

Also by Leo F. Goodstadt

China's Search for Plenty: The Economics of Mao Tse-tung

Poverty in the Midst of Affluence: How Hong Kong Mismanaged Its Prosperity

Profits, Politics and Panics: Hong Kong's Banks and the Making of a Miracle Economy, 1935–1985

Reluctant Regulators: How the West Created and How China Survived the Global Financial Crisis

Uneasy Partners: The Conflict Between Public Interest and Private Profit in Hong Kong

A City Mismanaged

Hong Kong's Struggle for Survival

Leo F. Goodstadt



Hong Kong University Press
The University of Hong Kong
Pokfulam Road
Hong Kong
www.hkupress.hku.hk

© 2018 Leo F. Goodstadt

ISBN 978-988-8455-98-0 (*Hardback*)

All rights reserved. No portion of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or any information storage or retrieval system, without prior permission in writing from the publisher.

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library.

10 9 8 7 6 5 4 3 2 1

Printed and bound by Paramount Printing Co. Ltd., Hong Kong, China

Contents

Preface	vii
Introduction	1
1. The Basic Law: Rights denied	29
2. From public service to ministerial mismanagement	53
3. Private homes under threat	77
4. From squatter huts to ‘invisible’ slums	91
5. The missing land banks	109
6. Students at the market’s mercy	123
7. Lives at risk	139
8. Mismanaging the Mainland	161
Conclusion	195
Bibliography	207
Index	225

Introduction

This book is about survival. Not the survival of the million or so individuals officially classified as 'poor'. Nor the 600,000 officially estimated to suffer from disabilities.¹ It does not discuss Hong Kong's political survival and related issues of constitutional reform, although this source of uncertainty is of the greatest concern to the community and dominates the political agenda. The threats to survival which the chapters that follow will investigate are those fundamental to the well-being of the community at large.

Why is it, for instance, that middle-class individuals who built up the savings needed to buy a decent flat, usually with a mortgage, cannot take it for granted that these premises will remain a safe and comfortable home to be inherited by the next generation? Since 2009, the evidence has mounted that thousands of private sector buildings are already unsafe and rundown, and more are likely to become so in the future.²

How is it that parents who are willing to pay the full costs of further education for their children who have done well enough in their secondary school examinations to meet university entrance requirements but are refused a place can be grossly misled by government-sponsored alternatives? Large numbers of these students have been encouraged to enrol in commercially-run associate degree, diploma and other post-secondary courses. Yet, there have been repeated warnings since 2008 about the inferior quality of most of these qualifications, which may not lead to better careers or higher earnings.³

Why is it that the safety of the general public could be ignored when human lives were known to be at risk but the authorities did not intervene to prevent serious tragedies?

A common factor in all these cases, it will be shown, was the mistaken policies and defective administration on the part of Chief Executives and many of their ministers. In particular, their financial policies have led to the steady erosion of the civil service's capacity to deliver the quality and quantity of services essential for the proper management of a city as advanced as Hong Kong.

There is another category of threat which affects the entire community. The Basic Law provides the guarantee of survival for Hong Kong, economically and socially. This legal protection has been undermined, the book will show, because Chief Executives and their ministers have chosen to implement the Basic Law selectively. Also endangering Hong Kong's future survival has been the government's gross mismanagement of business relations with the Mainland, Hong Kong's largest commercial 'client'.

The Hong Kong ethos

In every chapter, it will quickly become clear that Hong Kong's current well-being and future survival have been endangered as a result of deliberate decisions made by Chief Executives and the gross policy mistakes which they were extremely reluctant to reverse. The results of their flawed policies and defective leadership have been endured by the public on a very painful scale in many key areas of life and work.

Governing Hong Kong should not have been difficult, however. Its people were ideal citizens who, between 1997 and 2017, took in their stride a series of unexpected and potentially disastrous threats: the 1997–1998 Asian financial crisis and the 2007–2009 global financial crisis; the atypical pneumonia (SARS) epidemic of 2003; the dismantling from 2007 of the Hong Kong–financed manufacturing complex in Guangdong province employing 10 million workers; and the increasing public discontent over political issues and mass public protests from 2012.

Despite these setbacks, Hong Kong's businesses flourished, particularly the international financial centre. Between 2000 and 2015, the Mainland received some US\$700 billion in foreign direct investment (FDI) from Hong Kong, almost half the nation's total inflow. At the same time, Hong Kong was playing a major role in China's drive to internationalise its currency. Hong Kong was 'the global hub for RMB trade settlement, financing and asset management [with] the world's largest offshore RMB liquidity pool'. It handled 75 per cent of the nation's offshore RMB transactions worldwide.⁴

Work ethic was a crucial feature of Hong Kong's outstanding performance. Between 2000 and 2010, wages were stagnant, educational and medical fees were rising and the housing situation deteriorated. Nevertheless, the performance of the average employee continued to improve despite the lack of monetary incentives. During this period, labour productivity in Hong Kong rose by 3.4 per cent a year, faster than in Singapore (2.4 per cent), the United States (1.4 per cent) and Germany (0.8 per cent).⁵

Business profitability increased handsomely, as tax revenues showed. The contribution of profits tax to total government revenue rose from 20 per cent to 25 per cent between 1997 and 2017. Gross Domestic Product (GDP) in real terms rose by more than 80 per cent. The government had ample finances. Its reserves in 2017 totalled \$936 billion, almost double the 1997 figure, and were sufficient to cover total spending by the government for a full two years.⁶

Those responsible for governing Hong Kong consistently failed to match the standards of excellence taken for granted in every other sphere of Hong Kong life. This Introduction first presents profiles of Chief Executives and what went wrong under their leadership. It then proceeds to outline the individual chapters which demonstrate the damage caused by the incompetence and the misguided convictions of those in power.

The collapse of good government

On 1 July 1997, Tung Chee Hwa began his term as Hong Kong's first Chief Executive full of confidence about what lay ahead. His optimism was justified, he explained, because of Hong Kong's remarkable achievements.

Hong Kong is at present the freest and the most vibrant economy in the world. Free enterprise and free trade; prudent financial management and low taxation; the rule of law, an executive-led government and an efficient civil service have been a part of our tradition.

There were challenges, he frankly admitted, which must not be ignored: inflation, an ageing population, a housing shortage and employment issues. But he conveyed a strong conviction that Hong Kong would find the solutions.⁷

By the time the fourth Chief Executive, Carrie Lam Cheng Yuet-ngor, took office in 2017, Hong Kong appeared to have changed beyond all recognition. And very much for the worse. Gone was Tung's pride in Hong Kong's achievements and the confidence that the government would overcome the challenges it faced. In her first public speech after her appointment, Carrie Lam highlighted serious mismanagement: government performance was unsatisfactory and policy-makers were out of touch with public aspirations. A 'new style of governance' was needed, she declared, and 'policies that would respond more pertinently to the aspirations of the people'.⁸ This frank admission struck the right note.

In her election manifesto, Carrie Lam had described the reforms she would introduce to tackle mismanagement. The 'new style of governance' would include 'objective research and hard evidence to review existing policies'. Professionalism, it seemed, was to replace misinformed

generalisations and unwarranted assumptions at the policymaking level. Management would surely improve. Unfortunately, she herself was in breach of her pledge to rely on 'hard evidence'. The manifesto claimed that Hong Kong faced a long-term crisis.

Our strengths and advantages in many aspects have recently been challenged as a result of both political issues here in Hong Kong and the economic situation overseas. Hong Kong has also been experiencing social conflict and economic slowdown during the past few years, causing many people to become concerned and even discouraged.⁹

These comments were grossly inaccurate. 'Hard evidence', to stick to her own phrase, demonstrated that Hong Kong's social stability had improved remarkably in 'the past few years'. The crime rate had dropped by 29 per cent between 2007 and 2016. Labour relations had improved, and the total number of working days lost through industrial disputes had fallen from 8,027 in 2007 to 169 in 2016, an extraordinarily low level by international standards.¹⁰ As for the economy, it was hard to understand why the fourth Chief Executive believed that it was performing so badly when GDP had increased by 46 per cent between 2007 and 2016. Apparently, she had not bothered to listen to the 2017 Budget Speech in which the Financial Secretary presented a very positive picture of the state of economic affairs.

Hong Kong is one of the most advanced economies in the world, despite the relatively small scale of our economy. Our GDP per capita has now reached US\$44,000, overtaking Japan and many advanced economies in Europe.¹¹

For a person with ten years' experience as a minister, five of them as Chief Secretary, the flawed picture of Hong Kong's challenges which Carrie Lam had presented to the public was alarming. But there was nothing unusual about this incident. Her confusion over key indicators of Hong Kong's continuing success was a symptom of the inferior performance which Hong Kong has had to put up with from all its Chief Executives and the average minister. The chapters that follow are filled with evidence of similar misconceptions at the very top of government.

Mismanagement began with the Chief Executives, who poured out a flood of comments and commitments designed to direct policymaking and to win popular credibility but were remote from the realities of life in Hong Kong and its economic and social needs. The first three Chief Executives suffered from a level of incompetence which they could not conceal. In the case of Tung Chee Hwa and Donald Tsang Yam-kuen, they eventually made public self-criticisms summarising their own disastrous shortcomings, and Leung Chun-ying stated he was unable to

face a second term in office. The Chief Executives' shortcomings were aggravated by the introduction of a 'ministerial' system in 2002, with political appointees whose qualifications for high office were generally unimpressive.

No place for a businessman

Tung's lack of political talent had been obvious from the start. He was a wealthy businessman and had much the same social attitudes and political views as the rest of Hong Kong's business leaders. In particular, he shared their conviction that the public sector is inherently inferior in management and performance to business enterprises. In 1998, he confessed to feeling confused. 'As a businessman one has to be very bottom-line oriented,' he said, 'So I go into this office [of Chief Executive] very bottom-line oriented. And I felt that if I deliver the bottom-line, never mind what happens in-between'. It took him a year, he said, to realise that 'in the political life this does not work'—that 'what happens in-between' matters to the community.¹²

By 2003, China's leaders could tolerate his shortcomings no longer. Tung Chee Hwa was a failure. He lacked the necessary skills. He was just 'an entrepreneur' with no political experience, State Councillor Tang Jiaxuan commented that year. Tung had done his best in a job for which he was unsuited.¹³ Tang's verdict was all the more damaging because he was a former Foreign Minister with ample experience of the Western-style administration which Hong Kong followed.

Eventually, Tung's credibility evaporated to a point at which he felt compelled to make a last, desperate move to remain in office. He went before the Legislative Council in 2005 and confessed that 'shortcomings and inadequacies have undermined the credibility of our policymaking capability and our ability to govern'.

In formulating policies, we fell short of "thinking what people think" and "addressing people's pressing needs". Second, we were not sufficiently mindful of the impact of some policies on the community's capacity to bear and the potentially controversial nature of these policies. We introduced too many reform measures too hastily, putting heavy burdens on our people. We also lacked a sense of crisis, political sensitivity as well as the necessary experience and capability to cope with political and economic changes. We were indecisive when dealing with emergencies.¹⁴

This self-criticism was an accurate summary of his unfitness for office, and within six months he was gone. He resigned on health grounds.

