GLOBALISATION AND URBAN GOVERNMENT:
NEW PERSPECTIVES ON THE LOCAL POLITICS OF
GLOBAL CITY FORMULATION

Globalisation and the Governance of Hong Kong

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Abstract

Hong Kong has been variously described as a world or global city, which became integrated into the world economy relatively early. However, the transition from British colony to reunification with China before 1997 and the subsequent management of the relationship with the new sovereign state ensured that these uniquely local issues remained dominant. Therefore, this paper is an analysis of how Hong Kong’s political context guaranteed that the impacts of globalisation on its system of governance were dissipated by this particular political episode. Moreover, the resilience of its bureaucratic polity served to militate against convergent tendencies associated with globalisation elsewhere.
Introduction

This paper will analyse the impacts of globalisation on governance in Hong Kong. As a former British colony, Hong Kong began integration into the world economic system in the 19th century. Hong Kong’s subsequent emergence as a world or ‘global’ city thus provides an opportunity to examine the complexities of analysing the impact of globalisation in the East Asian context. The strength of Hong Kong’s economy, the economic growth potential of the neighbouring East Asia region, its relative political stability, its status as a regional financial centre, and its international outlook certainly places Hong Kong in the ranks of world cities. The epithet ‘global city’ appears more appropriate, as Hong Kong appears to fulfill Sassen’s conditions for global city status. These conditions require cities to function as a command point ‘in the organisation of the world economy’ and to act as a ‘key location and marketplace for the leading industries of the current period, which are finance and specialised services for firms’. In addition, such cities should be ‘major sites of production for these industries, including the production of innovations’ (Sassen 1994: 302). For instance, the decision by the Hong Kong government to construct a ‘Cyber-Port’ in 1999 reflects a stock response to global economic challenges by emphasising the development modern information technology.

Hong Kong’s spectacular post-war economic growth has also ensured its ranking among the first-tier East Asian Newly Industrialised Economies (NIEs). As with other Asian NIEs, Hong Kong is characterised as an ‘administrative state’, largely as a consequence of its ex-colonial status. This is important for understanding the governance of Hong Kong and this aspect will be discussed later in the paper. In addition, Hong Kong can be described as a ‘small state’, although care needs to be taken with this description. The Commonwealth Secretariat (1983: 9) follows the United Nations definition based on population, with a population of one million as the upper limit. Clearly Hong Kong, with a population of seven million and rising exceeds this definition. However, ‘small’ can also be defined in terms of geographic area; Hong Kong only has a surface area of 1,000 square kilometres. Therefore, another term we could use is that of a ‘small city state’, as only a relatively small amount of Hong Kong’s surface area is urbanised, the rest is mainly national park, the topography of which is unable to sustain
agricultural production. Hence, Chiu *et al.* (1997) apply the term ‘small city-state’ to Hong Kong, which they believe is crucial to understanding its economic context, especially as Hong Kong has never had a large rural economy to speak of.

Katzenstein’s (1985) analysis of small states in Europe identified states that were small when *compared* to their neighbours who were, or had the potential to be, economically more powerful. In terms of economic potential, Hong Kong remains ‘small’ when compared to Japan, South Korea and Taiwan. It is assumed that small states are under more pressure from world markets than their larger neighbours because almost by default, they have to be outward looking. Katzenstein (1985: 199) would argue that Hong Kong has taken advantage of its size as ‘small states with open and vulnerable economies’ have responded effectively to changes in the global economy. Indeed, the World Economic Forum has lauded Hong Kong and the International Institute for Management Development for its competitiveness by scoring very highly in terms of an open financial market and a corruption free civil service (Evans 1997).

Although Hong Kong’s status as a global city-state appears to be beyond question, the notion that global cities are convergent in their approach to local governance and politics is questionable. Thus, a further aim of this paper is to demonstrate the uniqueness of Hong Kong’s governance while accepting its place in the world economic system. To achieve this aim, the paper begins by sketching the political and administrative context of Hong Kong, with a large part of that unique context being its recent reunification with China. The paper will go on to contextualise Hong Kong within the East Asia region, before moving to an assessment of the impact of globalisation on Hong Kong and how it has affected its system of governance. To understand the impact of globalisation on governance in Hong Kong, the focus here will be on the reform of its system of public administration. Here, the assumption is that globalisation weakens the capacity for governance by ‘internationalising policy making’ which impacts on administrative reform efforts (Rhodes 1997: 197).

### 2. GLOBALISATION AND EAST ASIA
Globalisation is increasingly cited as a crucial impetus for changing the pattern of governance within individual polities. Broadly speaking, in a globalised environment governments are less able to seek recourse to national macro-economic policies in an effort to mask structural weaknesses, so globalisation puts pressure on governments to confront obstacles to reforming governance. Here, the discussion of ‘globalisation’ is limited to economic globalisation, or the ‘strong version’ of globalisation that is challenged by Hirst and Thompson (1996: 3). In this version, the consequence of a globalised economy is to subsume national ‘domains’ of culture and politics. The demands of the global economy include the need to compete in international markets and an obligation to control public spending. Moreover, due to increased global interdependencies, governance is now understood within the context of an ‘interconnected’ world. These interdependencies include ‘geographic connections’ (crossing jurisdictional boundaries), ‘functional interdependence’ (blurring traditional boundaries between government functions) and ‘temporal interconnectedness’ (linking the past, present and future) (Luke 1992: 17-18). Governance is thus characterised by ‘constant change’ leading to political and administrative uncertainty, complexity or even turbulence.

