

# Governance in Hong Kong: In Search of Identity, Legitimacy and Trust

Anthony B. L. CHEUNG

*Chair Professor of Public Administration  
The Hong Kong Institute of Education*

## Chair Professors

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Public Lecture Series

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**The Hong Kong Institute of Education**  
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# About the Author

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## **Anthony B. L. CHEUNG (張炳良),**

GBS, JP is President of The Hong Kong Institute of Education, Chair Professor of Public Administration, and Director of the Centre for Governance and Citizenship. He received his PhD degree in Government from The London School of Economics and Political Science, and has written extensively on privatization, civil service and public sector reforms, Asian administrative reforms, and government and politics in Hong Kong and China.



Professor Cheung is a Member of the Executive Council of the Hong Kong Special Administrative Region, Chairman of the Consumer Council, Chairman of the Subsidized Housing Committee of the Housing Authority, member of the Greater Pearl River Delta Region Business Council, and a Director of The Hong Kong Mortgage Corporation Limited.

He is the founding chairman of the policy think-tank SynergyNet and a founding director of the Hong Kong Policy Research Institute. He was Legislative Councilor from 1995 to 1997.

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# **Governance in Hong Kong: In Search of Identity, Legitimacy and Trust**

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## *Abstract*

Since 1997, Hong Kong has been suffering from one crisis after another. The infallibility of the administrative state, long held to be responsible for its success story, has by now been largely eroded. Hong Kong has come to a stage where a political culture of distrust is being reinforced at a time when political trust is much needed for different institutions to cooperate, and to enable the government to govern effectively and lead society in major policy innovations and reforms.

This lecture reviews Hong Kong's governance within the context of its political trajectory to become part of China, and diagnoses the nature of the current political quagmire, major constraints and dilemmas, as well as institutional setbacks and failures, due to the inability to re-establish a new logic of governance and political ethos as the pre-existing political order continues to be eroded.

## **1. Introduction**

In the 1980s and 1990s, the impending return of Hong Kong to China by 1997 had triggered a major confidence crisis. A new logic of governance would have to be created to substitute the then colonial logic which emphasized administrative efficiency and the rule of convenience, a logic that the local population had implicitly accepted out of political acquiescence. However, the path towards a new Hong Kong as a special administrative region (SAR) had not been accompanied by the proper decolonization and democratization of the



governance system. Old wine was put into new bottle. The political order as enshrined in Hong Kong's Basic Law was largely a continuation (or at most a re-institutionalization) of the ancien regime.

Since 1997, the Hong Kong SAR has been suffering from one legitimacy crisis after another. The infallibility of the administrative state, long held responsible for Hong Kong's success story in the final decades of British colonial rule, has by now been largely eroded. The failure of governance can be diagnosed with respect to systemic defects, decline of state capacity, and the crisis of social cohesion and shared vision<sup>1</sup>. Most academic literature pointed to a decline in the government's capacity to lead and govern. Scott, for example, summed up the SAR's early crisis as "the disarticulation of Hong Kong's post-handover political system", with the following defects:

"[T]he relationships between the executive, the legislature and the bureaucracy today are uncoordinated, poorly developed, fractious and sometimes dysfunctional.... [W]ith a system which is neither parliamentary fish nor presidential fowl, the executive, the bureaucracy and the legislature (which is divided within itself) each pursue their own agendas, punctuated by occasional skirmishes on the boundaries of their domains and by subterranean campaigns to extend their jurisdictions"<sup>2</sup>.

More fundamentally, it has to do with the post-1997 problems of institutional incompatibility resulting from a political regime originating in colonial times having to cope with post-colonial needs and demands<sup>3</sup>. Not only have the executive and bureaucracy been suffering a crisis of credibility, the legislature and political parties have also been in decline.<sup>4</sup> Despite the

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<sup>1</sup> Anthony B. L. Cheung (2010, forthcoming). Restoring Governability in Hong Kong: Managing Plurality and Joining Up Governance. In Julia Tao, Anthony Cheung, Chongyang Li & Martin Painter (Eds.), *Governance for Harmony in Asia and Beyond*. London: Routledge.

<sup>2</sup> Scott, Ian (2000). The Disarticulation of Hong Kong's Post-Handover Political System. *The China Journal*, 43, 29.

<sup>3</sup> Anthony B. L. Cheung (2005). Hong Kong's Post-1997 Institutional Crisis: Problems of Governance and Institutional Incompatibility. *Journal of East Asian Studies*, 5(1), 135-67.

<sup>4</sup> According to polls conducted by different universities and research institutes since the Handover in 1997, all the major governance institutions (with the exception of the Judiciary) have experienced a continuous decline in public satisfaction and confidence ratings, with the SAR government the Chief Executive suffering a more severe setback than the civil service. Average scores achieved by major political parties/groups were also relatively low. See early year statistics cited in SynergyNet (2003) *Hong Kong Deserves Better Governance*, September, Hong Kong, Ch. 2. SynergyNet is an independent policy think-tank in Hong Kong. See also polls on "People's Satisfaction with the Performance of Members of the Fourth HKSAR Legislative Council" done by University of Hong Kong Public Opinion Programme (<http://hkupop.hku.hk/chinese/popexpress/sargperf/fourthlc/index.html>), with survey data indicating high dissatisfaction towards the performance of the legislature during the period from September 2002 to April 2005, and a recent

introduction of a new ministerial system of political appointments by former Chief Executive Tung Chee-hwa in July 2002 to strengthen the government team and to improve accountability and responsiveness, the government had remained caught in a quagmire characterized by policy impasse and the lack of capacity to deliver results. The anti-government protests of July 2003 by over half a million population marked the worst crisis of governance.

China's policy on Hong Kong's reversion was to seek to minimize the extent of political change in favour of continuity and stability. Thus the Basic Law of the SAR has left the colonial configuration of government largely intact. The Chief Executive is not democratically elected. Only up half of the legislature is elected by universal suffrage. Such constitutional design intends to keep governmental power within the original ruling elites dominated by the bureaucratic class. However, during the political transition leading to the transfer of sovereignty in 1997, the local political landscape had already undergone continuous transformation with the introduction of legislative elections and the emergence of political parties and elected politicians. The post-1997 political system was not and could not be just a replication of the previous colonial system of governance. On top of its systemic problems, Hong Kong has also suffered from an identity crisis emanating from the pre-1997 transition period. Beijing's reluctance to speed up democratization in Hong Kong and its imposed version of instrumental identity for Hong Kong as an 'economic city' have been perceived as a threat to Hong Kong's political space. By now Hong Kong's political trajectory has come to a stage where a culture of distrust is building up and being reinforced at a time when political trust is much in need for different institutions to cooperate, and for enabling the government to lead society in major policy innovations and reforms.

## **2. Institutional Incompatibilities**

On the surface there was supposed to be 'no change' in Hong Kong's policymaking architecture after the handover. In practice, however, the actors occupying that inherited architecture, their interests and thinking, and both the internal and external habitats, had all undergone subtle but significant changes. The post-1997 policy and political scene has become increasingly crowded, producing a highly 'differentiated' polity for government<sup>5</sup>.

