

Chapter 1

Has He Got the Job Done? **An Evaluation of Donald Tsang Administration**

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1. Why Donald Tsang?

When C.H.Tung was forming the first government of the Hong Kong Special Administrative Region (HKSAR), the political gossip reported in the media was that he would not wish to retain Donald Tsang, the colonial Financial Secretary, Peter Lai or Lam Woon-kwong in his cabinet. He was subsequently advised by Beijing that, for the sake of political stability, he should retain all the members of the previous British administration. When Donald Tsang formally became the Chief Executive on 21 June 2005, members of the pro-Beijing united front who were dissatisfied with him pointed out that, upon his departure as the last governor, Chris Patten had followed convention by asking that knighthoods be bestowed on his Chief Secretary and Financial Secretary, the latter accepted and the former declined. The message was that Donald Tsang had no expectations in the

future HKSAR government while the Chief Secretary, Anson Chan, still entertained higher political aspirations.^[1]

In 1999, Anson Chan was expected to step down upon reaching the retirement age. The pro-Beijing united front was about to celebrate her anticipated departure, while Michael Suen was expected to succeed Anson Chan as the Chief Secretary for Administration. However, it was said that the Beijing officials responsible for Hong Kong affairs were not confident of C.H.Tung's political competence, and Anson Chan was specially invited to stay to support the Tung administration.

The arrangement apparently did not work out. Stories of C.H.Tung and Anson Chan not getting along soon became an open secret in the territory's political circles. The open guidance given by the central leadership to Anson Chan to "better support" the work of the Tung administration during her visit to Beijing was perceived as evidence of the truth of this gossip. When Anson Chan finally retired in 2002, Donald Tsang was given the blessings of Beijing and C.H.Tung to succeed her.

During the crisis of the "Article 23" legislation, the central leadership strongly supported C.H.Tung.^[2] Yet after the crisis, Tung's performance still proved to be unsatisfactory and he was forced to resign for health reasons. He was succeeded by Donald Tsang. According to the Standing Committee of the National People's Congress (NPCSC), the remaining years of Tung's second term would be Tsang's first term; hence he could only be re-elected one more time, and his administration would last for a maximum of seven years, not twelve.

In his re-election campaign in 2007, Donald Tsang adopted the slogan "I will get the job done". Commentators observed that this probably reflected his mind-set. Since he treated this as a job, naturally he would follow the demands of his superiors in Beijing, and one could not expect any mission

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1. In July 1995, Anson Chan, Chief Secretary for Administration of the British administration, secretly visited Beijing.
 2. See Joseph Y. S. Cheng, "Introduction: Causes and Implications of the July 1 Protest Rally in Hong Kong", in his edited volume, *The July 1 Protest Rally: Interpreting a Historic Event*, Hong Kong: City University of Hong Kong Press, 2005.

or commitment on his part to fight for the rights and welfare of the people of Hong Kong.

In his earlier civil service career, Donald Tsang demonstrated well the loyalty of an employee. As a civil servant of the British administration, he was perceived as an arrogant colonial bureaucrat by members of the pro-Beijing united front who never had a good impression of him. This loyalty ultimately secured him the position of Financial Secretary in the final years of the British administration. With the C.H.Tung administration, despite the fact that Tung initially wanted to exclude him, he eventually secured sufficient trust to be promoted to succeed Anson Chan as Chief Secretary for Administration.

It was often reported in the media that Liao Fei, head of the State Council's Hong Kong and Macau Affairs Office, had been Donald Tsang's most important supporter, despite the fact that the pro-Beijing united front in the territory disliked him. Obviously, after the return of Hong Kong to the motherland, Tsang succeeded in winning the trust of the principal Beijing official responsible for Hong Kong. One has to admire Donald Tsang's skill in securing the trust and support of his superiors; and his assumption of the Chief Executive position again demonstrated the significant influence of Beijing in the HKSAR government's personnel decisions.

In the transitional period in the 1980s, the Chinese leadership originally planned the joint cultivation of the HKSAR government's first leaders with the British administration. However, after the Tiananmen Incident, Chris Patten as the last Governor pushed for further democratisation in the territory. This angered Beijing which broke the co-operation and decided to "build another stove", i.e., it would cultivate Hong Kong's future leaders on its own.^[3] According to the initial plan, the future leaders of the HKSAR government would mainly come from the civil service. The Sino-British confrontation over Hong Kong during Chris Patten's administration meant that Beijing could not accept the top civil servants groomed by Patten; its targets then switched to the business leaders and

3. Lo Chi-kin, "From Through Train to Establishing Another Store" in Joseph Y.S. Cheng and Sonny Lo Shiu-hing (eds.), *In Transition to 1997: Hong Kong's Challenges*, pp. 37–46

C.H.Tung was subsequently chosen. The failure of Tung prompted the Chinese leaders to look for his successors from among the top civil servants whose administrative competence and experience were treasured by Beijing. On this basis, Donald Tsang was selected.

2. Donald Tsang’s Philosophy of Governance

When Donald Tsang succeeded Tung, the territory’s economy had already recovered from the recession caused by the Severe Acute Respiratory Syndrome (SARS) epidemic. Hence he was under no pressure to “save” the economy and to introduce a stimulus package. At the end of 2004, Hong Kong’s unemployment rate dropped to 6.7% from the peak of 8.6% in the previous year. The labour force actually expanded to a historical record of 3.3 million. Cases of negative equity, i.e., property owners whose down payments for their mortgages had been more than wiped out by the decline in the values of their properties, such that the values of their loans exceeded the values of their properties used to secure the loans had fallen from a peak of over 100,000 to about 25,000 in September 2004. This reflected a rebound in the property market, and that many middle-class families had been relieved from a significant financial burden.^[4]

Donald Tsang’s philosophy of governance was revealed, to a considerable extent, by his first policy address released in October 2005.^[5] He indicated that his administration would pursue “excellent governance, a harmonious community and widespread economic growth”. After the massive protest rallies in 2003 and 2004, as well as the shelving of “Article 23” legislation, Donald Tsang pledged “to secure a ‘people-based’ government”, “strengthen co-operation between the Administration and the Legislative Council”, and to “strengthen the role of District Officers to foster community spirit and to better solve local problems”.