One view is that the forces of globalisation compel economic and business integration to the extent that it has become conventional wisdom that a more integrated world will be more homogenous.\(^1\) DiMaggio and Powell (1991) expound this thesis in terms of institutional isomorphism, which might occur due to the pressures of the economic challenge posed by globalisation. Cerny (1997) claims that the net result of globalisation is the appearance of the ‘Competition State’, which brandishes a range of controls to cope with an uncertain environment, including the ‘New Public Management’ as a new form of governance (Cerny 1997, Rhodes 1997). Therefore, governance in East Asia might exhibit signs of convergence with the organisational forms and practices associated with NPM. Rockman (1998: 29) also argues that ‘the overall consequence of globalization is to produce a more limited state with a lighter hand on the economy’. Such a claim should be treated with caution in the East Asian context. For instance, to cope with the economic uncertainty of globalisation, some countries may resort to tighter fiscal controls and curb foreign exchange (as in the case of Malaysia in 1998 during the

\(^1\) For a detailed discussion of institutional isomorphism, see DiMaggio and Powell (1991).
Asian financial crisis). Although the appearance of NPM might be construed as an instance of ‘institutional isomorphism’ or policy convergence, there is little evidence to support this thesis in the East Asian context (Common, 2001).

If we take the narrow view of economic globalisation to mean the development of international trade and integration within the world economy, then countries in East Asia are highly globalised. The recent economic success of the region is partly based on its growing commercial links with the world in general, and to the free-trade blocs of North America and Europe in particular. Jones (1997: 61) notes that ‘the proponents of the export-led growth thesis…share the view that the embedded liberalism of the international trading order’ established at Bretton Woods in 1944 has ‘contributed substantially to the…success of the Pacific Asian economies’. It is also noteworthy that this success, at least until recently, was attributed to the region’s capacity in attracting foreign direct investment and openness to international trade. Consequently, modern jobs and goods flowed into the region (particularly in the four Asian ‘Tiger’ economies of Hong Kong, Singapore, South Korea and Taiwan plus Japan). The performance of these NIEs appears to support the notion that a country’s economic development is determined by globalisation. From the 1980s, Southeast Asia, particularly Malaysia and Thailand, started to benefit from economic globalisation, especially in terms of labour-intensive exports, and later in the 1980s, market reforms in China meant that it could also enter the world market (Chiu et al 1997: 3). Of course, a negative consequence of economic globalisation was the Asian economic crisis that began in the summer of 1997, although recovery from that crisis was relatively swift, albeit uneven. In sum, the continued economic success of the East Asia region has been largely due to the conscious efforts of its governments to integrate into the world economy. Historically, this has not been a conscious decision taken by the Hong Kong government, in part due to its traditional reluctance to intervene in the economy. However, Hong Kong faces keen competition from its East Asian neighbours, particularly where economic globalisation flows are concentrated, including Tokyo and Singapore, with the possible addition of Seoul, Shanghai and Taipei.

2. POLITICAL AND ADMINISTRATIVE CONTEXT

Hong Kong has never been an independent polity. Britain’s unofficial occupation of Hong Kong and Canton (now Guangzhou) began in the 17th century before much of the
territory was formally ceded to Britain from China in the 19th century. The island of Hong Kong became a British colony in 1843, followed by the peninsular of Kowloon in 1860. However, it was the expiry of the 99-year lease on the New Territories under the Second Convention of Peking that resulted in the reunification of Hong Kong with China in 1997. Following the establishment of the People’s Republic of China in 1949, the Chinese opposed the notion of an independent Hong Kong, and the border with China was sealed in 1950. Cold war tensions resulted in Hong Kong being deliberately transformed into a free-market port by Britain. However, Hong Kong is an anomaly in that decolonisation was not preparation for independence but reintegration with another sovereign state, the People’s Republic of China.2

China’s restraint over reclaiming the territory of Hong Kong during the post-war period finally gave way when China joined the United Nations (UN) in 1972. China’s representative requested the removal of Hong Kong and Macau from a list of territories supervised by a ‘Special Committee on Colonialism’ on the grounds that they were part of China (Miners 1991: 6). In addition, the expiry of Britain’s lease on the New Territories in 1997 began to loom and in 1982 Britain decided to press China to clarify a policy on Hong Kong. Negotiations thus began in anticipation of the expiry of Britain’s leases in Hong Kong, which resulted in the Joint Declaration between China and Britain of 1984. The treaty was ratified in June 1985.

Hong Kong was returned to China at midnight, 1 July 1997. As Britain had been long aware of the finite nature of its lease on Hong Kong, the transfer of Westminster-style governance was prevented although it had occurred in the majority of the former British colonies. The prospect of reintegration was without precedence and prevented officials from looking elsewhere for guidance. Hong Kong was also exceptional in that following the wave of post-war independence in other Commonwealth countries; there were no moves in Hong Kong towards elections and internal self-government until relatively recently (Miners 1991: 22).

Effectively, the constitution of the Hong Kong is the document known as ‘The Basic Law’ and was adopted by the Seventh National People’s Congress in 1990. It guarantees the maintenance of the existing system for at least fifty years. This document replaced the former colonial constitutional documents on 1 July 1997. Under the Basic

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2 For a full discussion of the unusual nature of Hong Kong’s decolonisation, see Lau (1997).
Law, Hong Kong has considerable autonomy from China and maintains its own currency and border control with the mainland. In effect, the only matters left to China are defence and foreign policy. Thus, Hong Kong’s status as a Special Administrative Region (SAR) of China means that it is ‘semi-autonomous’, in theory at least. As Tang (2000: 5) argues, ‘with the departure of the British, Hong Kong has acquired a higher degree of autonomy constitutionally under Chinese sovereignty than under its previous colonial master’.

