FROM A BRITISH-STYLE ADMINISTRATIVE STATE TO A CHINESE-STYLE POLITICAL STATE:

CIVIL SERVICE REFORMS IN HONG KONG AFTER THE TRANSFER OF SOVEREIGNTY

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Abstract (146 words)

Before its transfer of sovereignty to China in 1997, Hong Kong was a British-style pure administrative state in which the civil service, particularly the administrative grade, monopolized most of the political power. After the handover, however, through civil service reforms at both policy-making and bureaucracy levels, much of the power has shifted from the bureaucrats of the pure administrative state to the politicians of a new Chinese-style political state as the civil service ceases to be a powerful autonomous political institution. While economic and management values are the major stated goals, these reforms are actually political reforms in disguise. This regime shift should be enduring because it reconciles the political systemic incongruity between the old governance model and the new China-dominated political order. Due to its "Chinese characteristics," however, the political state will impose more unpredictability, instability and ambiguity on the long-term governance of Hong Kong.

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Introduction

On July 1, 1997, Britain returned the sovereignty of Hong Kong to China. British colonial rule of Hong Kong finally came to an end after over 150 years and the new government, the Hong Kong Special Administrative Region (HKSAR) Government, began operating under Chinese sovereignty and the new constitutional framework set up by the Basic Law, the mini-constitution of Hong Kong. The year 1997 not only marks the change of sovereignty for Hong Kong, but also signifies the rise of a new political order (Kuan 1991; Ghai 1999; Lee 1999; Lau 2002; So and Chan 2002). However, when Hong Kong's sovereignty changed, the mode of governance left by the British colonial legacy, the administrative state, under which civil servants serve not only as the backbone of government but also as major policy-makers, remained intact.

The administrative state model of governance and its embedded power alignment are incongruent and in tension with the new political order of Hong Kong. It is also not fully consistent with the ideologies and values of the new political leaders, who have the China's endorsement and trust and a strong pro-Beijing background. The British colonial legacy has shaped the Hong Kong civil service as an autonomous and powerful institution with high political legitimacy (Lau 1982; Harris 1988; Miners 1998; Cheung 2001; Lo 2001; Welch and Wong 2001). With the civil service acting as an independent institution, pro-Beijing politicians have often found it constraining their power, posing an obstacle to their leadership and a roadblock for their policies. Since the reversion, there have been disagreements and even some major rifts between the politicians and the civil service in many policy areas, ranging from language policy in high schools to the overall implementation of the "one country, two systems" principle in Hong Kong.[1] Many of these disagreements and conflicts between the politicians and the bureaucrats are manifestations of the political systemic incongruity between the old governance model and its new China-dominated political order, as well as of the inner tensions within the "one country, two systems" policy (Chan, Fu and Ghai 2000; Lau 2002; So and Chan 2002).

To Beijing and the pro-Beijing politicians in Hong Kong, reforming the British model of civil service governance has become an important and inevitable step in reconciling the systemic incongruity between the authority rested in the administrative apparatus and the new political

[1] The disagreements are often characterized as personal differences between the leaders of the two groups: Mrs. Anson Chan, who was at that time Chief Secretary for Administration and head of the civil service, and Chief Executive Tung Chee-hwa of the China-backed politicians. In the view of the politicians, the resistance of the civil service often compromises if not blocks their policies. For example, in the policy of adopting Chinese as the language of instruction in high schools, more than 100 high schools are exempted because of the pressure from the civil service. Chan and Tung also seem to share different views of the pace of democratization in Hong Kong. For example, Tung advocates a policy of "depoliticalization" to freeze or even reverse democratization in Hong Kong, and would like to delay the consultation of the political development of Hong Kong until 2004 or even later (See Wong, 2003). However, in contrast to Tung's position, Chan has proposed a much earlier review of the democratic development. See Anson Chan, "Hong Kong Gear up for a World without Walls," (Hong Kong Yearbook, 1999).

reality of the post-1997 era. Civil service reforms, often disguised as management and economic-oriented reforms, have become effective and useful political tools for shifting power from the civil service to China-backed politicians. The influence of the civil service has been dramatically reduced by disguised political reforms, which were implemented after 1997 at both the policy-making and bureaucratic levels. These reforms not only strip the top civil service of their main policy-making tools, but also make the civil service, a formerly powerful and autonomous institution, more permeable and vulnerable to influence from the new political leaders. This is transforming the British-style administrative state into a new regime with Chinese characteristics. This article examines the background, context and content of the civil service reforms during the post-1997 period in Hong Kong and discusses their major implications.

