government is moving toward a practice which can be called "soft authoritarianism."<sup>1</sup> Tuen-yu Lau and Yiu-ming To's chapter argues that, since its establishment, the SAR government has entered a new age with obsolete laws (see chapter 13). It imposes restrictions on freedom of assembly and association, allegedly infringing human rights, by reviving discarded repressive provisions of the Public Order Ordinance and the Societies Ordinance that had been repealed by the colonial regime before 1997. These laws laid the foundation for the "soft authoritarianism" of the SAR government as they stipulate that demonstration with more than thirty participants should seek prior police approval, disguised in the form of a "no-objection" notice by the police. Association should first register with government approval before it becomes a legal organization. The concept of "national security" is also introduced as a criterion for the police to decide whether or not a demonstration or an association should be approved. Accordingly, the police will ban activities it regards as advocating the independence of Hong Kong, Taiwan, or Tibet. These repressive measures not only could undermine civil liberties but also curb the scope of freedom of speech and of the press.

Suzanne Pepper's chapter also points out that the Basic Law actually has provided the ground for authoritarianism because its Article 23 mandated special local legislation to prohibit subversion against the PRC Central Government, the theft of state secrets, and political activities by foreign

organizations, as well as ties between them and counterparts in the SAR (see chapter 2). If Basic Law Article 23 were fully implemented, vigorously enforced as stated, and rigidly interpreted according to non-common law legal concepts as done elsewhere in the PRC, the implications would be grave indeed for Hong Kong's political life. The result would be prison terms, an underground existence, or at least drastically curtailed freedoms of speech and association for Hong Kong's most popular political leaders.

Nevertheless, the SAR government has been exercising obvious self-constraint in avoiding to invoke these repressive laws to deal with the legitimacy crisis. Except in a couple of cases where student protesters outside SAR government offices were arrested and prosecuted, the SAR administration has generally tolerated antiregime protests without making any arrest even though the protest movements leaders had declared in public that they would seek no prior approval from the police. Still, the SAR government has resorted to various means to intimidate these protesters, such as deploying a disproportionately very large police force supposedly to keep order and social peace (as sometimes there were many more policemen than protesters!), videotaping the demonstrations, and making public threats that the SAR government has reserved the right to prosecute even the nonarrested protesters later on (the police's preemptive seizure of a peaceful protesters' vehicle and arrest of its passengers some distance from the protest target site of a *Fortune* magazine global forum were ruled illegal by a local court in October 2001, perhaps a reflection of the HKSAR regime's obsession with internal security and overdeployment of suppressive capacity).

The Beijing authorities, too, have been using a strategy of "soft authoritarianism" to deal with the civil society in Hong Kong. Lau and To report that in March 2000 the Wharf Cable Television news channel interview of Anne Lu Hsiu-lien, then the Taipei regime's vice president-elect, provoked strong criticism by Wang Fengchao (deputy director of the PRC Central Government Liaison Office in Hong Kong). Wang charged that Hong Kong's mass media should fulfill its duty and responsibility to safeguard Chinese national unity and territorial integrity by refraining from reporting the views of "Taiwan independence" advocates. In October 2000, the criticisms of Hong Kong's mass media by PRC President Jiang Zemin, who labeled Hong Kong's journalists as "too simple and naive," sent shock waves to Hong Kong.

Like the SAR government, the PRC government so far has generally exercised considerable "self-constraint" and takes no further direct action to follow upon their criticisms of the Hong Kong media. Still, as Lau and To remark, repeated messages by Beijing officials served to forewarn or discipline Hong Kong's media, with the aim of establishing clear norms of political

correctness without resorting to enacting repressive press laws. Beijing officials are always ready to set guidelines for media practice, as well as issuing warnings on unacceptable performance by individual journalists whom they regard as having overstepped the proper bound of press freedom.

### **Future Trajectories**

The above discussions on transformations illuminate how Hong Kong is heading toward a pattern of "soft authoritarian developmentalism." The SAR government is developmental in the sense that it is much more active in guiding and promoting the economy with a very visible hand than the pre-1997 colonial regime. Not only did it intervene in the stock market in 1998, but it has also formulated a plan to propel the HKSAR into a global high-tech city as well as launching numerous far-reaching reforms in civil service, housing, education, medical, and welfare, to increase Hong Kong's quality of life and its economic competitiveness in the global arena. Perhaps to some extent an active interventionist state is now needed to solve the developmental crisis, while strong economic performance will also do much in helping to solve the HKSAR regime's own lingering legitimacy crisis as well.

While an executive-led government facilitated the state's capacity to embark onto a developmental track, it also laid the foundation for "soft authoritarianism." The weakening of the democratic camp and the constitutional compromise through which the CFA sets its own limits have emboldened and empowered the SAR regime to impose its decision over the civil society. The proposal for "executive accountability," if properly carried out, would directly strengthen the loyalty of senior officials to the chief executive, as they not only will be appointed by and solely accountable to, but serve only at the pleasure of and be easily dismissed by the chief executive. Yet, this system will only strengthen the chief executive's direct control of the SAR regime's decision process and buttress his personal command over the entire state machinery, but not adding to the regime's accountability to the Legco or to the public at large.