Earlier Hong Kong was described as an ‘administrative state’, which is the key to understanding its governance. Indeed, Hong Kong is regarded as a classic example of the fusion between politics and bureaucracy at the centre of government. Hong Kong's government ‘has been conceptualized as an ideal type of ‘bureaucratic polity’ which practises the ‘administrative absorption of politics’ (Cheek-Milby 1989: 221). Thus, before the introduction of the democratic reforms in the mid-1980s, Hong Kong was labelled an ‘administrative state’. This means the bureaucracy is effectively the repository of centralised state power in Hong Kong with no demarcation between politics and administration. The civil service is the only political institution in Hong Kong. Post-1997, the senior civil service is still the political executive and the scope for political participation remains relatively limited, despite recent democratic reforms. Thus, the state in Hong Kong is perceived as highly autonomous and aloof from society. On the other hand, the civil service is also regarded as a ‘powerful but conservative force in society’ (Lee, cited in Huque et al 1998: 16). Whatever the degree of autonomy from society, the bureaucracy in Hong Kong has considerably more power and status than civil service systems in Western liberal democracies.

The historical reason for Hong Kong’s highly centralised systems was to ensure that the Governor could exercise control and be fully briefed. Hong Kong had a fairly typical colonial government. Governors were politically accountable to the appropriate Secretary of State responsible for Hong Kong affairs in London. In addition to the colonial legacy of depoliticization, Cooper and Lui (1990: 333) also argue that Hong Kong’s bureaucratic polity is the product of ‘an apathetic political culture’ and ‘the Chinese tradition of deference to authority’.

The civil service effectively constitutes the public sector in Hong Kong. Under the policy guidance of a government secretariat, government departments and agencies,
along with statutory corporations and other public bodies deliver public services. The
government secretariat contains a range of policy bureaux, responsible for a range of
activities. Some departments such as the Housing Department are significant areas of
activity in the SAR. Statutory corporations include the Airport Authority and the Hospital
Authority. Hong Kong has a very limited system of local government. Until 1999, there
were two municipal councils (the Urban Council and the Regional Council), but these had
a very limited portfolio when compared to local authorities in the UK. District councils
came into effect from the 1st January 2000, which modified the district board scheme
established in 1982. Although the district councils are democratically elected, they act as
advisors to the government on matters that affect the district (18 in total), and where they
are granted funding, they can make environmental improvements or promote community
activities. However, it is the SAR government that is the overwhelmingly dominant
political institution in Hong Kong.

The Political System

Hong Kong’s bureaucratic polity was retained following the reversal of sovereignty to
China, and guaranteed under the Basic Law. In the Hong Kong government there are no
ministers or a cabinet. An Executive Council dominates the policy process and the Basic
Law specifies that the members shall be senior government officials, members of the
Legislative Council (Legco), and other ‘public figures’ (Miners 1991: 82). The Executive
Council usually listens to appeals or scrutinises new legislation and meets once a week.
The members are appointees of the Chief Executive (or the Governors until 1997). However, the Executive Council appears to correspond to that of the British cabinet
(Jones 1997: 53, Huque et al 1998: 19) whose members increasingly behaved like
ministers following the McKinsey reform of 1974 (see below). This behaviour was
reinforced by the arrival of the last Governor, Patten, in 1992, ‘who expected these top-
rank officials to promote government policies openly and to lobby the legislature

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4 These units of local administration in Hong Kong were abolished in 1999, with their areas of
   responsibilities being absorbed into the relevant policy bureaux of the Hong Kong Civil Service. The
government argued for the reform on the grounds of efficiency and co-ordination.
5 The governor was ‘no more than a Prime Minister’ (Jones 1997: 53).
vigorously’ (Huque et al 1998: 34). The Governors were, in turn, appointees of the British government.

The executive branch of the government or the Government Secretariat formulates policy. Policy is effectively made by civil servants with little input from elsewhere although the government claims that it is more consultative than under colonial rule (Lam 1999). The political legitimacy of the Hong Kong government has therefore relied on the ‘appearance’ of a politically neutral civil service (Scott 1996: 279). The Joint Declaration enshrined the notion that a neutral, stable and effective civil service was instrumental in guaranteeing the future livelihood of Hong Kong. The dominance of the civil service in policy formulation and governance ensured that there was no political pressure for administrative reform from outside the government. Beyond Legco, policy input from Hong Kong’s civil society remains limited.