4. See the final policy address delivered by C.H. Tung on 12 January 2005 entitled “Working Together for Economic Development and Social Harmony”; see *South China Morning Post*, *Apple Daily*, *Ming Pao*, *Hong Kong Economic Journal*, and all major local newspapers of the following day for commentaries.

5. See the policy address delivered by Donald Tsang on 12 October 2005 entitled “Strong Governance for the People”; see all major local newspapers of the following day for commentaries.

Regarding the pursuit of “excellent governance”, Donald Tsang did not have many concrete proposals to offer. He suggested a reduction in the establishment of the civil service and improvement of its efficiency; but he also indicated that he planned to create “a small political cadre with the Administration to support the work of the Chief Executive and Principal Officials”, i.e., more political appointments.

In the past, Donald Tsang had been skilful in managing expectations, especially while he was Financial Secretary. He stated that the number of policies and measures would not be significant. What was important was how many measures would be successfully implemented. The focus of his administration would be to help “the economy power ahead” under the principle of “big market, small government”; and its strategy would be to “leverage the Mainland and engage ourselves globally” as well as to “encourage entrepreneurship and fair competition”. Apparently Donald Tsang wanted to avoid the impression of his predecessor having major plans in the economic arena, although he finally supported the Cyberport and Disneyland projects while he was Financial Secretary, and the West Kowloon cultural complex project while he was the Chief Secretary for Administration.

In the initial years of the Tung administration, the civil service headed by Anson Chan was not enthusiastic about strengthening economic co-operation with the Mainland; and the Guangdong authorities were unhappy with this neglect. When Donald Tsang became the Chief Executive, the entire territory was acutely aware of the significance of this co-operation. The Closer Economic Partnership Arrangement (CEPA) concluded in June 2003 was considered a “big gift” from the central leadership to Hong Kong to help maintain political stability through economic prosperity, as Chinese leaders believed that economic growth would reduce the discontent of Hong Kong people.

A new measure introduced by the Donald Tsang administration was to set up a Mainland Affairs Liaison Office in the Constitutional Affairs Bureau, to co-ordinate regional co-operation between Hong Kong and the Mainland, as well as the work of the Beijing office and other offices, especially their liaison work with the central and local governments in the Mainland.

In the Eleventh Five-Year National Economic and Social Development Programme (2006–10) released by the central government in early 2006, Hong Kong was mentioned for the first time. Donald Tsang organised a summit meeting the following September as a discussion platform to facilitate the full exploration of the economic opportunities available in the Mainland to promote Hong Kong's development. Later, in July 2003, when the Guangdong Party Secretary Zhang Dejiang initiated the Pan-Pearl River Delta regional co-operation scheme, Hong Kong also actively responded.

Certainly it was too late to discuss how to better co-ordinate with the central government's economic plan after its release. Regarding the following Twelfth Five-Year Development Programme (2011–15), the Tsang administration followed the practice of the provincial governments in the Mainland and engaged in lobbying the central government in the very early drafting stage of the programme to secure policies favourable for Hong Kong, especially in the field of renminbi businesses.

The central leadership has been according a high priority to Hong Kong's economic prosperity, as it believes that political stability can be secured when people are satisfied with their economic conditions; it is eager to maintain investors' confidence in the territory. But Hong Kong is already a mature economic entity; in the last decade its contribution to the Mainland's economic modernisation has been in decline, and it is now perceived to be going to Beijing often to ask for favours. This is an embarrassment for the HKSAR government and Hong Kong people in general, especially when this point is raised by their counterparts in the Mainland.

The Donald Tsang administration has certainly been more pro-active in co-operation with Guangdong, but Hong Kong has probably missed the best opportunities. Today the Guangdong authorities are eager to attract foreign direct investment from the leading multinational corporations which can offer high-tech, advanced management and overseas business networks for the province. Investment from Hong Kong is still welcome, but its value is less significant as the Guangdong authorities perceive that they are not short of capital investment.

Informally many leaders of the Guangdong authorities and the local

governments below them resent the earlier arrogance of the HKSAR government and its neglect of their enthusiasm for closer co-operation with the territory. Around 1997, they had enthusiastically tried to promote co-operation with Hong Kong but had been cold-shouldered. Now Hong Kong is suffering from a decline in international competitiveness and has re-discovered the need for economic co-operation with Guangdong. The above perception on the part of Guangdong naturally means that it is rather cool about Hong Kong's recent more active approach to regional co-operation. Concerning the Pan-Pearl River Delta regional co-operation scheme, the other provinces tend to keep their options open and are reluctant to accept Guangdong's leadership. There have been many conferences held, but actual progress has been limited.

The focus of the business community regarding the HKSAR government's philosophy of governance centres on its attitude towards intervention in the economy. The C.H.Tung administration obviously behaved as if it had the green light to be more interventionist. The messages embodied in Tung's annual policy addresses were very much those of identifying business activities which were considered important, often significant enough to warrant governmental support in terms of public funding or land grants at below market prices. According to Tony Latter,^[6] Donald Tsang appeared to have supported Tung's interventionist orientations as his Financial Secretary.

Conservative business leaders in Hong Kong subscribe to the doctrines of supply side economics. They believe that the government should only concentrate on the maintenance of a favourable business environment, cultivate the talents needed through the education system, and ensure that the development of the infrastructure will meet the demands of the economy. They oppose the "picking of winners" by the government, i.e., identifying and supporting specific industrial sectors.

In his policy address in 2009, Donald Tsang identified six industries for support, namely; education services, medical services, testing and certification services, environmental industries, innovation and technology,

6. Tony Latter, *Hands On or Hands Off? The Nature and Process of Economic Policy in Hong Kong*, Hong Kong: Hong Kong University Press, 2007, p. 36.

and cultural and creative industries.^[7] This was unprecedented; how this strategy and practice would affect the HKSAR government's role in the economy has yet to be observed. But the government had no effective mechanisms to promote and support the development of these six industries; the entrepreneurs in these sectors criticised the government for the lack of co-ordinated measures; and Hong Kong people considered the government's strategy empty talk.

In comparison, Japan and the other “three little dragons of Asia” have ample resources at the disposal of their governments in support of their strategic industries.^[8] They enjoy a strong influence on their respective domestic banking and financial systems, and are thus able to direct preferential loans to the strategic sectors. These governments have state-owned enterprises or government-linked corporations, and some of them have sovereign wealth funds too which can directly participate in the development of strategic industries.