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tendency of rising dissatisfaction, and "Rating of Top Ten Political Groups" (<http://hkupop.hku.hk/chinese/popexpress/pgrating/topten1.html>).

<sup>5</sup> For detailed discussion, please see Anthony B. L. Cheung (2007). Policy Capacity in Post-1997 Hong Kong: Constrained Institutions Facing a Crowding and Differentiated Polity. *The Asia Pacific Journal of Public Administration*, 29(1), 51-75.

## Erosion of Old-style Executive-led Administrative State

The former Hong Kong colony was an ‘administrative state’<sup>6</sup>, with government by the bureaucrats under the rule of the British governor, supported by business and professional elites<sup>7</sup>. All top government posts were almost exclusively filled by members of the elite ‘Administrative Class’ (the Administrative Officers, or AOs) acting in effect as ‘ministers’. Both the Executive Council (Exco) and Legislative Council (Legco) were appointed, which served to support and advise government rather than to challenge, or to check and balance it. At the same time, through ‘administrative absorption’ whereby business and professional elites were appointed to an extensive web of advisory and statutory bodies, the colonial government was able to forge some form of elite integration and support in society<sup>8</sup>. The net result was a fused model of executive-legislative collaboration underpinned by a reasonably high degree of political consensus and trust among the ruling elites.

Such an administrative state became no longer sustainable after the handover. Being separately constituted through elections instead of appointed by the government, the legislature had become a major countervailing force to the executive, which could not guarantee legislative support, not to mention a majority. Because of public dismay with the performance of the AOs-run government in dealing with the Asian financial turmoil and other post-handover crises such as bird flu and the public housing short-piling scandal, former Chief Executive Tung Chee-hwa took the opportunity to introduce a new ministerial system of political appointment of principal officials to head policy bureaux in June 2002 (known as Principal Officials

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<sup>6</sup> Peter Harris (1978). *Hong Kong – A Study in Bureaucratic Politics* (pp. 53-61). Hong Kong: Heinemann Asia.

<sup>7</sup> A network of consultative and advisory bodies existed, giving the sense of what some observers described as ‘government by discussion’ - see G. B. Endacott (1964). *Government and People in Hong Kong, 1841-1962: A Constitutional History* (p. 229). Hong Kong: Hong Kong University Press. But its importance laid more with enabling the colonial rulers to “[co-opt] the political forces, often represented by elite groups, into an administrative decision-making body, thus achieving some level of elite integration” (see Ambrose King King & Ambrose Y. C. (1981). Administrative Absorption of Politics in Hong Kong: Emphasis on the Grass Roots Level. In Ambrose Y. C. King & Rance P. L. Lee (Eds.), *Social Life and Development in Hong Kong* (p. 130). Hong Kong: The Chinese University Press. Through the process of ‘administrative absorption of politics’, the colonial bureaucracy as ruler was able not only to direct the affairs of government, but also to integrate strategic elite interests similar to what mainstream political parties do in competitive politics

<sup>8</sup> King, 1981, op. cit. Also Anthony B. L. Cheung & Paul C. W. Wong (2004). Who Advised the Hong Kong Government? – The Politics of Absorption before and after 1997. *Asian Survey*, XLIV(6), 874-94.

Accountability System (POAS); until then ministerial portfolios had continued to be assumed by administrative mandarins as in the colonial past. However this attempt to change tack in face of new political challenges somehow miscarried as many people doubted the legitimacy of the new ministerial system in a non-democratic constitutional context.

Under British rule, the population could acquiesce to colonial governance for want of a better alternative (and returning to Chinese communist rule was not considered an alternative for many who had escaped to Hong Kong as either political or economic refugees from mainland China). An enlightened but efficient form of authoritarian government was thus politically tolerated. Such a colonial logic no longer worked after 1997 when the general public expected the government to be accountable and responsive under the principle of self-administration. In the absence of universal suffrage in electing the Chief Executive and Legco, it was difficult to gain enough political trust from the public through the pre-existing institutions of governance. There is now no going back to the previous colonial mode of government by bureaucrats and government by consultation. The formal power configuration under the Basic Law has displayed increasing incompatibility with the actual interplay of powers and expectations among various political players and institutions. Instead of having a government with unchallenged executive power, as exemplified in the heydays of colonial rule, the SAR government is now constrained in both formulating and implementing policy. All of the major institutional actors feel inhibited from performing their roles effectively, making the political system essentially *'disabled'*<sup>9</sup>.

### **Futile Efforts in Reinventing a Hybrid Administrative State**

After the traumatic 1 July protests in 2003, Beijing's policy towards Hong Kong had focused on re-imposing political order and restoring executive power. When Donald Tsang first assumed chief executiveship, in succession to Tung Chee-hwa, he had hoped to build a strong and efficient government, portraying his style of leadership as follows:

“Amidst the quick changes, the Government must act cautiously and yet courageously, engage the community, collect insights, leverage opportunities in a timely manner, make decisions resolutely and implement decisively. Do the right thing and to do good for the majority

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<sup>9</sup> Anthony B. L. Cheung (2002). The Changing Political System: Executive-led Government or 'Disabled' Governance?. In S. K. Lau (Ed.), *The First Tung Chee-hwa Administration: The First Five Years of the Hong Kong Special Administrative Region* (pp. 41-68). Hong Kong: The Chinese University Press.

of people”<sup>10</sup>.

He also pledged to foster a closer partnership between the executive and the legislature to facilitate consensus politics<sup>11</sup>. Due to his bureaucratic background, Tsang saw the civil service as the backbone of his administration and opted for principally relying on the civil service (mainly the AOs) as the source of ministerial talent from which to recruit ministers<sup>12</sup>. He also extended political appointment to the layers of junior ministers (known as Under-secretaries) and political assistants to provide a broader political support base to the cabinet<sup>13</sup>. This could be interpreted as reinventing a ‘hybrid administrative state’ based essentially on ‘government by political bureaucrats’. The AOs are once again expected to provide the unifying and sustaining force of government, to bring policy and administrative organizations together within more coherent structures and processes.

So far, such efforts to rebuild strong governance relying mostly on the bureaucracy and advisory committees, have largely been frustrated. In the absence of more novel institutional means to link up the executive and legislature, the overall system has remained disjointed. Old-style consultative politics no longer works. As society becomes more differentiated and politicized, sometimes not just over conflicts in interests but also in values, and as new civil society activism emerges and escalates, the traditional form of absorption politics based on the co-optation of business and professional elites has proved insufficient to carry the public view and confer policy legitimacy<sup>14</sup>.

