

HONG KONG
Culture and Society

Repositioning the Hong Kong Government

Social Foundations and Political Challenges

Edited by

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INTRODUCTION

Repositioning the post-colonial Hong Kong government

The interplay of state, market and society

Stephen Wing-kai Chiu

Contrary to popular mythology that upheavals of epic proportions would mark the end of the millennium, the twenty-first century actually dawned far less spectacularly than the doomsayers had predicted. Yet, it proved no less eventful as we all know. In particular, the world has witnessed a number of dramatic changes over the past few decades that have reverberated throughout the globe—the end of the Cold War and the dissolution of the Warsaw Pact bloc undoubtedly the most dramatic. The acceleration of the process of global integration turns out to be equally consequential, especially in the realms of economic flows since roughly the same time as the fall of the Berlin Wall. Stepping into the new century, we also witnessed the unprecedented September 11 terrorist attack upon the USA homeland in 2001 and rising tension between the Islamic and Anglo-American worlds.

Chinese traditions also believed that extraordinary natural phenomena precede major political upheavals, signalling heavenly unrest or dissatisfaction towards the ruler on earth. Nevertheless, contrary to this view, the secular event of Hong Kong's return to Chinese sovereignty in 1997 took place utterly uneventfully, with none of the popularly imagined and feared social and political disturbances surrounding the handover. Yet, the new Special Administrative Region (SAR) government soon faced a number of unprecedented challenges. In 1997, the spread of the Asian Financial Crisis to Hong Kong burst the asset bubbles of the 1990s, thus puncturing the long period of prosperity that coincided with the last years of colonial rule. From 1997 to 1998, an outbreak of avian influenza ("bird flu") resulted in eighteen confirmed human cases and six deaths. Hong Kong authorities managed to contain the disease only by slaughtering over one million

chickens. As Hong Kong was nursing the wounds caused by the double blows of the recession and the 1997 epidemic, an even more mysterious infectious disease struck Hong Kong in 2003. Between February and May, the Severe Acute Respiratory Syndrome (SARS) outbreak in Hong Kong took 299 lives and infected 386 health care workers. Prompted by popular dissatisfaction with the government's performance in tackling challenges like the SARS outbreak, over a million people marched in the streets of Hong Kong. In March 2005, the first Chief Executive of the SAR government under Chinese rule, Tung Chee-hwa, resigned (on medical grounds), replaced by the then Chief Secretary for Administration, Donald Tsang.

Of course, supernatural forces might have less to do with this unprecedented political upheaval than the mundane dynamics of the society and polity. Yet, the case suggests that, despite its past reputation as the stable and prosperous crown jewel of the British Commonwealth, post-colonial Hong Kong may not be an easy place to govern. The Tsang team has continued to face similar challenges to its governance and still explores ways to reposition itself vis-à-vis the economy and the society in the post-colonial era. While seeking to mobilize public support for its policies through strengthened political communication, it has continued to pursue an incremental approach to democratization instead of rapidly deepening the channels of political participation. The creeping spread of state interventionism that started during the late-colonial period and that persisted into the Tung era observably continues during the Tsang era—so much so that an attempt to legislate for the minimum wage in 2010 led the neo-liberal *Economist* to declare the end of the free-market experiment in Hong Kong (*The Economist* 2010).

This volume includes nine original essays that help shed light on the challenges facing the Hong Kong SAR government in the new century. With the exception of Peter Evans, all our contributors, each a locally-born scholar, have experienced the ups and downs of Hong Kong in recent decades and stay deeply concerned about the future of the local community. As we shall see, despite all the claims about the demise of the state in an era of globalization, we believe that the government remains a major force in this new century and that any effective policy measures offered to solve Hong Kong's problems

must somehow involve it. Embedded social and political conditions, difficult to alter in the short run, made governance more than merely a matter of technique or skills. It is therefore essential for the Hong Kong community to reflect on and discuss the political foundations of its governance and the appropriate roles of the Hong Kong government in the new century.

Beyond the state-market antinomy

In this volume, we have chosen to step aside from the belaboured constitutional *cum* political battles of the search for a new political order in Hong Kong (see Lau 2007 for a review of such issues), and to start instead from a more macroscopic perspective of the challenges facing the Hong Kong government in its relationship to the society. Our chapters have undertaken to address these challenges, in various ways, from two directions, namely, the changes in the domestic society and in the global economy. As in most newly developed societies, changes in the domestic political economy have given rise, on the one hand, to debates over the appropriate role of the state in the society while, on the other hand, changes in the global economy have also generated new problems for states to tackle.

On the first question, regarding the appropriate role of the state, during much of the post-war years, the key issue has consisted of whether the state or the market should drive developmental outcomes. In the early post-war years, neo-liberal prescriptions prevailed in the development literature resulting in favouring a market-led model of development with East Asia taken as the prime example of the success of this strategy. The *World Development Report 1987* offers an explicit statement consistent with the mainstream neoclassical view in economics that supports the free-trade and free-market model of development. In its lending policy, as in that of other multilateral financial bodies such as the International Monetary Fund, it also strives to coax developing states to adopt a more “market-friendly” programme of development.

The writings on the East Asian NICs (EANICs) by economists associated with the World Bank best represent the accounts of East Asian development emphasizing the importance of market forces.¹ In

this model, the state assumes the relatively limited role of serving as a catalyst and as corrector of market failures. Private entrepreneurs who respond eagerly to market stimuli occupy the centre stage, capitalizing on a cheap, plentiful supply of labour. This interpretation begins with a free-trade regime, under which national policy allocates resources in accordance with the country's existing comparative advantages. Thus, Little (1981) stresses the positive effects of "almost free trade conditions for exports" in EANICs' success. By "getting the price right" through trade liberalization and exchange rate reform, EANIC states provide the optimal environment for the growth of private enterprise (Little 1981, 42).

In the case of Hong Kong, for instance, it posits that the maintenance of a free-trade regime accounts for the city's successful industrialization. Freed from the fetters of government intervention and capitalizing on their comparative advantages, the EANICs then embarked on export-oriented, labour-intensive industrialization. Government stability also vitally provides stable, long-term time-horizons for private business calculations. It sees a regulatory framework and infrastructural capacity as beneficial, but any interference into private decision-making as not (see for example, Balassa 1988). In other words, it portrays private entrepreneurs as the protagonists of the East Asian industrialization narrative with the state's role best conceived of as catalytic rather than "pervasive" (Ranis 1985).

By the 1980s, however, a revisionist interpretation of the East Asian experience, epitomized by the concept of the developmental state, provided an alternative account diametrically opposed to the neoclassical perspective (Johnson 1987; White and Wade 1988). This new intellectual paradigm draws historical sustenance from the argument that successful "late development" takes a very different form from that of earlier industrializers (Gerschenkron 1967, 443–59); the former's developmental process becoming less "spontaneous", with the state assuming the role of the major agent of social transformation. Partly in reaction to the neoclassical onslaught, two major studies on East Asian industrialization have devoted themselves to this theme (Wade and White 1984 and Deyo 1987). Likewise, Deyo concludes his volume on the "new East Asian industrialism" by proposing a "strategic capacity" model (1987, 227–48). Instead of emphasizing free markets, trade

liberalization, private enterprise and the restricted role of the state, the statist perspective contends that states have a strategic role to play in taming domestic and international market forces and harnessing them to national ends (Gerschenkron 1962; Rueschemeyer and Evans 1985).