However, Hong Kong’s description as an administrative state is now contested following limited democratisation. From the Joint Declaration between Britain and China in 1984, the political climate in Hong Kong has been tempered by Sino-British exchanges over its future. Until 1985, Legco members were appointees of the Governor. After 1985, the number of elected members on Legco became 24 (out of 60) although none of these seats were directly elected. Representatives from sub-national government, namely the District Boards, the Urban Council and the Regional Council indirectly elected 12 Legco seats. The other 12 came from ‘functional’ constituencies. The Tiananmen massacres of June 1989 prompted the British government to speed up the process of democratisation, and the first direct Legco elections in September 1991 saw pro-democratic candidates capturing 17 out of the 18 directly elected seats. Direct elections for only a third of the sixty available seats in the Legco also took place in 1995 and 1998, increasing to 24 seats in 2000 and 30 in 2004. Future change to the electoral system remains open-ended under the Basic Law. The main political parties to contest the directly elected seats in Legco are the DAB (Democratic Alliance for the Betterment of Hong Kong) and the Democratic Party, but the main difference between them is their stance on relations with China. Although both parties are considered ‘centre-left’, they are divided in their view of Hong Kong’s relationship with China. Broadly speaking, the DAB are considered ‘pro-Beijing’ and the Democrats are pro-independence.
However, the democratic culture in Hong Kong is relatively young, and although the protests at the events at Tiananmen Square in 1989 proved an important impetus to the democratic movement, it could be argued that pressure for democratisation was also a reflection of the prodigious economic development of Hong Kong. A link is often made between economic development and the pressure to democratise. As Hook (1997: 558) notes, by the 1980s, Britain was under ‘mounting pressure from representatives of an educated, articulate and professionally highly successful indigenous middle class to introduce democratic reforms in the system of representational government’. However, during a period of growing economic prosperity, an actual decline in support for pro-democratic movements was observed in the early 1990s. Although Sing (1996: 487) argues that in ‘a booming economy’, more public demands, frustrations and conflicts are provoked with the government it appears that economic prosperity for the majority of the population diverted attention away from political participation. Jones (1990: 451) dismissed this middle-class pressure as being limited to concern over the impending 1997 hand-over, and the apparent stagnation of the Democrats appears to confirm this view.

Sing (1996) refutes the modernization thesis with respect to democratisation in Hong Kong. Although economic growth allowed the development of a large middle class, it cannot be treated as a heterogeneous group. The middle-class is split between business and technical professions and service professions, with the former hostile to democracy that may usher in the welfare state and the latter, who are more sympathetic to the ideals of social equality and democracy. The transition to SAR status under the PRC’s ‘one country, two systems’ formula promised Hong Kong a high degree of political autonomy. Hong Kong’s electorate tends to be stereotyped as being politically apathetic, although this argument was not supported by the relatively large turn-outs for the Legco elections in May 1998 and again in September 2000 (with turn-outs of 53% and 43.5% respectively).

We might assume that a slow pace of democratisation would require a more responsive public administration in the absence of political accountability. LeHerissier (1995: 205) predicted that gradual democratisation would allow greater external pressures to be brought to bear on the civil service in Hong Kong. The ‘soft democracy’ cautiously introduced by Patten was designed to assuage conservative and business elite fears that democratisation would actually undermine the efficiency of the civil service.
Finally, it is important to consider whether political leadership has provided the will to reform the governance of Hong Kong. As the last Governor, Chris Patten appeared to emulate his former leader, Margaret Thatcher, by establishing administrative reform on the policy agenda. Prior to Patten, Hong Kong had been governed by a series of career bureaucrats who by and large shared the same culture and values of bureaucratic governance. Unlike his predecessors, Patten was a career politician who made an impression on the style of administration during his term in office. Patten’s impact remains significant, although opinion is divided over whether his push for democratisation went far enough. A business person (a former shipping magnate) succeeded Patten, the present Chief Executive, Tung Chee-hwa. In terms of leadership style, the consumerist sensitivity following the establishment of the SAR has been abandoned in favour of less openness, and authority is now delegated with great reluctance. Ironically, Tung’s style of government is regarded as ‘conducive to the restoration of colonial practices’ (Vines 1997). Moreover, the HKDF Policy Committee (1998a) note that the civil service is now regarded as a ‘bureaucracy’ only fit to implement policy decisions rather than an ‘administration’ with an authority and a right to govern.

3. THE IMPACT OF GLOBALISATION ON HONG KONG

In the East Asian context, Hong Kong is exceptional. Its lack of independence has not allowed the emergence of a developmental state, for example. Therefore, Hong Kong’s bureaucratic polity poses some empirical problems when assessing the impact of globalisation on the SAR. The preservation of Hong Kong’s system of governance guaranteed under the Basic Law means that the system was remarkably well insulated from external pressures and influences. In particular, ensuring stability and continuity in the transition to SAR status was a key factor in understanding Hong Kong’s recent history. Economic globalisation cannot be analysed in isolation from other factors that shape governance in Hong Kong. Therefore, in this section of the paper, factors such as the colonial legacy and reunification of China serve to underpin Hong Kong’s unique situation.
Hong Kong’s size renders it extremely vulnerable to economic and political globalisation (Scott 1989: 185). However, despite Hong Kong’s relative size and its lack of natural resources, its status as a port of international significance has meant that it has weathered economic integration into the world economy remarkably well and has turned it to its advantage. Hong Kong’s history as an entrepot for commerce within the British Empire and the neighbouring region brought it into the world economy relatively early. This was largely due to its integration with the British colonial network of ports, which expanded rapidly over the nineteenth century. Hong Kong was strategically important too, as a military and naval base for Britain in the Far East.

1949 accelerated Hong Kong’s economic advancement with the exodus of commercial expertise from communist China. More recently, the close economic relationship with neighbouring southern China, and the Pearl River delta in particular, is based on Hong Kong manufacturers locating production in that region. Considering the region as a whole (with the addition of Taiwan), Chiu et al (1997: 168) argue that, ‘the advantageous position of Hong Kong in this emergent economic subregion lies in its status as a world city’. However, now that Hong Kong is reunified with China, foreign investment is increasingly flowing into China via Hong Kong. China’s pending accession to the World Trade Organisation (WTO) is likely to accelerate this process. Although Hong Kong is undoubtedly ‘internationalised’, Hong Kong’s trans-national trade relies on the discretion of the state, the ‘bureaucratic polity’.