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<sup>10</sup> Tsang, Donald Y. K. (2005) Campaign Speech for Chief Executive Election, 3 June, Hong Kong. Retrieved June 4, 2005, from [http://www.donald-yktsang.com/press\\_speeches\\_e.html](http://www.donald-yktsang.com/press_speeches_e.html)

<sup>11</sup> Tsang, Donald Y. K. (2005) Declaration Speech to announce Chief Executive Candidacy, 2 June, Hong Kong. Retrieved June 4, 2005, from [http://www.donald-yktsang.com/press\\_speeches\\_e\\_001.html](http://www.donald-yktsang.com/press_speeches_e_001.html)

<sup>12</sup> In Tsang’s new ministerial team for 2007-2012, only two ministers were, strictly speaking, from non-civil service background, namely Secretary for Commerce and Economic Services, Frederick Ma, and Secretary for Financial Services and the Treasury, Chan Ka-keung; Secretary for Food and Health, York Chow, was previously with the Hospital Authority, a government-funded public body. Ma subsequently resigned from government in July 2008 for health reasons, and his replacement was a former permanent secretary (an AO) Rita Lau.

<sup>13</sup> Constitutional Affairs Bureau (2006). *Consultation Document on Further Development of the Political Appointment System*. Hong Kong: Government Logistics Department. New Under-secretaries and Political Assistants to Principal Officials were appointed in May 2008. All except one – Under-Secretary for Constitutional and Mainland Affairs Raymond Tam, came from outside the civil service such as political parties, think tanks and the media. He was subsequently ‘promoted’ to become Director of the Chief Executive’s Office – a kind of chief of staff – in August 2009.

<sup>14</sup> This dilemma was most vividly shown in the controversy over the demolition of the Star Ferry clock tower in December 2006. Despite the fact that government had followed the due process in formally consulting the Antiquities Advisory Board, the district board and the relevant Legco panel a few years ago, there was mounting public uproar and protests against the demolition which

State-society connection is still weak and political trust low. Executive-legislative relations have remained stressful<sup>15</sup>. The absence of democratic election has deprived him of the opportunity to get a clear political mandate to govern.<sup>16</sup> The Chief Executive does not enjoy firm support from any political party. The pro-democracy opposition, which is more popular in legislative elections, treats him as only a Beijing ‘appointee’ and is reluctant to work with him for fear of strengthening his legitimacy<sup>17</sup>. Despite enjoying high popularity rates both at the time of his by-election in June 2005 (72.3%) and re-election in June 2007 (68.9%), Tsang’s popularity in the second term has declined since the middle of 2008 - to 53.8 by June 2009<sup>18</sup>. Satisfaction rate towards the government has fallen, accompanied by rising dissatisfaction rate.

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seriously hurt the government’s image (*South China Morning Post*, 2006). Because of this controversy, government had to revamp the advisory board’s membership to include newer and younger faces from the pro-conservation lobby, and launch new heritage assessment criteria (including elements of social values and collective memory) and a list of some 80 declared monuments and 496 graded historical buildings for a series of district-based public forums on built heritage conservation.

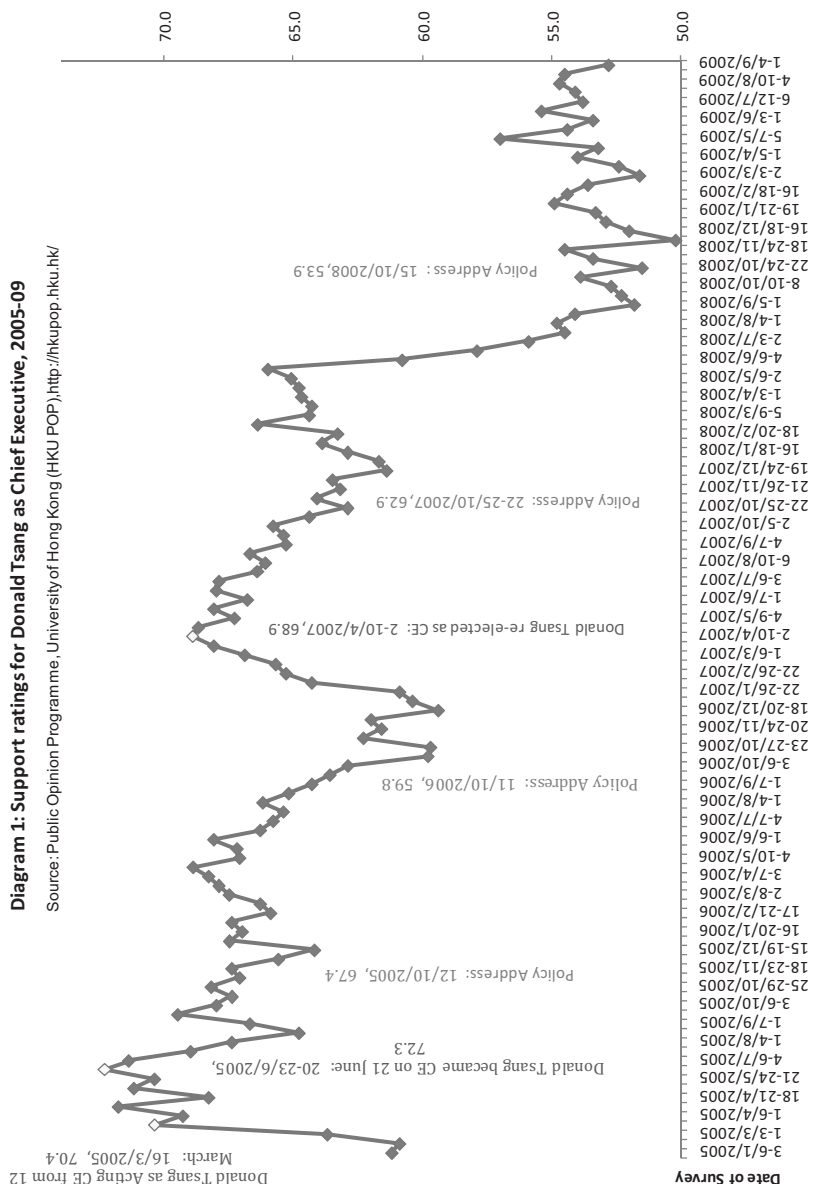
<sup>15</sup> Anthony Cheung (2009, July 27). Going nowhere. *South China Morning Post*, p.11. Hong Kong.

