

# Editorial

TAI-LOK LUI AND BRIAN C. H. FONG

In the years leading to the handover on 1 July 1997, there were both pessimists and optimists among the observers of the process of decolonisation and the establishment of the so-called “One Country, Two systems” arrangement in Hong Kong. For the pessimists, their main concerns were two. First, the socialist system in China could hardly accommodate a free market, capitalist Hong Kong; conflict was inevitable. Second, the encounter between an authoritarian China and a highly liberalised Hong Kong would also be a source of conflict and contention; personal freedom in Hong Kong would quickly be contained. For the optimists, with China eager to carry out market reform and Hong Kong being well placed to facilitate its economic reform and modernisation, capitalism would continue to prosper in the former British colony. The return of Hong Kong to China would therefore be no more than business as usual. Changes, if any, would be minimal. Both the pessimists and the optimists failed to anticipate the kind of problems encountered by Hong Kong since 1997.

Post-1997 Hong Kong was characterised by emerging fractures, tensions, and conflicts. But these fractures, tensions, and conflicts are not quite those anticipated by either the pessimists or the optimists. In the years leading up to the drafting of the Basic Law, one of the major concerns shared by people coming from different social sectors was continuity in economic, social, and political development. This partly has to do with the fact that most people, with quite a significant proportion having either first-hand experience of authoritarian rule or parents who suffered from political campaigns in the early post-revolutionary years, were afraid of the Communists. Continuity, vividly captured by Deng Xiaoping’s promise of letting the Hong Kong way of life remain unchanged for 50 years, was seen as the right direction for future development. It was believed by many that changes could be minimised and the status quo should be maintained. To some extent, it was an idea of “deep freezing” Hong Kong. The key ingredients found in the existing institutional setting of Hong Kong that had ensured its success in achieving economic prosperity and political stability since the end of the WWII should be “deep frozen.” The so-called Hong Kong system would be kept intact and was written into the Basic Law, although calls for greater democracy – perhaps not as widely shared in society at large as some would like to think today – did prompt the Basic Law committee to include the “ultimate goal” of universal suffrage. By 1 July 1997, the “deep frozen” Hong Kong would undergo a process of defrosting. But it was expected that this would do no more than put the past success recipe into practice in a slightly changed environment. All those factors that were suggested to be the keys of success had been preserved. Other than a change of the national flag, life would continue as if nothing had happened.

Apparently, the impact of decolonisation on Hong Kong’s institutional structure was hugely under-estimated. The question of political mandate and legitimacy turned out to be a major problem haunting Mr. Tung Chee-hwa, Mr. Donald Tsang, and now Mr. Leung Chun-ying. The so-called executive-dominant political system also encountered all kinds of problems. What was once praised as an efficient and effective administrative state, the government of the Special Administrative Region (SAR) was found to

be incapable of carrying out effective governance. At the same time, the Asian Financial Crisis exposed deep-rooted problems in Hong Kong’s economy. The property bubble was one of them and the failure to launch major economic restructuring was another. The belief that the maintenance of free-market capitalism after the handover would be sufficient to ensure Hong Kong’s economic prosperity was found problematic. In short, the problems of the Hong Kong SAR are many.

Some of these problems are contradictions inherent in Hong Kong’s particular form of governance. Brian Fong’s analysis of the disconnect between the executive and the legislature best illustrates the institutional fractures in the existing system of the Hong Kong SAR. The idea of avoiding politics in the design of the Basic Law and Beijing’s resistance to party politics (e.g., the political “neutrality” of the Chief Executive in terms of his/her non-affiliation to a political party) turned out to be major political problems after the process of decolonisation. Post-colonial governance is not quite what was once projected in the 1980s. Before long, the wishful thinking of maintaining de-politicisation and leaving major decisions to be taken care of by an administrative state have come to be seen as unrealistic since the development of electoral and party politics has become an inevitable trend in Hong Kong. Fong looks at the growing tensions and problems in the executive-dominant system. He suggests that, instead of looking back to the good old years when the Governor and his executive arm rarely encountered serious challenge from the legislature, Hong Kong needs to look for a new political system by developing party-based government. Otherwise, the SAR government will continue to be plagued by limited effectiveness in governing Hong Kong.