Furthermore, the dominant section of Hong Kong’s community and its way of life are internationalised. Economic prosperity has allowed Hong Kong people to receive higher education abroad, for instance. Moreover, many professionals achieve their qualifications in western countries, particularly Australia, Britain, Canada and the United States. The new westernised elites had become dissatisfied with the colonial system of government ‘that led to the administrative absorption of politics’ (Hook 1997: 560). Unless economic hardship severely curtails the travel opportunities of the Hong Kong people, policy ideas from abroad will continue to circulate but must be compatible with the Basic Law if they are to be implemented.

Hong Kong achieved a high level of economic development in a relatively short space of time. As a colony, Britain’s promotion of Hong Kong’s economy was more to do with steering the colony away from conflict in China rather than a conscious attempt by
the sovereign power to ‘modernise’ the colony (Chun 1996: 58). Hong Kong is the eighth largest world trade entity, the busiest container port and the fourth ranking financial centre, as well as the main ‘gateway’ to the People’s Republic of China (PRC). Economic development prompted the expansion of public services, particularly in health, education and housing. A Hong Kong government publication, *Serving the Community* (Efficiency Unit 1995) claimed that economic success meant that people demanded ‘more and better public services’.

The last Governor, Chris Patten, appeared to be sensitive to the demands of a changing Hong Kong society. For instance, in his address to the opening session of the 1992/93 Legco he remarked:

> an increasing prosperous and sophisticated community quite rightly demands greater openness and accountability from the public sector which it pays for and an official attitude of mind which regards the public as clients not supplicants (Patten 1992: 26).

Although Hong Kong regards its society as open and meritorious and the expansion in its economy has improved the standard of living for the vast majority of people, not all have gained equally from rapid economic developments (Wilding and Mok 1997).

Hong Kong appears to be a bastion of ‘laissez faire’ government (Cheung 1996), but this description is largely inaccurate given that the government does legislate and regulate over large areas of economic activity, especially housing, public utilities, transport, banking and financial institutions. The public sector is well developed and carries out, or subsidises, most of the functions found in liberal democracies. Islam and Chowdhury (1997: 192) argue that the Hong Kong government ‘is very much Keynesian in nature and has never shied away from using its public expenditure programme to fine-tune the economy’. They give as an example that to assuage uncertainty following the Tiananmen incident, ‘the government used its spending power to boost demand and increased public-sector wages’. Furthermore, in August 1998, the government intervened on the financial markets to protect the Hong Kong dollar ‘peg’ to the US dollar.\(^6\) The government is only minimalist in terms of restricting intervention in particular sectors or

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\(^6\) The Hong Kong dollar fixes its exchange rate to the US dollar.
industries. Overall, the belief in the ability of the free market to deliver economic prosperity is deeply entrenched in Hong Kong society.

The Colonial Legacy

As a former British colony, British institutions were inevitably imposed on Hong Kong, but as Harris (1988: 4) observes, a number of significant modifications were made, ‘in particular developing the apparatus of the administrative state’. In this respect, it was a fairly typical colonial government. A dysfunction of this colonial imprint is that it concentrates functions and power into the hands of civil servants which has ensured the continuation of a ‘bureaucratic culture of elitism and even arrogance at the expense of public accountability and responsiveness’ (Chan 1997: 570). Lui (1994: 26) argues that inside the bureaucracy there was a ‘collective organizational mentality which (was) ultimately supportive of the colonial cause’. The hierarchical nature of the government reinforced a degree of authoritarian control, which was fundamental to any colonial administration. Lui (1994: 18) adds that ‘one of the distinguishing features of Hong Kong, arising from the colonial nature of the regime, is that its governance is founded more on ad hoc solutions than on a commitment to achieving some long-term ideals’.

With the transition of Hong Kong from a British colony to a SAR of China still very recent, the colonial influence remains powerful and preserved in the Basic Law. According to Hook (1997: 566) the crucial question for the British legacy ‘was the extent to which there could be continuity at the top of the civil service’. In the event, most of the top civil servants were reappointed. In the short term at least, the preservation of the colonial system was congenial to China’s interests.

Indigenization

In the transition to independence, ‘localization’ is usually a parallel development to decolonization. Although Hong Kong did not gain independence, ‘localization’ has long been on the agenda of the Hong Kong government, although anticipation of 1997 gave it greater impetus. The reality was that up until the 1980s, the domination by expatriates of the civil service system resulted in limited promotion opportunities for the local Chinese
civil servants. There was an implicit assumption by British officials that the Chinese lacked the requisite qualities to reach the higher echelons of the bureaucracy.\(^7\)

It was not until the Joint Declaration of 1984 that localization began in earnest, and this was enshrined in the Basic Law. The Basic Law requires that holders of top government positions in the SAR be Hong Kong ethnic Chinese without the right of foreign abode. This condition is generally a reflection of the significant gains the local population has made in terms of skills and professionalism that began to challenge the expatriate elite well before 1997. Localization may be regarded as a natural consequence of an increasingly strong Hong Kong identity. Moreover, Hong Kong people have gained technological skills, academic qualifications and professional experience while continuing to be dominated by an expatriate elite. However, the Policy Committee of the HKDF (1998a) regards localisation as having stripped ‘the Civil Service of much of its talent and experience’.\(^8\)

To what extent is governance shaped by the Confucianist philosophy in Hong Kong? According to Clark and Chan (1995: 122) ‘the absence of state controls allowed commercial entrepreneurship and a skilled labor force to produce a highly dynamic economy, thus demonstrating the often hypothesized linkage between Confucian culture and an aptitude for small-scale business’. Indeed it may be argued that the Confucian patriarchal culture moulds the ‘strong society’ in Hong Kong and this culture is reflected in the bureaucracy. Chinese values are further reinforced by the emphasis on line rather than staff positions in human resource management. Furthermore, the cultural emphasis on ‘power distance’ meant that organisations in Hong Kong tended to be highly centralised.\(^9\)

*Reunification with China*

Possibly a greater influence than that of globalisation on local politics in Hong Kong was reunification with China, which is a unique factor in explaining administrative reform in Hong Kong. Hong Kong is the outcome of an unusual process of decolonization. Instead of the process being a preparation for independence, China replaced Britain as Hong

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\(^7\) See the excellent discussion in Chan (1997: 571).