Since the late 1990s, and especially after the 1997 Asian Financial Crisis, observers have increasingly placed the statist model under critical scrutiny. Drawing on the cases of Korea and, to a lesser extent, Thailand and Indonesia, they have raised the possibility of the “crony state” and spoken of the dangers of the state meddling in the market. They claim that state interventions would lead to collusion between it and private business, giving rise to rent-seeking behaviour by special interest groups. The backlash against the arguments for a strong and autonomous state, therefore, quickly led to a theoretical reaction that emphasizes the nature of the interactions and the institutional linkages between the state elite and societal actors (Kohli 2004; Migdal, Kohli and Shue 1994).

In the discussion of East Asian development, scholars hold a similar view stressing the *interdependence* of state and business. Weiss calls it the “governed interdependence theory”, premised on the proposition that “the ability of East Asian firms and industry more generally to adapt quickly to economic change is based on a system that socialises risk and thereby coordinates change across a broad array of organizations—both public and private” (Weiss 1995, 594). Governed interdependence refers to a system of central co-ordination in which the government and industry co-operate and communicate to bring about innovation and realize competitive potentials. This model has both analytical and policy implications, since it simultaneously generalizes about state-business co-ordination in East Asia and how this relationship has contributed to the economic success of the region.

This approach departs from the state-led model in its insistence that states cannot simply *impose* development policies upon the private sector. Doing so would compromise their effectiveness since the most optimal ones consist of those formulated in consultation with the private sector and implemented with the willing co-operation of firms. “Co-ordination” comprises the key to this system. Why is industrial co-ordination possible? Apart from the autonomy emphasized so much in the state-led models, Weiss pins down the institutional capacities for co-ordination to developing the efficaciousness of state-industry

linkages. She argues that Korea, Taiwan and Japan have established an elaborate matrix of institutional linkages between state agencies and the private sector. Such “policy networks” “provide a vital mechanism for acquiring information and for co-ordinating agreement with the private sector” (Weiss 1995: 600). In Japan, for example, the Ministry of International Trade and Industry (now renamed Ministry of Economy, Trade and Industry) benefited from the work of over 250 deliberation councils that enable the state to consult the private sector and to collect valuable information. Only by doing so can a strong ministry avoid formulating policies insulated from the private sector and act in concert with industry (see also Samuels 1987; Okimoto 1989).

Social embeddedness and the challenges of good governance

Going beyond the opposition between the state and the market in the debates that occurred during the 1980s, the leading discussions in the 1990s on the role of state in development highlighted the contributions of good governance. “Governance” constitutes a nebulous term that has come to assume very different meanings. Development studies commonly assert its importance. As the United Nations Development Program (UNDP) states, “[h]uman development cannot be sustained without good governance” (UNDP 1997, iv). In the development context, the definition of governance the World Bank proposed and adopted by many development agencies and institutions, prevails: “the manner in which power is exercised in the management of a country’s economic and social resources for development” (World Bank 1992, 3; UNDP 1997).

The World Bank and other development agencies typically identify four inter-related attributes of good governance: capacity building, participation, predictability and transparency. *Capacity building* implies “the capacity to provide citizens with an acceptable level of public services, in an effective and efficient manner” (Asian Development Bank 1995, 26). They consider greater accountability essential to enhance governing capacity. The involvement of the governed lies at the heart of *participation*; a participatory approach will enable beneficiaries and other affected parties to have “the opportunity to improve the design and implementation of public programs

and projects” (Asian Development Bank 1995, 5). The principle of *predictability*, on the other hand, often more concretely expresses itself in the establishment of the legal framework for development, but can also extend to the entire regulatory and policy matrix relating to public and private activities. To ensure predictability, government and organizations must apply rules and laws as uniformly and impartially as possible (Asian Development Bank 1995, 6). Finally, agencies often link *transparency* to the provision of information. “Transparency improves both the availability and the accuracy of market information and thereby lowers transaction costs” (World Bank 1994, 29). These four elements of good governance obviously support and reinforce themselves mutually.

The concept of governance has aroused much controversy.² On the one hand, the Bank uses a definition clearly neo-liberal in origin as it assumes a narrow band of policy areas that the state should engage in. In this respect, the Bank has received criticism for focusing entirely on the narrow administrative level of governance and neglecting the power or regime dimension. Nevertheless, in spite of its neo-liberal origins, even those less inclined to favour a reduced range of state interventions in development have found the concept useful since it highlights the importance of state actions in development administration. In this view, good governance can provide a vehicle for administrative reforms that enable the state to intervene more effectively in a statist manner, rather than restraining state actions. Therefore, the concept does not inherently restrict itself to expanding the role of free markets. Whatever its ideological underpinnings, the idea of governance, like that of state-society interdependence, does throw sharp relief on the interconnectedness of state actions and societal interests, and downplays the notion of the state as an autonomous entity standing above the society.

With respect to participation, Fung and Wright (2001) respond to the conservative assertion of an alleged trade-off between participation and efficiency in democratic institutions by coining the notion of “empowered deliberative democracy” (EDD). They document a series of reforms in local level governance that seek to “deepen the ways in which ordinary people can effectively participate in and influence policies that directly affect their lives” (Fung and Wright 2001, 7). They

generalize from these case studies to derive three political principles, three design characteristics and one primary background condition for EDD. While they agree that it is premature to draw conclusions regarding the final results of these experiments, they suggest that EDD has the potential to effectively solve problems, to generate fair and equitable outcomes and to facilitate broad and deep participation.

Fung and Wright's discussion overlaps with Peter Evans' notion of empowerment and participation in his chapter for this volume and has also inspired a number of other contributions here. Our chapters demonstrate that public policy and good governance must embed themselves in the society in complex ways, even if one even leaves out the issue of democratization. Ma Ngok's chapter traces the increase in state interventions to the state's co-optation of a new crop of political appointees into the elite ranks of its governmental machinery. Chiu and Lui's chapter documents the declining cohesiveness of the capitalist class in Hong Kong over the 1980s and 1990s and considers its effect on policy-making. Eliza Lee highlights how the top-down business-oriented approach to urban planning could reduce the capacity for smooth policy implementation. Ku discusses the ways in which the Hong Kong government has shaped, and, in turn, successive images of citizenship have shaped it. From a comparative perspective, So and Chiu also show the manner in which the nature of Korean democracy has allowed for an effective response to the Asian Financial Crisis in restructuring large corporations and in eliminating their dependence on state handouts.

Globalization and the end of the state?