His public account of his own deficiencies helped to explain the previous seven years of cruel and unjustified austerity, falling earnings,

worsening housing conditions and rising medical and educational charges suffered by Hong Kong's families. This suffering was being inflicted by his personal choice, he had openly admitted in 2000.

It would have been easier for all of us, in the short run, to ease back into another bubble economy. Instead we have embarked on another [way] that will perhaps take longer, involve more hard work, and certainly more learning; one that perhaps imparts more pain in the short term as well, but is ultimately healthier.¹⁵

But his policy did not prove 'ultimately healthier'. Business confidence slumped, and with it private sector investment. Its full recovery did not begin until 2006 and remained below the 1997 level until 2012. As for the average family, few escaped serious financial losses. As he himself admitted in 2004, his determination to minimise public spending had created a deflation which he described as the worst in world history since the 1920s. 'Almost 90 per cent of our working families' suffered 'job losses and reduced income', he said, and 'personal wealth' shrank following 'a drop in property prices of 70 per cent'.¹⁶

But Tung's departure did not lead to a retreat from his misguided formulas for governing Hong Kong. On the contrary, he left a legacy of misrule which was to survive in the form of toxic policies which have since blighted virtually every area of public administration.

Local boy does not make good

When Tung Chee Hwa stepped down on grounds of ill health in 2005, Hong Kong felt a genuine sense of relief. It seemed inconceivable that under his successor, Donald Tsang Yam-kuen, the quality of life for the average family could deteriorate still further than it had done under Tung. It seemed equally improbable that Tsang would be as remote from the ordinary men and women of Hong Kong and as unfeeling about their well-being as Tung had been (more from ignorance than deliberate design, to be fair to him).

Tsang had started off low down the social ladder. He had risen to the top of the civil service with no social advantages, no business connections and minimal educational qualifications. But he stood out, thanks to an ability to acquire very fast the technical expertise to deal with serious political and economic challenges—from management of a complex scheme to reduce political panic after the June 4 tragedy in 1989 and then a transfer to overall responsibility for foreign trade policies and negotiations.¹⁷ With this background, and after a final apprenticeship as Treasury overlord, he had excellent qualifications for appointment as Financial Secretary in 1995. And when Anson Chan Fang On-sang suddenly resigned on a matter of principle from the post of Chief

Secretary in 2001, Tsang offered the best prospect of replacing her and maintaining civil service morale after the Chief Executive introduced a ministerial system which he had been contemplating for a year.¹⁸

But Tsang was not the typical civil servant who could be expected to be politically neutral, wary of business leaders' motives and anxious to defend the public interest. Tsang was openly committed to the promotion of business interests and was convinced that they must come first, not just for the policy-makers and but for the entire civil service. This had been made clear in 1996 when he declared in his first Budget Speech: 'I believe the whole of the Government has a duty to provide a business-friendly environment'. What this would mean in practice was set out in an Addendum to the Speech. His goal, this document had revealed, was to increase the business world's priority in government policymaking: 'Civil servants should not see their role merely as regulators but more as supporters and partners for business.'¹⁹ Tsang maintained this mindset throughout the rest of his career.

Tsang's definition of the correct relationship between the government and the business world was to have damaging consequences for good governance. In the years to come, the government would face a growing tide of serious scandals in almost every sector: from unsafe drinking water to marine disaster, from dangerous housing to airport mismanagement. Not surprisingly, because the civil service was being steadily deprived of the leadership, motivation and the resources to enforce business-related laws and regulations and contractual obligations. A particularly shameless example was the public announcement of a policy to minimise prosecutions of employers who defied the labour laws.²⁰ At the same time, government departments and agencies providing social services and housing were denigrated by Chief Executives and their ministers. Thus, the civil service as a whole had every reason to believe that their first duty was to facilitate business even at the expense of the general public.

When Tsang first became Chief Executive in 2005, he was well aware of problems crying out for attention. He listed them: 'employment difficulties for workers with low academic qualifications and skills; declining real pay levels in certain jobs; the polarisation of the middle class; a widening income gap; an ageing population'.²¹ But he did not set out measures to solve them. His response to widespread public dismay about the widening gap between rich and poor in Hong Kong, for example, was an insistence that there was no solution. Income inequality was among the 'inevitable phenomena' of a capitalist economy, he declared.²²

Policy-makers no longer had to conceal their personal interests. Tsang had explained in 2001 that in dismantling the public housing programmes he had made sure it would take years to resurrect them.²³ His aim, he admitted frankly, was to end potential competition from the

public sector which might reduce the value of privately owned property, including his own.²⁴

By 2011, the public had the impression that those in high office could make what modifications they liked to their properties, regardless of the law. The Ombudsman felt forced to investigate. ‘Since 2011, a number of local celebrities (including senior Government officials and Members of the Executive Council and the Legislative Council) had become the subjects of extensive media coverage for suspected unauthorised building works in their properties’, he commented. The Ombudsman’s investigation found no clear evidence of favouritism for celebrities. Indeed, the Buildings Department had tried to give priority to investigations of this privileged group in order to allay public suspicions. Nevertheless, he felt obliged to state in his report that favouritism could not be ruled out completely. This possibility was increased by the restriction on the Buildings Department’s ability to respond to suspected breaches of the law because of a shortage of staff, his report pointed out.²⁵ Lack of staff, funding and other essential resources were a universal threat to good governance, several chapters of this book will show.

Tsang realised in 2008 that he was in serious danger. His credibility had fallen catastrophically, as he openly admitted.

People have doubts about certain issues: Have the core values of the [Hong Kong Special Administrative Region] Government changed? Is the Government trustworthy? Is the Government fair and impartial? Is it less capable than before? Does the Government still adhere to the principle of meritocracy? Does it take into account public opinion in formulating policies?²⁶

In practice, he did nothing to recover the public’s trust. Instead, he devoted increasing time and attention to business leaders, he subsequently confessed to the Legislative Council, because he felt he needed their insight and advice.²⁷

As Tsang’s credibility continued to ebb, he made yet another public speech on political leadership, setting out the qualities necessary for success as Chief Executive of Hong Kong. He listed the essential criteria in the following sequence.

- ‘[First] you need the highest moral and ethical standards’.
- ‘Next comes passion . . . for the people of Hong Kong . . . to understand their aspirations and changing moods’.
- ‘In the broader context, passion for our country, or patriotism, is just as important for a leader of Hong Kong . . . The Chief Executive must always remember that he is responsible to the Central Government’.
- ‘Leadership indeed requires vision . . . that is relevant to the people, relevant to the time, and possible to achieve’.

Not until the very the end of his presentation did he mention any concrete problems to be solved. He then dealt with ‘important issues that are of concern to the community’ in a mere eight words: ‘housing, bridging the wealth gap and elderly services’.²⁸

In 2012, he followed Tung Che Hwa’s example when faced with a total loss of credibility. Tsang made a pitiful self-criticism before the Legislative Council. But even this humiliation won him no sympathy. He tried to convince the public that his failings had been unintentional. ‘My 45 years of experience in public service . . . has created “blind spots” that make me overlook the fact that as times change, public expectations have also changed’, he pleaded, ‘and people have turned more demanding towards public officers’.²⁹

In fact, these standards had not changed over the years. Zero tolerance of questionable behaviour by senior officials had become the norm after the 1974 revelations about corrupt senior police officers, which had led to the establishment of the Independent Commission Against Corruption (ICAC). Tsang failed to see that this standard would apply to him. Just as he had failed to see that allegations of unauthorised alterations to his own private property would scandalise the community.³⁰

Tsang had to pay a ruinous price for his misconceptions about the privileges of those in power. A criminal investigation was launched in 2012, but he was not brought to trial until 2017, a delay which was inexcusable in a society as dedicated to the rule of law as Hong Kong. He suffered considerable distress because of the financial and emotional strain of this protracted waiting, together with the total destruction of his private life by the media’s unrelenting surveillance of his daily activities and contacts. Nevertheless, his court trials were an important illustration of Hong Kong’s core values. No one, not even the highest ranking and best connected, can evade criminal investigation and prosecution.

Doomed from the start

The third Chief Executive, Leung Chun-ying, was to face immediate and unrelenting criticism on taking office for his inability to win public trust, no matter what his policy proposals might be. The community seemed to sense that he did not share Hong Kong’s core values. He took a very detached, almost academic approach to issues which most of the community regarded as matters of survival.³¹

He had always been very open about his belief that a survival culture was unnecessary. In 1994, for example, he had adopted a rather patronising line towards Hong Kong people and their anxieties about the future. He narrated how he had searched ‘the main text’ of the 1984 Sino-British Joint Declaration, which he described as belonging to ‘a fossilized date-sealed environment’, for specific pledges of ‘no change’.

He found only seven such guarantees in ‘twelve short paragraphs’. He also listed the community’s worries, which concerned, he said, ‘rather mundane issues—passports, currency (and its international convertibility), the education system’. For most families, these involved their personal survival. Leung was unimpressed. Although he was secretary-general of the Hong Kong Basic Law Consultative Committee, he did not regard the Basic Law as providing much comfort to those apprehensive about the future. He warned that Hong Kong should not hope to rely on ‘these historic deeds’, ‘these “no change” statements that have been written into the Joint Declaration and the Basic Law’. They offered no such guarantees, on his analysis.³² His message was that regardless of the priorities of Hong Kong people and the letter of the Basic Law, the Special Administrative Region government’s freedom to adjust to new political and economic realities would not be limited.

When it came to economic survival, Leung’s views were to prove similarly misinformed. He was convinced that economic integration would give Hong Kong access to a national market on the Mainland which was fully competitive and operating in much the same way as any modern economy. This view was hopelessly wrong. He appeared totally unaware of the struggle that had been waged since the 1990s by the Central People’s Government to raise business standards and remove the barriers to commercial and financial progress imposed by local administrations determined to protect local businesses. The Mainland did not offer the ideal business environment described by Leung, and Hong Kong was not the vulnerable economy which he depicted.³³

Leung came into office in 2012 with what he regarded as a unique advantage. He believed that he had the credentials and connections that would ensure a much closer relationship with senior Mainland officials than his predecessors. In the colonial era, he had played a major public role in promoting China’s policies for Hong Kong, and he seemed to have won considerable respect in Beijing.³⁴ His appointment to Hong Kong’s Executive Council in 1997 and his promotion to Convenor of that body seemed to confirm that he was highly trusted by the nation’s leaders who have to approve all such appointments.

Leung himself certainly thought so. He boasted in 2013 of ‘strong government-to-government contacts’ with both the central authorities and provincial administrations to whom he had been given preferential access. He announced that he would jettison what he called ‘this unspoken tradition’ that had previously prevented Hong Kong’s Chief Executives from making more than two visits a year to Beijing. He would be seen much more frequently in the Chinese capital.³⁵ Furthermore, he was confident that by adopting a new negotiating strategy, what he called ‘internal diplomacy’, he would win concessions from the Mainland officials who previously had attached little importance to Hong Kong.³⁶

Leung had badly miscalculated, however. He soon discovered that state leaders saw no reason to give him any greater access than his predecessors. It was made very clear that the agenda for his visits, as well as their frequency, would be controlled by Beijing.³⁷ He was unable to drop in for a chat with the policy-makers in Beijing whenever he felt the need. But worse was to follow. After a meeting with Leung, the Director of the Hong Kong and Macao Affairs Office, Wang Guangya, allowed himself to be quoted by the media as saying that when making future duty visits to the President and Premier, the Chief Executive should identify his shortcomings instead of reciting his achievements. This advice was interpreted as an indication of reservations at the top about the quality of Leung's performance.³⁸

The political embarrassments continued. In 2015, Leung's formal ranking within the state hierarchy was 'redefined' during his 'duty visit' to the capital. The seating for a public photo session with President Xi Jinping was carefully arranged to demonstrate that Leung no longer enjoyed the same status as in the past. In a political environment as sensitive to protocol and precedence as China, his 'demotion' could not have been more clearly highlighted. Leung himself appeared to be taken by surprise, and his own explanation of this event to the media was a cryptic claim that it 'reflects the constitutional relationship between Hong Kong and the Central Authorities'.³⁹ To be fair to him, he soldiered on manfully in an unsuccessful quest for Hong Kong to have fair access to Mainland markets.