Even if the community had endorsed the identification and support of strategic sectors on the part of the HKSAR government, the Donald Tsang administration obviously conveyed an impression of being over-ambitious and lacking careful planning. Given the handicaps of the HKSAR government in comparison with its counterparts in Japan and the other “three little dragons of Asia“, it was hardly in a position to promote six strategic industries simultaneously; to say the least, there would be no economy of scale. In the case of education services, for example, the Tsang administration could only offer two small pieces of land in the urban areas to provide for 4,000 student places; the tertiary education sector considered that far from sufficient to promote education services as an export of services following the Australian model.

Many cities in Mainland China and overseas metropolises have plans for university complexes or university towns to promote the development of education services, but these plans involve substantial resource inputs.

7. See the policy address delivered by Donald Tsang on 14 October 2009 entitled “Breaking New Ground Together”; see all major local newspapers of the following day for commentaries.

8. Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975*, Stanford, CA: Stanford University Press, 1982.

There is a view that Hong Kong should perhaps concentrate on only one or two strategic sectors at every stage. For example, Singapore in the past decade or so has been concentrating on its biotech industries with impressive results.

The lack of planning is mainly due to inadequate policy research resources. Again, in comparison with the other “three little dragons of Asia”, Hong Kong has no major policy research think-tanks inside or outside the government. In the context of keen global competition, the development of a strategic industry demands sophisticated research and planning. The proposal to develop the six strategic industries from the Donald Tsang administration had not gone through any serious research and planning, and it was not much more than a slogan based on conventional wisdom.

The development of new strategic industries must take into consideration the transformation of the territory’s industrial structure; otherwise the major local business groups remain focused on real estate and infrastructure projects. In the past two decades or so, there has been much discussion about the combination of Hong Kong’s capital and overseas networks with the Mainland’s research and development facilities to jointly develop high-tech industries, but no significant results have been seen. At this stage, major state-owned enterprises in the Mainland do not lack capital; the central government and various levels of local governments have all formulated their “going out (*Zou chi qu*, i.e., engaging the foreign markets)” strategies.^[9] Hong Kong therefore does not have much to offer.

When Donald Tsang delivered his policy address in October 2007, there was only one short paragraph on the six strategic industries. The Chief Executive merely stated that “we will continue to monitor the development of these six industries”.^[10] By then, those who were worried about an

9. See International Relations Department, Tsinghua University and Economic Diplomacy Research Centre, Tsinghua University (eds.), *China's Economic Diplomacy 2008*, Beijing: China Economic Publishing House, 2008.

10. See the policy address delivered by Donald Tsang on 13 October 2010 entitled “Sharing Prosperity for a Caring Society”; see all major local newspapers of the following day for commentaries.

interventionist government might have their hearts at ease, at least for a while, because the Donald Tsang administration had less than two years to go.

In the summer of 2010, because of the widening gap between rich and poor, there appeared some media discussions on the “hatred for the rich” among Hong Kong people. There was a suggestion from a business leader that the government should consider using its fiscal reserves to help the poor. As expected, there was no response from the Donald Tsang administration. Hong Kong’s substantial fiscal reserves are a pride of the government and the people. In contrast to the U.S. and Japan, the HKSAR government has not gone into debt and it has ample fiscal reserves.

However, what level of fiscal reserves would be considered prudent? Besides ensuring a high degree of liquidity to meet the challenges of financial crises, what use do fiscal reserves have? On 6 March 2002, the then Financial Secretary, Antony Leung Kam-chung, indicated in his budget speech that “it should be sufficient to have fiscal reserves equivalent to around 12 months of government expenditure to meet operating and contingency requirements”.^[11]

At the beginning of the Tsang administration, i.e., in the early months of fiscal year 2007–08, the HKSAR government’s fiscal reserves were adequate for 19 months of its expenditure. However, when the then Financial Secretary John Tsang Chun-wah delivered his budget speech in February 2007, he suggested that a range of 30–50% of Gross Domestic Product (GDP) could be used as a “frame of reference”, which was equivalent to 18–24 months of government expenditure. John Tsang further commented that an extra 18 months’ worth of government expenditure might be required by 2030 as a cushion against the burden of an ageing population.^[12]

When the Euro area was established, its member countries were asked to reduce their respective government debts to a safe and sustainable level; and it was agreed that debts up to 60% of GDP were considered safe.

11. See all major Hong Kong newspapers on 7 March 2002.

12. See all major Hong Kong newspapers on 1 March 2007.

According to Tony Latter, applying this criterion to Hong Kong would allow government borrowing of up to about HK\$850 billion in 2007. In view of the fact that the government enjoys fiscal reserves of over HK\$300 billion, this means that theoretically it can issue government bonds and mobilise HK\$1.2 trillion for various worthwhile causes, like building the community's social security net.^[13]

The Tsang administration and its successor certainly will not do this, and there is no such demand from Hong Kong people. But the above line of argument demonstrates that the government can afford to do much more to help prepare for the social security needs of an ageing population. In fact, in 2008 when the Tsang administration secured a budget surplus of HK\$100 billion, Financial Secretary John Tsang decided to allocate HK\$50 billion for a medical insurance programme to be advocated later by the government. This was a significant example of how fiscal reserves can be used to finance the community's social security.^[14]

Throughout the years of the Donald Tsang administration, there were no serious discussions on the government's fiscal reserves. Why was the range of 30–50% of GDP proposed by John Tsang a reasonable and appropriate level? How did he arrive at this “frame of reference”? If half of the government's budget surplus could be allocated for a future community-wide medical insurance plan, can budget surpluses in future years be appropriated for similar purposes? Should the annual earnings of the fiscal reserves be considered regular fiscal revenues which can be used to meet regular government expenditure? The government and Hong Kong people support the general principle of keeping the wealth in the community, but how should this be implemented through concrete policies?