Apart from examining the changing nature of and expectations for governance, our chapters also address the impact of globalization on government and, in particular, whether it has contributed to the alleged demise of state power. As Held and McGrew put it, globalization "denotes the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns of social interaction". It refers to a shift or transformation in the scale of human organization that links distant communities and expands the reach of power relations across the world's regions and continents" (2003,

4). While globalization is taking place in many realms of social life, economic globalization typically takes the centre stage in many of the analyses. We normally view expansion of international trade; rapid flows of inward and outward foreign investment; the multinationalization of corporate activities; the growing integration of international financial markets; the movements of labour and talent and the formation of global policy regimes governing cross-border transactions as processes normally associated with globalization. Yet, we must resist the temptation to equate globalization with the growing integration of the global economy per se, as the accelerated growth of social interactions and the integration of human organizations across political and spatial units in the world does not confine itself to economic transactions. Globalization has also resulted in the diffusion of values and cultural phenomena, while the formation of global governance institutions does not remain restricted solely to regulating economic flows.

Globalization has given rise to numerous debates, even in response to the very basic question of whether it genuinely exists and constitutes a new phenomenon. Unsurprisingly, given the modern state's roots in national sovereignty and the establishment of national boundaries, debates have also occurred surrounding the role of the state in the developmental process in the alleged new age of globalization. At one extreme lies the "end of the state" thesis proposed by what Held et al. (1999) call the "hyperglobalists", which posits that the contemporary processes of globalization have rendered the nation-state obsolete. In Kenichi Ohmae's view, nation-state "has become an unnatural—even dysfunctional—organizational unit for thinking about economic activity. It combines things at the wrong level of aggregation" (1995, 16). His arguments for the end of the nation-state, once novel, have now become commonplace. He observes the nature of the four "I's" (investment, industry, information technology, and individual consumers) has so changed as a result of globalization that they require "region states" that border on several national territories conduct economic activities. "They may lie entirely within or across the borders of a nation state. That does not matter. It is the irrelevant result of historical accident. What defines them is not the location of their political borders but the fact that they are the right size and scale to be

the true, natural business units in today's global economy. Theirs are the borders—and the connections—that matter in a borderless world" (1995, 5).

Certainly, such extreme views associated with hyperglobalism have not met with widespread acceptance. What Weiss (2003) identifies as the "globalization-as-constraint" thesis employs a more sophisticated approach, one often viewed as "standard", for understanding the transformation of governance under globalization. According to Weiss, this thesis asserts: "(a) that the world is becoming more interconnected through increasing economic openness and the growth of transborder networks that accompany that process, and (b) that this interconnectedness is increasing the power of global (economic and political) networks of interaction *at the expense of* national (economic and political) networks" (2003, 5; emphasis in original). Further, Strange (1996) offers a sophisticated but forceful version of this thesis. The argument found there largely coincides with the "globalization-as-constraint" view in that "the impersonal forces of world markets, integrated over the post-war period more by private enterprise in finance, industry and trade than by the cooperative decisions of governments, are now more powerful than the states to whom ultimate political authority over society and economy is supposed to belong" (1996, 4). It identifies the accelerating pace of technological change and financial integration as the primary causes of the shift in the state-market balance of power though such a shift occurs before our eyes in spite of three paradoxes that apparently mask it.

The first paradox—while its power is declining, the state has become more active and intervenes constantly in the daily lives of citizens. The second paradox—although existing states are suffering from a progressive loss of real authority, political entities aspiring to sovereign statehood are increasing. The final paradox—while the governments of advanced western societies appear to be retreating from intervention into the society, many Asian states have apparently gained power through their active role in the developmental process. Strange considers these paradoxes as either illusory, e.g., the view that more interventions mean more power, or dismisses them as temporary phenomena, as in the case of the ascendancy of Asian states under the Cold War system. She asserts that, in the longer run, the forces of

change in the international political economy continue to unmistakably transform the balance of state-market power leading to a diffusion of authority to non-state institutions and associations, and to local and regional bodies (Strange 1996, 5–7).

Weiss herself contests these views and, instead, highlights the other, “enabling” face of globalization. Her thesis rests on two main arguments. First, “[s]trong exposure to world markets (qua globalization) has a tendency to heighten insecurity among broad segments of the population, which in turn generates demand for social protection” (2003, 16). Such generalized insecurity would prompt states to compensate for the social costs of globalization through social policies in order to maintain the social contract. The second suggests that increased global competitive pressure on businesses has heightened firms’ need for governmental support. Rather than “coming of age” and weaning themselves from public assistance, they clamour for more governmental action that would allow them to gain advantages over their competitors in the global marketplace, whether they consist of tax incentives, technological diffusion or support for training and human capital investment. The combined effects of these two forces, rather than significantly constraining and reducing the states’ scope for actions, would, instead, prompt a variety of responses from the state both to compensate the losers and to groom winners in global competition. For example, Hobson (2003) demonstrates that the tax burden on corporations in the Organisation for Economic Co-operation and Development has generally increased rather than declined in the period of accelerated globalization, suggesting that the latter process has not diminished overwhelmingly the extractive capacity of the state.

Peter Evans’ essay in this volume accords largely with this line of thought, but also adds to the theoretical basis for a discussion of the role of the state in Hong Kong’s development. Starting with three new developments in economic theories of growth, namely, the endogenous growth approach, institutional approaches and the capability approach, he underlines their convergence through their common emphasis on “institutions that set collective goals, provide collective goods, and maintain general rules and norms” (this volume). With this observation, he returns to the theory of the developmental state he pioneered in his various path-breaking works and highlights the role of bureaucratic

capacity and the presence of dense ties between the state and the entrepreneurial elites in shaping developmental outcomes.

He then asks: does this form of the developmental state, that is, with high bureaucratic capacity and dense connections to entrepreneurial elites, remain relevant in the twenty-first century? The question becomes important since the character of economic growth has experienced a radical transformation during the twenty-first century. What he calls the “bit-driven” growth that centres on intangible production and the delivery of direct inter-personal services to consumers underlies the phenomenon of the decline of manufacturing and the rise of services. He argues that the requirements of the bit-driven economy will make private sector elites less reliable allies than in the previous era. For example, developmental states in the industrial century tended to create and protect monopoly rights, albeit temporarily, that would encourage the private sector to invest and expand production. In the era of bit-driven growth, such political protection of monopoly rights might seriously strangle innovation and slow down the overall rate of growth.

Evans echoes the capability approach with its emphasis on the expansion of the capabilities of people to lead the kind of lives they value. These capabilities represent, at the same time, both the goals of development and the primary means of attaining them. Fostering private and public investment in the knowledge and skills of individual citizens as key inputs of growth therefore becomes the critical task for the new century’s developmental state. In discharging this task, the state also needs to embed itself in a network of public deliberations that would help it choose among the range of capabilities available for expansion and the means of achieving them. In other words, broad-based political participation and some forms of democratic “deliberative” political institutions remain important for the new breed of developmental states. While this new vision of development does not necessarily condemn the “old” developmental states to the dustbin of history, it does mean that political elites have to make considerable adjustments if they wish to deal effectively with the task at hand.

