

Can Hong Kong exceptionalism last? Dilemmas of governance and public administration over five decades 1970s-2020

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Abstract

Purpose – The purpose of this book launch speech is to introduce the book I author, *Can Hong Kong exceptionalism last? Dilemmas of governance and public administration over five decades 1970s-2020* (2021). The book critically reviews the governance and public administration from 1970s to 2020, identifying strengths and capabilities as well as constraints and dilemmas.

Design/methodology/approach – The book is based on my decades of academic observations and personal political experience by interpreting and re-interpreting the Hong Kong journey, with reflections on past assumptions and raising new questions.

Findings – This book identifies five exceptional aspects: (a) Under British rule Hong Kong was governed as an atypical colony; (b) It was one of the Four Little Dragons as part of the East Asian Miracle; (c) In the 1990s, it was one of the regional pioneers in public sector reform; (d) The unique constitutional status of post-1997 Hong Kong as a Special Administrative Region (SAR) of China; (e) After reunification, the SAR government, though only semi-democratic, is checked by balancing and monitoring mechanisms no less vigorous than some developed democracies. It also examines various governance problems faced in the post-1997 period.

Originality/value – Hong Kong is again in times of uncertainty and volatility. The city has entered a ‘second transition’ after 2020, and it is undergoing a bigger test than in 1997. After reviewing the past, I opine in the book that Hong Kong has to identify its niche areas, not only in economics. It needs a paradigm shift in how it relates to the Mainland within ‘One Country’ and how it relates to the world as a global metropolis.

Keywords Hong Kong, Governance, Public administration, Exceptionalism

Paper type Viewpoint

Introduction on writing the book

For many years I have wanted to write a book on Hong Kong’s administrative history to understand how this city has been run. The book, *Can Hong Kong Exceptionalism Last?*, is a realization of that longing (Cheung, 2021a).

My book carries several decades of academic observations and personal political experience. Writing the book was a fascinating process of interpreting and re-interpreting the Hong Kong journey. I have reflected on past assumptions and asked new questions.

Put briefly, this book critically reviews the past trajectory of governance and public administration up to 2020, identifying strengths and capabilities as well as constraints and dilemmas. It tries to explain Hong Kong’s resilience and performance as a system over the



decades, despite political and institutional limitations, in achieving ‘the possible out of the seemingly impossible’. The book is divided into three parts: ‘The Legacy’, ‘Transition and Change’ and ‘Tensions and Challenges’. Altogether there are 14 chapters plus Introduction, Epilogue and Postscript.

My original manuscript was completed in mid-2019, just as the extradition bill crisis erupted. The massive social unrest in Hong Kong in 2019 was triggered by the Hong Kong government’s attempt in amending the extradition law to include the transfer of fugitives and offenders to Mainland China for crimes committed there. Controversies soared regarding civil liberties. Starting as peaceful protests and sit-in at the government headquarters in June 2019, these later escalated into riotous violence and serious polarization.

The book was revised a few times after internal and external reviews and in tandem with evolving developments. By the time the manuscript was finalized in July 2020, a national security law was passed, followed by extensive changes to the electoral system this year. In face of a suspected separatist movement aimed at regime change, China’s National People’s Congress imposed a national security law on Hong Kong at the end of June 2020 and revamped the city’s electoral system in March 2021 to ensure only ‘patriots’ would administer the city.

Hong Kong’s political landscape is being revamped which also affects the modus operandi of public administration. The full implications of the changes, some of which still unfolding, could not have been covered in the main text. A Postscript is added to quickly assess the latest situation and provide my initial thought on the prospect of ‘One Country, Two Systems’ and Hong Kong’s exceptionalism in the years ahead.

How exceptional?

I use Hong Kong Exceptionalism as the book title and overarching theme because it helps to tell the Hong Kong story.

How has Hong Kong been special or exceptional?