It was Leung's inability to establish any credibility with the community that made his position impossible. He paid the price for this failure in the stubborn opposition and hostile protests that blocked so many of his policy initiatives. Very often, his proposals were flawed. But crucial reforms were also held up because of his personal unpopularity with legislators, pressure groups, the media and the general public. Unfortunately, he intensified public hostility by openly expressing his serious mistrust of a large proportion of the population. In a 2014 newspaper interview, he said that the political system must insulate Chief Executives from alleged electoral pressures to create a welfare state and must ensure that business-friendly policies prevailed. To achieve this goal, no one should qualify for full political rights, he said, whose monthly earnings were \$14,000 or below—a category to which half the labour force belonged.⁴⁰

Leung seemed to have forgotten the totally different image which he had tried to project when he first began his campaign to become the third Chief Executive. In a 2009 speech, he had declared himself to be on the side of the most vulnerable groups in the community and expressed outrage at increasing mismanagement within the government. 'Development in Hong Kong has slowed down in the past twelve

years compared with what the colonial government achieved before the handover', he was reported to have said, 'The government should care for the needs of low-income families and speed up economic growth'. He rejected the cost-cutting imposed by Tung and Tsang.

We are not short of funds. We are not short of ideas or capabilities, he said, when asked how the government could improve things. What we have been lacking in the past 10 to 15 years was speed.⁴¹

This frank critique of the record of Tung and Tsang left him vulnerable to criticism. He had held on to his senior position of Convenor of Executive Council under both his predecessors as Chief Executives instead of resigning in protest, and so he could not avoid sharing responsibility for the serious mismanagement under the rule of Tung and Tsang. Thus, he had come into office with limited credibility.

But it was his performance which let him down most. He claimed, as just quoted, that lack of 'speed' had crippled his predecessors. But his own 'speed' proved worse than theirs in solving the community's most urgent problems. Furthermore, before his appointment, he had said that there was no shortage of money. But once in office, he allowed his Financial Secretary to predict financial catastrophe unless spending on social services was reduced immediately. This inconsistency showed little respect for the public's intelligence, for which there was a heavy price to pay.

Unlike Tung Chee Hwa and Donald Tsang, Leung did not make a self-criticism in an effort to retrieve his reputation. Instead, in the dying days of his term in office, he issued what amounted to a self-indictment of his own performance although it was intended as a proud roster of his achievements. This *Report on the Work of the Fourth-Term Government of the Hong Kong Special Administrative Region June 2017* was intended 'to summarise the progress and achievements of our work', he explained, but it provided compelling evidence of what had gone wrong for him. Leung had made numerous policy pledges since 2012 but relatively few long-term policy commitments in terms of staff or funding. As a result, the document was dominated by details of 'consultations', 'pilot' programmes and 'trial' measures. There were also signs of a desperate search to find as many positive items to list as possible, even when they were of limited interest to the public. The presentation of the work report itself was confusing, which made its contents difficult to use. The document was not the product of well-run government or competent political leadership.

Of special interest to this book is the work report's section on housing. This had been among Leung's highest priorities on taking office but became one of his most embarrassing failures. His work report reveals why no other outcome should have been expected. His Housing Minister

was also in charge of the transport sector. The work report devoted three times the wordage to transport than it allocated to Hong Kong's housing crisis. This imbalance accurately reflected the superior political and financial priority given by Leung's administration to transport issues.

The work report paid little attention to inadequate building management and maintenance, which were major threats to homes in the private sector. Measures to tackle this challenge were not listed under 'housing' but buried in the 'Culture, Leisure, Municipal Services and Administration' section.⁴² Leung also included among his achievements 'The Handbook on Tree Management'. Published in 2016, this booklet was intended 'to further raise the awareness of responsibility on tree management among private property owners and property management companies'.⁴³ At that date, the government was still grappling with the introduction of a modern system of property management. To include the care of trees in built-up Hong Kong was an additional complication which could not be justified as a contribution to safer homes. This was not good administration.

By the end of Leung's first term, his remaining credibility was in tatters. He found it impossible to continue as Chief Executive, he stated, because of the strain inflicted on his family. He had proved even more vulnerable to the pressures of high office than Tung Chee Hwa.

A Hong Kong success story

Carrie Lam Cheng Yuet-ngor's rise to power as Hong Kong's fourth Chief Executive was a typical Hong Kong success story and very different to her three predecessors. Her career before her appointment as Chief Executive had been remarkable. Yet she had retained the special qualities of women of her age group who had made the best of their educational opportunities. They balanced work and family and took service to the community seriously on a voluntary basis or, in her case, as a profession. And their careers flourished. Thus, her special political advantage was that she came into office with more personal credibility with the public than the first three Chief Executives.

She herself described her background as under-privileged. The first sentence in her election manifesto declared: 'I come from a grassroots family and did my homework on a bunk bed when I was a student'.⁴⁴ But in that era, a bright young woman would not be deprived of a decent education because of unaffordable fees. That barrier was only erected in the current century. She went to an excellent school for her primary and secondary education and won a place in Hong Kong's premier university. There she started out as a social work student but switched to a less confining syllabus after one year. She also enjoyed considerable personal freedom at university. She said that as an undergraduate, she became

‘an activist fighting for social compassion and justice’ after undertaking ‘social service voluntary work in her secondary school days’.⁴⁵

Carrie Lam entered the Civil Service as a member of the élite Administrative Service and was selected to attend a course at world-renowned Cambridge University in England. She returned to Hong Kong and became a government high-flyer. She was helped in discarding her youthful enthusiasm for public protests in defence of ‘social compassion and justice’ by a long but very successful spell with the Treasury. Here, she reached the conclusion that the costs of social services to government were potentially toxic. Hong Kong’s public finances were always insecure, she came to believe, so that cost-cutting must be an absolute priority. She also became convinced that fiscal stability would only be assured if government departments adopted the private sector model.⁴⁶

When she was transferred to the Social Welfare Department as its Director in 2000, she set about reforming its management and funding. ‘Every dollar spent on welfare is at the expense of other policy areas’, she declared, creating the impression that her Department’s services merited only a low priority in Hong Kong’s annual budget. Her remedy for a shortfall in funding for the Department’s programmes was to seek partners in the business world. ‘Private sector participation’, she claimed, ‘through its enterprise and efficiency, can come up with more economical solutions to deliver a public service’. Ignored was the very different motivation of the caring professions and the profit-driven business executive.⁴⁷ When she was made the senior official at the Housing, Planning and Lands Bureau, she left behind in the field of social services a powerful legacy which shaped their policies for years to come. But at a serious cost to those in need in terms of quality and availability of these services.

Carrie Lam continued to emulate the business sector after she accepted a political appointment as one of Donald Tsang’s ministers in 2007. Among her most important duties was to tackle a mounting crisis in the private housing sector. Here, lack of maintenance and inadequate management were causing increasing numbers of flats to become threats to both public health and safety. She proved successful in minimising the government’s role in tackling the crisis by linking emergency maintenance measures to job creation.⁴⁸

Her firm belief in the importance of minimal intervention by the government remained unshaken even after the collapse in 2010 of a dilapidated building causing deaths. This accident could have been prevented if sufficient government staff had been available and safety regulations enforced. Nevertheless, as the minister in charge of building safety, Carrie Lam commented ‘that, at the end of the day, the responsibility to maintain buildings rests with the owners’.⁴⁹ That disclaimer of

government responsibility left the public at risk in a dangerous environment over which they had no control.

Rights denied

An extraordinary feature of Hong Kong is the way that its constitution, the Basic Law, and its application have become more a matter of financial considerations than legal principles. The government has come to take it for granted that it can refuse the rights of Hong Kong people clearly defined by the Basic Law on no stronger grounds than the advice of economists. Chapter 1 traces the origins of this paradoxical situation, which is in direct conflict with the rule of law, normally regarded as essential to Hong Kong's survival.

The analysis reveals how the Basic Law drafters had intended to safeguard the individual's social as well as civic rights. Yet, as soon as the Law came into force in 1997, business leaders, politicians and academics began a highly successful campaign which made Financial Secretaries' budget forecasts the crucial criterion as to which Articles of the Basic Law should be applied and which ignored. The assumption that its financial Articles must be paramount went hand in hand with a doctrinaire belief that the private sector would always outperform public services in efficiency, ensuring lower costs for the benefit of the taxpayer. Thus, a parallel campaign was mounted to discredit government spending on social services, with a sustained effort to convince the community that these programmes were both unaffordable and a waste of resources—'just like pouring sand into the sea to reclaim land', to quote Donald Tsang.⁵⁰

As a result, the general public was led to believe that social rights, such as those set out in the Basic Law, were irrelevant to the quality of life of the community at large. This was not the case, and the disregard by successive Chief Executives of these rights meant that the community as a whole was no longer assured of access to decent housing and the good standards of health services and education which the Basic Law had envisaged and which was also required under Hong Kong's own legislation. Chapter 1 makes clear that the Law's drafters did not intend to exempt the government from a duty to provide high-quality administration and to maintain and, where necessary, to improve existing social and related services.

Most astonishing of all, there seemed to be a genuine unawareness among government and business leaders that their policy priorities were in direct violation of the Basic Law. Throughout this book, failure to comply with the Basic Law will be shown to be a major cause of the rise of mismanagement.

From public service to ministerial mismanagement

By 2002, Tung had taken into his own hands total control over government. The Chief Executive's decisions were to be implemented by political appointees: 'ministers' and their deputies. Chapter 2 investigates how the introduction of this 'Principal Officials Accountability System' (POAS) was warmly welcomed by senior civil servant and applauded by most commentators and why its results have proved very disappointing.

From the start, there was a powerful reason to doubt POAS' likely contribution to good government. It was always obvious that novice political appointees would find it extremely difficult to provide a higher quality of administration than civil servants had in the past. This discouraging prospect had been made clear in the most explicit terms.

Despite the popular game of bashing the civil service, practiced daily by our media and politicians, our top civil servants still maintain a comfortable lead in opinion polls over most politicians in the legislature. And despite the poor rating for the Government as a whole since the Asian financial crisis and the ensuing recession, a neat 32 per cent of the public still perceived this administration as being responsive to the will of the people, compared to the worldwide average of 10 per cent and a corresponding rating of 14 per cent in the UK and just 5 per cent in the US, according to the results of the same Gallup poll.⁵¹

This stark statement was made by Lam Woon-kwong, an official who had broken ranks with the contrary views of his more optimistic civil service colleagues in 2000. He was Secretary for the Civil Service, which might suggest special pleading and even nostalgia for the colonial past. Lam, however, was above suspicion. He had a long record of total commitment to the Central People's Government and enjoyed a close personal rapport with Tung. His warning was well-founded but ignored.