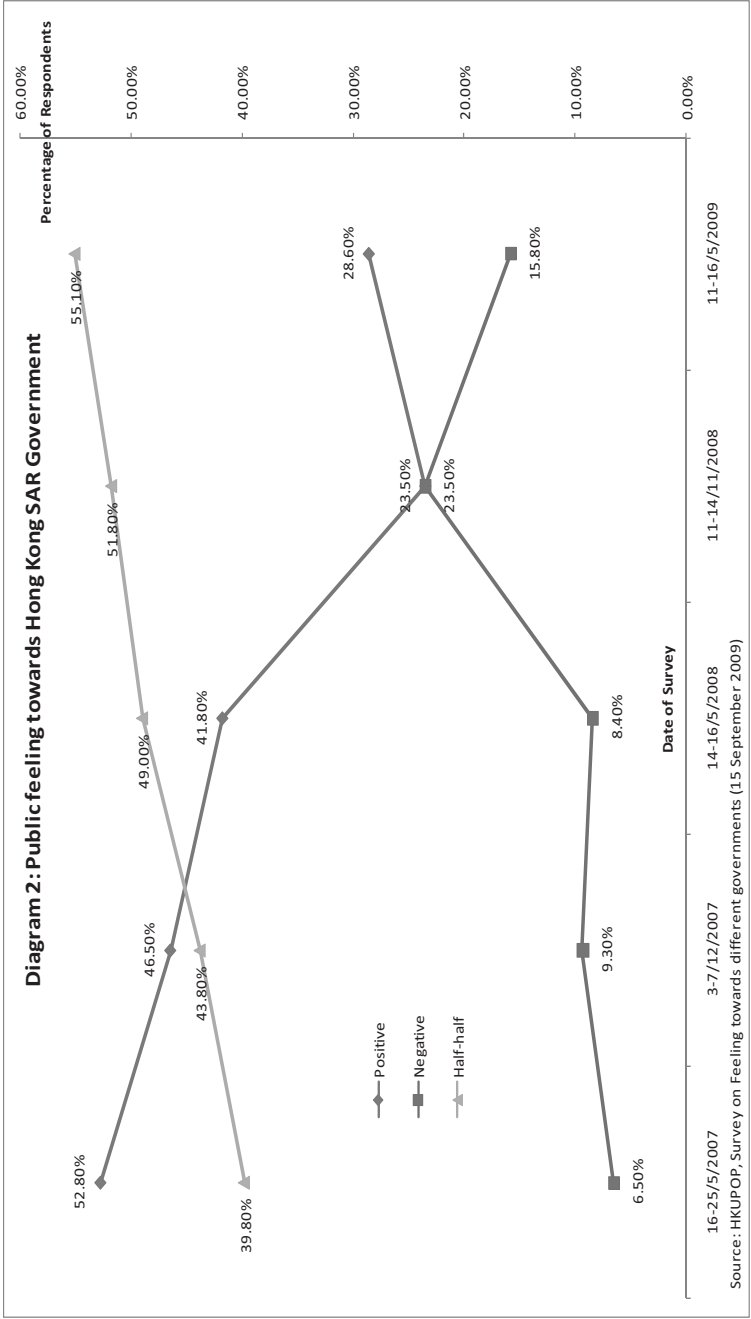
<sup>16</sup> In the 2007 Chief Executive Election, which was criticized as being a ‘small circle’ election by an 800-member Election Committee, Donald Tsang was able to secure over 70% support rating according to repeated public opinion polls, far ahead of the pro-democracy candidate Alan Leong who only scored 13-18%. See University of Hong Kong Public Opinion Programme, *Chief Executive Election Feature Page - Statistics Tables*. Retrieved September 9, 2009, from [http://hkupop.hku.hk/chinese/features/ceelection/2007/datatables\\_3.html](http://hkupop.hku.hk/chinese/features/ceelection/2007/datatables_3.html); and telephone survey on *Public Attitudes towards the HKSAR Government Survey* conducted by the Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong. Retrieved September 7, 2009, from <http://www.cuhk.edu.hk/hkiaps/tellab/pdf/telepress/07/tsangMar07.pdf>. Despite this, Tsang has continued to be belittled by the opposition as being hand-picked by Beijing without a mandate to govern.

<sup>17</sup> As a former bureaucrat who was on friendly terms with some pro-democracy legislators in the past, Tsang had hoped in the early days of his term to cultivate a stable working relationship with them, in order to broaden his administration’s political appeal. Even though the pro-democrats did not form the majority in Legco, they enjoyed stronger popular support in geographical direct elections. A government at loggerheads with the democratic camp would open itself to attacks for not listening to the people’s representatives.

<sup>18</sup> See University of Hong Kong Public Opinion Programme *Rating of Chief Executive Donald Tsang Yam-kuen*. Retrieved September 7, 2009, from [http://hkupop.hku.hk/chinese/popexpress/ce2005/donald\\_new/poll/datatables.html](http://hkupop.hku.hk/chinese/popexpress/ce2005/donald_new/poll/datatables.html)

**Diagram 1: Support ratings for Donald Tsang as Chief Executive, 2005-09**  
 Source: Public Opinion Programme, University of Hong Kong (HKU POP) (<http://hkupop.hku.hk/>)







Because of his declining popularity, and rising political criticisms about some government policies and positions – such as over the extension of political appointment system, review of old age allowance, foreign domestic helper levies, investigation of Lehman Brothers ‘mini-bonds’, and financial packages to face the new global financial crisis<sup>19</sup>, some commentators are voicing concern whether Hong Kong is slipping into yet another major governance crisis that reminds people of the final years of Tung’s administration<sup>20</sup>.

### **More differentiated and politicized policy environment**

Policymaking by bureaucrats during colonial rule was by nature a combination of institutional inertia and professional rationality driven top-down. It was at the same time adaptive enough to external changes since the regime’s very existence was not under threat. Because of the need to secure some degree of policy legitimacy in the absence of democracy, the colonial government practised a system of consultation. Strengthened by fiscal surplus and internal modernization since the 1970s, it was able to chart a reformist course of governance that helped to gradually ease government-people tensions and shore up the regime’s legitimacy. From the 1980s onwards, the scope of incorporation of community views had been extended to the local district level, through the setting of district boards. Established interest groups, trades and professional bodies, and the public at large were consulted as a matter of routine.

All this has changed since the 1997 handover (see **Table 1**). Partisan bargaining has become the order of the day, both between government and Legco and among parties within the legislature. The importance of advisory and statutory bodies has been overshadowed by the Legco policy panels since the 1990s, and then after 2002, by the rise of new politically-appointed ministers who are held ‘accountable’ for policy outcomes. The government has to increasingly go for political consultations and negotiations – with legislators, parties, and business and labour organizations – in order to secure enough support and legitimacy for its policies. The influence of the mass media, think tanks, as well as academic and public commentators has also been on the rise. The whole policy process has been drawn out of the traditional ‘safe’ closet of government-by-bureaucrats and government-by-consultation, into the open and more uncertain arena of partisan politics, interest negotiation, media spin,

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<sup>19</sup> Chris Yeung (2008, December 26). What a parade of missteps and U-turns. *South China Morning Post*, p. 4. Hong Kong.

<sup>20</sup> Chris Yeung (2008, August 25). Doubting Donald. *South China Morning Post*, p. 16. Hong Kong,

opinion polls, and political mobilizations.