1. ***Under British rule Hong Kong was governed as an atypical colony.*** At that time China, without surrendering sovereignty claim over Hong Kong, treated it as ‘internal matter being dealt with externally’ (內事外辦). The 1970s were the golden years of policy reforms and administrative modernization, including the establishment of the ICAC (Independent Commission Against Corruption) that made Hong Kong an international anti-corruption icon. I have another book in Chinese on the ICAC published last year (Cheung, 2020; see also Cheung, 2008). By the time Sino-British talks took place in the early 1980s, Hong Kong was already quite an efficient and effective administrative state despite its 19th century political architecture. Those talks were mostly about the preservation and continuity of that Exceptionalism which was thought to have made the city prosperous.
2. ***Hong Kong managed to become one of the Four Little Dragons applauded by the World Bank as part of the East Asian Miracle*** (World Bank, 1993) but its proclaimed small government and positive non-interventionism contrasted strongly with the other three economies (Singapore, South Korea and Taiwan) which all pursued a state developmental path. Hong Kong had a low tax regime and yet was able to afford a relatively extensive welfare system including public housing and universal education and healthcare. The government was actually more interventive in the factors of production and regulatory controls than many assumed (Schiffer, 1983). Another ‘miracle’ or exception?
3. ***In the 1990s Hong Kong was one of the regional pioneers in public sector reform,*** but with an agenda rather distinct from the New Public Management (NPM)

paradigm originating in Western Europe and North America where the aim was to downsize and transform a bloated and inefficient bureaucracy. Hong Kong's reform was to re-empower the administrative bureaucracy, along the path of what I described as 'political questions, administrative solutions' (Cheung, 1996, 1999). What happened after the Asian Financial Crisis was, of course, another story (Cheung, 2012).

4. ***The Basic Law embodies the 'exceptional' constitutional status of post-1997 Hong Kong as a special administrative region (SAR) of China***, enjoying a high degree of autonomy and self-administration, and continuing with an inherited British civil service system and English common law. Neither London nor New York enjoys such exceptional treatment within their own national structure. The essence of 'One Country, Two Systems' is to enable Hong Kong to keep its capitalist system as distinct from the socialist mainland of China and to allow local people to continue with their pre-existing way of life. It underpins the mutual accommodation of two existentialisms and value systems.
5. ***After reunification, the SAR government, though only semi-democratic, is checked by balancing and monitoring mechanisms no less vigorous than some developed democracies***, and certainly more than the near-autocratic bureaucratic regime of the colonial past. The Hong Kong system of governance is rated higher in 'voice and accountability' than Singapore (a parliamentary democracy) according to the World Bank's global governance indicators.

Over the years Hong Kong has scored very highly on these governance indicators – especially in government effectiveness, regulatory quality, rule of law, and control of corruption. Its 'political stability' was rated well ahead of the US, Britain and South Korea until 2019 when widespread political unrest halved its score (from 75 out of 100 to 36.7). Its score in 'voice and accountability' also dropped (from 61 to 54.2) but was higher than Singapore (at 39.4) (World Bank, 2020). Hong Kong has its share of acute social problems, youth discontent and 'deep-seated contradictions'. Yet it has continued to flourish as a relatively resilient city. Its overall performance scorecard, according to various economic and social benchmarks, would be the envy of many developed countries and cities.

Hong Kong is one of the world's most prominent free-market economies, the 3rd top global financial centre (after New York and London) and, before COVID-19, the busiest cargo airport and 3rd busiest international passenger airport (after Dubai and London Heathrow). Among major cities Hong Kong has one of the largest clusters of world-class universities. It ranked 3rd in the World Economic Forum's 2019 Global Competitiveness Index (after Singapore and the US). Its infrastructure had been ranked number 1 by the Forum's Global Competitiveness Report for several consecutive years until 2018 when overtaken by Singapore.

Hong Kong's fiscal health has been in good shape with hefty financial and foreign exchange reserves. Fiscal reserves stand at HK\$902.7 billion in 2021. Life expectancy is the highest in the world. The quality of the healthcare and education systems is highly regarded internationally. The McKinsey's 2021 report on the urban transport systems of 25 global cities puts Hong Kong top in public transport efficiency. Overall unemployment rate has all along been at a low level (around 3 percent) except most recently because of COVID-19. Youth employment is much better than in many developed economies. Also, Hong Kong is among the world's safest cities.

Post-1997 problems looming large

Hong Kong's exceptionalism was born out of historical circumstances. It could not be taken for granted. Since 1997 the city has undergone twists and turns. Public sentiments have not

been short of anxieties and worries about preserving the Hong Kong as people knew it in the past. *'To change or not to change'* – that has been a perennial dilemma.

Because the old framework of governance was regarded as unproblematic during the pre-1997 transition, Hong Kong seemed somewhat frozen in its 1980s state. Political, administrative, economic and social anomalies were simply glossed over. Such an incomplete journey of reunification sowed the seeds of subsequent instability and alienation. It also paved the way for growing tension within the local society and between the city and the rest of the nation.