The ministerial system was crippled from the outset and never recovered. The pool of political and administrative talent outside the civil service was extremely small. Inexperienced and inexperienced ministers were appointed. Over time, fewer and fewer persons of any standing were willing to accept ministerial appointments, which brought little public prestige and considerable personal frustration. Political appointees' credentials were often poorly presented to the public. In 2017, for example, a senior member of Carrie Lam's ministerial team was asked by the media what the two new political appointees in his bureau would contribute. He had 'a very good team of civil servants' helping him, he said. But as for the political team, he was unable to cite its specific functions. He voiced the vague hope that it 'can enrich our strength and we can take things forward in a more effective manner', whatever that might mean in practice.⁵²

Standards of public services deteriorated. Laws and regulations were no longer vigorously enforced. The quality of life declined for the population as a whole, contrary to the intentions of the Basic Law. The slide into mismanagement was aggravated by an earlier decision by Tung Chee Hwa to impose an immediate cut in the funding for all government departments and agencies, to drastically reduce their manpower and to make government bureaux and departments adopt business practices. This Enhanced Productivity Programme (EPP) was launched in 1998 and implemented ruthlessly. The Programme has exerted a destructive influence on public administration ever since. For the next two decades, the civil service was expected to provide new and improved services regardless of the inadequate resources made available. Time after time, this book will show, a continuing shortage of funds and staff meant that the government's basic duties were neglected, including enforcement of the law.

There seemed little hope that this situation would change in the next decade. On assuming office as the fourth Chief Executive, Carrie Lam acknowledged that a continually increasing workload was severely straining all ranks of the civil service. However, her solution ignored reality: to 'ask the Heads of Departments to reduce the demand for manpower'. She also saw a remedy in 'leveraging technologies'. Unfortunately, the overall standard of IT and related equipment in government departments was grossly inadequate, both in quality and supply, as several chapters will report. She promised a future 3 per cent increase in the overall civil service. But the additional staff were to be hired solely 'to ease the work pressure on civil servants' who were carrying out her 'new policies and initiatives'.⁵³ This measure would do nothing to relieve the existing strain on the civil service.

Chapter 2 includes a case study of how financial stringency led to the dismantling of the Social Welfare Department's programmes. This hindered the major provider of basic services needed by the community as a whole even though they were specifically guaranteed by the Basic Law. The case study also provides a review of how government standards of administration deteriorated. Before the Enhanced Productivity Programme was introduced, the Department had developed a highly efficient partnership with the welfare charities—the voluntary agencies now known as 'non-governmental organisations' (NGOs). This relationship had grown up in the colonial era to counter government hostility to 'welfare'. Medical, educational and social professionals had developed an informal alliance with the social workers in the Department to establish facilities, train staff and organise the funding for a modern system of social services. This chapter will show how this partnership was dismantled and how care for clients disappeared from the government's welfare agenda.

Unfit for human habitation

The most damning evidence of mismanagement is the long-standing failure to provide safe and affordable homes for the people of a city as prosperous and sophisticated as Hong Kong. Chapter 3 traces how this crisis seriously threatened the well-being of the million families living in private sector housing. Many of those who had prudently saved money, taken out mortgages and bought their own homes saw a precious family asset diminished or destroyed on an increasingly rapid scale over the last two decades. The damage was done by the mismanagement and the neglected maintenance of buildings whose life span was not designed to be as long as that of the owner-occupiers themselves. Furthermore, a desperate shortage of affordable housing in the private sector led to illegal subdivision of buildings to create additional premises to rent out. Overall, the private sector's buildings stock came to include an increasing proportion of premises which were unsafe and unhealthy and whose owners could not afford to pay for their renovation. In 2013, 10 per cent of the total stock of private residential buildings (containing 1.6 million flats) was classified as uninhabitable. Another 30 per cent was dilapidating seriously.⁵⁴

There is no mystery about the principal causes of this disaster: the refusal of those in power to supply the staff needed to enforce effectively existing legal and regulatory systems to ensure health and safety. The government also postponed as long as possible new legislation to modernise the standards of management and maintenance in Hong Kong's multi-storey and high-density housing complexes. This attitude was in marked contrast to other sectors where the public was not left so unprotected. Stock markets, banking institutions, medical and legal services, food suppliers, for example, were closely regulated.

The rise of 'invisible' slums

The plight of the average family was aggravated by the overall housing policies adopted by Chief Executives. Chapter 4 investigates the mistaken decisions made by the first two Chief Executives about how to manage Hong Kong's housing supply. They were convinced that the private sector would provide the solution for Hong Kong's housing needs far more effectively than the government itself. So, the Housing Authority's programmes were shrunk. Its land bank was sold off. Hong Kong was left at the mercy of a market long dominated by a handful of developers, with the result that competition was minimal.⁵⁵ They cut supply, leaving prices to soar and looked forward to the profits. This situation could not continue indefinitely. The need grew desperate for increased production of both public and private housing. A larger supply for the public

sector was essential in order to offer rehousing to those who had to be cleared from dilapidated and dangerous private buildings. The private sector had to expand its supply in order to provide affordable homes for those who could pay fair and competitive purchase prices or rents.

Nowhere to build

These targets were not to be achieved very quickly. By 2016, the government's building programmes faced paralysis because of acute difficulties in finding enough construction sites. Chapter 5 traces why such a situation had occurred when the government itself owned extensive areas of undeveloped land.⁵⁶ It traces how successive administrations failed to police these land holdings and allowed rural land to be used for unlawful building purposes. The public funding to correct this past negligence was not forthcoming. In addition, the shrinking credibility of Chief Executives and their ministers made it virtually impossible for them to win the public support needed to revive the level of building activity of the previous century. The crisis became so frustrating for Leung Chun-ying that he was reported to have been on the verge of tears when faced with the media demanding to know what solution he could offer in 2016. He announced his decision not to stand for a second term shortly afterwards.

Carrie Lam's Election Manifesto had given considerable attention to the shortage of building sites. Nevertheless, the practical solution she put forward as Chief Executive seemed uninspired although she had spent five years as the minister dealing with land and related problems. She established a 30-member task force, chaired by a former banker, with three ministers, five senior civil servants and a collection of political and business figures and academics. The primary goal of the task force was to persuade a suspicious public to cooperate with future government proposals to create more building land. It was possible that the community might be reassured by the calibre of task force members.⁵⁷ But what was really needed was a minister capable of mobilising public support for a land programme which the people of Hong Kong would accept as the essential foundation for overcoming the mounting housing crisis.

Students at the market's mercy

The breakdown of responsible administration created a longer-term threat to survival through failing to maintain the educational standards which a post-industrial economy like Hong Kong must have in order to maintain its competitiveness. The most serious example of how this had happened was provided by the post-secondary education sector, which is examined in Chapter 6.

Higher education has been constantly invoked by Chief Executives as the key to Hong Kong's future success. Yet, throughout the last two decades, access to universities has been tightly restricted by a 1989 ceiling imposed on the admission of undergraduates and which continued to be enforced in this century. As a result, every year, a substantial number of students who qualified for university places had to be rejected. Chief Executives and their Education Ministers expected them to turn to commercial institutions which offered self-financed associate degrees and diplomas.

The results thoroughly discredited the private sector model as a source of high-standard education programmes. The qualifications they offered had little credibility academically, in the market place or with the parents who invested very heavily in them. The lack of quality control was the target for severe criticism from independent investigations. Yet, the government did as little as possible to ensure that students and their parents got value for money.

Lives at risk

Chapter 7 shows that there is virtually no limit to the maladministration that has come to be tolerated. To illustrate how even threats to public safety have been ignored in the pursuit of minimum public spending, this chapter provides four case studies.

Management of the outbreak of atypical pneumonia (SARS) in 2003 was a disgrace to Hong Kong and its previously outstanding reputation for control of infectious diseases. SARS provided convincing evidence of the flaws in the ministerial system. Official post-epidemic enquiries revealed the managerial incompetence of the Chief Executive and the failure of his political appointees to understand how health services and disease control are subject to legal regulation. The outcome was chaotic. There was also a longer-term impact on the quality of medical services. The government declined to provide adequate additional funding to combat the SARS epidemic. The Hospital Authority, whose finances had already been squeezed since 2000, had to cover the costs from existing resources, with adverse consequences for future patients.

A ferry disaster in 2011 with loss of life will be shown to have been largely due to inadequate Marine Department staffing. However, the most alarming outcome of the tragedy was the open admission by the Transport Minister that although the independent inquiry's recommendations for improving marine safety had been accepted, the Department would not be given the resources to implement them.

The casualties caused by the collapse of an entire block of a dilapidated building in 2010 led to public outrage. Its dangerous state had been known for years. The government bureau and departments

concerned defended themselves convincingly: their staff were overworked to a degree which had made the comprehensive enforcement of safety regulations impossible. A programme was quickly introduced to increase the staff available to inspect buildings at risk and to help owners improve their management. These measures were strictly temporary, and they were presented by the ministers involved as justified principally as an initiative to increase employment opportunities. No long-term solution was launched, and the risks to the public continued.

The final case study examines the reluctance of the ICAC to tackle malpractices in the management and maintenance of residential buildings. Although these had been the largest source of public complaints from the private sector for many years, the ICAC struggled for over a decade to avoid intervening. As a result, law enforcement in this sector was under greater threat than it should have been, with serious implications for health, safety and the preservation of the value of the owners' property.

Limited Mainland markets

Chief Executives have given the Special Administrative Region's relationship with the Mainland the highest priority, and Chapter 8 is devoted to this issue. It avoids discussion of political matters because these involve complex constitutional issues which will be decided at the national, not the Hong Kong level. Instead, it looks at the business relationship, which is described by Hong Kong leaders as the foundation for Hong Kong's prosperous future. Without integration into the national economy, they repeatedly warn, Hong Kong would no longer be able to survive in increasingly hostile global markets. Furthermore, they claim, Mainland cities will overtake Hong Kong and ruin it with their superior technology.

Unfortunately, the Chief Executives' management of this relationship was disastrous. They displayed alarming ignorance of the Mainland economy and its limitations. They showed little understanding of how the central and local governments operate and, in particular, the extent of local protectionism. In 2003, a 'Closer Economic Partnership Arrangement' (CEPA) with the Central People's Government was signed. This 'free trade agreement' was supposed to give Hong Kong businesses a 'passport' to operate freely throughout the national economy. Premier Wen Jiabao warned Hong Kong not to be over-optimistic,⁵⁸ rightly so because there was no free market on the Mainland. Instead, local governments maintained 'administrative monopolies, forced deals, and market blockades' in defiance of the Central People's Government.⁵⁹ This disregard of the national policy was still untamed ten years later.⁶⁰ And CEPA's implementation remained incomplete.