Other problems, such as income inequality, have been around for many years, but in the past they were seldom taken up by the government as key policy concerns. Poverty relief has been discussed, but little has been achieved in terms of major breakthrough in policy innovation. Kim Ming Lee, Benny Ho-pong To, and Ka Ming Yu look at the growing social tensions in the light of growing income disparity and the inadequacy of government policy in dealing with the situation of social polarisation. Analysing the reasons why the social fabric has been torn apart by growing socio-economic inequality, they try to highlight why the existing welfare regime will not be able to deal with its problems. One of the original contributions of their paper lies in the application of the concept of financialisation to the situation of Hong Kong. They raise an important question: the move towards financialisation not only marks a shift of the burden of risk from the government and employers to citizens and employees, it is also the kind of policy initiative that pays little attention to inequalities of wealth. One of the distinctive features of socio-economic changes in the past two decades is that the ownership of assets (in Hong Kong, most notably property ownership) had a very significant impact on an individuals’ livelihood. The gap between the haves and the have-nots has widened. While the former can accumulate wealth through the appreciation of their assets, the latter find it more and more difficult to maintain a decent standard of living with their meagre wages. Lee, To,

and Yu underscore the gap in asset ownership and the impact this has on the poor and deprived.

Prior to the return of Hong Kong to China, few observers thought that the problems arising from regional and national integration could outweigh its benefits. Hong Kong was expected to be relatively insulated from the mainland's problems. Politically, Hong Kong was supposed to be an SAR with its own legal system, a partially democratised polity, and a vibrant civil society. Economically, its free-market capitalism would be sheltered from interventions coming from the mainland's socialist economic system. Socially, there would be regulation of population flows, and Hong Kong's lifestyle would remain unchanged. Interactions between Hong Kong and the mainland were likely to be limited to manufacturers from Hong Kong making use of resources in the Pearl River Delta and Hong Kong retirees finding affordable post-retirement living across the border. What happened since 2003 tells a different story. The 1 July mass rally in 2003 was apparently one of the causes of Mr. Tung Chee-hwa's premature departure from office. It also facilitated the establishment of the Closer Economic Partnership Arrangement (CEPA). The CEPA marked a new page in interactions between the SAR and the mainland. With the rise of China as a new power in the world economy, the flow of economic activity between the two places changed directions. Hong Kong people feel increasingly uneasy about this changing economic nexus between the SAR and the mainland. The emerging problems have little to do with the incompatibilities between socialism and capitalism that some observers might have anticipated in the 1980s. Rather, they are driven by excess demands from the mainland, making free-market Hong Kong turn towards tighter regulation and control (from the purchase of property to the acquisition of milk powder) in order to save itself from being swamped by mainlanders' purchasing power.

The above constitute a new structural backdrop for understanding Hong Kong people's changing identity. Chi Kit Chan, making use of secondary survey data on local identity, probes the question of local Hong Kong people's

ambivalence towards China as their nation and their resistance to a top-down approach to build national identity. Indeed, the Hong Kong/mainland relationship is quickly becoming a hot issue. The threat from Beijing has little to do with its socialist economy. Rather, it is political in character (say, the fear of losing political freedom) and touches on people's everyday life (e.g., babies born to non-local parents and the shortage of milk powder triggered by parallel exports). Whereas many Hong Kong people previously adopted a flexible attitude by separating the political and the cultural aspects of their Chinese identity, nowadays they have to reflect upon their identity in the context of intimate encounters with mainlanders. Chan calls for the need to contextualise such everyday encounters in our understanding of emerging tensions and conflicts between locals and people from the mainland.

Tai-lok Lui also looks at regional and national integration but from a different perspective. He examines the changing opportunities for Hong Kong residents to work on the mainland. Instead of seeing more and more young people from Hong Kong finding employment opportunities across the border, he finds that relevant official statistics suggests otherwise. Contrary to many people's expectation that the further opening of the Chinese economy would automatically bring about new openings and opportunities for Hong Kong people, the number of Hong Kong residents working on the mainland has been declining since 2004. His findings alert us to the urgency of re-examining the changing Hongkong/mainland economic nexus. The assumption that Hong Kong is always on the winning side in the process of economic integration is questionable. That the so-called "China opportunity" is found empty and unrewarding may well be a source of tension and grievance in the coming years.

The focus of this special feature is placed on social and institutional fractures in post-1997 Hong Kong. Indeed, post-colonial Hong Kong is in disarray. Problems of all kinds abound. Together these articles present an argument for deeper, and probably more sombre, reflection on Hong Kong's future.