3. The Widening Gap between Rich and Poor and Social Harmony

In 2001, the Gini coefficient in Hong Kong already reached 0.525; it is expected to be even higher at the time of writing in 2012. Normally a level

13. Latter, *op. cit.*, pp. 51–52.

14. See all major Hong Kong newspapers on 28 February 2008.

exceeding 0.4 deserves caution; and the territory's level is comparable to that in some Latin American countries. According to a document prepared by the local legislature, the Gini coefficient in Japan in 1993 was 0.249; that in Taiwan in 2000 was 0.326; that in South Korea in 1998 was 0.316; and that in Singapore in 1998 was 0.425.^[15]

In September 2010, a survey of the Public Opinion Programme of The University of Hong Kong revealed that only 23% of the respondents were satisfied with the government's performance in "improvement of people's livelihood", a new low since the beginning of the Donald Tsang administration.^[16] At that time, the latter was advertising the recovery of the economy estimating that economic growth in the year would reach 5–6%.

In the same month, Oxfam in Hong Kong published its report on poverty in the territory, which showed that the number of working poor families had been increasing, from around 172,600 in 2005 to about 192,500, a rise of 12%. The report also indicated that the incomes of the poorest one-fifth of families had shown no improvement in the past five and a half years; and the median monthly incomes of the poorest one-tenth and one-fifth of families were HK\$3,000 and HK\$6,000 respectively.

In comparison, the median monthly income of the richest one-tenth of families had risen by 16% to HK\$80,900, about 27 times that of the poorest one-tenth of families, reflecting that the gap between the rich and poor had been widening since 2004.^[17]

In October 2010, the Hong Kong Council of Social Service released a research report, indicating that in the first half of the year the population of "poor families" in the territory reached 1.26 million, amounting to 18.1% of the population, a record high. The report also revealed that the median monthly income of the high-income household group had risen from

15. The data come from Legislative Council Factsheet FS07/04–05, compiled by the Research and Library Services Division of the Legislative Council Secretariat.

16. *Ming Pao* (Hong Kong Chinese newspaper) 29 September 2010.

17. *Ibid.* 20 September 2010. A working poor family is one which has at least one employed member; and its monthly income is less than half of the median monthly income of families in Hong Kong with the same number of members.

HK\$31,000 in the previous year to HK\$32,950; while that of the low-income household group had basically remained unchanged at HK\$9,000. The income gap between the two groups had been maintained at the ratio of 3.4 : 1 in the past four years; but in the first half of 2010, it rose to 3.7 : 1. Apparently, the income gap worsened in the economic recovery after the recent global financial tsunami.^[18]

According to the Census and Statistics Department of the HKSAR government, in the quarter of September-November 2009, the number of households with a monthly income of HK\$25,000 and above dropped from that in the corresponding period of the previous year; while the number of households in various groups with a monthly income of below HK\$10,000 had risen, with growth rates ranging from 2.4% to 9.7%.^[19]

Earlier in August 2009, the Life Quality Research Centre of the Chinese University of Hong Kong released a set of statistical and survey data which demonstrated that the overall quality of life of Hong Kong people in the previous year had deteriorated to approximately the level in 2003, when the territory suffered severely from the SARS epidemic; and the overall index declined by 3.5% when compared with that in 2007. The community's evaluation of the economy and its ability to purchase accommodation through mortgage had dropped most sharply, falling by 30% and 33% respectively; the index on satisfaction with the government's performance also dropped by 29%.^[20]

Since most Hong Kong people accord top priority to the economy when their living standards fall, their evaluation of the Donald Tsang administration would naturally be adversely affected; and it appeared that it had become an established trend. Before the territory's return to China, Hong Kong people rated the British administration highly. The colonial

18. *Ibid.*, 4 October 2010. Poor families in this research report are defined as those with incomes equal to or less than half of the median incomes of families in Hong Kong with the same number of members; for example, one-person families during the survey period each with monthly incomes of HK\$3,275 or less, two-person families each with monthly incomes of HK\$7,100 or less, three-person families each with monthly incomes of HK\$10,000 or less, four-person families each with monthly incomes of HK\$12,000 or less.

19. *Ibid.*, 20 January 2010.

20. *Ibid.*, 14 August 2009.

administration received a much better evaluation than that given to the British and Chinese governments; and the British government tended to secure a slightly better assessment than the Chinese government. Since Hong Kong's return to the Motherland the situation has been reversed. In recent years, Hong Kong people have demonstrated a considerably higher degree of trust in the central government and a lower degree of satisfaction with the HKSAR government (see Table 1.1).

In the past, the gap between the rich and poor in Hong Kong had been substantial. At the beginning of the 1970s, the Governor, Sir Murray MacLehose, made a substantial commitment in the public housing and education sectors, thus offering significant improvements in the quality of life at the grassroots level. But neither the British administration nor the community were attracted to the “welfare society” model. Most important of all, before the Asia-Pacific financial crisis in 1997–98, Hong Kong people considered the territory a place full of opportunities, where individuals' efforts would be rewarded. Even those who lacked the educational qualifications and prospects for upward social mobility would still pin their hopes on their second generation, who hopefully would become professionals and business executives through tertiary education. The alleviation of inter-generational poverty has become a social issue only in recent years.

In view of the globalisation process, Hong Kong understands that it has to become a knowledge economy. Hence the competitiveness of the low-education, low-skill labour force has been in sharp decline; and the income gap of the labour force has been widening. In the economic integration between Hong Kong and the Mainland, the former's labour-intensive industries moved to the Pearl River Delta in the early 1980s, and the labour-intensive services followed. Meanwhile, the inflow of immigrants from the Mainland expanded the supply of unskilled labourers with a low level of education, contributing to the phenomena of increased population of “working-poor” families, lack of improvement in incomes during the recent economic recovery, etc.