The Administrative State of Hong Kong: An Ideal Type

Before 1997, the political system in Hong Kong was best described as a "pure administrative state" (Lau 1982; Harris 1988; Miners 1998). In some sense, every developed country is an administrative state because a large and powerful bureaucracy has become a standard feature of modern states. But Hong Kong was a *pure* administrative state because its large and powerful bureaucracy existed in the absence of a democratic context. Through monopolizing most of the political power, the pure administrative state in Hong Kong was a rare real-life ideal type of bureaucratic domination as described in the theories of Max Weber (Gerth and Mills 1958). In the model of bureaucracy developed by Weber, a German sociologist, it is the bureaucrats, owing to their administrative experience, expertise and permanency, who dominate the political system. Even with the presence of democracy, Weber maintains that this dominance can prevail since elected politicians must rely on the expertise of the bureaucrats to govern the modern state.

During most of the over 150-year British rule over Hong Kong, political power was held mainly by the local bureaucracy. While other organizations did appear in the chart of Hong Kong's constitutional design, they were mainly consultative in nature. Even if they had some statutory and constitutional power, like the Legislative Council, most of the power was granted by the bureaucracy and had to be exercised under its monitoring and approval (Harris 1988; Miners 1998). All governors, with the exception of Chris Patten, were members of either the British or the colonial bureaucracy. Regulation of the Hong Kong civil service ensured the high autonomy of the local bureaucracy against any extensive external influence by either the Governor or the British government. Many government functions, including budgetary and administrative powers, were decentralized to the Hong Kong administration and the Hong Kong government functioned as a de facto independent and self-governing state (Lau 1982). Not all bureaucrats were equal, however. As in Britain, generalist grade administrative officers were the most powerful and elite positions in the British civil service. Domination by the administrative grade was supported by a structural arrangement in which almost all top positions were reserved for the administrative grade only (Theakston 1995; Fry 1997).

Politicians, Bureaucrats and Images of the State

Aberbach, Putnam and Rockman (1981) presented a very useful classification framework for understanding the nature of the administrative state in Hong Kong. They used a set of four images to classify the power and functional relationship between politicians and bureaucrats within the state:

- Policy / Administration (Image I)
- Fact / Interests (Image II)
- Energy / Equilibrium (Image III)
- Pure Hybrid (Image IV).

In Image I, policy is made solely by politicians while the bureaucrats are only responsible for its administration. What Image I captures is no more than the traditional paradigm of politics-administration dichotomy as proposed by Woodrow Wilson (1887).

Recognizing the unrealistic and simplified nature of Image I, Image II reflects the view that both politicians and bureaucrats are policy-making participants, but they play different roles. In the policy-making process, politicians bring the values and interests they represent and bureaucrats contribute facts and knowledge. Neutral competence is the core component in the policy participation of the bureaucrats. Image III goes further along the line of politicization of the civil service to point out that bureaucrats usually articulate narrow, more focused, and more organized interests, while politicians usually articulate the broader, more diffused, and less organized interests. Bureaucrats bring more equilibrium and stability to the political system, and politicians bring more energy and change.

Image IV, the Pure Hybrid, is the most extreme case in the classification along the continuum of growing political power and enhanced role of the bureaucrats. In this image, not only do politicians and bureaucrats share political power, they actually play overlapping and often indistinct and interchangeable roles in policy-making. This pure hybrid image captures the realities of power-sharing between politicians and bureaucrats in most Western democracies. As the two major forces of modernization, democracy and bureaucratization, meet each other, bureaucratization of politics and politicization of bureaucracy become the interactive dynamics of real-life politics.

The political system of the pure administrative state presented by Hong Kong, according to this classification methodology, can be taken as Image Five. In this image, the bureaucrats perform all the roles and functions of the politicians. Bureaucrats in Hong Kong, particularly administrative officers, are not only responsible for administration. In the absence of democracy and politicians in Hong Kong, they go far beyond the role of neutral competence to actually define public interest and make policy themselves. Unlike the pure hybrid model, in which bureaucrats and politicians share political power, bureaucrats in Hong Kong essentially monopolized political power for most of the period of colonial administration.

By monopolizing political power, the pure administrative state is also a pure bureaucratic polity. Since it has sucked up most of the functions and resources of other political organizations, it is also a no-party state. More than that, many problems in society are framed as technical problems that require only experts - not politicians - for resolution. This "administratization of politics" establishes governing legitimacy as society under the administrative state becomes apolitical and suffers from no "political problems." Rather, it deals solely with "administrative issues" which the bureaucrats can capably address due to their wealth of expertise and knowledge (Harris 1988; Cooper and Lui 1990). This situation did not start to evolve until the British introduced democratic reforms in Hong Kong from the mid-1980s to the late 1990s as the sovereignty of Hong Kong was going to be returned to China. Although the bureaucrats' monopoly on political power was to some extent undermined by the reforms, up to the point of Hong Kong's reversion, the bureaucrats remained powerful actors in the policy-making process.[2]