In a similar vein, So and Chiu analyze the post-war transformation of another archetypical developmental state, namely, South Korea in this volume. The state’s active intervention into the economy, a

competent and meritocratic bureaucracy, its control of the financial sector and its dominance over the *chaebols* (large diversified family-owned conglomerates) and all other classes characterize the Korean developmental state. As in the case of many others, the Korean version was created on the foundation of a strong state, weak market and weak society in the Cold War era. However, this kind of state-market and state-society relationship began to change in the 1980s. Nurtured by the developmental state for three decades, the *chaebols* had grown immensely in both size and power. Globalization policies, as for example, liberalization and de-regulation of financial markets, empowered them even further, giving them the capacity to evade or challenge the policies of the developmental state. Democratization, too, weakened the foundations of a developmental state based on authoritarianism and the repression of civil society.

The authors then document how a critical event arising from the new globalized economy, the Asian Financial Crisis, further transformed the relationship among the state, market and society. With the *chaebols* weakened by the Crisis, the ascendance to power of the popularly elected Kim Dae Jung government enabled it to pursue neo-liberal reforms to reinvigorate the market, reforms to re-strengthen the state and reforms to involve the civil society under the name of “participatory democracy”. The state also put forward a massive welfare programme in response to high unemployment, social polarization and rising tensions in Korean society.

In broad brushstrokes, the authors thus validate Evans’ vision for the developmental state. Rather than assuming the zero-sum conception of a “strong state, weak society” foundation for the developmental state, they point to the Korean case as an example of the new “mutual empowerment” relationship between the state, market and society since Kim’s government seeks to invigorate the market, to empower the state and to activate the civil society concurrently. So and Chiu also emphasize how the South Korean case points to the importance of appreciating the political conditions for the developmental state, encapsulated by Evans (1995) under the concept of “embedded autonomy”. The South Korea experiment in “mutual empowerment” appears to come at a time when the Asian Financial Crisis heightened state autonomy and the rise of the civil society accentuated state

embeddedness. Democratic participation has strengthened the capacity of the state to regulate the market, while state policies have geared themselves toward enhancing the capabilities of the citizenry to respond to the new bit-driven economy in developmental states.

James Lee's chapter on public housing also testifies to the continuing relevance of public policy in discussing the shaping of Hong Kong people's life chances and the economy. Peter Cheung then assesses the Hong Kong government's responses to globalization directly through an examination of its role in managing cross-border transactions between Hong Kong and mainland China. So and Chiu's chapter certainly deals with the issue of the ways in which globalization created challenges for the Korean state to deal with, while Lui and Chiu also argue that Hong Kong's economic restructuring that accompanied the new wave of globalization since the 1990s has led to realignments in the governing coalition that, in turn, fundamentally reshaped the parameters of governance in Hong Kong.

The Hong Kong story

One should craft the Hong Kong story of the changing role of the government in the developmental process certainly with reference to the intellectual currents and issues within the larger theoretical and comparative literature on the role of the state in the global economy. In this respect, we can see that the local contributions to this volume pay particular attention to the role of the state-society relationship and democratic participation in shaping the capacity of the state to respond to globalization and the new economy. While globalization stands out as a common background to much discussion of state-society relations, Hong Kong contrasts sharply with the advanced countries because of its status as a polity undergoing democratization. It also exists not as a full-fledged sovereign state but as a special administrative region with a high degree of autonomy under the People's Republic of China. As a result, though on the one hand, the political impact of globalization appears to impinge on Hong Kong as in many other advanced countries, on the other, it faces political challenges not commonly found in the industrialized world.

Ma Ngok's chapter starts the Hong Kong story by outlining the contours of the transformation of governance since the colonial era. He first seeks to debunk the myth of Hong Kong's colonial *laissez-faire* policy as the result of ideological adherence to the free market. Instead, he contends, it resulted from, along the lines advanced by a handful of other scholars, a carefully forged strategy of legitimizing colonial rule. After 1997, the state form of Hong Kong changed as a consequence of decolonization, democratization and economic restructuring. Continued efforts to incorporate new political elites into the state machinery have an eclectic, increasingly fragmented, corporatist structure. A type of what he labelled as "organizational feudalism" therefore leads to ad hoc and particularistic sectoral intervention in the post-colonial era.

In a similar vein, the chapter by Lui and Chiu looks at the changing relationship between the government and big businesses in Hong Kong. They begin by describing the colonial political order as one built on their close partnership. A cohesive business community composed of a dense network of major corporations, among other factors, made this alliance possible. The consensus of the business community (or at least the dominant segments of it) on major policy issues, positive non-interventionism prominent among them, formed the pillar of the colonial governance, making it easier for the colonial government to forge social support for its policies.

While this characterization of the colonial political order looks familiar, it breaks new ground in its analysis of the evolution of the government-business alliance. Based on a new data set of the network of big businesses developed through their interlocking directorships from the 1980s to the late 1990s, they argue that, since the 1990s, the degree of cohesion in the business community has declined, due, first, to the rise of Chinese business groups and, second, to the process of deregulation which led to the intrusion of business groups onto each other's turfs resulting in intensified competition. With the breakdown of the business network, the SAR government could no longer position itself as an impartial arbiter of any conflicts of interests between the big businesses, but has found itself dragged into taking sides in the rivalries among the business groups.

Returning to the question of the viability of the developmental state in the new century, both Ma and Lui and Chiu review the recent debate in Hong Kong regarding the alleged demise of the “positive non-interventionist” approach to economic management, perhaps illustrating the double bind the government has discovered itself caught in. They observe that, while the Hong Kong government has been trying vigorously to articulate a viable development strategy and carve out a new direction for Hong Kong’s development, a cross-fire of conflicting demands and interests has trapped it. They argue that such conflicting demands do not emanate merely from the process of democratization or the popular demands for participation or welfare, as commonly believed, but also symptomize the underlying changes in the power structure. The weakening of state governance capacity should not be attributed therefore simply to democratization but also to increasing fragmentation of the governing coalition or, in Ma’s words, the eclectic corporatism in Hong Kong. To construct a viable governing coalition that supports the quest for strong governance, they contend, the government must seek a way to overcome the fragmentation of business interests and forge broad-based support and legitimizing its major development policies. The first four chapters in this volume illustrate the prominent theme of the possibility of creating a positive feedback loop between democratization and the state’s capacity to forge a viable developmental strategy in the new century.

Agnes Ku’s chapter looks at the issue of governance from the perspective of the changing conceptions of citizenship in Hong Kong. Beginning with a review of the idea of modern citizenship and, especially, the Marshallian view, she next examines how the rise of neo-liberalism impinges on it. Ku views the Marshallian conception of citizenship as one built upon the state-based mode of equality that seeks to redress the inequality of power between capital and labour in a capitalist society. She then documents the evolution of colonial governance and the subsequent underlying conceptions of citizenship since the colonial era. Though a *laissez-faire* ideology dominated the colonial state’s mode of governance, the concept of citizenship there remained underdeveloped except in the market sphere and implicitly concerned itself much more with law and order than with rights and entitlements. In particular, the idea of social rights almost did not

exist, and welfare provisions developed with a “residualist” character, although the role of the colonial state in collective consumption did expand gradually in the post-war era.

