

# Beikong's Transformation

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I love Hong Kong. I take very few East Asian megapoleis to heart, and the Bauhinia City is entrenchedly one of them (seriously - pretenders the likes of Taipei, Shanghai, Seoul and dare I say it, Singapore, have nothing on this place). It is precisely why when the *Wall Street Journal's* mighty opinions-generating apparatus pointed its red finger at Hong Kong yesterday, I had to take a step back, survey my own thoughts and nod in remorseful acquiescence.

I excerpt the WSJ op-ed:

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## THE WALL STREET JOURNAL

### 'Black Hands' in Hong Kong (Monday, December 5, 2011)

"The coming year will be a critical one for Hong Kong politics. Here's one way to tell: The pro-Beijing media's smear campaigns are plumbing new depths of defamation.

Elections for District Councils last month kicked off a rare year in which all levels of government turn over. Later this month, the territory's business and professional elites will select the members of a 1,200-member committee that will choose the territory's next Chief Executive early next year. Next year, those elites will pick half of the Legislative Council, while a complex electoral system of geographic constituencies determines the other half.

Hong Kong may still be far from full democracy, but there's enough uncertainty about the results to give Chinese officials sleepless nights. So in recent months they have ginned up a fresh campaign to accuse pro-democracy politicians of being stooges of foreign powers.

Publications controlled by Chinese officials and their allies are publicizing the donations of a local media entrepreneur, Jimmy Lai, to local pro-democracy parties as well as to the head of the local Catholic Church, Cardinal Joseph Zen, who supports pro-democracy causes. These donations were legal, but the writers allege Mr. Lai is a conduit for foreign money and influence and that the recipients are unpatriotic or even traitors. References to a "gang of four" and a rally of 2,000 people outside the headquarters of the pro-democracy Civic Party calling its leaders "black hands" recall the struggle sessions of the Cultural Revolution.

Eastweek magazine, which is owned by a member of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC), suggested that Mr. Lai does not have the resources to make \$5.4 million in donations over seven years, and that the funds came from the U.S. government. Considering Forbes magazine estimated Mr. Lai's wealth at \$660 million in 2009, this doesn't make sense. He denies the accusation and is suing Eastweek for libel.

China Daily meanwhile accused the Democratic Party of being American "avatars," while the Ta Kung Pao called another party's leader a "political gangster." A Hong Kong Commercial Daily editorial labeled Cardinal Zen "a political mercenary paid to fight for an unjust cause." Lau Nai-keung, a member of the Standing Committee of the National People's Congress (NPC), wrote in the South China Morning Post, "Some of the money given to Cardinal Zen, for example, was used to fund underground churches on the mainland, an act that could be deemed treasonous."

While the exact amounts of Mr. Lai's donations were news, it was public knowledge that he was the largest supporter of Hong Kong's pro-democracy parties and a leading light in the Catholic Church. Nor is it any mystery where his money comes from: He owns the most profitable publications in Hong Kong and Taiwan.

Beijing's smear campaigns preceding elections have a long history. Mirror magazine, founded by another CPPCC Standing Committee member, accused the U.S. government of interfering in Hong Kong politics ahead of Legislative Council elections in 2004. In 2006 Mirror was joined by the state-run Bauhinia magazine, which published six articles on U.S. interference. That material was repeated by other publications in the run-up to the Chief Executive election.

Another crescendo of anti-U.S. rhetoric came in 2007. Former Democratic Party Chairman Martin Lee wrote an op-ed for this newspaper urging the U.S. to press China on its human rights record ahead of the Beijing Olympics. The article was blatantly and repeatedly misquoted by the pro-Beijing media as calling for a Western boycott of the Olympics, and the Democratic Alliance for the Betterment of Hong Kong (DAB) distributed leaflets calling Mr. Lee a traitor. That raised the temperature ahead of District Council elections and a high-profile legislative by-election.

The extreme rhetoric may have encouraged triad-connected individuals to attack pro-democracy figures. Barrister Albert Ho, chairman of the Democratic Party, was savagely beaten in a downtown McDonald's in 2006. The police narrowly foiled an assassination plot against Mr. Lee and Mr. Lai during another election campaign in 2008. The triads maintain close ties to Beijing. In 1993, China's minister of public security endorsed the Sun Yee On, Hong Kong's largest criminal group, as "patriotic."

Verbal and physical attacks constitute their own form of interference in Hong Kong politics. In 1989, then-Party General Secretary Jiang Zemin famously used a proverb, "The well water does not interfere with the river water," to forbid Chinese government interference in Hong Kong politics and vice versa. Respecting Hong Kong's autonomy was one of the promises China made in the 1984 Joint Declaration, an international treaty with the U.K. that the U.S. and others have a legitimate interest in China upholding.