In September 2010, a survey revealed that among the fourth-generation Hong Kong people (born between 1976 and 1990) interviewed, 20% had experienced downward social mobility in the past five years, i.e., moving down the occupational ladder. This downward movement was

Table 1.1
Hong Kong People's Evaluations of Donald Tsang (The Chief Executive),
the HKSAR Government, and the Central People's Government,
as Reflected by Public Opinion Surveys, 2005–10 (Half-yearly Averages)

Date of Survey	HK People's Rating of Donald Tsang (A)	HK People's Satisfaction with HKSAR Government (B)		HK People's Trust in Central Government (C)	
		Very Satisfied/ Quite Satisfied	Very Dissatisfied/ Not Quite Satisfied	Very Trust/ Quite Trust	Quite Distrust/ Very Distrust
July-Dec., 2010	53.8%	31.3%	35.30%	41.70%	22.10%
Jan.-June, 2010	51.40%	29%	38.70%	43.70%	30.40%
July-Dec., 2009	52.90%	31.70%	32%	47.90%	16%
Jan.-June, 2009	53.90%	28%	31.20%	52.60%	15.40%
July-Dec., 2008	53.20%	27%	30%	53.10%	14.40%
Jan.-June, 2008	63.50%	47.60%	31.20%	54.90%	13.40%
July-Dec., 2007	64.90%	51.60%	29.60%	54.40%	15.60%
Jan.-June, 2007	66.10%	49.40%	14.10%	49.90%	15.50%
July-Dec., 2006	62.90%	42%	15.10%	44.60%	19.70%
Jan.-June, 2006	67.30%	51.50%	10.90%	48.50%	18.70%
July-Dec., 2005	67.40%	49.20%	12.60%	46.80%	24.40%
Jan.-June, 2005	72.3%	29.10%	28.80%	43.20%	24.70%

- Notes: 1. Question asked for (A)—On the whole, do you support Donald Tsang? The other options were half-half and don't know/ hard to say, which are not included in this table.
2. Question asked for (B)—Are you satisfied with the performance of the HKSAR Government? The other options were half-half and don't know/hard to say, which are not included in this table.
3. Question asked for (C)—On the whole, do you trust the Beijing Centre Government? The other options were half-half and don't know/hard to say, which are not included in this table.

Source: Public Opinion Programme, The University of Hong Kong, <http://hkupop.hku.hk/>

more conspicuous among the strata of low-skilled and unskilled workers, which constituted 44% of the group of affected interviewees. Over half of the respondents admitted that they had no opportunities for upward social mobility because of low educational qualifications.

According to this survey, 51.9% of the fourth-generation Hong Kong people (assuming those who arrived at Hong Kong round about 1949 and before were the first generation) interviewed believed that they had failed to secure upward social mobility opportunities because of their “low educational qualifications”; 38.9% of the respondents blamed the Hong Kong economy; and 33.3% considered the fact that they had not worked hard enough and that faulty government policies were the root causes respectively.^[21]

It is relatively easy to understand that those with “low educational qualifications” lack upward social mobility opportunities; what about those with high educational qualifications? In recent years, there has been much media discussion on the frustrations and anger of the “post-80s” generation, including university graduates who were regarded as social elite. Naturally, the supply of university graduates has been increasing, and they have to adjust their expectations to avoid the scenario of “the higher the expectation, the bigger the disappointment”.

In 2008–09, the median monthly salary of a fresh university graduate was around HK\$11,000. If the young person stays with his or her parents, there is still some money to spend. The major grievance of young graduates is that, after working for ten years, their monthly salary may still stay at the level of below HK\$30,000. Breakthroughs may occur during boom times, but their remuneration would often fall back to the usual level in economic difficulties. If, unfortunately, one becomes unemployed for more than half a year, there is a danger of being marginalised in the job market.

Ownership of residential property is often beyond young professionals and executives with satisfactory incomes. In the spring of 2010, a young

21. *Ibid.*, 13 September 2010. The survey was conducted by a consultancy firm commissioned by the Hong Kong Association of Professionals and Senior Executives in May–July 2010.

couple complained in a radio phone-in programme that as a doctor and a lawyer (the most enviable professions in the territory) respectively, they could not afford to buy a flat. Donald Tsang suggested that they should consider the northwestern districts in the New Territories. The episode became a hot talking-point in the community for a while. Obviously the younger generation is not optimistic about its future.

4. Social Cleavages and Collusion between the Government and Big Business

The pro-Beijing camp is generally unhappy with the performance of the Donald Tsang administration. Their major complaints are two: the Tsang administration has failed to tackle the broad structural problems of the economy; and it has allowed dissatisfaction in the community to accumulate, exacerbating various types of confrontations. Local media have observed that the central leadership appreciated the performance of the Edmund Ho administration in Macau more.

From an ideological point of view, the pro-Beijing camp does not insist on upholding the economic philosophy of “positive non-interventionism”. It considers the China model a success, and believes that it is a good thing that the HKSAR government has the capability to engage in macro-economic adjustment and control. It looks for good results. At the same time, it is concerned with the gradual decline of the territory’s international competitiveness, and that the Tsang administration has been unable to turn the tide. The lack of achievements in the promotion of the six strategic industries and the limited success in economic co-operation with the Mainland are two of the foci of their criticisms.

These criticisms are widely shared by the people of Hong Kong. They consider that the maintenance of the rule of law and the reliability of the territory’s financial system contributed to much reducing the potential damage of the Asia-Pacific financial crisis of 1997–98 and the global financial tsunami in 2008–09. However, Hong Kong has no significant new, innovative industries and services, and the greatest threat is a slow decline in its competitiveness.

In early 2010, Beijing published a report on the development of provincial economic competitiveness in China in 2008–09. It indicated that Hong Kong's ranking declined from the first in 2007 to second in 2008, surpassed by Taiwan and also witnessed a narrowing of its lead over Beijing and Shanghai. It was Shanghai that secured the central leadership's endorsement to become an international financial centre in 2020, and Shanghai's ambition has an impact on Hong Kong too. The territory realises that it has to extend its lead in the years ahead and consolidate its status as an important international financial centre, otherwise its competitiveness will be weakened. But besides asking for Beijing's favorable policies in allowing Hong Kong to develop its renminbi businesses, the Donald Tsang administration does not have a credible response plan.^[22]

The exacerbation of social cleavages is in violation of the broad objective of developing a harmonious society. During the Tsang administration, there was no repetition of the largescale protest rallies of 2003 and 2004, but the community's evaluation of its performance has been far from impressive. Donald Tsang declared that he did not think much of public opinion polls on his evaluation, but the resource allocation of his personal staff obviously showed that he cared for his image-building and the public responses to his policies.