The same forces since the 1960s that pushed the colonial state to expand provisions of welfare also drove a gradual revision of the broader mode of governance into one that emphasized social consensus. The colonial government sought to mobilize public consent to and support for its policies as well as the very system of its rule. Political institutions still circumscribed opportunities for open democratic participation and did not promote the concept of political citizenship. Instead, the colonial state employed its active involvement in the everyday lives of its people to boost its legitimacy and forge a social consensus without actually allowing their participation in policy-making arenas.

The process of decolonization since the 1980s, however, opened the floodgates of democratization and, by implication, a new understanding of political citizenship. A pro-democracy movement also emerged in response to the new political opportunities. A new discourse that emphasized the rights of individual citizens and a broadening of political participation came to contest citizenship, and the hegemonic discourse of administrative efficiency leading to economic prosperity and political stability. In the post-handover period, changing circumstances have led to a more interventionist style of “active and strong” governance in the SAR government. Ku pinpoints its reliance on active and assertive interventions without the articulation of a new conception of political citizenship as the key feature of this new mode of governance. Both Tung Chee-hwa and Donald Tsang’s governments appear to have adopted many of the colonial strategies of consensus building without genuine dialogue with and incorporation of the diverse voices into the society. In conclusion, to resolve the political stalemate in Hong Kong, she calls for the development of a democratic citizenship that allows for more effective public political participation.

Eliza Lee also takes up the issue of governance but shifts her attention to the local level. She begins her chapter with an historical overview of the development of local governance in Hong Kong, summarizing its central features as the prevalence of state intervention in and the penetration of local communities, state absorption of civic association and confinement of community

initiatives to administratively-defined arenas. In the post-colonial era, the government has continued to rely on the political machinery the colonial state constructed as the basis for its support and legitimacy. Moreover, the rise of pro-Beijing local organizations has marked their entrance into local political sphere as the so-called “pro-establishment” forces. Mobilization by the political parties, however, means that new grassroots associations have proliferated. Centring on the District Councils, a “Hong Kong-style pork-barrel” local politics became visible. She contends that the post-colonial government has relied on clientelism to maintain the loyalty of the pro-establishment political forces.

She then turns her attention to the so-called “H15” urban renewal project that would redevelop certain old areas in Wanchai demolishing old buildings to make way for modern high-rises. The Urban Renewal Authority, a public organization overseeing the project, set out to buy out the buildings in the area for redevelopment. As an old community, resistance began to brew as the area’s residents and small business owners who had lived and worked there for a long time expressed great reluctance to move. Residents and business owners with the help of a local NGO eventually formed an organization, the H15 Concern Group. Some stakeholders mobilized around the Concern Group, and demanded, among others, more compensation for their properties and a relocation plan that would allow them to maintain their existing community networks. Eliza Lee observes that a largely defensive, instrumental movement quickly turned into a “journey of self-discovery” for the participants. The activists began to demand a participatory people-oriented approach to urban renewal and sought to preserve the cultural heritage of the local community. With the help of planning professionals, the Concern Group proposed its own alternative redevelopment plan that embraced the sustainable development and cultural conservation. While the resistance turned out to be futile when the government refused to budge, Lee argues that it has important ramifications for local governance and signifies the beginning of a new mode of local participation and mobilization.

Another set of questions our authors address concerns those arising from an examination of the proper role of the state in Hong Kong’s development. Consistent with a comparative discussion, they largely agree that the Hong Kong government has a significant role

to play above and beyond the neo-liberal minimalist conception. Even under accelerated globalization, it remains critical for the SAR government to actively involve itself in the economy and society. One example involves housing policy. The post-colonial government inherited a sizable presence in the provision of housing from the colonial era resulting in debates over whether it should continue with that role or beat a retreat. In his chapter, James Lee first reviews the conceptual justifications for state intervention in the housing market. He observes that even a neoclassical perspective justifies state intervention on efficiency and/or equity grounds. For efficiency, the existence of market failures in the form of monopoly or oligopoly justifies state intervention. For equity, ensuring equitable access to housing and home finance, especially for low income households, justifies state action. Going beyond neoclassical precepts, Lee suggests that housing policy can serve an integral role in the social security system while fulfilling multiple social goals.

His chapter then examines several key issues in housing policy. It starts by charting the government's crucial role in regulating the supply of land through its formal ownership of all land in Hong Kong as well as demonstrating the importance of revenues generated from the sale and use of land in public finance. For Lee, the system of land allocation by auction with its goal of maximizing land value contains serious flaw since it results in housing-cost inflation and over-investment by the real estate sector. Through the regulation of land supply and the construction of public housing, the government has sought to maintain a delicate balance between revenue generation and stabilization of the housing market. In the aftermath of the Asian Financial Crisis, the government's misguided effort to respond to it by increasing land and public housing supply to address the housing shortage prior to the bust soon turned into a major political and economic blunder. He also observes the pronounced instability of housing prices in Hong Kong that remain subject to major swings. In the most recent decades, housing has also become extremely unaffordable for many families. People in Hong Kong highly value home ownership leading to government policies adopted to promote this ideal. In the post-Crisis era, the government is also leaning towards the private sector as the primary vehicle for meeting the demand for home ownership. Yet, the

author points out that home ownership has risks given the volatility of housing prices. The boom and bust in the housing market can then have serious repercussions for the entire economy, given the exposure of home owners to mortgage loans. Lee implies that state cannot avoid intervention into the housing sector in Hong Kong in order to address the efficiency and equity issues and that the government must forge a new set of housing policies less-focused on home ownership.

Moving beyond the confines of the territory, Peter Cheung explores the role of government in managing cross-boundary co-operation between Hong Kong and mainland China since 1997. He observes that cross-border relations between Hong Kong and South China have moved from a tentative, initial phase after the handover to one of intensified co-operation since 2003. The phenomenal growth of these transactions have also prompted the government to revamp and expand its institutional framework for their management and for the co-ordination and liaising between the central government and Hong Kong as well as between Hong Kong and the various levels of local governments on the Mainland.

As a result, the government has been taking a more active role in policy co-ordination leading toward economic integration, signified by the signing of the Closer Economic Partnership Arrangement (CEPA) in 2003. It has also pushed forward the promotion of mainland tourism into Hong Kong, the building of Hong Kong into a financial centre for China, deeper co-operation in infrastructural development and the inclusion of considerations about Hong Kong's role in regional and national plans. Furthermore, deepening social and economic integration has also given rise to a host of new issues that require a concerted response from governments in Hong Kong and South China, such as arranging boundary crossings, protecting the environment and containing the spread of health and food safety hazards of the type associated with SARS and bird-flu. He concludes that the phenomenal growth of cross-border interaction between Hong Kong and mainland China have contributed to recasting the role of government in the society and the economy. It has moved governance further away from *laissez-faire* or even the so-called "positive non-interventionism" and towards an activist local state. In response to the pressures involved in managing the growing flows of people, capital and traffic, the SAR

government has gradually developed a greater capacity as well as the intention to regulate them.