**Table 1: Policymaking in Hong Kong, before and after 1997**

<b>Features</b>	<b>Colonial era</b>	<b>SAR era</b>
Policy actors: from single to multi actor	Bureaucrats-led; dominated by the elite Administrative Officers (AOs)	From bureaucrats-led to political ministers-led;  Rise of elected politicians, parties and civil society activism;  Bureaucratic monopoly of policymaking powers has been broken
Policy habitat: from relatively orderly to a more unstable and crowding environment	A relatively more submissive, acquiescent society, politically under-mobilized and less articulate;  Environment began to change during post-1984 transition period	Crowding because of increase in actors, higher mobilization, and greater demand for participation;  A more complex society and a more differentiated polity;  'Strong executive, weak policy capacity' – in terms of constitutional design, the centre may appear strong, in policy practice, the centre has become increasingly vulnerable to various political and administrative challenges
Policy process: from policy consultation to political negotiation	A system of government by consultation – known invariably as 'government by discussion', and 'the administrative absorption of politics';	Government has to increasingly go for political consultations and negotiations – with legislators, parties and principal business and labour organizations – in order to secure enough support to and

	Policy consultation through advisory bodies as means to achieve policy legitimacy	legitimacy for its policies;  The influence of the mass media, academic and public commentators, and public opinion polls, is on the rise
Policy philosophy: from positive non-interventionism to contentions over interventions and values	<p><i>"If it's not broken, why fix it?"</i> – Positive non-interventionism, coupled with administrative contingency;</p> <p>Being non-ideological, and grounded always in fiscal prudence, the bureaucratic elites had expanded welfare and public services not out of pursuit of any clearly-defined value preferences or ideological convictions, but largely to do something good that government could afford as public finances improved.</p>	<p>The ascendancy of electoral politics, political negotiations, and popular demands has together coerced government into discarding the traditional boundaries of non-intervention;</p> <p>New cleavages have emerged:</p> <ul style="list-style-type: none"> <li>◆ The clash of values;</li> <li>◆ The concern over government-business relations;</li> <li>◆ The rise of 'national interest' as a variable in policymaking</li> </ul>

The colonial government did not adhere to any political ideology. It was administratively pragmatic, economically conservative and fiscally limited, as represented by the saying inside government: *"if it's not broken, why fix it?"*. Leo Goodstadt, head of the Central Policy Unit in the final decade of British rule, observed that *laissez faire* doctrines and 'positive non-interventionism' enabled the colonial bureaucrats to resist pressures of reverse capture by the privileged business and professional classes and to steer "more acceptable boundaries between public and private interests within a political system ... based on a partnership between colonialism and capitalism"<sup>21</sup>. Being non-ideological, the bureaucratic elites had expanded welfare and public services, not out of pursuit of any clearly defined value preferences or

<sup>21</sup> Leo F. Goodstadt, (2005). *Uneasy Partners: The Conflict Between Public Interest and Private Profit in Hong Kong* (p. 13). Hong Kong: Hong Kong University Press.

ideological convictions, but for the sake of doing something good that government could afford as public finances improved and coping with changing public expectations and circumstances. The 1970s thus saw rapid administrative modernization, active urban and New Town planning, and the launch of ambitious social policy blueprints (for education, medical and health services, housing, labour and social welfare).

Whereas the previous colonial system of policymaking was characterized by the absence of a political regime, so that the mandarins essentially ran the show according to administrative pragmatism, the new SAR government is subject to more values-laden community mobilizations and class politics unleashed by the rapid politicization of the policy scene. The emergence of new non-institutional cleavages grounded in value-oriented interests has imposed greater demand on the limited political and policy capacity of the SAR government. New cleavages have come from:

- the clash of values between government and the more vocal, assertive and value-oriented professional middle-classes, as seen in environmental, heritage protection, democracy, and core values issues;
- the concern about government-business relations, which the public, including even some professionals and small-and-medium enterprises, are watching with suspicion for fear of ‘government-business collusion’ in the transfer of advantages; and
- the rise of ‘national interest’ as a variable in policymaking, as observed in the Article 23 saga in 2002-03 over national security legislation.

A more active and differentiated polity has called for more government interventions, especially amidst economic uncertainties in the aftermath of the 1997-98 Asian economic turmoil, and again under the current global financial tsunami. The traditional form of government based on bureaucratic domination and administration cooptation is no longer conducive to managing a complex society with conflicting interests and cleavage in values. There is the need to reform institutions and their *modus operandi* so as to improve the relationships between the political executive and bureaucracy, between the executive and legislature, between government and opposition, and within the wider scene, between government and society and government and business. A new institutional logic has to be found to help forge policy consensus and agreement amidst rising and diverse expectations and conflicts of interests and values.

## Rethinking the Hong Kong model

The Hong Kong SAR Basic Law was drafted in the 1980s not only with the intention to keep Hong Kong's model of executive-led government intact, but also to preserve a unique kind of capitalism that it underpinned, which was thought responsible for the city's boom under British colonial rule. The keyword of such Hong Kong-style capitalism was 'positive non-interventionism' – a term coined by colonial financial secretary Philip Haddon-Cave in the late 1970s – to articulate a style of pragmatic policymaking that allowed government to intervene in the market where administrative contingency dictated<sup>22</sup>. Without committing government to any particular ideology, Hong Kong seemed able to champion an administrative state that was highly successful in delivering continuous economic growth, social mobility, and extensive public services supported by fiscal surplus, despite a narrow tax base.

This developmental model, however, has proved increasingly hard to sustain after 1997. The political environment has changed, as explained above. As more new actors come onto stage, the accommodation of interests becomes a more complex process. The government has to respond to increased demands from various sectors for assistance, intervention and regulation across policy areas. More critically, rapid globalization has brought about a new international economic environment which no longer favours small-scale export-dependent economies like Hong Kong. The 1998 Asian financial crisis is the dividing line. From now on, Hong Kong has to map its developmental path within the context of a fast-growing Chinese economy, which necessitates economic rethinking and restructuring, in which the government should play an important steering role. A political economy characterized by an executive-led bureaucratic polity, positive non-interventionism and fiscally-driven reforms no longer suffices nowadays. A paradigm shift is called for as follows (see **Table 2**) –

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<sup>22</sup> P. Haddon-Cave (1984) [1980]. The making of some aspects of public policy in Hong Kong' (Introduction to the first edition). In D. G. Lethbridge (Ed.), *The Business Environment in Hong Kong* (pp. xiii-xx). Hong Kong: Oxford University Press.

**Table 2: Rethinking Hong Kong's development model**

<b>From</b>	<b>To</b>
♦ Executive-led	♦ Executive-led within the context of executive-legislative co-responsibility and checks and balance ♦ Socially-embedded government
♦ Positive non-interventionism	♦ Proactive government; “enabling” government
♦ Small government	♦ Effective government
♦ Fiscally-driven policy change	♦ Values-driven policy change

However, the contentions between intervention and non-intervention have remained strong and controversial. Hence, when Tsang remarked at the end of a 2006 economic summit that positive non-interventionism was no longer a relevant factor in government policy nowadays, he immediately drew an uproar in society, inviting severe criticisms from both free-market ideologues and some opposition politicians suspicious of the intentions of a more interventionist government lacking democratic mandate<sup>23</sup>. It seems unavoidable that a developmental or quasi-developmental regime of some kind is rising on the horizon. This new trajectory is further reinforced by the growing need to cope with the adverse impact of the global financial tsunami that erupted in late 2008. In early October 2008 the government announced a new scheme to provide 100% guarantee to bank deposits, the first such move in Asia that was quickly followed by Singapore. In the same month a Task Force on Economic Challenges led by the Chief Executive himself was set up to assess the full impact of the crisis and formulate specific options to address the challenges<sup>24</sup>. In December 2008, the government committed HK\$100 billion in loan guarantees for small and medium enterprises and secured commitments from more than 100 businesses not to lay off workers for at least a year. Though still adhering to the official doctrine of “big market, small government”, Tsang has now sounded more positive about government interventions when he remarked repeatedly in 2007 and 2008 -

<sup>23</sup> (2006, September 13). Tsang's remarks sound warning for market watchdog. *South China Morning Post*. Hong Kong.