Since the political unrest in 2003 over proposed laws to restrict civil liberties, however, Beijing has abandoned its hands-off approach and expanded the responsibility of the Central Government Liaison Office in the territory. One of its staff wrote an article in 2009 saying it constitutes a second "ruling team" alongside the Hong Kong government. Meanwhile, the pro-Beijing parties benefit handsomely from donations by local business people. The DAB, for example, received eight times as much in donations as the Democratic Party in the most recent fiscal year on record, 2009-10, according to government filings.

Hong Kong's businessmen with mainland interests, which is almost all of them, know that they must give to the pro-Beijing parties, and that giving to the other side would be suicide. Such donations are supposed to be private, but it is common knowledge that Beijing has infiltrated the pro-democracy parties, and Mr. Lai's experience is instructive. The fact that the pro-democracy parties would be in dire financial straits without Mr. Lai's support - he gave 64% of the donations to the Civic Party last year - shows how strong Beijing's influence is.

The Hong Kong government won't pass a law governing political parties because there is one party whose activities in the territory must not be openly discussed: the Chinese Communist Party. As a result, donor transparency will never be mandated. That's a pity, because we suspect the pro-Beijing parties' list of supporters would make interesting reading. And when it comes to "black hands," the District Council elections last month suggest that if anything the sinister dealings are not on the pro-democracy side. The democrats pointed out a suspicious pattern of hundreds of people registering under fake addresses to vote in particularly close races. In a few cases this may have swung the results. The government says it is investigating.

In the privacy of the ballot box, the pro-democracy politicians poll a majority of the popular vote. Outside it, Beijing and the Hong Kong government have practically made them pariahs. Beijing's interference in Hong Kong's politics has reached such ugly and threatening heights that it's time the U.S. and other Western nations that are accused of meddling called Beijing out on it."

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My take on this?

Contemporary Hong Kong is precisely what Fareed Zakaria in a 1997 article (that later became a book) termed a "formal illiberal democracy". This isn't to say that pre-

1997 Hong Kong was a marble citadel of liberal democracy: it wasn't. Under British rule, Hong Kong wasn't a democracy in the limited Schumpeterian sense, though it *was* a liberal society as defined by Zakaria - embodying minimum civil liberties, a discernible separation of powers and the rule of law. By this account alone, the basic norms favoring a more substantive and institutionalized democracy were already in place. In the 1980s Hong Kong underwent an intensive phase of democratization and civic consolidation, leading to the creation of a nascent party system and culminating in its maiden direct elections to the legislature, the Legislative Council, in 1991. By 1995, Hong Kong's proto-democracy had taken the likeness of a more mature Western democracy, fusing elements of Millian liberalism with elements of Herodotian democracy in the Anglo-Saxon political tradition.

This is what makes Hong Kong a unique case study in democratization theory: in modern times it is perhaps the only part of the world that has retrogressed from a higher qualitative level of democracy to a lower level under the same conditions of economic development and political order. Like Singapore, Hong Kong is an archetypal case of what development theorists call 'postponed democracy', 'preconditions-based development' or a 'sequenced modernization'. Yet both experiences diverge further down this shared trajectory. As Adam Przeworski (1997) succinctly put it, "Singapore and (historically-analogous neighbor) Malaysia are the two countries that developed over a long period, became wealthy, and *remained* (emphasis added) dictatorships until now". Hong Kong on the other hand is the tale of a society that developed over a similarly long period, became wealthy, transitioned to proto- and eventually near-full democracy, but subsequently relapsed into liberal authoritarianism. What happened?

In a masterful book published in 2008, Canadian-based political scientist Sonny Shiu-Hing Lo (*The Dynamics of Beijing-Hong Kong Relations: A Model for Taiwan?* (2008), Hong Kong: Hong Kong University Press) tours the shifting landscape of Hong Kong's 'Mainlandized' political, judicial and social institutions, offering explanations for this detour. According to Lo, through 1999 and progressively from 2003, the quality of Hong Kong's democracy ebbed under the contradictory weight of extra-institutional influences emanating from Beijing. By 2004, the various mechanisms facilitating the Chinese central government's 'foreign' input into the Hong Kong political and administrative process (an activist National People's Congress Standing Committee and an interventionist HK Liaison Office, among other things) had become embedded in Hong Kong, assuming the form of a patron-client relationship that competed with and eventually crowded-out vestiges of the old colonial institutional order. Economic and fiscal convergence with China has made this all the more apparent: as a snapshot, that two of the three capital-raising companies that rescued Hong Kong's IPO market (HK is home to the world's largest IPO market) from ending 2011 on a depressed note were Chinese lends some ammunition to Lo's epithet that "when China sneezes, Hong Kong coughs". As Lo put it,