We certainly do not claim we have exhausted the intellectual terrain relevant to an analysis of the changing governance in Hong Kong. Much work remains in order to foster a more comprehensive understanding of this complex issue. In particular, while our chapters have largely “bracketed” the effect of democratization upon shaping governance, it looms large in the background and will continue as an unavoidable issue in the near future. Though the constitutional stalemate will stay with us for some time, the democratization process has recently progressed while all concerned parties have committed themselves to move ahead, even though much disagreement still exists over its pace and direction. How would such incremental (and still limited) movement toward democratization affect public policies? A more complete answer will have to await another volume, but we stay confident that even with accelerated democratization, future governments of Hong Kong will have to come to terms with a largely similar set of challenges and parameters of governance to those this volume outlines. We hope it will pave the way for many more studies of the critical issues of state-society relations in Hong Kong in the new century.

Notes

Introduction

1. See, among others, Little (1981), Belassa et al. (1982) and Belassa (1988). Also, for a summary of the neoclassical position, see Haggard (1990), Chapter 1.
2. See, for example, Leftwich (1993), de Alcantara (1998) and Jessop (1998).

Chapter 1

1. Ul Haq played a fundamental role in creating the UNDP's Human Development Report with its Human Development Index which translated Sen's concepts into a powerful policy tool.
2. Cf. Negroponte (1996).
3. See Ostrom (1996).
4. See Romer (1986, 1990, 1993a, 1993b, 1994) and Lucas, Jr. (1988). For recent summaries, see Aghion and Howitt (1999) or Easterly (2001a, Chapters 3, 8, 9).
5. Elhanan Helpman (2004) provides one of the best surveys of this evidence. Investment in new knowledge yields private rates of return consistently higher than the rates of return to physical capital with the social rate of return much higher than the private one. Human capital has equally powerful effects. Putting ideas and education together, Jones (2002) argues "between 1950 and 1993 improvements in educational attainments . . . explain 30% of the growth in output per hour. The remaining 70% is attributable to the rise in the stock of ideas . . ."
6. Eighty percent in Solow's original work (1957); 60 percent in more recent work that includes human capital.
7. In their contribution to the *Handbook of Economic Growth*, Acemoglu, Johnson and Robinson (2005), argue unambiguously that institutions are the "fundamental determinants of long-run growth". Dani Rodrik,

- in a co-authored paper Rodrik, Subramanian and Trebbi, (2004) entitled “Institutions Rule”, contends equally clearly: “the quality of institutions ‘trumps’ everything else”. Easterly and Levine (2003) and Bardhan (2005), among many others, offer further support for the primacy of institutions. See also Evans (2004, 2005).
8. Among Sen’s massive bibliography, *Development as Freedom* (1999a), is, perhaps, the most accessible synthesis
 9. Such as Boozer, et al. (2003).
 10. The literature on the twentieth-century developmental state is vast. For more recent analyses, see Chibber (2003) and Kohli (2004). Likewise, we should not forget Johnson’s (1982) pioneering analysis of Japan.
 11. By the 1990s, even the World Bank (1993, 1997) had joined the consensus.
 12. As Amsden particularly emphasized (1989).
 13. The terms derive from Nicolas Negroponte’s (1996) observation that economic activities is less and less driven by the rearrangement of atoms (i.e., the physical transformation of goods) and more and more driven by the rearrangement of “bits” that is so say, information, ideas and images.
 14. Opponents of this position will argue that the incentive effects of expected monopoly returns increase the output of new ideas and outweigh the negative effects of subsequent restricted access. How the balance works out in practice depends on specific institutional contexts. In the case of medications, for example, the evidence would seem to support the negative consequences of enforcing monopoly rights. See Angell (2004) for a popular but well-argued exposition.
 15. The term is Robert Reich’s (1991).
 16. In this respect, as Chang (2002) underlines, twentieth-century developmental states followed the earlier historical practice of states in the North.

Chapter 3

1. Civil servants who entered the government after 1987 could choose to set their retirement age at sixty.
2. The current regulation under the Pensions Ordinance requires that senior government officials not take up any employment in a “sanitization period” of twelve months after retirement. In the second or third year after retirement (length dependent upon rank), any employment requires approval by an Advisory Committee on Post-retirement Employment, appointed by the Chief Executive, and chaired by a judge. It currently consists of officials from Civil Service Bureau, business and professional elites. See the government paper to the Legislative Council, LC Paper No. CB(1)295/05-06(03). Available at: <http://www.legco.gov.hk/yr05-06/english/panels/ps/papers/ps1121cb1-295-3e.pdf>, last accessed 9 April 2008.

3. Note that the salary and fringe benefits paid to Hong Kong civil servants are among the highest in the world.
4. For a glimpse of the financial situation of the Hospital Authority, see Hospital Authority (2007).

Chapter 4

1. See Siu-kai Lau, “Tung Chee-hwa’s Governing Strategy: The Shortfall in Politics”, in *The First Tung Chee-hwa Administration: The First Five Years of the Hong Kong Special Administrative Region*, ed. Siu-kai Lau (Hong Kong: The Chinese University Press, 2002), 1–39; M. K. Lee, “Class, Inequality and Conflict”, in *Indicators of Social Development: Hong Kong 1999*, ed. Siu-kai Lau et al. (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong, 2001), 115–35; Po-san Wan and Timothy Ka-ying Wong, “Social Conflicts in Hong Kong 1996–2002”, Occasional Paper No. 156 (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong, 2005). For statistics on the petition and rally, see *Oriental Daily*, 20 January 2001.
2. Tai-lok Lui, “Under Fire: Hong Kong’s Middle Class after 1997”, in *The July 1 Protest Rally: Interpreting a Historic Event*, ed. Joseph Y. S. Cheng (Hong Kong: City University of Hong Kong Press, 2005), 277–301.
3. Lui, “Under Fire”.
4. See, for instance, the “Hong Kong Core Values” campaign launched by local professionals in 2004. For details, consult <http://www.hkcorevalues.net>.
5. For a good survey of the performance of the Hong Kong SAR government, see Ming K. Chan and Alvin Y. So, eds., *Crisis and Transformation in China’s Hong Kong* (Armonk, NY: M. E. Sharpe, 2002). Also, see Governance Reform Group SynergyNet, *Hong Kong Deserves Better Governance: An Evaluation of Hong Kong’s System of Governance and Its Performance* (Hong Kong: SynergyNet, 2003).
6. Siu-kai Lau, “Xingzheng Zhudaodi Zhengzhi Tizhi” (An executive-led political system), *Xianggang 21 Shiji Lantu* (The 21st century blueprint of Hong Kong) (Hong Kong: The Chinese University Press, 2000), 1–36; Lau, “Tung Chee-hwa’s Governing Strategy: The Shortfall in Politics”, in *The First Tung Chee-hwa Administration: The First Five Years of the Hong Kong Special Administrative Region*, ed. Siu-kai Lau (Hong Kong: The Chinese University Press, 2002), 1–39.
7. Lau has not kept himself totally unaware of the issue of diversity of interests. He discusses the impact of the political transition, particularly the emergence of China-centred networks, on the fragmentation of elite politics. See Siu-kai Lau, “Political Order and Democratisation in