<sup>24</sup> See Task Force membership and discussions at <http://www.fso.gov.hk/tfec/eng/index.html>, retrieved April 22, 2009.

“... I object to a dichotomy between the roles played by the Government and the market, whether it be a strong belief in the omnipotence of government intervention or a passionate support of the free market being sacrosanct. Both are sweeping generalizations. In striving for economic growth, complex and unique relationships exist among different sectors of our economy. ...”<sup>25</sup>

“... we should not see a free market and government intervention as two exact opposites. The market is not omnipotent. Intervention is not necessarily an evil. If the market fails, the Government should intervene. We also need government supervision when public interests are compromised.”<sup>26</sup>

The absence of popular mandate, as for the previous colonial regime, has created pressure to perform through public services and social and economic interventions. New economic uncertainties and anxieties had induced higher expectations on the government to deliver relief measure and results. In April 2009 the Task Force on Economic Challenges identified six new economic areas for grooming as Hong Kong’s priority growth sectors, in addition to the areas of existing financial services, trading and logistics, professional services and tourism. These were: testing and certification; medical services; innovation and technology; cultural and creative industries; environmental industry; and educational services. Although it is far from government picking the winners, the steering role of the SAR government in economic development is now becoming more prominent. A steering government, however, needs legitimacy, innovative thinking, and strong linkages with society and industry. Given the constraints imposed by the political system on its policymaking and legislative capacity, as discussed above, while it may aspire to be proactive, the government may not possess enough political power, strategic capacity and the right administrative tools for effective intervention. People are still too skeptical of bureaucratic planning. Because of the slow pace of democratization the political climate tends to be suspicious of government intentions and policies, thereby creating a Catch 22 situation. In any case, the city is no longer the *laissez-faire* or non-interventionist regime it used to be. The big question is *in what circumstances, to what extent, and in what ways* the government would step in for the social and economic good.

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<sup>25</sup> D. Tsang (2007). *A New Direction for Hong Kong*. Address by the Chief Executive at the Legislative Council meeting, 10 October, Hong Kong: Government Logistics Department, para. 12.

<sup>26</sup> D. Tsang (2008). *Embracing New Challenge*. Address by the Chief Executive at the Legislative Council meeting, 15 October, Hong Kong: Government Logistics Department, para. 133.

### 3. The Crisis of Trust

#### Deficiency in social cohesion and loss of shared vision

Economic growth in the golden era of the 1980s and 1990s had enabled the former colonial bureaucratic regime to expand welfare and public services in the absence of any ideological commitment to “welfarist” social policies. In a sense Hong Kong had for a long time portrayed the myth of an administrative state highly successful in developing and sustaining a moderate form of welfare state (e.g. low-cost public housing, almost free education and health-care, plus a modest social security safety net) alongside a low-tax regime. The trick in this ‘Hong Kong miracle’ was the windfall revenue from land sales and land-related income made possible by almost three decades of incessant rise in land and property prices. Indeed, the pre-1997 property boom – and by extension the stock market boom – had created wealth appreciation that made everybody feel good and affluent.

All along, the colonial administrative state was mainly fiscally-driven in its economic and social policies. It had ventured into ambitious public service provisions largely by default rather than in pursuit of any clearly defined value orientations or ideological convictions. However, people growing up during the period of boom had taken Hong Kong’s style of capitalism for granted – low tax and yet good welfare, small government and yet firm leadership, undemocratic government and yet a highly liberal market where everyone could make good money. After 1997, as economic slowdown and a crisis of competitiveness caused by globalization and mainland China’s rapid rise on the world market were becoming a permanent feature of the external environment. The belief in the ‘Hong Kong miracle’ had largely evaporated in the post-1997 years as economic difficulties and then government mismanagement and failure crept in. Losing faith in a conviction is easy, finding an alternative hope is difficult. Hong Kong society was marred by the decline in a shared sense of common identity or fate. Its crisis of social cohesion was a combined result of an economic crisis of production and a political crisis of representation, as Castells [1997] would call it<sup>27</sup>. Old social and policy assumptions no longer held; instead there was widespread disarray in public sentiments and growing fragmentation of an originally fragile society cemented largely by economic success in the past. Due to institutional setbacks the capacity of government in solving problems of social cohesion was limited, rendering social fragmentation and disintegration all the more unmanageable. The crisis of social cohesion in Hong Kong is at the same time a crisis of governability.

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<sup>27</sup> M. Castells (1997). *The Power of Identity*. Oxford: Blackwell.



## Deficit in trust despite government performance

In Asia, other developed economies like Japan, South Korea and Taiwan are also facing higher levels of dissatisfaction and distrust in government and political institutions. Both Taiwan's president Ma Ying-jeou and Korean president Lee Myung-bak had obtained over 70% of the popular vote when elected, but their popularity rating nowadays is far lower than that of Hong Kong's chief executive<sup>28</sup>. Even though the local media have been painting a negative picture of government performance and the competence of officials, Hong Kong has been doing very well internationally, despite the lack of democracy. The World Bank's 2008 governance indicators show that the SAR stands at the top of the list in terms of political stability (86.1 out of 100), government effectiveness (95.3), regulatory quality (100), rule of law (90.9) and control of corruption (94.2). Its only drawback is in 'voice and accountability', but with a score of 60.6 (much higher than Singapore's 35.1) it is still on a par with the new Asian democracies like South Korea (at 65.4) and Taiwan (at 68.8)<sup>29</sup>.

Such international performance does not help the SAR government ride over domestic political quagmire as Hong Kong heads towards an increasingly fragmented polity. The political game is fast becoming a zero-sum one, in which it is difficult for any government to govern because parties, business interests and civil society groups will not make its life easy. Executive-legislative tension continues. The political AOs find it increasingly difficult to exercise authority and assert policy leadership, with political appointees unable to gain (or regain) political trust given the damage suffered

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<sup>28</sup> Ma's approval ratings dropped to as low as 16% after Taiwan suffered severely under Typhoon Morakot in August 2009. For Lee, his approval ratings fell to just 22.2% after his 100 days in office, during which his government failed to address public concerns over the safety of beef imports from the US. See *The China Post* (2009) Editorial "Ma Ying-jeou faces 'confidence crisis'", 7 September, Taiwan; Ho Ai Li (2009, August 27). Ma's image takes a battering from Typhoon Morakot. *The Straits Times*. Singapore; *The Hankyoreh* (2008) "President's ratings drop to 22%", 2 June, Seoul, South Korea; and Tong Kim (2008, June 1). Lee Myung-bak in Trouble. *the Korea Time*. Seoul, South Korea.