In his second term, Donald Tsang did not have to worry about his re-election, and he had ample room to consider serious reforms and the introduction of important policies. Political reforms must be cleared with the central leadership; but the broadening of the tax base and the introduction of a value-added tax, a programme for the provision of long-term finance for medical care, etc. would all make significant contributions to the territory's development. The Donald Tsang administration, however, has been avoiding controversial issues all the time; its low level of support has probably been an important consideration, and the difficulty of arriving at a consensus in the community undoubtedly has been a serious obstacle.

22. *Ibid.*, 1 March 2010.

The latter is related to the exacerbation of various types of social cleavages, and they in turn are the result of the failure of the HKSAR government to mobilise the community for the long-term development of the territory. The widening of the gap between the rich and poor has been an increasingly serious structural problem, like that in Mainland China. But there is one big difference between the two—people in the Mainland have enjoyed an impressive improvement in living standards in the past three decades and more, and they have confidence that tomorrow will even be better. In contrast, the majority of Hong Kong people consider that their quality of life has been in decline in the past decade, and they are not optimistic regarding the prospects of an improvement of their living standards in the future. More important still, they do not believe that their government cares about their difficulties and demands.

Political reform is a significant bottleneck. The British administration was not an elected government, and its legitimacy was based on its performance.^[23] Since Hong Kong's return to the motherland, the performance of the HKSAR government has been disappointing, and the legitimacy accumulated before 1997 has been much eroded. Donald Tsang is obviously not a charismatic leader. As he is not interested in promoting democratic reforms, and he is not perceived to be performing well, his administration suffers from a legitimacy deficit. The only appeal of his administration is probably the support from the Chinese leadership.

Since the design of the policy for securing the return of Hong Kong in the era of Deng Xiaoping, a very important consideration on the part of the Chinese leadership has been the maintenance of investors' confidence; hence their interests have been well protected.^[24] A significant example is the stipulation in the Basic Law that legislators cannot propose an increase in government expenditure, to ensure that the business community's taxation burden will not be made to rise too readily. As the local major

23. Joseph Y. S. Cheng, "Political Modernisation in Hong Kong", *The Journal of Commonwealth & Comparative Politics*, 27(3), November 1989, pp. 294–320.

24. See Lu Ping's oral account compiled by 錢亦蕪, *Lu Ping's Oral Account on the Return of Hong Kong to China*, Hong Kong: Joint Publishing.

business groups develop and expand their investment in the Mainland, their influence on the Chinese leadership has correspondingly increased.

Top business leaders in Hong Kong have more contacts with Chinese leaders than the Chief Executive does; and they are the key group consulted by Beijing regarding the choice of the Chief Executive. In recent years, there is a saying in the Mainland: previously tycoons courted senior officials, now is the other way round. The same applies to Hong Kong.

During British colonial rule, top civil servants made policies in a neutral manner without conflicts of interest; and the performance of the civil service government was appreciated by the community. After 1997, in the eyes of Hong Kong people, the HKSAR government increasingly favours the major business groups at their expense. The lower social strata complain that they have not been able to enjoy the fruits of economic development; and the middle-class's sense of political impotence has grown.

The condition of the real estate market is probably most frustrating from the latter's point of view. Middle-class families often spend their life savings to buy their accommodation, and historically real estate developers have refused to offer the exact measurements of their flats. Various phenomena of "inflated construction areas" have been worsening. When prospective buyers go to see model units, they are often not allowed to take photographs or measurements. This arrogance of real estate tycoons gives rise to resentment against the rich which has become a media discussion topic recently, and this emotion has spread to cover the HKSAR government as well.

The "Lehman Brothers mini-bond issue" during the global financial tsunami caused many protests, and the protesters also severely criticised the inadequate supervision on the part of the government. In fact, the government has been catering to the interests of banks and other financial institutions; which have no obligation to inform their clients of the commissions charged by agents in the sales of their insurance and financial products. The supermarket business in the territory is a duopoly, even as Carrefour failed to enter the market despite its success in the Mainland. Various real estate groups favour their respective associated telecommunications firms in their housing projects so that the

development of a territory-wide telecommunications platform has been handicapped. All these practices not only violate consumers' interests, they also adversely affect Hong Kong's long-term development.

In his Policy Address in October 2010, Donald Tsang finally indicated that his administration would tackle the issue of "inflated construction areas" by requiring real estate developers to provide exact measurements of their flats. But the HKSAR government then offered a "grace period" and stated that it would seek a consensus with real estate developers. The community was still waiting to see if the Donald Tsang administration was serious in exerting pressure on them.^[25]

During the tenure of the Tsang administration, there emerged more and more criticisms of collusion between the government and big business. An obvious indicator is the appointments to the government's advisory committees, for which the responsibility clearly falls on Donald Tsang and his top officials. Following the practice of his predecessor, membership of the government's advisory committee system is largely limited to between 400 and 600 people, who are mainly key members of the major business groups and their families as well as professionals associated with these business groups.

This situation is even less open than that in the 1970s and 1980s when the British administration was eager to involve some dissenting voices in the advisory committee system to ensure that a broader spectrum of views was heard and to demonstrate its liberal position. Further, the British administration established a convention that a community leader should not serve on more than six advisory committees nor serve on any committee for more than six years. In recent years this convention has ceased to be observed. Media reports indicate that there are a few "kings of public offices" who serve on dozens of government bodies; and there are members who serve for more than six years in some advisory committees.

Moreover, many young members of the second and third generations of prominent business families often receive appointments to important

25. See footnote 9.

advisory committees. “Senior officials courting tycoons” is perceived as the only explanation. This situation has also discouraged many professionals who are eager to serve the government as a contribution to the community.

The legitimacy deficit of the Donald Tsang administration, the community’s perception that it ignores Hong Kong people’s interests, policies favouring major business groups, and the gradual blocking of consultation channels, have all worked to exacerbate social divisions. The administration’s response has been the avoidance of controversial policy issues, reducing itself to a lame-duck government.

5. Political Reforms and the Erosion of the HKSAR’s Autonomy

During Donald Tsang’s campaign for re-election as Chief Executive, he told journalists that he would “engage in a tough game” to settle the challenging issue of political reforms. In his first policy address after re-election, he stressed that he had a constitutional duty to resolve the question of political reforms in the territory.^[26]

In spring 2010, however, both central government officials and the Donald Tsang administration indicated that the latter does not have the authority to tackle the political development of the territory beyond 2012 in their promotion of the latter’s political reform package. This begs the question: When did the Donald Tsang administration lose the authority to handle political reform beyond 2012? When did the central government take back this authority from the HKSAR government? Both the central government and the HKSAR government still owe Hong Kong people an explanation.