Chief Executives believed that when it came to business, they knew best. Despite strong Mainland reservations, the second Chief Executive decided to seek to have Hong Kong included in the national five-year economic plans. Mainland officials, including the Premier, warned that inclusion of Hong Kong in national plans did not conform with the Basic Law's requirement that it should retain its capitalist economy. Furthermore, the Hong Kong government lacked the infrastructure required for state planning. It had no control over the private sector nor direct influence over the flow of investment funds. These limitations were ignored, and business sectors were selected for inclusion in the national plans without prior research. They proved wholly unsuitable in practice. It was also significant that Donald Tsang's desire to participate in state plans was motivated in part by a relatively minor issue: public criticism of the price of meat and the monopolistic practices of the Mainland supplier.

Chapter 8 concludes with an account of how Chief Executives failed to protect the extensive investments made by Hong Kong manufacturers in Guangdong since 1978 and which had turned the province into a model for the rest of the nation. By 2007, Hong Kong firms employed 10 million workers in the province, producing almost exclusively for world markets. This industrial base was shrunk rapidly thereafter, not by market forces but because of changes in state development policies.

Donald Tsang found himself unable to protect Hong Kong firms. He was outranked by his provincial counterpart and was reduced to openly pleading for concessions for at least the small and medium enterprises. Hong Kong businesses were able to delay their demise for some years through sheer efficiency. In the end, however, they closed down in large numbers. The losses to the Hong Kong investors and entrepreneurs who had responded to Deng Xiaoping's appeal in 1978 to lead China's modernisation drive were substantial.

The politics of pessimism

Throughout this book, the reluctance to view Hong Kong's prospects more optimistically is shown to have had a defining role in shaping government policies in the last two decades. This outlook in part reflected the political and administrative inexperience of Chief Executives and most of their ministers. But it was also a matter of 'ideology'. They, in common with the business and professional élite, were convinced that financial disaster constantly threatened Hong Kong because of potential demands for more public spending from a discontented community, while economic disaster was only a matter of time as Mainland cities modernised. They underestimated the resilience of the Hong Kong

survival culture that had been forged in the last century and which continued to operate in this one.

Although Chief Executives, their ministers and business leaders have taken a consistently negative view of its prospects, Hong Kong's economy is not a problem when it comes to survival. Its past financial and commercial performance has been outstanding, and the future is no less promising, as President Xi Jinping acknowledged in 2017. 'When our country does well, Hong Kong will do even better', he said, before going on to spell out the reasons for this optimism.

We should have confidence in Hong Kong. Hong Kong is blessed with many favorable conditions and unique strengths for development . . . With its internationally recognized legal, accounting and regulatory systems, a full-fledged service sector, clean and efficient government and business-friendly environment, Hong Kong has the full confidence of outside investors.⁶¹

This book offers powerful evidence for rejecting claims that contemporary Hong Kong cannot afford to finance a public service of adequate size to meet the needs of this sophisticated post-industrial society or to meet the welfare and social service requirements as laid down by the Basic Law.

In 2017, the most senior national official in charge of Hong Kong affairs, Zhang Dejiang, issued a reminder of the four essential qualifications that Chief Executives must possess. His list included the requirement that they should be 'capable of exercising governance, and [are] supported by the Hong Kong people'.⁶² The first three Chief Executives did not meet these conditions. The first two openly admitted their failure, while the third felt compelled to put his family's well-being first and did not seek to remain in office.

The public has grown increasingly resentful over the years at the government's poor performance. On the evidence produced in this book, higher standards of selection for Chief Executives and their teams would reverse the growing dissatisfaction with the government which, since 2010, has been increasingly translated into victories in Legislative Council elections for protest groups and public cynicism about government programmes. There would also be an increase in the community's appreciation of the Basic Law's merits, thus allaying the misgivings of the nation's leaders.

In this complex environment, objectivity of analysis and discussion is both crucial and challenging. Fortunately, there is an important and reassuring feature of modern Hong Kong. When serious incidents of misgovernment and maladministration occur, it is virtually impossible to conceal them in this open society. What goes wrong is made available to the public almost immediately through an astonishing flow

of information, week after week. This ranges from enquiries by the Legislative Council, its Committees and Panels to judicial and similar reviews by the courts and investigations by the Director of Audit and the Ombudsman.

As a result, the quotations and the data that reveal mismanagement and its consequences which are analysed in this book are based, almost exclusively, on the statements of Chief Executives and their ministers, the information supplied by officials to the public and the results of official investigations and inquiries. It is on these official sources that the book's grim findings are founded. What is uncovered is generally so frank and self-incriminating as to challenge belief. Hence, the source of each fact and assertion is given in full. There is one exception. In the case of basic statistics which are published routinely in regular official series, the reader can assume that they are taken from the monthly or the annual *Digests of Statistics*.⁶³

It is to Hong Kong's credit that the public is still able to demand a very high degree of accountability from which Chief Executives, ministers and other political appointees are not exempt. This independent monitoring is especially important in ensuring the integrity of the political system, as chapter after chapter bears witness. Open and accountable administration remains a powerful force in Hong Kong's core values as it struggles for survival.

Notes

1. On the distress of these vulnerable groups, see Leo F. Goodstadt, *Poverty in the Midst of Affluence: How Hong Kong Mismanaged Its Prosperity*, 2nd ed. (Hong Kong: Hong Kong University Press, 2015).
2. Urban Renewal Authority Steering Committee on Review of the Urban Renewal Strategy, 'Report on the Building Conditions Survey' (SC Paper No. 18/2009, 30 June 2009), 2–3.
3. These warnings appear to have started with the doubts expressed by Michael Suen Ming-yeung, Secretary for Education, *Hong Kong Hansard (HH hereafter)*, 12 March 2008, 5275.
4. On these developments, see Leung Chun-ying, Chief Executive, *Government Information Services (GIS hereafter)*, 19 January 2015; John Tsang Chun-wah, Financial Secretary, *GIS*, 8 April 2015; Matthew Cheung, Chief Secretary, *GIS*, 15 June 2017.
5. The productivity figures are for 2002–2011. Economic Analysis Division, *First Quarter Economic Report 2012* (May 2012), 'Chart 1: Hong Kong's Labour Productivity Growth Outperformed Many Other Economies', 13.
6. Research Office, 'The 2017–2018 Budget March 2017', Research Brief, Issue No. 3 (2016–2017) (Hong Kong: Legislative Council Secretariat, 2017).
7. Tung Chee Hwa, Chief Executive, 'Inaugural Speech', *GIS*, 1 July 1997.
8. Carrie Lam Cheng Yuet-ngor, Chief Executive Elect, *GIS*, 26 March 2017.

9. Carrie Lam, 'We Connect: Connecting for Consensus and a Better Future: Manifesto of Carrie Lam Chief Executive Election 2017' (Campaign Office of Carrie Lam, February 2017), 8.
10. It should be noted that, by Hong Kong's normal standards, industrial disputes had been unusually high in 2007.
11. Paul Chan Mo-po, Financial Secretary, *HH*, 22 February 2017, 4591. The Budget Speech took place a few days before the launch of Carrie Lam Cheng Yuet-ngor's manifesto.
12. Tung, Chief Executive, *GIS*, 30 October 1998.
13. State Councillor Tang Jiaxuan reported in Albert Au-yeung, 'Tung Best Choice in Upholding Stability', *China Daily*, 16 September 2003.
14. Tung, Chief Executive, *HH*, 12 January 2005, 3263.
15. Tung, Chief Executive, *GIS*, 10 August 2000.
16. Tung, Chief Executive, *GIS*, 29 May 2004.
17. These postings gave Donald Tsang Yam-kuen considerable experience of highly sensitive negotiations in unfavourable environments. In 1989, he was given charge of organising the issue of United Kingdom passports to 50,000 selected Hong Kong families, a scheme denounced by the Chinese government and unwelcome to the British immigration authorities, who did as little as possible to facilitate him. He then took charge of Hong Kong's external trade at a time when the final stage of international discussions to create the World Trade Organisation was under way. The consequences of blunders on his part in either role could not have been concealed and would have had severe consequences both for Hong Kong and for its government's credibility.
18. The plan to introduce political appointees with the rank of ministers to head government bureaux had been outlined publicly in 2000 by Tung, Chief Executive, *GIS*, 11 October 2000.
19. Donald Tsang, Financial Secretary, *HH*, 6 March 1996, 84; Dr Margaret Ng Ngoi-ye, *HH*, 28 March 1996, 240.
20. Matthew Cheung Kin-chung, Permanent Secretary for Economic Development and Labour, *GIS*, 8 March 2005.
21. Donald Tsang, Chief Executive, *HH*, 12 October 2005, 24.
22. Donald Tsang, Chief Executive, *HH*, 12 January 2006, 3880–81.
23. Donald Tsang, Chief Secretary, 'Statement on Housing', 3 September 2001, <http://www.info.gov.hk/gia/general/200109/03/0903236.htm>.
24. Donald Tsang, Financial Secretary, transcript of BBC interview, *GIS*, 23 June 1998; *HH*, 24 October 2001, 809–10.
25. Office of The Ombudsman, 'Direct Investigation Report: "Special Procedures" of Buildings Department for handling UBW cases involving celebrities' (OMB/DI/316, January 2014), 2–3, 15–16.
26. Donald Tsang, Chief Executive, *HH*, 15 October 2008, 56.
27. His business friendships were explained in Donald Tsang, Chief Executive, *HH*, 1 March 2012, 6926, 6942, 6950, 6052.
28. Donald Tsang, Chief Executive, *GIS*, 30 July 2011.
29. Donald Tsang, Chief Executive, *HH*, 1 March 2012, 6926–27, 6929.
30. For details, see Buildings Department, *GIS*, 1 June and 7 September 2011.

31. A striking example of this characteristic was recorded in 'Q&A: CY Leung on What It Takes to Run Hong Kong', *South China Morning Post*, 28 June 2016.
32. Leung Chun-ying, 'The Transition and Unexpected Changes', in *Hong Kong's Transition a Decade after the Deal*, ed. Wang Gungwu and Wong Siu-lun (Hong Kong: Oxford University Press, 1995), 138–39, 150–51.
33. The political and commercial struggles at the local levels during the 1990s are described at length in Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State* (New York: Cambridge University Press, 2008), chapter 3.
34. Leung was appointed to prestigious posts in the organisations which the Mainland established to manage the creation of post-colonial political institutions, e.g., Secretary General, Basic Law Consultative Committee (1988–1990); Leader, Preliminary Working Committee Political Sub-Group (1993–1995); Vice Chairman, Preparatory Committee (1996–1997).
35. Leung, Chief Executive, *GIS*, 22 March 2013.
36. Leung, Chief Executive, *GIS*, 6 December 2012.
37. The Chief Executive had to struggle to provide a positive interpretation of the new arrangements for Beijing visits. See the coverage in *Ta Kung Pao*, 17 December 2013.
38. See, for example, the comments of Qiang Shigong, Director of Peking University's Research Centre for the Rule of Law, reported in *Ming Pao Daily*, 13 December 2013.
39. Leung, Chief Executive, *GIS*, 23 December 2015. A Hong Kong Macao Affairs Office spokesperson took the same line. The media showed considerable confusion as to why Leung had been treated in this way. See, for example, the different reporting and analysis in *Ta Kung Pao*, *Hong Kong Economic Times* and *Sing Tao Daily*, 24 December 2015.
40. Leung's income figure was expressed as US\$1,800. Keith Bradsher and Chris Buckley, 'Hong Kong Leader Reaffirms Unbending Stance on Elections', *New York Times*, 20 October 2014.
41. Ambrose Leung and Eva Wu, 'Exco Chief Says City's Development Has Slowed', *South China Morning Post*, 25 September 2009.
42. *Report on the Work of the Fourth-Term Government of the Hong Kong Special Administrative Region June 2017*, 83.
43. *Ibid.*, 56.
44. Carrie Lam, 'We Connect: Connecting for Consensus and a Better Future; Manifesto of Carrie Lam Chief Executive Election 2017' (Campaign Office of Carrie Lam, February 2017), 5.
45. This snapshot of Carrie Lam relies heavily on Professor Charles Kwong, 'Mrs Carrie Lam Cheng Yuet-ngor, GBS, JP, Doctor of Social Sciences, *honoris causa*, Citation', <https://www.ln.edu.hk/poccb/hac/citation/2013-carrielam.pdf>.
46. Professor Charles Kwong, 'Mrs Carrie Lam Cheng Yuet-ngor, GBS, JP, Doctor of Social Sciences, *honoris causa*, Citation'.
47. Carrie Lam, Director of Social Welfare, 'Role of Welfare in a Laissez-Faire Society', Speech to the Hong Kong Democratic Foundation (18 April 2001), <http://www.hkdf.org/newsarticles.asp?show=newsarticles&newsarticle=120>. She repeated these views at other public forums. See also Raymond