\(^8\) For a full discussion of localization in the Hong Kong civil service, see Huque *et al* (1998), chapter 4.
Kong’s sovereign power. The bureaucracy became more self-conscious of its role and performance as 1997 drew closer. As Cheung (1992: 137) explains ‘since the 1980s, the government has been suffering, to an increasing extent, political stress and a legitimacy crisis induced exogenously by China’s growing presence and influence over Hong Kong’. This has lead to a decline of authority and the relative autonomy of the government, which has ultimately weakened state power. Thus public sector reform had some appeal to the bureaucracy as a strategy to cope with an increasingly uncertain environment.

Chow (1992: 1654) also believed that ‘1997 phobia’ meant that more civil servants were less concerned with ‘excellence’ and he found ‘the prevalence of the norm of mediocrity’. Political uncertainty thus undermined the motivation of civil servants. Therefore, Lau (1997: 43) regarded attempts to improve the performance of the civil service as part of the overall aim ‘to enhance the autonomy and authority of the Hong Kong government in its last years’. The former Secretary of the Civil Service argues that since the reversal of sovereignty, the public now has higher expectations of the civil service, and that the civil service is now an interactive partner with China (Lam, 1999). On the other hand, public esteem of the civil service is now declining, and although there is a general perception that service delivery has improved overall, the civil service is still perceived as being poor at ‘crisis management’. However, it appears easy to overplay the impact of the reunification on public administration as the Basic Law essentially preserved the structure of the civil service.

In addition, pressure from a rising population, the increasing proportion of elderly citizens and a deteriorating environment all has potential consequences for governance in Hong Kong. Other pressures include plans to develop large-scale infrastructural facilities, such as the Port and Airport Development Strategy. The South China Morning Post (1997) argued that it was public housing, welfare, home ownership and environmental concerns that are likely to be the ‘most pressing’ issues facing the Government. Moreover, the recent ‘Right of Abode’ issue whereby the children of Hong Kong residents in mainland China may have the right to live in Hong Kong under the Basic Law will have a considerable impact on local politics should upwards of a million mainland Chinese emigrate to Hong Kong. This issue began to test the relationship between Beijing and Hong Kong from 1999 onwards.

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It could be argued that the political issues surrounding reunification with China and that Hong Kong’s economy was relatively globalised when compared to similar economies in the east Asia region makes it difficult to quantify the impacts of globalisation on Hong Kong. Thus, the next section analyses recent changes to governance, including NPM, to look for evidence of globalisation on local policy-making or if local issues, such as managing the relationship with Beijing, transcend global issues.

4. CHANGING GOVERNANCE IN HONG KONG

When assessing changing governance in Hong Kong, it appears obvious that reunification in China was a dominant consideration which served to dissipate other potential reforms in governance. However, four mutually reinforcing phases of policy reform can be identified: the debate and implementation of the McKinsey review in the early 1970s; the publication of Public Sector Reform in the late 1980s; the Patten reforms of the mid-1990s and the Tung reforms. The McKinsey review of 1972-3 created the climate for administrative change over a decade later. The review was prompted by a perceived necessity to conduct a thorough investigation of government operations and an apparent failure of the colonial government structure and generalist personnel to cope adequately with new policy demands. McKinsey and Co. was employed to seek improvements to the structure, procedures and human resources of the civil service. In 1972, McKinsey began their review of a government machine that was becoming overloaded, and where long-range planning was neglected (Miners 1991: 88). Their report was presented to Legco in 1973.

The most significant recommendation made by McKinsey was to change the organizational structure of the government by dividing it into branches (responsible for policy formulation) and departments (responsible for implementation). This structure has remained until the present. However, the implementation of the recommendations in 1974 faced civil service conservatism and negative public reactions and the net result was little real effect or overall change to civil service practices. McKinsey had basically introduced a ‘policy layer’ above the heads of departments to co-ordinate and monitor policy and implementation. New policy secretaries took up this role as ‘political
administrative officers’. The point about McKinsey is that the reform assumed the existence of a Westminster-style cabinet system and therefore was not ‘context sensitive’ to the Hong Kong situation. Its ideas also revived classical notions of separating policy from administration in advance of many NPM prescriptions.

Public Sector Reform (1989)

Public Sector Reform (PSR) (Finance Branch, 1989) built upon the principles laid down by McKinsey some fifteen years previously. PSR was a finance branch initiative and although it was internally generated from within the bureaucracy, the British consultants, Coopers and Lybrand, also had a significant input. The report was basically a discussion document containing a number of principles for financial management reform.