<sup>29</sup> D. Kaufmann, A. Kraay & M. Mastruzzi (2009). *Governance Matters VIII: Governance Indicators for 1996-2008*. World Bank Institute, Washington, D.C.: World Bank. (<http://info.worldbank.org/governance/wgi/index.asp>). The World Bank sees governance as "[including] the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them". Its Worldwide Governance Indicators (WGI) project measures the governance of 212 countries and territories since 1996 according to six dimensions: voice and accountability, political stability and absence of violence, governance effectiveness, regulatory quality, rule of law, and control of corruption.

in mid-2008<sup>30</sup>. The window of political opportunity for policymaking is narrowing. People become all the more cynical. Meanwhile, the lack of democratic progress since 1997 has also induced a form of ‘democracy by substitutes’ – namely in the form of ‘voice’ (such as protests, media monitoring, commentaries) and the politics of opinion polls. The role of legislators and political parties has degenerated into a collective ‘opposition’ which only serves to question government intentions and add to the crisis of political trust and legitimacy. Yet, even though the public values the watchdog function of the legislature, legislators’ popularity ratings have ironically continued to decline vis-a-vis a government without popular mandate<sup>31</sup>. In a sense Hong Kong is trapped in a political system with no winners.

Democratic governance is generally regarded as conducive to building political trust, and giving government the legitimacy to rule. It is at the same time a positive institutionalization of distrust as embodied in the principle of the separation of power, and in various institutions of accountability, audit and scrutiny. If the people are over-confident in their rulers, it may lead to government arrogance or even authoritarianism. Hence democracy requires a right balance between trust and distrust in order to function in practice. In Hong Kong, though, the fundamental constitutional flaws have by nature put the government in permanent legitimacy deficit and uncertainty. As the political quagmire resulting from the unresolved constitutional debate drags on, the lack of trust by the community at large in a government they feel they have no part to elect persists. The social capital so necessary for policy capacity will be hard to come by. While trust has yet to be fully nurtured, the level of distrust continues to rise, creating such a gap that may ultimately be too large to be filled by the practice of governance and politics. As Hardin said, “government need not be legitimated in Locke’s sense to survive and even to manage a nation through major difficulties and into prosperity. It may suffice that government not be generally distrusted”<sup>32</sup>. The challenge to the SAR government is how to overcome the accumulation of distrust in society, and distrust comes easily.

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<sup>30</sup> Gary Cheung & Ambrose Leung (2008, June 11). Tsang offers partial apology on appointees. *South China Morning Post*. Hong Kong.

<sup>31</sup> The survey findings by the University of Hong Kong Public Opinion Programme on “People’s Satisfaction with the Performance of Members of the Fourth HKSAR Legislative Council” for the period December 2008 to June 2009 indicated that more people were dissatisfied with the legislators’ overall performance than those who were satisfied. On 16-18 December 2008, the results were 29.3% negative vs. 26.0% positive; on 9-11 March 2009, 39.9% negative vs. 20.9%; and on 16-21 June 2009, 35.4% negative vs. 20.8% positive. See: <http://hkupop.hku.hk/chinese/popexpress/sargperf/fourthlc/index.html>

<sup>32</sup> Hardin, Russell (1998). Trust in Government. In Braithwaite, V. & Levi, M. (Eds.) *Trust and Governance* (p. 23). New York: Russell Sage Foundation.

Policy problems and solutions have a world of their own which needs to be dealt with in a rational and evidence-based manner, but political reductionism can easily simplify policy debates into the talk of an original sin about the lack of democracy and people power, a theme too many would be tempted to harp on in order to avoid facing hard policy realities. Institutional reforms and policy changes become easily derailed because the SAR government lacks legitimacy. Government-by-AOs, though known for administrative expertise, does not display the values-driven moral force that is so essential to governing in crisis. Distrust – whether from legislators or ordinary citizens – breeds greater pressure on accountability on a day-to-day basis as people become increasingly suspicious and skeptical of government intentions. Such distrust is being reciprocated by government officials growing weary and skeptical of critics and dissenting voices. Distrust also breeds the blaming game between government and parties/legislators, as well as between officials and civil society groups. It is a great weapon to derail unpopular policies and measures, whereas policy innovation (particularly where short-term pain is involved) can only be facilitated if there is an adequate level of trust in government, otherwise skepticism prevails and public policy comes to a standstill. Inasmuch as the lack of performance breeds distrust, and *vice versa*, incessant distrust would ultimately hamper performance

#### **4. The Identity Crisis**

Finally, the question of Hong Kong identity. The first identity crisis came along with the 1989 Tiananmen crackdown on the pro-democracy movement in China. Over a million Hongkongers marched on the street during May and June 1989, first to express support for democracy, then to mourn the victims of the military crackdown. Tiananmen has reinforced some Hongkongers' resentment towards the mainland government, and strengthened their desire and determination to shore up Hong Kong as a self-sufficient economy and polity. Beijing's warning that Hong Kong should mind its own business (with the well-known saying "*well water should not interfere with river water*") and not become a base of subversion of mainland socialism had installed another wall between the two sides.

The return of Hong Kong to China has also led to local worries about a contraction of the city's political sphere vis-à-vis the mainland, as the perceived unavoidable convergence of two different political structures could one day curb the articulation and development of local identities. Putting the identity issue within a broader construct of cultural and social autonomy in face of political subjugation, Fung argued that the 'Hong Kong people' label or

category had been appropriated with a specific meaning for the ‘local’ to resist encroachment of the ‘national’:

“It was true that the high intensity of dominant national discourses during the political transition created a favourable atmosphere for re-nationalization. However, as soon as the political transition was over, Hong Kongers re-adhered to their own label in their struggle for cultural autonomy”<sup>33</sup>.

Despite various attempts to push the local population to assimilate into the national culture and identity, and the suggestion that indigenous Hong Kong culture was in danger of ‘disappearance’<sup>34</sup>, the resistance to surrendering the local identity has remained strong and visible in the political, cultural and discursive arenas.

### **Preserving ‘Hongkongness’**

Historically, the Hong Kong identity had grown out of being different from and superior to mainland China - its economic success, relatively more freedoms and liberties, rule of law, and since the late transition period, political pluralism. In a sense, the Sino-British negotiations of the 1980s were about preserving Hong Kong’s different system vis-à-vis China’s mainstream. After 1997, such a Hong Kong identity has been called into question. Instead of leading China’s economic development, Hong Kong now turns around to the mainland for economic support, as the central government has also moved to extend various economic benefits to the SAR under a new strategy of ‘the economic absorption of politics’<sup>35</sup>. The public uproar over Article 23 in 2003 and the subsequent mobilization of public opinion for constitutional reform have rekindled the Hong Kong identity debates. The issue of identity now takes centre stage in local politics, as exemplified in the new waves of articulation of political aspirations for democracy and autonomy and the preservation of Hong Kong’s ‘core values’. In the eyes of the Central Government and many mainland people, however, the failure for Hong Kong to legislate on Article 23 reflected its lack of concern for national security and integrity.