Politically two unsettled questions have been haunting Hong Kong: namely democratization towards 'double universal suffrage' (for electing the Chief Executive and the whole of the legislature) (the ultimate target prescribed by the Basic Law) and legislation on national security mandated by Article 23 of the Basic Law. *Economically*, Hong Kong has ceased to be a role model for the Mainland as the latter advances into a high-growth and high-tech era producing alternative developmental paths. An unduly narrow mindset has hindered the city's economic innovation and diversification. In *public administration*, there were aborted experiments in civil service reform in 1999-2000. Although a ministerial system of political appointment was introduced in 2002, it was only 'half-baked', thus producing mixed results to say the least. Administrative reform had virtually stopped in the past decade as most attention went to confrontational politics.

Because of the defects of the political system, we have a government with neither popular mandate nor votes within the legislature. Executive-legislative disconnect (and even gridlock) was not uncommon in recent years. Politics have become a 'blaming and shaming' game. The previously renowned 'Hong Kong speed' has suffered due to policy impasse and administrative inertia.

The rise of identity politics after reunification was not fully anticipated (Fung, 2001; Abbas, 1997). Nobody could have imagined that the post-1997 or millennial generation would become even more unsure of the future under 'One Country, Two Systems' than their parents' generation who grew up in the colonial period. The younger generation have become more assertive in their local identity.

During the two decades since reunification, according to the polls of the University of Hong Kong Public Opinion Programme (HKUPOP), those respondents expressing their identity as 'Hongkonger' and 'Hongkonger in China' (regarded as a more pro-local identity) together constituted around 67 percent by 2018, up from 60 percent in 1997. The extradition controversy in 2019 saw the pro-local identity shooting to 77.8 percent by year-end, comprising 55.4 percent 'Hongkonger' and 22.4 percent 'Hongkonger in China' (HKUPOP, 2019; HKPORI, 2019). (Note)

Some local people consider their perceived freedom and autonomy dwindling, resorting to the politics of 'fear' during the controversies about national security, national education and extradition. It is ironical that as Mainland China gains more confidence in its socialist system and the 'China Model', Hong Kong on the other hand feels less secure about its prospect.

Less noted in the local 'identity' discourse is the economic factor. Hong Kong's wealth creation had historically been closely tied to the Mainland – from the China trade in pre-War years to early industrialization, thanks to incessant class struggles following the Communist regime change and the Cultural Revolution, and then to a role in financial intermediation and trade/services facilitation in the Mainland's initial process of economic reform and outreach to the world. Once Mainland China has completed this process and is now able to chart a more indigenous course of growth sustained by domestic consumption, expansion of large state-owned and private enterprises (some of which having already turned multinational and reaching out to new overseas markets and production sites), the reliance on Hong Kong has become reduced, raising the possibility of economic 'marginalization'.

After the failure in Article 23 legislation in 2003, the central government has resorted to an 'economic absorption of politics' and pushed for more integration. However, integration is not

without pain because of institutional differences, capacity asymmetry, and the conflict of identity and values.

Good enough governance possible?

That said, if we look at the wider world scene, the decline in trust in government institutions and executive-legislative gridlock are not problems unique to Hong Kong. They are prevalent in Western democracies as well, most notably in the US. The widespread decline in trust in public institutions across countries was noted in [Edelman \(2020\)](#). The middle ground is fast giving way to both right-wing and left-wing populism. Young people everywhere have become a disillusioned generation. There are clear signs of a global crisis of governance and democracy ([Ercan and Gagnon, 2014](#); [Levitsky and Ziblatt, 2018](#); [Fukuyama, 2018](#)).

Here in Hong Kong, putting aside the merits and pitfalls of democracy, we have to accept that Beijing's interpretation of self-administration and its attitude towards electoral democracy are quite at variance with some local aspirations. Under a restrained electoral system, the question I have been asking until most recently is *whether we could achieve 'good enough' governance without full democracy*. The price to pay for a non-democratic yet professional administration is, of course, the limitation of bureaucratic government even assuming that competence, integrity and fairness continue to be put above all else within public administration.