For Hong Kong people, the general understanding of the Basic Law has been that, for amendments of the method for selecting the Chief

26. See the policy address delivered by Donald Tsang on 10 October 2007 entitled “A New Direction for Hong Kong”; see all major local newspapers of the following day for commentaries.

Executive for terms subsequent to the year 2007, the endorsement of a two-thirds majority of the full Legislative Council, the consent of the Chief Executive, and the approval of the NPCSC have to be secured. Similarly, amendments to the method for forming the Legislative Council can be made only if the endorsement of a two-thirds majority of the full Legislative Council and the consent of the Chief Executive are secured; and it has to be reported to the SC of the NPC for record.

There are no stipulations in the Basic Law that the HKSAR government must first seek the authorisation of the NPCSC before it can deal with the roadmap and the timetable of the political reforms beyond its present term. During the drafting of the Basic Law, Hong Kong people were not aware that there had been such discussions on the prerequisite of NPCSC authorisation. Nonetheless, it is apparent that when the next HKSAR government intends to approach the abolition of function constituencies in the Legislative Council by 2020, it has to seek the NPCSC's authorisation first.

When the Tsang administration announced its political reform package, Maria Tam Wai-chu, a Hong Kong member of the Committee for the Basic Law of the HKSAR under the NPCSC, revealed in a Radio Television Hong Kong (RTHK) television talk-show that “universal and equal representation” applied to the electoral right of Hong Kong people and it would be defined by the central authorities in Beijing, and not be based on any international human rights document. When did the central authorities arrive at this important decision? Had the HKSAR government been consulted on this? If so, why didn't the Tsang administration consult the Hong Kong community, or at least inform it of the “new policy”? It is certainly inappropriate for such a significant decision to be revealed to the Hong Kong people in a television talk-show.

There was gossip within local media circles in May-June 2010 that some pro-Beijing legal experts in Hong Kong were working to produce a definition of “universal and equal representation” applicable to the territory's future political reform packages. Has the Donald Tsang administration been involved in this work? Certainly the incumbent HKSAR government has to be accountable to the Hong Kong public regarding Maria Tam's revelation. Further, it is obliged to ensure that Hong

Kong people will be involved and consulted in this process. Regrettably we have not heard anything from the Tsang administration so far in this regard.

On 24 May 2010, after meeting the Democratic Party (DP) delegation on the political reform issue, Li Gang, Deputy Director of the Central Liaison Office in Hong Kong, was at pains to attempting to explain to the media that his office was not a “second governing team” in the territory. This was actually the first local press conference on the part of the leadership of the Central Liaison Office, and the “second governing team” was an important issue to be clarified. Why should Li Gang consider this something to be clarified in this first press conference, as no reporter raised this issue? Certainly he realised that many Hong Kong people had this perception; and it was much more than an idea floated in an article by his former colleague Cao Er-bao published in *Study Times*, the official journal of the Central Party School in Beijing.^[27]

When the central government authorised the Central Liaison Office to meet some pro-democracy groups in Hong Kong, it should have carefully considered whether the latter should assume the role of receiving messages from the entire Hong Kong community and serving as a bridge between Beijing and Hong Kong on the issue of political reforms. If this is the case, then it must observe the principles of openness and high transparency. If the Central Liaison Office has indeed assumed this role, then the Chinese leadership must consider the impact on the HKSAR government and the HKSAR’s autonomy. The Donald Tsang administration obviously has neglected its duty to safeguard the HKSAR’s hitherto high degree of autonomy. In recent years, more and more protest rallies related to political reforms have chosen to approach the Central Liaison Office; this phenomenon is a good reflection that Hong Kong people realise that the Donald Tsang administration has no role in this regard.

In June 2010, when the Democratic Party released its political reform proposals, officials of the central government and Central Liaison Office,

27 See all major Hong Kong newspapers on 25 May 2010. See also 曹二寶, “Hong Kong’s Governing Force under the Conditions of ‘One Country, Two Systems’”, (*Study Times*, a publication of the Central Party School).

Rita Fan, Hong Kong deputy of the NPCSC, and Elsie Leung, deputy chairman of the Committee for the Basic Law of the HKSAR under the NPCSC, all went public to declare that the proposals contravened the related decisions of the NPCSC. But in less than a week's time, they all reversed their position—not only were the proposals said to be in line with the related decisions of the NPCSC, they also highly praised the proposals.

According to the Constitution of the People's Republic of China, the NPCSC has the authority to interpret the Constitution, like the Supreme Court of the United States and the Constitutional Courts of some European countries. The reversal of their previous positions on the part of the Chinese officials, Rita Fan and Elsie Leung on their assessment of the Democratic Party's political reform proposals seriously discredited the solemnity of the NPCSC's decisions.

The perception of the Hong Kong community was that as long as the central leadership had made the decision, the Chinese officials concerned would follow it to interpret the NPCSC's related decisions. Hence it could only see the will of the leadership, and it failed to see a defence of the rule of law.

On 21 June 2010, the people of Hong Kong came to know that the Chinese authorities had endorsed the Democratic Party's political reform proposals; and on 23 June 2010 the Legislative Council had to vote on the revised political reform bill. There were significant differences between the original version of the HKSAR government's reform proposals and the revised version incorporating the amendments suggested by the Democratic Party. Regarding the former, there was a formal consultative document to facilitate discussions in the community; regarding the latter, Hong Kong people only had a rough idea through media reports. The community was certainly confused by the conflicting statements made by the Chinese officials, Rita Fan and Elsie Leung on the proposals of the Democratic Party.

Through the intervention of the central government which succeeded in securing the support of the Democratic Party and the Hong Kong Association for Democracy and People's Livelihood, the Donald Tsang administration had enough votes in the Legislative Council to overrule

proposals to delay voting on the political reform bill and to pass the revised political reform bill. But due process requires adequate time for Hong Kong people to deliberate on a very significant political issue. Though the Donald Tsang administration had to give way to the central government in the handling of political reforms, and it had no political will to defend the high degree of autonomy of the HKSAR, at least it should have the decency to respect due process in the passage of the political reform bill.