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<sup>33</sup> A. Fung (2001). What Makes the Local? A Brief Consideration of the Rejuvenation of Hong Kong Identity. *Cultural Studies*, 15(3/4), 591.

<sup>34</sup> A. Abbas (1997). *Hong Kong: Culture and the Politics of Disappearance*. Minneapolis, MN: University of Minnesota Press.

<sup>35</sup> Coined by this author to describe Beijing’s policy to use economic means to shore up the Hong Kong SAR so as to help alleviate grievances of the middle class who, in its view, have become increasingly restless politically due to economic slowdown which threatened their career opportunities and drove down their asset values.

Post 2003, apart from pro-democracy demands, there have also been a surge in pro-heritage sentiments and a nostalgia for the past, described as ‘collective memory’, that is not entirely cultural but also indicative of an underlying political assertiveness for a locally-rooted Hong Kong identity. The 2003 campaign against the reclamation of Victoria Harbour (seen as Hong Kong’s natural heritage) and the rows in December 2006 over the demolition of Star Ferry clock tower, and again in July 2007 over the removal of Queen’s Pier, were often portrayed as an ‘us-versus-them’ struggle between a local movement seeking to put heritage and collective memory first and an SAR Government accused of caring too much for wholesale infrastructure development. The heritage debates were just the tip of the iceberg of a more fundamental social transformation resulting from the quest for local roots a positive identity of the city, as Hong Kong emerged from a subdued colony to become an autonomous SAR. The growing public sentiments in recent years against demolishing landmarks of ‘collective memory’ articulate not merely a conflict between development and conservation in the ordinary sense, as frequently found in developed societies, but a collective call for policymakers to be more proactive in preserving symbols of local heritage. In a nutshell, they mark the rise of a new politics of identity.

### **The politics of recognition**

This new concern for identities can be compared to what Taylor called ‘the politics of recognition’<sup>36</sup>. Decolonization has only just begun for Hong Kong. It entails both a process of national reunification and identification with China, as well as a process reconstructing a new distinct cultural identity, partly rationalized by the ‘one country two systems’ logic, and partly sustained by its historical experience once outside the China orbit and under foreign (British) rule, which has allowed it to develop an almost self-sufficient economic, legal and political identification. The anxieties and conflicts emanating from the cognitive gap between the mainland and Hong Kong community are as much a result of institutional differences as an outgrowth of decoupled cultural identities.

A decade after reunification, Hong Kong has yet to come out of the identity doldrums and take a more proactive perspective of the ‘one country two systems’ framework. Without questioning the reunification with mainland China, many Hong Kong Chinese are, however, worried about losing the city’s *Hongkong-ness*, something emanating from its past legacy that underscores the *raison d’être* of the Hong Kong system within ‘one country’. Most Hong Kong

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<sup>36</sup> C. Taylor (1992). *Multiculturalism and the ‘Politics of Recognition*. Princeton: Princeton University Press.

citizens want to be proud of being Hong Kong permanent residents not just because they are economically more affluent (as in pre-1997 days) or materially better endowed. Their pride ultimately lies in an institutional edge as represented by political pluralism, the rule of law, respect for human rights and civil liberties, accountable governance and democratic institutions. Beijing's imposed instrumental identity of an 'economic city' for Hong Kong has not worked, but has even backfired. Hong Kong has remained detached from the mainland polity. The annual mass turnout in commemoration of the Tiananmen crackdown in a way denotes a sense of 'moral superiority' over the mainland, though regarded as a false one by some skeptics.<sup>37</sup>

The advent of globalization and the rise of China are together rewriting the script for Hong Kong in the new century. China is fast moving into the world inasmuch as the world is going into China. If Hong Kong's charm and glory under British rule had emanated from its East-West connection and hybrid, then its post-reunification strategic role should similarly be premised on the interface between China and the world. Hong Kong people need to balance the three selves of a new composite Hong Kong identity – the local self, the national self, and the international self. They should search for a proactive interpretation of 'one country two systems' which sees Hong Kong's prospect not only in terms of respecting its past, but also of charting its future course into a more challenging world. Finding Hong Kong's niche in the national and global scenes is essential to give it a sense of destiny and mission, which goes beyond the economic.

## 5. Concluding Remarks

In the 1980s, Hong Kong felt insecure in face of the political giant on the mainland, but it took pride in that China had to rely on Hong Kong for economic development and modernization. Hong Kong was then held as a growth model for the rest of China. Nowadays, after nearly three decades of economic reform and opening up, China no longer needs Hong Kong so desperately. The relationship seems to be turning around, with Hong Kong increasingly becoming dependent on the mainland market. The Basic Law has provided safeguards to the coexistence of 'two systems' within 'one country', but sticking too much to Hong Kong's difference and self-sufficiency may cut it off from the national mainstream. While the SAR enjoys a high degree of

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<sup>37</sup> Perry Lam Pui-li (林沛理) (2009, June 14). A false sense of moral superiority. *Yazhou Zhoukan Weekly* (亞洲周刊), p. 42 (in Chinese). Some 120,000-150,000 people turned up at the June 4<sup>th</sup> vigil in 2009 on the 20<sup>th</sup> anniversary of the Tiananmen crackdown at the Victoria Park.

autonomy, it has limited say in the national policymaking process. During British rule, its 'Englishness' and insulation from the mainland had given it the historical opportunity in the last century to develop and modernize without being affected by the political and economic turmoil that plagued the mainland under Maoist fanaticism. Now, Hong Kong cannot continue to thrive on such insular position. Hanging onto the past formula of success may hinder it from seeing new perspectives and new opportunities.

The former administrative state and its political economy are ill equipped to face the new historical challenges. However, Hong Kong has yet to find constitutional, institutional and political answers to its myriad of governance problems. Strong governance is difficult to pursue in a habitat of distrust. Institutional reforms and policy changes are easily challenged because government lacks legitimacy. Incessant distrust will ultimately hamper performance because the necessary capacity to take risk and make innovations in order to rise to new challenges is absent. How to rebuild trust in the current period of political quagmire is the most daunting task facing Hong Kong. This calls for government leadership and a forward-looking perspective to steer the society and economy towards a process of redefining identity and the future. State-society and state-economy linkages are critical in such endeavours. Despite all the clamors for democratization, the Hong Kong polity would in effect be rendered powerless in face of mainland-driven institutionalization if it has no economic power for use in inter-governmental bargaining within the national political framework. Hong Kong's institutional strengths should contribute towards the modernization of China, and not just for the SAR's own benefit.

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