- Hong Kong: The Separation of Élite and Mass Politics”, in *Towards a New Millennium: Building on Hong Kong’s Strengths*, ed. Gungwu Wang and Siu-lun Wong (Hong Kong: Centre of Asian Studies, University of Hong Kong, 1999), 68. However, his discussion largely confines itself to the cleavages created by the decolonization process, basically ignoring diversity class interests.
8. Eliza Wing-yee Lee, “Governing Post-colonial Hong Kong: Institutional Incongruity, Governance Crisis, and Authoritarianism”, *Asian Survey* 39 (November/December 1999): 940–59.
 9. Lee, “Governing Post-colonial Hong Kong”, 941.
 10. Lau, “Xingzheng Zhudaodi Zhengzhi Tizhi”.
 11. Anthony B. L. Cheung, “New Interventionism in the Making: Interpreting State Intervention in Hong Kong after the Change of Sovereignty”, *Journal of Contemporary China* 9 (July 2000): 291–308.
 12. James T. H. Tang, “Business as Usual: The Dynamics of Government-Business Relations in the Hong Kong Special Administrative Region”, *Journal of Contemporary China* 8 (July 1999): 275–95.
 13. Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement* (Harmondsworth: Penguin Books, 1980).
 14. Alvin Rabushka, *Value for Money: The Hong Kong Budgetary Process* (Stanford, CA: Hoover Institution Press, 1976).
 15. Cheung, “New Interventionism”, 300.
 16. An extended and repeated debate over the nature and practice of the state in Hong Kong has occurred. For early attempts to challenge the view of Hong Kong as the last stronghold of *laissez-faire* capitalism, see A. J. Youngson, *Hong Kong: Economic Growth and Policy* (Hong Kong: Oxford University Press, 1982); Jonathan R. Schiffer, “State Policy and Economic Growth: A Note on the Hong Kong Model”, *International Journal of Urban and Regional Research* 15 (March 1991): 180–96; Catherine R. Schenk, *Hong Kong as an International Financial Centre: Emergence and Development 1945–65* (London: Routledge, 2001).
 17. Tang, “Business as Usual”, 294.
 18. Cultural analysis of Hong Kong politics promises to go beyond class analysis of politics. See Agnes S. Ku, “The ‘Public’ up against the State: Narrative Cracks and Credibility Crisis in Postcolonial Hong Kong”, *Theory, Culture & Society*, 18 (February 2001): 121–43. Ku argues that “[in the case of the bird flu crisis in Hong Kong] the challenge was powerfully presented not so much because of capitalist forces or class interests but because *the crisis became a dramatic moment of meaning reconstruction through ironic narration and democratic encoding in the public sphere*” (122, emphasis in the original). Despite reference to Gramsci and his notion of hegemony, nowhere does she make it clear that realpolitik and the contest of meaning and interests carried by political actors with specific interests

- in certain courses of development make the widening of narrative cracks and credibility crisis upon which they ground themselves possible. A long-standing bureaucratic and institutionally unaccountable mindset has characterized the civil service. Why and how a narrative displaced to facilitate the rise of a hegemonic discourse on the civil servants and then why and how the same civil service became de-heroized constitute questions left unanswered. As a result, conjunctural analysis becomes free-floating cultural construction of politics.
19. Colin N. Crisswell, *The Taipans: Hong Kong's Merchant Princes* (Hong Kong: Oxford University Press, 1981).
 20. Tak-Wing Ngo, "Money, Power, and the Problem of Legitimacy in the Hong Kong Special Administrative Region", in *Politics in China: Moving Frontiers*, ed. Françoise Mengin and Jean-Louis Rocca (New York: Palgrave, 2002), 112.
 21. Norman Miners, "Consultation with Business Interests: The Case of Hong Kong", *Asian Journal of Public Administration* 18 (December 1996): 246.
 22. Richard Hughes, *Borrowed Place Borrowed Time: Hong Kong and its Many Faces*, 2nd rev. ed. (London: Andre Deutsch, 1976), 23.
 23. John Rear, "One Brand of Politics", in *Hong Kong: The Industrial Colony: A Political, Social and Economic Survey*, ed. Keith Hopkins (Hong Kong: Oxford University Press, 1971), 72.
 24. G. B. Endacott, *Government and People in Hong Kong 1841–1962: A Constitutional History* (Hong Kong: Hong Kong University Press, 1964).
 25. S. N. G. Davies, "One Brand of Politics Rekindled", *Hong Kong Law Journal* 7 (January 1977): 44–80.
 26. Davies, "One Brand of Politics", 71.
 27. Davies, "One Brand of Politics", 70.
 28. Davies, "One Brand of Politics", 66.
 29. Davies, "One Brand of Politics", 69.
 30. Benjamin K. P. Leung, "Power and Politics: A Critical Analysis", in *Social Issues in Hong Kong*, ed. Benjamin K. P. Leung (Hong Kong: Oxford University Press, 1990), 21.
 31. Leung, "Power and Politics", 21–2.
 32. The assumption that the colonial government did not make changes in its ruling strategy in dealing with social and political changes in Hong Kong would seem overly simplistic. On the transition from selecting the old rich in Hong Kong to absorbing the younger and emerging professionals and managers since the late 1960s, see Lung-wai Stephen Tang, "The Power Structure in a Colonial Society: A Sociological Study of the Unofficial Members of the Legislative Council in Hong Kong (1948–1971)", BSocSci thesis, Chinese University of Hong Kong, 1973.
 33. Gilbert Wong, "Business Groups in a Dynamic Environment: Hong Kong 1976–1986", in *Asian Business Networks*, ed. Gary Hamilton (Berlin: Walter de Gruyter), 87–113.

34. Wong, "Business Groups", 93.
35. Wong, "Business Groups", 94.
36. Wong, "Business Groups", 96–7.
37. Wong, "Business Groups", 103–4.
38. Wong, "Business Groups", 106–8.
39. Mang-King William Cheung, "The Applicability of Four Theoretical Perspectives of Economic Power to the Corporate Market in Hong Kong", PhD diss., University of California, Los Angeles, 1994.
40. Tak-Wing Ngo, "Changing Government-Business Relations and the Governance of Hong Kong," in *Hong Kong in Transition: The Handover Years*, ed. Robert Ash, et al. (Houndmills: Macmillan Press, 2000), 26–41.
41. Ngo, "Changing Government-Business Relations", 32.
42. For a similar argument, see Stephen W. K. Chiu. "Unravelling the Hong Kong Exceptionalism: The Politics of Industrial Takeoff", *Political Power and Social Theory* 10: 229–56.
43. One crucial difference between our analysis and previous ones derives from the appearance, by the late 1990s, of a new type of directors appointed onto the corporate boards, namely, the "independent non-executive directors". As "outsiders" to the management team, an interlock that involves this kind of directors should much less significantly impact the networking relationship between two companies. Under the current listing rules of the Hong Kong Exchange, boards of listed companies must appoint at least three independent non-executive directors to their boards. As the number of this type of directors increased quite dramatically between the three time points, from 0 to 503 in 1997 and 855 in 2004, and they typically occur among the directors with the most multiple memberships, we have decided to exclude them from our analysis of the 1998 and 2004 panels in order to control for their presence over time. For a definition of independent non-executive directors in the context of banking definitions, please refer to HKMA website: <http://www.info.gov.hk/hkma/eng/public/index.htm>.
44. Leo F. Goodstadt, *Uneasy Partners: The Conflict Between Public Interest and Private Profit in Hong Kong* (Hong Kong: Hong Kong University Press, 2005), 121.
45. See Ngo, "Money, Power", 108–9, there is an account of the series of events in the Cyberport incident.
46. See, for example, "Tycoons Urge Cyberport Tender", *South China Morning Post*, 19 March 1999, A1; "Pressure to Block Cyberport Funding", *South China Morning Post*, 12 May 1999, A2.
47. Ngo, "Money, Power", 109.
48. The claim returned to the political scene in 2005 prompting the government to release twenty-four letters between the government and the PCC Group to prove an absence of collusion with the business