By extending the images of power sharing between bureaucrats and politicians, an "Image Zero" can be derived in which most of the power is monopolized by politicians. The power of the politicians in this new image is stronger than that in Image I (politics / administration). Although bureaucrats are not assumed to have strong political influence in Image I, they can at least maintain their autonomy in the sphere of administration with relatively little political intrusion. Image I therefore reflects a segregation of power in the dichotomy of politics and administration. But in Image Zero, the politicians' can actually reach deep into the administrative apparatus to "politicize" the bureaucracy. As will be discussed in the later part of this article, the civil service reforms in Hong Kong, with the rise of pro-Beijing businessmen politicians and the relatively unregulated nature of their new power, seem to be moving the governing system of Hong Kong in this direction. Therefore, reforms have shifted the mode of political system in Hong Kong from one extreme to another extreme.

The stability and sustainability of the administrative state depend on factors other than the state's own governing capacities, and can be as changeable as the fragile balance among these underlying factors. That is, while the administrative state's structure and the bureaucrats' competence should be given some credit for Hong Kong's efficient and stable governance, the survival of the administrative state relies on factors other than its own performance and capacity. Historically, bureaucrats had been handed the right to govern by both Britain and China. Taking the administrative state and the democratic state as two contrasting alternatives in the choice of models of governance for Hong Kong, both China and Britain preferred an administrative state. Unless Britain had a plan for the independence of Hong Kong, full democratization would only create more trouble and instability for the colonial administration. From China's perspective, independence was not a feasible option, as China always stressed its sovereignty over Hong Kong and looked forward to its retrocession when the time was ripe.

[2] One of the reasons democratic reform did not pose a widespread and serious challenge to the power of the bureaucrats is that most of the reform focuses on opening up the legislature to election. However, under the executive-led government setting in Hong Kong, it is the executive branch that possesses most of the political power. For example, up to 1997, the civil servants retained their monopoly of all the top policy-making posts in the administration. Also, under the executive-led government and with the possession of policy and administrative expertise, almost all laws were drafted and all policies were formulated by the civil service.

The Administrative State and Hong Kong Society

China's approval and cooperation were critical for the British governance of Hong Kong (Lau 1987; Miners 1998). On China's side, the calculations were very similar to those of the British. Given impending reunification, China did not want to see a democratized Hong Kong, especially when the Chinese state was still authoritarian in nature. There were also fears that a democratic movement in Hong Kong could easily spread to the mainland and pose a serious threat to the Communist regime. The pure administrative state became a common strategic consensus of the two countries on the governing of Hong Kong.

Internally, Hong Kong's social-economic circumstances and the successfully drafted governing strategies of the administrative state provided it with stability and sustainability. Siu-Kai Lau, a Hong Kong sociologist and currently the Head of Central Policy Unit (CPU) of the HKSAR government, has referred to Hong Kong as a "minimally-integrated social-political system" for a long period under the colonial rule (Lau 1982). One of the core features of such a system was the coexistence of a bureaucratic polity and a Chinese society, with limited linkages and exchanges between them.

When the bureaucracy was powerful, it strategically confined its power and limited its functions in order not to intrude into the activities and functions of the Chinese society. The self-restraint of the administrative state in limiting its role and not projecting its power to all corners of society made its actions less intrusive and its governing task more manageable. On the other hand, Chinese society, self-sufficient in many of its functions, did not pose large demands for political participation or social services on the bureaucracy. Therefore, the bureaucracy and Chinese society have been mutually compatible and have reinforced each other in sustaining the "minimally-integrated social-political system."

With the expansion of the public sector in the last two decades, however, and particularly given the enlargement of the government's role in providing social services, some of the factors forming and consolidating the system had weakened.[3] As a result, the administrative state depended more and more on other factors and strategies for its maintenance. For example, the authoritative and technocratic nature of the administrative state was compatible with the traditional Chinese political culture. Moreover, the administrative elite often attempted to take advantage of their institutional autonomy to strike reasonable balances among different competing interests in Hong Kong, thereby winning their support. Despite the absence of procedural political legitimacy, the ability of the bureaucracy to maintain political stability and

[3] The government has played an active role in the provision of social services, such as education, health care and housing, in Hong Kong. Half of the population in Hong Kong lives in public or government-subsidized housing, and the public health care system in Hong Kong has a market share of more than 90%. Education is also heavily subsidized and universities in Hong Kong receive about 80% of their funding from the government. The role of the public sector in Hong Kong, however, can still be considered as small by an international standard. For example, in 1997, public expenditure as a percentage of GDP was only 17.7%. For the US, this figure is usually in the range of 30%.

economic prosperity, coupled with fast and strong economic growth, had given the state high political performance legitimacy (Huntington 1968; Sing 2001; So and Chan 2002).[4]