A chief concern of PSR was ‘getting the structure right’. In terms of overall resource planning it required that policy secretaries should look closely at the deployment of resources within their areas of responsibility. In terms of policy management, it also required that policy secretaries should increasingly become policy ‘managers’ responsible for establishing policy objectives as well as policy formulation. Policy secretaries were encouraged to decide on the ‘appropriate’ type of executive agency for service delivery in their departments. Apart from the traditional departmental model, funded on a cash accounting basis, PSR also proposed the commercialisation of government activities including trading fund departments, public corporations and non-departmental public bodies operating at arm’s length from government. The latter involved statutory organizations being subvented to provide government services such as the Consumer Council and the Hospital Authority. The drafters of PSR argued that these should be subject to annual policy reviews where the continued need for the organisation would be questioned. In addition, the organisational setting, the review of the annual corporate objectives and the financial management of these bodies would be scrutinised.

As well as centralising policy formulation and urging the use of alternative forms of agency, PSR suggested that policy secretaries be responsible for obtaining and allocating resources to agencies and evaluating the results achieved. Furthermore, there should be annual comprehensive reviews of policy areas by policy secretaries looking at
the allocation of resources within the policy area, the achievements and costs of various policy programmes and whether value for money is being achieved.

Recommendations were also made to the policy secretaries of the ‘resource’ branches (Finance and Civil Service). For Finance they are expected to determine acceptable levels of public expenditure, to manage annual resource allocation exercise and to ensure resources are used economically, effectively and efficiently. For the Civil Service, they should manage general grades of staff and develop and monitor service-wide personnel policies. Privatisation and contractorisation was also considered in the report, but it did not become a major policy thrust of public sector reform in Hong Kong. As Tsang (1995: 5) remarks, ‘most of the public services that can be better provided by the private sector are already being so provided’.

Despite the rhetoric contained in the PSR report, the period 1989-91 saw very little change. Huque et al. (1998: 16-17) record some hiving-off of civil service functions to quasi-non-government organizations beginning in 1991 with the establishment of the Vocational Training Council and the Hospital Authority. Six Trading Funds were also established under the Trading Fund Ordinance in March 1993 (Cheung 1998: 105). However, PSR quickly ground to a halt when McLeod came in as Secretary to the Treasury in 1989 who was not an enthusiast of UK managerialist reforms and he attempted to recover the ground as PSR ‘had led to too much freedom’.10

There is a range of interpretations on offer for the introduction of PSR in 1989. The general view is that the report was a result of the pressures to democratise and for the bureaucracy to maintain its legitimacy (Cheung 1992, Lam 1995 and Lau 1997). As Lui (1994: 18) points out ‘failure to attain efficiency would not only be administratively undesirable but also might threaten the political authority of the unaccountable bureaucrats’. Although Cheung (1992: 116) argues that PSR was ‘engineered from the top down by the government, without any apparent corresponding demands from the outside’, Huque (1996: 121) argues that economic problems in the early 1980s followed by strikes and demonstrations prompted the report ‘to ameliorate similar situations’. Chow’s (1992) warnings concerning ‘1997 phobia’ and the ‘prevalence of mediocrity’ may also have prompted the report as a kind of corrective action to counter these tendencies. Burns (1994: 243) adds that, ‘squeezed by an ambitious public works programme on the one
hand, and demands for more services on the other, the government drafted PSR to cope with the situation'. In sum, the main aim of PSR appears to be political rather than administrative. Although its timing coincided with the diffusion of NPM elsewhere, the document should be regarded as a product of uncertain political environment surrounding impending reunification with China. Burns (1994: 248) argued that although there were NPM underpinnings to Hong Kong’s PSR, he was surprised at its introduction given that NPM assumes a relatively stable and predictable administrative environment. This cannot be said of the backdrop to Hong Kong’s PSR given the prospect of transition to SAR status. PSR was being drafted at the same time as the Basic Law, so it could be argued that its basic tenets could be guaranteed as part of the ‘continuity’ that the Law intended to preserve.

**Patten (1992-1997)**

The next phase of administrative reform in Hong Kong began with the appointment of Chris Patten as Governor. Unlike his predecessors, Patten was a career politician who made an impression on the style of administration during his term in office. In particular, Patten was in favour of more open and responsive government. As Vines (1997) notes, ‘the Patten regime forced even the most humble civil servant to recognise that he or she was also responsible to the public’. *Public Sector Reform* provided Patten with a basis for his approach to administrative reform in Hong Kong. The first change of note under Patten came with the establishment of the Efficiency Unit in 1992. Unlike the financial scrutinies that marked the introduction of its UK predecessor in 1979, the Unit marked the appearance of a ‘softer’ phase of NPM, or a shift towards a ‘client based culture’ for the civil service. The focus also switched to human resource management from a stress on financial and policy management in PSR. Like its counterpart in the UK, much of its establishment was to do with symbolic as well as practical impact. Sankey (1993: 78) viewed the Unit as ‘an agent of change with authority from the top to cross traditional boundaries’ and its purpose was to put into practice the philosophy of the PSR report. In particular, the Performance Pledge (PP) initiative, a key responsibility of the Unit, would

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10 Simon Vickers, former HK government civil servant, Interview, 2 April 1998.
‘pressure departments into adopting basic PSR principles more urgently’ (Sankey 1993: 84).