- M. H. Ngan and Mark K. Y. Li, 'The Dilemma and Crisis for Public Welfare Payments in Hong Kong', in *The July 1 Protest Rally: Interpreting a Historic Event*, ed. Joseph Y. S. Cheng (Hong Kong: City University of Hong Kong Press, 2005), 418.
48. Carrie Lam, Secretary for Development, *GIS*, 26 February 2009.
 49. Carrie Lam, Secretary for Development, *GIS*, 30 January 2010.
 50. Donald Tsang, Chief Executive, *HH*, 27 June 2005, 8944.
 51. Lam Woon-kwong, Secretary for the Civil Service, 'International Conference on Public Management and Governance in the New Millennium', *GIS*, 10 January 2000.
 52. Edward Yau Tang-wah, Secretary for Commerce and Economic Development, *GIS*, 1 August 2017.
 53. The planned increase in the size of the civil service would not come into effect until 2018–2019 and was not Carrie Lam's own proposal but an item left over from the previous administration. On this issue and the overall manpower situation when she assumed office, see 'Report of the Panel on Public Service for submission to the Legislative Council' (CB(4)1294 /16-17, 23 June 2017), 2.
 54. Barry Cheung Chun-yuen, 'Chairman's Statement', in Urban Renewal Authority, *Annual Report 2012–13*, 7.
 55. Consumer Council, *How Competitive Is the Private Residential Property Market?* (Hong Kong: Consumer Council, 1996), 2–4, 5, 8, 3–9, 5–3, A 3–2, Annex 4.
 56. An excellent legal and historical survey of the system of land ownership and administration inherited from the colonial era, together with its complexities, is Roger Nissim, *Land Administration and Practice in Hong Kong* (Hong Kong: Hong Kong University Press, 1998).
 57. Press release, *GIS*, 29 August 2017.
 58. Press release, *GIS*, 30 June 2003.
 59. 'Breaking Barriers: China's "Nationalization" Drive', *Renmin Ribao*, 1 July 2000.
 60. 'China Moves to Clear Blockades for Unified Market', *New China News Agency (NCNA hereafter)*, 10 December 2013.
 61. 'Full Text of Speech by President Xi Jinping at Welcome Dinner in HK', *NCNA*, 1 July 2017.
 62. Zhang Dejiang, National People's Congress Chairman reported in 'HKSAR Basic Law Meets Test of Practice: Top Legislator' and 'HKSAR Political System Is Not Separation of Powers: Top Legislator—Xinhua', *NCNA*, 27 May 2017.
 63. The Census and Statistics Department revises many of its statistical series from one edition of its publications to another. An effort has been made to use the latest revised figures that are accessible.

Conclusion

The rule of law is supposed to reign unchallenged in Hong Kong. It is accepted by China's leaders as crucial for continued economic success and regarded by the people of Hong Kong as essential for the survival of their core values. It makes possible open, accountable and honest administration and a government which does not tolerate corruption and privilege. This book shows that survival is under threat in Hong Kong because disregard for the law has become a recurring feature of Hong Kong's mismanagement.

In the case of the Basic Law—the blueprint for both survival and well-being—enforcement has been selective. Chief Executives and their ministers regarded the Law's Articles on conservative budgetary policies as their primary obligation. This attitude created the excuse for passive policies in which only a minimum effort would be made to tackle a range of serious threats to Hong Kong's well-being. The victims, it has been repeatedly shown, have come from all strata of society, not just the poor and vulnerable. Furthermore, it made no difference whether or not the steps needed to rectify mismanagement were straightforward and the costs manageable. Increased public spending in general would be resisted. In addition, those in power preferred to postpone remedial action, which compounded the damage done and led to cumulative financial and other costs to the community.

As this book shows, middle-class homeowners had to watch the value of their property erode because the government did not enforce existing laws or enact the additional legislation needed to prevent further dilapidation of private housing into slums. Then, there were the parents fortunate enough to have sufficient funding to see that their teenagers got a post-secondary education and what they believed to be the next best thing to a degree after they had been refused admission to university because of the government's ceiling on first-year places. Parents and students eventually had to accept that this investment may well turn out to be wasted. By 2010, the qualifications acquired were already proving of limited value in the market place. There were other,

more serious victims of mismanagement. Particularly distressing were the lives that were lost as a direct consequence of the failure to provide sufficient manpower and funding to enforce the law. A separate chapter was devoted to case studies of the causes of these tragedies.

Basic Law Ltd

Failure to fully implement the Basic Law was a key component of this unholy equation. It is plain that its drafters expected the future rulers of Hong Kong to be committed to improvements and innovations to raise the quality of life for its people and to provide an environment that would continue to match world standards, thus ensuring prosperity for its open, competitive and capitalist economy and a stable society. If the Special Administrative Region government had faithfully followed the Basic Law, there would have been no crisis over dilapidation of private sector homes, an inadequate housing supply or the limitations of the education system. The decline in the quality of administration would have been avoided. The painful costs of misinformed and mismanaged attempts to integrate Hong Kong into the Mainland economy and its five-year plans would not have occurred.

The Basic Law did not endorse the passive policies and the postponement of reforms which became such marked features of Hong Kong during the last two decades. Nor did the Basic Law anticipate that Hong Kong's first three Chief Executives would prove so unsuccessful that by the time they left office they would have forfeited their credibility with the general public, while their flawed policies had left all sectors of society except the affluent significantly worse off.

This sorry saga had begun with the 1997–1998 Asian financial crisis at the start of the Tung Chee Hwa era when a search for ways to save money seemed the rational solution. Since Hong Kong did not collapse under the economic disruption and social distress which these austerity measures created and neither did the civil service, there seemed no reason to halt Tung's policies of cutting government spending and staffing. It became a distressing feature of modern Hong Kong that almost all public debate relating to government responsibilities and performance quickly turned into financial discussions. These were usually one-sided, with a majority opposed to government intervention. The damage that followed this sort of approach, especially the decline in the quality of public administration, was dismissed all too often with assertions that the best solution was to leave matters to the private sector and market forces. Serious threats to the quality of life of Hong Kong people seemed to matter very little.

Homes in peril

The most extensive area of mismanagement which the book uncovered was housing. Hong Kong has an extraordinary record of success. Its people have created a sophisticated, post-industrial city whose economic performance is awesome even by comparison with Asia's other 'miracle' economies. Its financial services sector has long been the largest single source of China's financing, both for hard currency earnings before 1978 and for foreign direct investment (FDI) and the creation of a global RMB in the reform decades that followed.¹ Its work force has always been highly efficient, pragmatic and astonishingly flexible. As a result, Hong Kong continued to thrive even after the entire manufacturing sector—the original foundation of its prosperity—was relocated to the Mainland in the 1980s and 1990s. The place of factories in the economy was taken over by financial and other services which operated at standards only matched by the international financial centres of New York and London. So outstanding has Hong Kong's performance been that, in the national interest, China's leaders have shown a firm commitment to the economic survival of this unique asset. These achievements make it difficult to understand why its people are not assured of safe and comfortable homes.

That so many homes were at risk in the private sector is a serious indictment of those in power for the last two decades. This major challenge to the quality of life cannot be dismissed as a poverty or welfare issue. The public's access to safe, comfortable and affordable homes is a basic right of the people of Hong Kong. Their homes are being destroyed on a scale that cannot be halted without government intervention. For decades, the owners were unaware of the limited life of concrete buildings and their relatively rapid deterioration unless they are properly maintained. Homes were built that were not designed to outlive their owners. The people of Hong Kong live in multi-storey buildings, taller and more densely occupied than in most other cities, which turns their management into a daunting challenge for the families who make their homes in them. The destruction of the housing stock in the private sector through dilapidation that has already taken place cannot be reversed without considerable state funding, principally because it has been allowed to continue unchecked for so long. The government has an added obligation to provide effective solutions because this crisis can be linked directly to the flawed decision to dismantle a housing strategy that had come close to ending all Hong Kong's problems by 2002 and which had won international acclaim.

For the last two decades, the government has played down the seriousness of the situation and denied its responsibility for finding a solution. Can the public expect the introduction of a radical change in policy

now? Will the fourth Chief Executive and her team of ministers convince the public and the politicians to cooperate with the radical reform measures required after 20 years of obfuscation and who will form the ministerial team capable of managing the new housing programmes? It is hard to be optimistic. There is no longer any prestige in accepting high office because of the poor performance of the ministerial system since it was set up in 2002.

There are other obstacles which the book has identified: in particular, the lack of building sites, of qualified personnel and of basic office technology. Unless these shortfalls are put right, the supply of the new homes that Hong Kong people require will remain far below demand in both the private and public sectors. The vicious circle will continue of families in need of rehousing because of the dilapidation of the homes they worked so hard to buy being unable to find new homes in the public sector. Their only option will be the modern equivalent of squatter huts. This slum accommodation is being created within existing buildings, adding to their deterioration and their dangers. The problems to be overcome in rectifying this situation are daunting. But the challenge should be less difficult than the first resettlement housing programme in 1956 when there was no blueprint for building public housing on a mass scale and Hong Kong had only the restricted finances of a 'third world' economy. What is missing in contemporary Hong Kong is government acceptance of a duty to ensure an adequate supply of decent homes.

Failed government

It is important to emphasise that the grim situation in the housing sector is not an isolated example of failed government. On the contrary, the following section will show, there are other, very similar examples of the destruction of family assets and serious threats to the individual's quality of life.

Employees' wealth destroyed

A close parallel with the government's responsibility for the destruction of private homeowners' wealth is provided by the Mandatory Provident Fund (MPF). Combined opposition from the business community and the colonial administration had blocked proposals for the creation of a compulsory retirement protection scheme on five occasions between 1967 and 1995.² When the MPF was launched in 2000, its immediate limitation was that the average retirees would not accumulate enough savings from this contributory scheme to fully support their life in retirement before 2030–2040. In the meantime, the retirement needs of a

large part of the labour force would still have to be covered by the social security system.