6. Differential Treatments and the Recruitment of Talents

The British administration was a civil-service government. During the first term of the C.H. Tung administration, Tung did not get along well with his Chief Secretary for Administration, Anson Chan; and he had difficulty effectively exercising his command over the civil servants. In his second term beginning in 2002, Tung introduced the Principal Officials Accountability System (POAS), with the objective of forming his own political team. Donald Tsang went a step further to expand the political appointments to include a batch of deputy secretaries and political assistants. This has generated new assets to reward the Chief Executive's supporters, thus facilitating the attraction of the community's elites to support the government.

Theoretically, the POAS serves to recruit talents from the business community, the professions, academia, etc., to help remedy the inadequacies of the existing civil service; more important still, it enables the civil service to maintain its political neutrality. Regarding the former, apparently the C.H. Tung administration had failed to attract any heavyweights from the business community to join the government; and the situation continued to deteriorate during the Donald Tsang administration whose policy secretaries almost all came from the civil service. Under such circumstances, Hong Kong people naturally raised the question: If the political team was roughly the same batch of top civil servants, what was the point of introducing the POAS?

Difficulty in external recruitment is partly related to the absence of the American political culture where highly successful business leaders feel an obligation to accept public service with the associated political risks and sacrifices in income. Most local business leaders are not too concerned with the question of financial remuneration. They have been discouraged mainly because they do not find the idea or opportunity attractive as they consider that as policy secretaries they may not be able to achieve much while attracting a lot of criticism.

The appointments of deputy secretaries and political assistants on the part of Donald Tsang were quite controversial on issues such as their nationalities, the confidentiality of their salaries, etc. These issues demonstrated a lack of careful consideration by the Donald Tsang administration; moreover, Hong Kong people did not seem to have a high evaluation of the appointees. After some years of service, they still do not seem to have won the community's support.

The Commission on Strategic Development deserves some attention. It was established by C.H. Tung in 1998; and at the beginning of the Donald Tsang administration it was considered the most important advisory body. In October 2005, in his first formal policy address, Donald Tsang declared that he would substantially expand its membership by inviting talents from different fields so that it may serve as a platform for all sectors of the community to explore with the government major issues pertaining to Hong Kong's long-term development, especially at the early stage of policy formulation. Four committees were then set up within the commission; and the commission and its four committees were served by a secretariat established within the Central Policy Unit, which provided both secretarial and research support. Despite the apparent priority accorded to the commission, today Hong Kong people hardly feel its impact.^[28]

In a democratic, pluralistic polity, the civil service has to maintain its neutrality, treating all political parties in the same manner. Since the introduction of the POAS, the defence of government policies should

28. Latter, *op. cit.*, pp. 115–119.

no longer be the civil service's responsibility. But Donald Tsang stated that "there is a difference between those who are close to and those who are distant from the government"; and during his administration, in the District Councils and in many other areas, activists in the pro-democracy movement obviously did not feel that they had been given equal treatment by the civil service. In fact, not a few responsible persons of social service voluntary bodies and members of official advisory committees who had no political party affiliations consider that they were cold-shouldered by senior civil servants after openly articulating criticisms of the government.

These practices may create some deterrence effect against critics; but in the long term, Hong Kong people become more alienated from the government. On the other hand, the civil service's low morale has been an open secret; the community's dissatisfaction with the Donald Tsang administration has naturally affected its enthusiasm. Most political appointees under the POAS have failed to win respect and support. Many civil servants lament the fact that their superiors spend most of their time responding to media criticisms to the extent that they cannot concentrate on their work. The low morale of the civil service in turn adversely affects the performance of the government, thus attracting more criticism, and completes the vicious circle.

7. Conclusion

The economy of Hong Kong fortunately can still maintain stable growth. As its dependence on the Mainland economy increases and the latter achieves impressive growth, it naturally benefits Hong Kong, which is already a mature economic entity, and the community understands that it cannot expect very high growth rates. Middle-class households also realise that they enjoy probably the highest living standards in Asia. In a society where the rule of law is respected, and law and order well maintained, Hong Kong people feel secure. Despite the gradual decline of the territory's international competitiveness, the community is still proud of its achievements. All these are the foundation of Hong Kong's good governance. Though the Donald Tsang administration's performance is lacklustre, the government machinery on the whole runs effectively.

Dissatisfaction is accumulating in Hong Kong society, but most people's response has been a sense of helplessness, not anger. Radical political actions symbolised by the protests of the League of Social Democrats, though far from radical by western European standards, can only attract the support of a minority, normally estimated to be around 10% of the public. Most Hong Kong people resent its protest activities. Their value orientations tend to be conservative, and they favour the maintenance of the *status quo*. They selectively support gradual reforms, and are worried that radical political campaigns may de-stabilise the society. The most popular political leaders attract the public's support by moderate images, and are perceived to have been articulating the voices of the silent majority. They are definitely not revolutionary leaders.^[29]

In the eyes of Hong Kong people, the widening of the gap between the rich and poor, the reduction in opportunities for upward social mobility and the decline in the territory's international competitiveness are broad trends; and they only hope that through hard work they can be exceptions to the trends. Fortunately, a vast majority of Hong Kong people still believe that their efforts will be rewarded. In this context, the avoidance of controversial issues on the part of the Donald Tsang administration may not have been unwise, at least it can avoid confrontations and maintain stability.

A sense of helplessness usually does not lead to political confrontations. Most Hong Kong people see democracy as an ideal; but since the Chinese leadership is against it, the most they can do is to take part in protest rallies. They desire a better social security system too, but few would accept the Singaporean model of contributing a substantial portion of their incomes for a satisfactory pension scheme and a medical insurance programme.

Perhaps among all people, C.H.Tung should be the most grateful to Donald Tsang. Comparing two Chief Executives who have not done much for them in terms of economic development, social services and political

29. Joseph Y. S. Cheng, "Hong Kong Since Its Return to China: A Lost Decade?", in his edited volume, *The Hong Kong Special Administrative Region in Its First Decade*, Hong Kong: City University of Hong Kong Press, 2007, pp. 35–47.

reforms, Hong Kong people definitely favour an honest old man with his heart in the right place than an arrogant leader who has little sympathy for the grassroots.