- sector. See “Tung Faces Cyberport Pressure”, *South China Morning Post*, 3 February 2005, A1.
49. “Developers Step up Campaign over Electricity Charges”, *South China Morning Post*, 12 November 2002, A2.
 50. “Inside the Business Groups’ Ambush of the ‘Superman’”, *Next Magazine*, 21 November 2002 (in Chinese).

Chapter 5

1. Yet, as Bottomore qualifies, Marshall’s principal concern lies more with the impact of citizenship on social classes rather than the reverse (Bottomore 1992).
2. A study by the Census and Statistics Department in June 2007 showed that Hong Kong’s Gini coefficient rose from 0.483 in 1996 to 0.500 in 2006, higher than that of developed countries.
3. See Report of the Director-General, International Labor Organization. 2007. “*Equality at Work: Tackling the Challenges*,” presented at the International Labor Conference, Geneva.
4. For instance, in 2007, the wage level of the lower quartile of the overall wage distribution equalled HK\$7,147 (around US\$920), 29 percent lower than the median wage level of HK\$10,123 (around US\$1,300). See the Report of the Commission on Poverty on its website.
5. Tung set up such high-level commissions as the Commission on Strategic Development and the Commission on Innovation and Technology, and created a HK\$5 billion Innovation and Technology Fund; he also establish a special task force of experts, economists and trade unionists to look into issues of employment and unemployment amid an economic downturn.
6. In June 1997, the government tabled an Independent Police Complaints Council Bill that intended to give statutory power to a police watchdog organization. However, it suddenly withdrew the bill before its third and final reading, leaving the police with minimally monitored power until today.
7. For example, before 1995, the Public Order Ordinance required organizers to get a license for public assembly. In 1995, as part of the liberalization of the law under the Bill of Rights, it relaxed the law to remove the requirement for a licence. Then, in 1997, the provisional legislature amended the law to include a clause that required a notice of non-objection from the police.
8. There has been widespread criticism of several key aspects of the appointments, namely, the nationality and experience of the appointees, their salaries and the transparency of the recruitment process.

9. See People's Panel on West Kowloon, www.ppwk.org/aboutus.html
10. Ibid.

Chapter 6

1. According to Sinn (1986), such segregation occurred in the first four decades of colonial rule.
2. For details, see the website of the Urban Renewal Authority: <http://www.ura.org.hk/html/c800000e23e.html> [last visited on 30 April 2010]
3. For details of the organization, see http://www.hkcmp.org/cmp/c_001.html.
4. These groups include the Urban Regeneration Taskforce, the Centre for Community Renewal, and Urban Watch.

Chapter 7

1. Hong Kong Housing Authority webpage: <http://www.housingauthority.gov.hk/en/residential/shos/homeloan/0,,,00.html>
2. This chapter defines housing policy at two levels: first, it concerns all policies within the organizational context of the Housing Bureau; second, it also includes government regulatory activities aiming at stabilizing the housing market, discouraging overheated speculative activities and increasing land supply, among others.
3. The Hong Kong Housing Society, an independent and not-for-profit housing organization established in 1948 and incorporated by ordinance in 1951, provides social housing through a number of innovative schemes. As a partner of the government, it builds self-contained homes for low income families.
4. Prior to 1997, the Housing Authority was obliged to buy back vacant public flats at cost, but since 1998, they could only buy back flats at market price as a result of enormous asset price depreciation.
5. 2006 Index of Economic Freedom, Heritage Foundation.
6. In March 1997, house prices had risen more than 30 percent within a month, the highest monthly increase ever recorded.

Chapter 8

1. This chapter has drawn selectively from some of the data and analysis from my previous works on cross-boundary relations between Hong Kong and South China. See Peter T. Y. Cheung, "Cross-boundary Cooperation in South China: Perspectives, Mechanisms and Challenges", in *Developing a Competitive Pearl River Delta in South China Under One*

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28. Constitutional Affairs Bureau, Hong Kong SAR government, “Establishment of the Mainland Affairs Liaison Office”. Paper presented to the Panel on Constitutional Affairs of the Legislative Council. Available at <http://www.lego.gov.hk/yr05-06/english/panel/ca/paper/ca1121cb2-396-3e.pdf>.
29. Website of the Hong Kong Economic and Trade Office in Guangdong, <http://www.gdeto.gov.hk/eng/about/role.htm>.
30. An Administrative Officer Staff official (Grade B) with a small support staff of six headed the Unit. The tasks of the Unit include following the initiatives as agreed in the HKGDCJC, through the study of facilitation the flows of goods and people, and the mapping out of an “action agenda” for Hong Kong to benefit from the development in the PRD Region. For details, see Hong Kong/Guangdong Cooperation Coordination Unit, “Work Schedule”. Paper presented to the Finance Committee, Establishment Subcommittee at <http://www.legco.gov.hk/yr01-02/english/fc/esc/papers/ei01-05e.pdf>; and Hong Kong/Guangdong Cooperation Coordination Unit. Paper presented to the Commerce and Industry Committee at <http://www.legco.gov.hk/yr01-02/english/panels/ci/papers/ci-1112-cb1-220-1e.pdf>. The Hong Kong SAR government actually did not attempt to make the posts in the Group a part of the permanent establishment of the Hong Kong SAR government, in order to avoid possible opposition.
31. Constitutional Affairs Bureau, “Establishment of the Mainland Affairs Liaison Office”, par. 19.
32. Constitutional Affairs Bureau, “Establishment of the Mainland Affairs Liaison Office”, par. 6.
33. Committee on Economic Development and Economic Cooperation with the Mainland, Commission on Strategic Development. See http://www.cpu.gov.hk/english/csd_edc.htm.
34. Since the Office of the Hong Kong SAR government in Beijing lies under the purview of the newly-established Mainland Affairs Liaison Office, a Directorate 6 (D6) rank official rather than a Bureau Secretary (Directorate 8) official would head the office. See Constitutional Affairs Bureau, “Establishment of the Mainland Affairs Liaison Office”, Enclosure one, Current Forecast of Creation/Deletion of Civil Service Permanent Directorate Post in the 2005/06 Legislative Session, 1.
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