There were other flaws. The government had created a structure for this retirement protection scheme which permitted handsome profits for the financial institutions running it and which provided inbuilt bonuses for employers. However, the fees imposed on members were excessive, as the Treasury Minister himself admitted.³ As a result, the savings being accumulated to ensure a safe and comfortable retirement were lower than they could and should have been. As with dilapidation of housing, the full costs caused by this bias in favour of fund managers and employers would only become fully visible to the MPF's members years later.

For the average employee there were other, more immediate defects. The MPF was designed to be as employer-friendly as possible. As a result, the cost of long service gratuities and severance payments to which an employee would have a legal right could be deducted from the MPF entitlements. Employers fought stubbornly to retain this advantage, which Chief Executives did little to resist. The second Chief Executive, Donald Tsang Yam-kuen, expressed a passing interest in MPF reforms. His successor, Leung Chun-ying, achieved some minor changes to address the concerns over 'high fees and difficulty in making [investment] choices in some Mandatory Provident Fund schemes'.⁴ His final Policy Address seemed to adopt a more generous attitude towards employees. He promised 'to progressively abolish the "offsetting" of severance payments or long service payments with MPF contributions'. By this late stage, these promises commanded no respect even from pro-government legislators. 'We do not want you to just talk the talk and think that words spoken are actions taken', Leung was told in the Legislative Council in 2017 in a discussion of this issue.⁵

Because of the MPF's deficiencies, there were increasing calls for a conventional state pension system. The government led the opposition to any form of pension principally on the ground of doubts 'whether such a model is sustainable in the long term in view of the ageing population, lower fertility rate and increasing life expectancy'. To convince the public that a pension would bring ruin, it mobilised academic expertise.⁶ The government also had recourse to a cruder strategy in the form of scaremongering. The Welfare Minister claimed that the government's opposition reflected fears that both employers and the workforce would have to finance any improvements through their contributions, which would amount to 'a form of taxation'.⁷ It was hard to see why compulsory contributions to a pension fund should be regarded as a tax while compulsory contributions to the MPF scheme were not.

Insurance cover rejected

A very similar problem arose with health insurance, which was an obvious way to relieve any excessive burden on the health budget. Chief Executives and Health Ministers were extremely reluctant to introduce such a scheme, and they adopted the usual postponement strategy. Public consultations began in 1999 and were repeated in 2005, 2008, 2012, and 2014.⁸ The report of this last survey of the community's attitudes towards insuring themselves against costly medical care was published in 2017, with a commitment to launch a voluntary scheme which had still to be designed.⁹ The truth was that ministers wanted to prevent the expansion of the government's financial responsibilities, as the Health Minister frankly explained in 2012: 'Public subsidies might aggravate moral hazards in using private health insurance and private healthcare services, hence contributing to medical inflation'.¹⁰

What made this situation inexcusable was that over 40 per cent of the workforce already had some form of health cover by 2010, either as part of their employment package or through a personal insurance policy. By 2015, the proportion was close to half.¹¹ Health insurance was already a well-developed and well-accepted practice, providing the basic infrastructure on which the government could build a universal system. There was also a financial absurdity: the less comprehensive the health insurance enjoyed by the average family, the larger the bills to be paid for hospital and related services out of taxation.

When the government finally accepted the case for launching a health insurance scheme in 2017, the official report left unsolved the amount of financial support the government should provide for the scheme, either directly or through tax concessions and other incentives.¹² Similarly, the report was in favour of implementation through 'nonlegislative means' in order to reduce 'the unintended impact of a brand new regulatory regime' on the insurance industry. In plain language, this decision seemed to mean that a government-sponsored health insurance scheme should avoid improving the accountability of insurance companies and providing effective protection for members of the public buying health cover. In 2018, two decades of consultations and delayed decisions ended. The government at last announced a 'Voluntary Health Insurance Scheme' and promised tax concessions to its members.

There were important differences between the housing and health crises. It was impossible for the government to ignore the health needs of the community to the same degree as it had disregarded the decay of private housing. Treatment of the seriously ill could not be postponed indefinitely, unlike housing maintenance. In addition, the health professionals involved felt a duty of care to their patients, which limited the extent to which the government could cut the standards of treatment.

Maintenance of the elderly

A further example of mismanagement which threatened a large segment of the population regardless of social class was the demographic crisis, as the ageing population left the workforce in increasing numbers. A high proportion of the retirees had only limited means of support. This situation was a development which the Hospital Authority could not ignore. It launched a limited programme in 2004 to provide early health checks for the elderly. These ‘first-time assessments’ proved highly successful in cutting the costs of medical care for the aged. By identifying as early as possible threats to their health, research showed that they could be given ‘targeted, proactive and community-based preventive care’ which was both cost-effective and helped to maintain their quality of life.

The parallel with the housing sector is, unfortunately, all too obvious. Human beings also need maintenance. If neglected, their health problems become increasingly difficult—and expensive—to treat. The total number screened each year by the Hospital Authority began at around 40,000, a mere five per cent of the elderly population. This figure was to remain unchanged for the next decade, although the population aged 65 and above increased by 26 per cent to over a million individuals. The additional staff needed to expand the programme were not available, the Director of Audit reported in 2014.¹³ The failure to fund this programme on an adequate scale was not just inhumane. It was also not good financial management. The costs to the public health services of providing medical care for elderly people were increased by the failure to carry out the most basic ‘maintenance’—to screen as many of them as early as possible.

The best chance of survival

As the decades roll by and 2047 and the expiry of the Basic Law gets ever closer, the current expectation is that fears about political risk will worsen. In many contexts, Hong Kong is portrayed by the leadership, both local and national, as a supplicant, a fragile entity which relies on the Mainland’s assistance to survive. Among the arguments put forward by the Central People’s Government in 2014 to convince the people of Hong Kong to trust it and respect its decision not to proceed with electoral reforms was the Mainland’s generosity. It set out what it expected to be a convincing example.

Since the early 1960s, . . . the central government and the relevant local governments on the mainland have made great efforts to ensure the supply of foodstuff, agricultural and sideline products, water, electricity, natural gas, etc., to the HKSAR’. . . By the end of 2013, some 95 percent of live pigs, 100 percent of live cattle, 33

percent of live chicken, 100 percent of freshwater fish, 90 percent of vegetables and 70 percent or more of flour on the Hong Kong market had been supplied by the mainland.¹⁴

This assumption that the people of Hong Kong must be impressed by such ‘generosity’ reflects a Mainland reality. There, food supplies are still subject to central planning because of national shortages (as chapter 8 explained). In Hong Kong’s case, both the public and the food trade believe that the prices charged for Mainland supplies are excessive because there is a state cartel. Food imports are regarded by Hong Kong not as economic aid or social assistance but as just another commodity which ought to be subject to full market competition. There is thus no cause for gratitude.

Nevertheless, the chapter on the Mainland demonstrated that, fortunately, misconceptions about how Hong Kong should be treated have been counter-balanced in the past by realism at the highest levels of the nation’s leadership about Hong Kong’s value and the impossibility of any Mainland city replacing it. In 2000, a national leader had summed up what the nation owed Hong Kong for pioneering and underwriting China’s emergence as a global economy.

Over half of [Mainland] China’s exports and imports have either gone through or come from Hong Kong [since 1978], and so it is with the capital influx. Without Hong Kong, the Chinese mainland could not have accessed the global markets and sent its commodities to every corner of the world as smoothly as it has for the past 20 years.¹⁵

This debt was soon to be forgotten by local Mainland officials, as chapter 8 explained, and Hong Kong investors and entrepreneurs were to find themselves unwelcome in Guangdong province. The Hong Kong model which had transformed the impoverished province into the nation’s leading growth centre was denigrated as if it had obstructed the province’s emergence as an advanced industrial centre.

This ‘ingratitude’ for Hong Kong’s enthusiastic response to Deng Xiaoping’s call for assistance in making a success of his ‘open door’ policy provided a useful reminder of the realpolitik of the Mainland’s political leaders. Hong Kong had earned its ‘high degree of autonomy’ through its irreplaceable contribution to the national economy’s initial takeoff. Its best hope of retaining this status for the future is to continue to rank high among the world’s most advanced economies and to excel as a financial centre above all—which is a task assigned to Hong Kong by the Basic Law. The question is whether it can continue to play such a role. So far, the Mainland has found no substitute, no matter how much state support has been given to its ‘Free Trade Zones’ and other specially favoured, would-be centres of excellence.

Shanghai tried but failed to catch up with Hong Kong. It began planning a Free Trade Zone in 2003, and in 2009 it was authorised to launch an ‘international trading board’ to enable ‘foreign firms to sell RMB-denominated shares in China’, which would lay the foundations for an international financial centre. The launch was said to be imminent. In 2012, this project was abandoned because of ‘very, very complicated’ factors including ‘legal, systematic, technical and social matters’.¹⁶ It was revived in 2013 as ‘a testing ground for financial reform’ which was planned to achieve international standards including a free currency market, adequate market supervision and a respectable legal environment.¹⁷ None of which was in place.¹⁸ Once it became operational three years later, it was welcomed, not feared, by Hong Kong as a source of new business which would assist in ‘reinforcing Hong Kong’s role in connecting the financial markets in the Mainland and the rest of the world’.¹⁹ Shanghai was still no sort of rival.

Thus, when it comes to political risk, a crucial issue for Hong Kong families, this book offers some reassurance. Throughout Hong Kong’s history since the Chinese Communist Party came to power, its people have maintained their right to a ‘separate system’ through an economic performance which has contributed in a unique way to national development. There is no reason to believe that Hong Kong will cease to be able to play that role. There has been nervousness, of course, about how much longer the political freedom enjoyed by this unique city will be allowed to last. In the past, it is worth recalling, the nation’s leaders tolerated much more serious ‘non-conformity’ in Hong Kong: colonialism itself, the use of its port by United States naval forces and the activities of the Guomindong. Current non-conformity is at a somewhat lower level of ‘offensiveness’.

Open and accountable

It is still possible in Hong Kong to have confidence in the general integrity of those in the public service, this book shows. There is a general awareness that the primary cause of mismanagement has been the misguided policy decisions which one Chief Executive after another has made. Their defects have been identified, leading to a loss of personal prestige and more serious penalties. As a result, politicians, pressure groups, professional bodies, academics and the media have remained critical but not disillusioned about open and accountable government.

Furthermore, insistence by the community on the transparency of the political system has prevented Hong Kong from being engulfed by the corruption and other malpractices that flourished before 1974 and the creation of the Independent Commission Against Corruption (ICAC). There is little indication of a systemic breakdown of the public

administration's ethical or professional performance at the operational level. The resilience and adaptability of those working in the government have been invaluable in Hong Kong's struggle for survival. It would be unrealistic, however, to believe that the understaffed, underfunded and undervalued civil service which this book has described can maintain this quality of performance indefinitely.

The community cannot be expected to tolerate indefinitely and without mounting discontent the failure to protect its families' homes, to ensure quality education for the next generation and to create programmes to cope with such emerging challenges as an ageing population. At that point, the political environment alters. The electorate increasingly feels that the only way to compel those in power to take Hong Kong's survival seriously—including its quality of life—is to vote for candidates at elections whose protests will make mismanagement a priority political issue. That scenario has begun to get closer, creating a very new kind of threat to Hong Kong's long-term survival.