Since the Public Order Ordinance and the Society Ordinance, together with Article 23 of the Basic Law, have already laid the legal groundwork for authoritarianism in Hong Kong, it is due only to the self-constraint of both the SAR government and the Beijing authorities that, until now, such authoritarianism has been taking a relatively more subtle "soft" form of intimidation and surveillance, rather than being manifested through a "hard" form of outright suppression, arrests, and imprisonment. In order to make such soft authoritarianism work, the civil society also must play the soft game. Thus, the DP has become only moderately critical of Beijing, the mass

media owners exercise self-censorship in reporting, protestors stage mostly peaceful demonstrations, and gradually more Hong Kong SAR residents are openly displaying stronger patriotic sentiments for Chinese national interests, such as the July 9, 2001, spontaneous popular celebrations with genuine enthusiasm on the streets of Hong Kong for Beijing's successful bid to host the 2008 Olympic Games.

However, since soft authoritarian developmentalism depends very much on the key actors' mutual self-constraint (rather than on repressive institutions and coercive procedures in public life) in order to function well, this is only a rather fragile and tacit pact among the actors. The trajectory of the HKSAR's development, therefore, is still very fluid and its future course is filled with great uncertainties. Using soft authoritarian development as the baseline, there seem to be three alternative paths of development.

First, the HKSAR could be transformed to an "authoritarian developmental regime" like that in mainland China today. If the democratic forces fail to exercise adequate self-constraint, if the protests in the civil society become too massive and violent, or if the HKSAR activists overtly support either the democratic activists on the mainland or the advocates for "Taiwan independence," this could provoke the SAR government to invoke Basic Law Article 23 (which has yet to be codified and enacted into local law) or the Societies Ordinance provisions. Hard-core authoritarianism then could be rationalized as a necessary evil in order to maintain SAR local order or Chinese national security and to promote rapid economic development for the cherished "stability and prosperity" of Hong Kong.

Second, the HKSAR could be transformed into a case of "democratic developmentalism" like that in South Korea. If the democratic forces were united, and if they received strong support from the aroused civil society for winning elections and dominating the legislature, they could eventually trim down the repressive laws, open the entire Legco for direct elections, and speed up the democratic process to elect the chief executive on a one-person-one-vote, universal franchise. Full-fledged liberal democracy then could be justified as a necessary and desirable step if Hong Kong wants to join the front rank of global financial hubs and high-tech centers, which are all located in advanced industrial democracies.

Finally, the HKSAR could be transformed into a caring and enlightened "populist welfare state" like that in the Scandinavian countries. The democratic forces become so strong, their popular impulses are so overwhelming, and the defeat of the pro-business conservative interests in elections is of such wide margins that the democrats could ultimately impose their own populist, proenvironment, and extensive entitlement welfare agenda on Hong Kong's development. The HKSAR government then would become a redis-

tributive state, promoting equality, social justice, and grassroots democracy, perhaps at the expense of unchecked marketization and the pursuit of blind “GNPism.”

At present, the HKSAR under Tung Chee-hwa’s leadership seems to be embarking on the path of soft authoritarian developmentalism. With Beijing’s blessing and the tycoons’ endorsement, but despite the reservations of many in the middle class and the grassroots (including those in the patriotic bloc), it is clear that the present HKSAR regime is tilted more toward authoritarian developmentalism than toward democratic developmentalism, let alone populist welfarism. The second-term reelection of Tung Chee-hwa as SAR chief executive will only continue this major trend into the late 2000s, perhaps with an even stronger determination and a more effective hand, now that he has been baptized by the hard lessons of his disappointing first five-year tenure.

As mainland China has evolved very extensively through the last two decades of marketization, privatization, and international economic opening, the possibility that the PRC party-state will eventually adopt selected aspects of European-style social democratic ideologies and pluralistic political practices to further reform itself amid the strong globalization trends should not be entirely ruled out in the long run. The PRC’s rising international prestige as an upcoming world power, which was clearly reflected in the October 2001 Asia-Pacific Economic Cooperation (APEC) summit in Shanghai, could be a sign for the future. The PRC’s formal entry into the World Trade Organization (WTO) in late 2001 and Beijing’s hosting of the 2008 Summer Olympic games, along with the mainland’s exceptionally strong and uninterrupted economic growth all bode well for positive further reshaping of the Chinese state and society in the early decades of the new millennium. By then, the developmental paths of the Chinese mainland and the HKSAR might share many more common patterns and overlapping features, which would immeasurably enhance the full reintegration of these two parts of the modern Chinese nation.

## Note

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1. The concept of “soft authoritarianism” has been further developed in Alvin Y. So, “Social Protests, Legitimacy Crises, and the Impetus Toward Soft Authoritarianism in the Hong Kong SAR.” In *The Tung Group: The First Five Year of the Hong Kong Special Administrative Region*, Siu-kai Lau, ed. (Hong Kong: Chinese University Press, forthcoming).

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