The Serving the Community (Efficiency Unit 1995) document was intended to be a ‘management guide for civil servants’ and provided the blueprint for the Patten reforms. Patten’s policy address of 1992 underlined the objective of ‘serving the community’ for the Hong Kong government, but the document does little more than to re-confirm the PSR report, the main points of which are summarised above. In addition, it argues that framework agreements should be drawn up between policy secretaries and agency heads, and the notions of managing for performance and managing by programme for both policy branches and departments were introduced in 1993. A Finance Branch (1995) document amplifies these notions by recommending some delegation of financial management to policy branches and departments from the Finance Branch. Controlling Officers in each department would become responsible for expenditure. In sum, Patten did not try to alter the structure of government nor did he attempt to transform the civil service. Rather, he emphasised politics by promoting Hong Kong’s fledgling democracy whose politicians increasingly put pressure on the government generally, and the policy secretaries in particular. The Patten reforms, like the PSR document, had a political purpose that was related to the pending reunification with China. Performance Pledges in particular were part of a renewed attempt for the government to ‘bolster its legitimacy’ in the run-up to reunification (Lau 1997: 43). Thus, the notion of managerial freedom that underpins NPM acted as a ‘shield’ for Hong Kong public administration from ‘external political capture’ (Huque et al 1998: 52).

_Tung (1997 -)_

The present Chief Executive, Tung Chee-hwa, has largely maintained the administrative system he inherited in July 1997 following the establishment of the Hong Kong SAR. This is unsurprising, as Tung’s biggest restraint is the Basic Law, which guaranteed continuity in the civil service system and conditions of service. However, in his first policy address in 1997, he announced a range of promises on a number of policy areas

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11 Senior Hong Kong Civil Servant, Interview, 2 March 1999.
12 Senior Hong Kong Civil Servant, Interview, 2 March 1999. Basic Law Article 103 states that the
such as education that cut across departmental boundaries. The civil service responded by proposing a target-based management process (TMP) to achieve continuous improvement in public services. One of the key features of TMP is to identify and manage the process for delivering results across traditional organisational boundaries. Policy secretaries are responsible for delivering Strategic Policy Objectives and co-ordinating across other policy bureaux, departments and agencies. The overall objective is to focus government accountability on results achieved for the community by raising the level of performance review and accountability to a focus on outcomes, leaving departmental managers to concentrate on managing resources effectively (Efficiency Unit 1998: 12-13).

In his policy address of October 1998, Tung announced the Enhanced Productivity Programme (EPP), which demanded that each government department and agency produces plans and targets to achieve a 5% productivity growth by 2002, without additional resources. This appears to be a direct response to the perception of fiscal crisis as Hong Kong is buffeted by the wider economic crisis in Asia. However, his initiative seems to be more concerned with short-term quantified gains rather than making lasting improvements in public service delivery. Furthermore, EPP encompasses a move towards contract rather than permanent appointments in the civil service under the guise of human resource flexibility. Further changes in the human resource management of the civil service appeared with the Civil Service into the 21st Century document (Civil Service Bureau, 1999). Although there is little evidence to suggest a causal link between economic globalisation and changes in governance in Hong Kong, an explicit impetus behind the document was the Asian financial crisis (Common, 1999). However, it appears the style of governance has changed little since the transition to SAR status, as the South China Morning Post (1998) commented, ‘older colonial ways of doing things did not change overnight on June 30 last year’.

CONCLUSIONS

employment and recruitment conditions of the civil service should be retained.

13 The first four Strategic Policy objectives announced in 1997 were ‘Better Housing for All’, ‘Care for the Elderly’, ‘Business and Industrial Development’, and ‘Quality Education’. These were set out in four booklets, 37 more were announced in 1998.
This paper has attempted to present an account explaining changes in the governance of Hong Kong from the late 1980s onwards. Although Hong Kong is usually considered to be highly globalised in terms of its integration with the world economy and its status as a commercial hub for east Asia, its unique political and, to some extent, administrative context, serves to militate against some of the impacts of globalisation. The marginal impact of globalisation on Hong Kong governance is due largely to preparation for, and subsequent reunification with China. When compared to similar cities in East Asia, such as Tokyo, this context is particularly important. It could be argued that the greatest similarity is with Singapore, which has preserved its colonial system to some extent, but unlike Hong Kong, it is difficult to describe its government as ‘limited’ (Common 2001). This aspect makes assessing the impact of globalisation on Hong Kong more difficult to quantify.

However, the paper demonstrates that the potential for changes to governance was strong in the period leading up to reunification, particularly when Patten became installed as the last Governor in 1992. As the bureaucracy is the main political arena in Hong Kong, any reforms to its system of governance were required to be implemented before 1st July 1997 before the Basic Law effectively froze Hong Kong governance for the next fifty years. Although reforms since 1997 are required to be within the confines of the Basic Law, freed from the constraints of colonial rule, Hong Kong has had a freer hand to enter the global market place for ideas, particularly with regard to NPM and changes to human resource management (Civil Service Bureau, 1999).

The potential for policy change was largely dissipated by the new SAR administration managing their relationship with Beijing. Managing the relationship between the SAR and the mainland has dominated much of the policy debate in Hong Kong although the Asian financial crisis of 1997-98 served to temporarily divert Hong Kong’s political attention to global developments. However, local politics has been concerned with clarifying the ‘one country, two systems’ approach. Inevitably, Hong Kong’s history of democratic politics is comparatively short and under the Basic Law, Hong Kong’s governance remains executive-led by a Chief Executive who must be ultimately approved by Beijing. Thus, Hong Kong’s political structure is highly unusual. Clearly, Hong Kong’s status as a global city could be compromised by its relationship with China. The decision by National People’s Congress in 1999 to over-turn a Hong
Kong Court of Final Appeal decision over the right of abode issue was a case in point. Hong Kong is keen to prevent itself from becoming ‘another Chinese city’. On the other hand, if the autonomy granted to Hong Kong is genuine, it means that it can continue to develop as a global city in the world market.

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