Major threat

The greatest threat for Hong Kong comes from political polarization and the worsening relationship with the Mainland. The first turning point was the 2014 Occupy Central movement. Beijing responded with a White Paper on 'One Country, Two Systems' to (re) assert its 'comprehensive jurisdiction over the SAR ([Information Office, State Council of the People's Republic of China, 2014](#)). Then came 2019 which saw a city in turmoil ([Lam and Ibrahim, \(2020\)](#)). Nobody could have anticipated the turbulence caused by a poorly managed bill to amend the Extradition Ordinance and related legislation in 2019 could become a crucial turning point for Hong Kong.

On 1 July 2019, the anniversary of Hong Kong's reunification with China, radical separatists stormed into the legislative chamber, desecrating the SAR emblem and waving the old British colonial flag. Some organizations and shops with mainland ownership or connections were vandalized. Mainland sentiments became agitated. The national day on 1 October 2019 to mark the 70th anniversary of the founding of the PRC was greeted by violent street protests and confrontations. The SAR government had to impose emergency regulations on 4 October 2019 to ban the wearing of face masks in public gatherings. More stormy confrontations ensued in November 2019 around the campuses of two universities. The anti-government force unleashed managed to bring every contradiction in society to a major implosion – a perfect storm! The rest is now history.

Amid vicious global geopolitics and the US-led offensive on China, Hong Kong's unrest was interpreted by Beijing as part of a 'colour revolution' conspiracy. Feelings on the Mainland towards Hong Kong have become hostile. Before reunification Hong Kong was valued as crown jewel. Now it is regarded as political liability. Its loyalty to the nation is cast in doubt. Mutual acceptance or tolerance has turned into mutual distrust.

Under the revamped electoral system imposed by the National People's Congress, the proportion of directly elected seats on universal suffrage is more than halved from 40 out of 70 seats, to 20 out of an expanded Legislative Council of 90 seats. The bulk of the legislative seats (40) now goes to the Election Committee which elects the Chief Executive, hoping it would cement executive-legislative cooperation. The Election Committee, based mostly on sectoral corporate voting, is enlarged (to 1,500 members) to incorporate a fifth sector of 300 local delegates to and representatives of national political institutions and organizations to better safeguard 'national interest'. All legislative candidates must now obtain nominations

from all five sectors of the Election Committee in addition to the electorate of their respective constituencies, and afterwards be vetted by a new eligibility review committee.

Beijing considers such changes crucial to ensuring a 'patriotic' SAR regime and a stronger executive-led system. In the eyes of pro-democracy groups and the international media, democracy in Hong Kong is being set back.

Facing multiple threats – internal social and political fragmentation, Beijing's distrust, US and Western boycotts and marginalization, as well as uncertainties in national and regional integration – Hong Kong is going through an existential crisis (Cheung, 2021b). The Hong Kong system is at a crossroads. *Can Hong Kong's longstanding Exceptionalism last?* – this is the question I pose in my book.

Rethinking the future

We are again in times of uncertainty and volatility. The city has entered a 'second transition' after 2020. It is undergoing a bigger test than in 1997. Doomsday theories abound, some predicting the demise of Hong Kong (*Financial Times*, 2020). 'Either...or' and 'neither...nor' are two sides of the same coin. Where sceptics and doubters see the situation as futile, others are still willing to contemplate possibilities. Looking back at recent history, Hong Kong had never got a clear answer about its future but managed to press ahead with a 'Can do' spirit.

Hong Kong Exceptionalism is a *living* state of affairs. Its substance will not stay stagnant but continues to be defined by circumstances. Whether or not it will be as vigorous as before and sustainable is the major litmus test of China's 'One Country, Two Systems' mega-project. With enough goodwill and big-picture courage, Hong Kong's exceptionalism should persist because it defines the city's political, cultural and economic distinctness (and therefore its *sense of purpose*) within the context of a renaissance of the Chinese nation.

The sure route to Hong Kong's demise is the evaporation of its critical value to a rising China. Therefore, Hong Kong has to identify its niche areas, but not only in economics. It needs a paradigm shift in how it relates to the Mainland within 'One Country' and how it relates to the world as a global metropolis. It requires *both* realism and dynamism in appreciating limitations and opportunities under a non-zero-sum mindset.

As my book concludes, exceptionalism not only hinges on institutional arrangements and historical inheritance but also on the statecraft of the administration of the day. People in Hong Kong must not let themselves fall into a self-fulfilling prophecy of failure.

Note

1. Upon HKUPOP's closure in July 2019, a private Hong Kong Public Opinion Research Institute (HKPORI) has continued the polls using the same methodology.

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