" The HKSAR economic dependency on the PRC has arguably made more people, especially the business elites, far more politically conservative than ever before. From July 1993 to April 2007, a total of 98 mainland enterprises were listed in the H shares (main board) of the Hong Kong stock market, carrying a market capitalization of HK\$3372.5 billion. While the assets of all these listed companies increased significantly and benefited Hong Kong's investors, they also accumulated a huge amount of capital from the HKSAR - a process of interdependency that is deepening. The

introduction of the Closer Economic Partnership Arrangement (CEPA) into the HKSAR by Beijing in 2003... ha(s) already helped Hong Kong's economic rebound tremendously but also rendered it an economic appendage of Beijing." (p. 11)

This goes some way to explaining how a rich, economically- and socially-developed society such as Hong Kong could retrogress from a relatively high level of democratic penetration before 1997 to progressively lower levels in succeeding years. Lo seems to attribute this phenomenon to a new post-1997 political reality - the establishment of a patron-client relationship or a virtual political "vassalhood" in which political acquiescence is purchased through the allocation of social rents (or exacted through the deprivation of social rents). This is in turn buttressed by an equally potent post-1997 *economic* reality: China's material preeminence, increasing economic convergence and the solidification of the Hong Kong-China umbilical cord. One excerpt rather nicely captures this:

" The patron-client politics in Hong Kong is an extension of Beijing's united front policy toward the HKSAR. The united front tactic is built on a powerful patron dispensing material and non-material benefits to all its friends and followers, namely social status, economic influence, and political power. Materially, the benefits acquired by the Hong Kong business elites are tremendous but hidden, especially with regard to their investment and business ventures in the mainland. Yet the united front policy implemented by Beijing is a skillful one that does not entail explicit material benefits conferred upon the Hong Kong clients... In short, non-material rather than material benefits are the *sine qua non* of Beijing's patronage umbrella in the HKSAR." (p. 32)

Confused yet? Let's plumb a little deeper. In Huntingtonian terms, the change of hands in 1997 effectively entailed a substitution of one set of 'rules of the game', or political institutions, (which before 1997 incorporated Western liberal tenets, democracy and economic independence from any identifiable 'center') with a new set of political institutions (embodying a client-patron relationship sustained by economic interdependence). Over time, the liberal political institutions that emerged in the closing years of colonial rule were crowded-out by a new set of formal and informal institutions installed by Beijing - new institutions which organizations representing the institutional status quo ante (free press, pro-democracy parties and civil society groups) have found themselves having to adapt to - at considerable cost. And because the overall degree and form of political institutionalization within a society is a function, Huntington argues, of the durability of the organizations within that society, the smothering of organizations idiosyncratic of Hong Kong's pre-1997 institutional architecture through both what Lo identifies as overweening 'mainlandization' as well as the Central Government's illiberal muscle-flexing as sketched in the above WSJ op-ed, ultimately leads to the extirpation of the contemporary remnants of Hong Kong's democratic institutions.

Hong Kong stands at the portals of 2012, as I've said above, a formal illiberal democracy. From its origins as a colonial liberal autocracy, it experimented with liberal proto-democracy in the 1980s and graduated to near-full liberal democracy in the early 1990s, only to relinquish this coveted credential in the early 2000s. Make no mistake: *formal* democracy has expanded in Hong Kong, and elections in the post-1997 era have been more inclusive than anything seen during the colonial period. But as many a development theorist will tell you (and I paraphrase Robert Dahl in particular), hollow is the formal right to contest and change the government in the absence of certain basic liberties: the freedom of association, expression and

information; the right to run for public office without harassment and the right to free and fair elections. While naked formal democracy certainly isn't a bad thing, *consolidated* democracy, achieved by expanding the catalog of rights and freedoms afforded to the electorate, is a positive. But as is true of most good things in life, you only get it if you want. As the self-perpetuation of Hong Kong's patron-client dynamic

" Politically, Hong Kong's economic reliance on Beijing means that more business elites are believing that there can be an artificial separation between the political and economics. The business tycoons, and many other elites leading the small and medium enterprises, firmly believe that without Western-style democracy, the HKSAR economy will survive and prosper with the back-up from Beijing. This view reinforces the anti-democratic orientations among the upper-middle classes." (p. 12)

Thus when Przeworski added that "the probability that a democracy will die during any particular year in a country with an income above \$4,000 is practically zero" (Hong Kong's per capita GDP was \$26,400 in 1997), he certainly wasn't shooting conjecture, but he might have been missing the finer picture.