Notes

1. On Hong Kong's financial importance to the Mainland, see Leo F. Goodstadt, 'Fiscal Freedom and the Making of Hong Kong's Capitalist Society', in *Negotiating Autonomy in Greater China: Hong Kong and Its Sovereign Before and After 1997*, ed. Ray Yep (Copenhagen: NIAS Press, 2013).
2. Unless otherwise specified, information on the background to the MPF in the discussion which follows is taken from Michael Yu et al., 'Retirement Protection System in Selected Places' (Research Division, Legislative Council Secretariat) (RP01/11-12, updated 7 May 2012), 71, 80, 92 in particular.
3. Even ministers can find it hard to defend MPF providers. For example, 'MPF fees and charges have come down to 1.74 per cent, representing a 17 per cent reduction [since 2008]. Clearly, to the general public this is too little and too slow.' Professor Chan Ka-keung, Secretary for Financial Services and the Treasury, *Government Information Services (GIS hereafter)*, 14 December 2012.
4. 'Improving Livelihood Building for the Future Report on the Work of the Current-Term Government in Its Fourth Year' (2007).
5. *Hong Kong Hansard (HH hereafter)*, Leung Chun-ying, Chief Executive, 18 January 2017, 3135, and Ho Kai-ming, 19 January 2017, 3241–42.
6. Dr Wong Man Kit, 'Problems of PAYG Pension Scheme and Pension Reform: A Note on Overseas Experience and International Guidelines', Economic Analysis and Business Facilitation Unit (November 2015), 31–32. It is made clear that Dr Wong's research was both professional and independent.
7. Matthew Cheung Kin-chung, Secretary for Labour and Welfare, *GIS*, 23 October 2014.
8. Harvard Team, *Improving Hong Kong's Health Care System: Why and For Whom?* (Hong Kong: Government Printer, 1999); Food and Health Bureau, Health and Medical Development Advisory Committee, *Building a Healthy Tomorrow:*

- Discussion Paper on the Future Service Delivery Model for our Healthcare System* (Hong Kong: Health, Welfare and Food Bureau, 2005); Food and Health Bureau, *Your Health Your Life Healthcare Reform Consultation Document* (Hong Kong: SAR Government, 2008); Dr York Chow Yat-ngok, Secretary for Food and Health, *GIS*, 11 July 2011.
9. Food and Welfare Bureau, *Voluntary Health Insurance Scheme Consultation Report* (January 2017).
 10. Dr Ko Wing-man, Secretary for Food and Health, *HH*, 31 October 2012, 1107–9.
 11. Census and Statistics Department, ‘Provision of Medical Benefits by Employers/Companies and Coverage of Medical Insurance Purchased by Individuals’, *Thematic Household Survey Report No. 45* (Hong Kong: Census and Statistics Department, October 2010), 129; ‘Provision of Medical Benefits by Employers/Companies and Coverage of Medical Insurance Purchased by Individuals’, *Thematic Household Survey Report No. 58* (Hong Kong: Census and Statistics Department, October 2015), 8.
 12. For details, see Food and Health Bureau, *Voluntary Health Insurance Scheme Consultation Report*, ‘Chapter Seven: Conclusion and Way Forward’.
 13. Audit Commission, *Report No. 63*, ‘Chapter 2: Department of Health Hospital Authority Provision of Health Services for the Elderly’ (Hong Kong, 2014), ‘Figure 2: Number of Health Assessments Provided by EHCs vis-à-vis the Growth in Elderly Population (2004 to 2013)’, 11 and 10, 14–15.
 14. State Council Information Office, ‘Full Text: The Practice of the “One Country, Two Systems” Policy in the Hong Kong Special Administrative Region’, *New China News Agency (NCNA hereafter)*, 10 June 2014.
 15. Li Ruihuan, Politburo member and Chinese People’s Political Consultative Conference Chairman, quoted in ‘Li Ruihuan on HK’s Role’, *China Daily*, 7 November 2000.
 16. Han Zheng, Shanghai Mayor quoted in ‘Not Now for Int’l Board: Shanghai Mayor’, *NCNA*, 6 March 2012.
 17. ‘Chinese Domestic Banks Can Conduct Offshore Business’, *NCNA*, 28 September 2013.
 18. See ‘Rules for Shanghai FTZ Expected Next Quarter: Report’, *NCNA*, 11 November 2013; ‘China Adjusts Measures in Shanghai FTZ’, *NCNA*, 6 January 2014; Wei Tian, ‘Panel to Push Financial Reform in FTZ’, *China Daily*, 4 January 2014.
 19. Chan, Secretary for Financial Services and the Treasury, *HH*, 14 December 2016, 2471.

Index

- Asian financial crisis (1997–1998), 2, 16, 55, 62, 94, 95, 196
- associate degrees, chapter 6, 20
- Audit, Commission/Director of, 24, 43, 54, 72, 79, 86, 113–14, 118, 201
- austerity policies, 5, 40, 46, 63, 65, 86, 95, 110, 142, 196
- Basic Law, chapter 1, 2, 10, 15, 17, 22, 23, 53, 55, 56–57, 111, 173, 174, 176, 186, 195, 196, 201, 202
- budgetary policy, 2, 10, 14, 15, 29, 31–35, 39–43, 46–47, 195
- business-based public administration, 5, 17, 53, 54, 62, 63–64, 66, 67, 69–71, 102, 126, 127, 162
- CEPA (Closer Economic Partnership Arrangement), 21–22, 165–66, 168–73, 183–85
- Chan Fan, Frank, 101
- Chan Fang On-sang, Anson, 6, 64, 65
- Chow Yat-ngok, York, 175
- Commission on Strategic Development, 131, 170
- Competition Commission, 154
- corruption, 82, 84, 86, 139, 150, 155
- Cowperthwaite, Sir John, 62
- CSSA (Comprehensive Social Security Assistance), 39, 41, 45, 98
- democracy, 33, 36, 57
- Deng Xiaoping, 22, 161, 162, 174, 180, 202
- developers, 18, 34, 94, 95, 96, 110
- environmental issues, 109, 111, 112, 118, 182, 184
- EPP (Enhanced Productivity Programme), 17, 54, 62–67
- fiscal reserves, 3, 32, 42
- Ford, Sir David, 62, 63
- Garden Vista Estate, 152
- global financial crisis (2007–2009), 2, 167, 183, 184
- Guangdong province, 2, 22, 140–41, 162, 165, 168, 169–71, 172, 177, 180–83, 202
- Heung Yee Kuk, 112
- Ho Sau-lan, Cyd, 140
- Hong Kong Council of Social Service, 102
- HOS (Home Ownership Scheme), 94, 95
- Hospital Authority, 20, 141–42, 177, 201
- Housing Authority, 18, 56, 68, 69, 79, 80, 101, 109, 110
- housing maintenance, 13, 14, 18, 21, 68–69, 79–80, 83, 85–86, 87, 99, 103, 146, 147, 148–49, 150, 151–54

- housing management, 13, 84, 85, 86, 146, 150, 151, 153, 154
- housing, private sector, chapter 3, 1, 13, 18, 21, 60, 91–92, 94, 96, 98, 99, 100–103, 110, 117, 146, 148, 155, 196, 197–98
- housing, public sector, 7–8, 34, 60, 65, 68–69, 79–80, 83, 91–96, 97–98, 99, 101, 102, 103, 109–11, 146, 198
- ICAC (Independent Commission Against Corruption), 9, 21, 66, 85, 86, 150, 152, 154, 155, 203
- Jiang Zemin, President, 56, 166, 186
- Lam Cheng Yuet-ngor, Carrie, 3, 4, 13–15, 17, 19, 37–38, 44, 46, 60–62, 71, 81, 101, 102, 103, 117–18, 133, 134, 146, 148, 149, 162, 164, 172–73
- Lam Woon-kwong, 16, 142
- land bank, chapter 5, 18, 95
- Lau Siu-kai, 66
- Lee Kuan Yew, 179
- Leung Chun-ying, 4–5, 9–13, 19, 36–37, 60, 82, 97, 100–101, 115–16, 118, 126, 132–33, 145, 169, 171, 176–78, 184, 199
- Leung Kam-chun, Antony, 40, 126–28
- Li Keqiang, Premier, 32, 46, 162, 163–64, 169, 179, 186
- Li Kwok-cheung, Arthur, 127–28
- Liu Jianlun, 140
- Lui Tai-lok, 123
- Ministry of Commerce, 167, 172, 173, 174–76
- MPF (Mandatory Provident Fund), 34, 198–99
- National Development and Reform Commission, 171, 176, 177
- national plan, 22, 173–78
- New Territories, 100, 110–11, 112, 115–16, 118
- Ombudsman, 8, 24, 54, 72, 86, 101, 112–13, 114–15, 145–46
- Operation Building Bright, 81, 82, 83, 85, 151–52
- POAS (Principal Officials Accountability System), 16, 57, 58
- political environment, 5, 8, 10–11, 53, 56–57, 59, 67, 72, 77, 80, 85, 86, 92, 95, 101, 109, 110–18, 123–24, 201, 203–4
- SARS (atypical pneumonia), 2, 20, 58, 139–43
- SDUs (subdivided units), 91, 99–100, 101–4
- Shanghai, 161, 165, 172, 179, 180–81, 203
- Shenzhen, 163–64, 165, 179, 180
- Singapore, 2, 91, 139, 178–79, 181
- squatters, 69, 78, 92–93, 110, 112, 146
- Suen Ming-yeung, Michael, 129
- Tang Jiaxuan, 5
- Tang Ying-yen, Henry, 45, 168
- taxation, 3, 34, 39, 42–46, 55, 62, 64, 176, 183, 199, 200
- Trench, Sir David, 62
- Tsang Chun-wah, John, 41, 42, 81
- Tsang Tak-sing, 173
- Tsang Yam-kuen, Donald, 4, 6–9, 15, 22, 34–35, 55, 57, 58, 65, 81–82, 96, 109, 118, 125, 168–69, 173–75, 177, 178, 183, 199
- Tung Chee Hwa, 3–4, 5–6, 13, 16–17, 33–34, 39, 53, 54, 55–59, 62–66, 92, 94–95, 103, 109, 110, 112, 118, 123, 125, 126–28, 141–42, 164–66, 168, 173, 186, 196
- universal suffrage, 36, 56
- universities, 1, 20, 46, 57, 124, 126, 127–29, 131, 132, 133, 134, 195

- University Grants Committee, 126,
129, 130–31
- URA (Urban Renewal Authority), 78,
79, 81, 82, 83, 146, 152, 154
- wages and earnings, 1, 2, 5, 11, 36,
37, 40, 44, 93, 123, 124, 131, 167,
181, 182
- Wang Guangya, 11
- Wang Yang, 183
- Wang Zhongfu, 166
- Wen Jiabao, Premier, 21, 30, 32, 166,
173, 177, 179, 186
- Wilson, Sir David, 63
- Working Group on Long-Term Fiscal
Planning, 41–43, 46
- Xi Jinping, President, 11, 23, 161, 168,
179
- Xiao Weiyun, 30–31
- Xu Lin, 173
- Zhu Rongji, Premier, 166