Anticipating public demands in advance and meeting them promptly were major governing strategies of the administrative state in maintaining social stability, preventing political mobilization of social groups, and alleviating the need for democratization (Huntington 1968). The high caliber of the generalist-administrative officers, particularly at the upper elite level, was demonstrated by their political sensitivity, foresight and responsiveness to public demands, and played a critical role in building up the legitimacy of the bureaucracy to govern in Hong Kong. In addition, the bureaucracy strategically developed an extensive network of consultative and advisory committees. In the absence of a democratic system, these committees served as surrogate channels for collecting public opinions and testing policy ideas. They also performed the cooptative function of "administrative absorption of politics" and elite recruitment (King 1975). In "administrative absorption," local elites were "absorbed" by the administrative state to serve on the consultative committees and other decision-making bodies which assisted the policy-making of the bureaucracy. This helped reduce the local elite's sense of alienation and dissatisfaction, which lessened political threats to the state. At the same time, participation of the local elite, with their knowledge of and networks within the business and social communities, enhanced the administrative state's capacity to draft better policies to meet public needs.

Out of Balance: The Collapse of the Administrative State

Political Pressures for Change: The Rise of China

The ability of the pure administrative state to survive has been severely jeopardized in the post-1997 period because many factors critical to its existence are either rapidly changing or being seriously undercut. Both a political systemic incongruity between the administrative state and the new political order, and an organizational-structural mismatch between the civil service system and its rapidly changing and dynamic external environment exist in post-1997 Hong Kong. The surge in China's influence over Hong Kong is the leading cause of this imbalance of underlying factors. However, the imbalance is less about direct political instructions from China and more about indirect pressure and systemic tensions, rooted in the political system of which China is the major architect and within which it is the predominant power player. Although the "one country, two systems" policy has been adopted to govern Hong Kong, China has constitutional power to veto and even dictate many important policies in Hong Kong (Miners 1998; Ghai 1999). Much of the autonomy promised under the one-country, two-systems policy can only be upheld with the consent and self-constraint of China (Lau 1987; Kuan 1991).

[4] Legitimacy refers to the consent of the governed. There are two major sources of legitimacy: performance and procedure. In other words, a ruler can gain his or her legitimacy through good governing performance, or can obtain power through procedures recognized and agreed to by the governed, such as democratic elections. In reality, many rulers need to rely on both sources to sustain a long-term and stable legitimacy.

The content of the Basic Law, the mini-constitution of Hong Kong, reflects China's intention to maintain the administrative state.[5] The Basic Law has preserved many characteristics of the colonial structure, including executive leadership, for the new HKSAR government (Ghai 1999; Lee 1999; Cheung 2001). Originally, the Chinese government planned to select the first Chief Executive of Hong Kong from the civil service, and Mrs. Anson Chan, the Chief Secretary for Administration at that time, was widely viewed by both the public and the governing elite as a top candidate.[6] Civil servants were the preferred rulers because of their governing experience, track record of achievement, and high political legitimacy. Their independence and detachment from sectoral interests also made China believe that they were well-positioned to balance the different powers and interests in Hong Kong (Johnson 1982; Evens 1995; Cheung 2001).

Major historical events, however, are often powerful forces that knock the path of historical development out of its original orbit and induce institutional change (North 1990; Thelen and Steinmo 1992; Tang, Perry and Lam 1995). In Hong Kong, the fate of the administrative state was dramatically changed by the fierce conflict between China and Britain in the late transition period over the democratic reforms led by Governor Patten.[7] Patten had hoped to quicken the pace of democratization within the prescribed framework without violating the terms of the Basic Law. Major elements in his plan included lowering the voting age from 21 to 18; replacing the appointed seats in the local councils of Hong Kong - the district boards and municipal councils - with directly elected seats; and changing functional constituencies in the legislature by substantially enlarging the number of voters eligible for these elections. Although these democratic reforms would undercut the power of the administrative state, their effect should not be overstated. Most reforms focused on democratizing the legislature while the executive branch, where a large part of the constitutional and informal power resided, was generally unaffected by the reforms. Patten also strategically relied on administrative officers whom he had personally promoted to the top levels of the civil service, ensuring their loyalty to him and support for the reforms.

Since the top civil servants became deeply involved in Patten's democratization efforts, the Chinese government developed questions about their political loyalty (Chung 2001; Lo 2001). Consequently, China scratched its plan of picking the Chief Executive from the civil service, and turned to Hong Kong's business sector, eventually selecting pro-Beijing shipping tycoon Tung Chee-hwa to be the first Chief Executive. This critical decision gave new meaning to the "executive-led government" of Hong Kong. In Hong Kong's original model of "executive-led government," most of the power resided not only in the executive branch but also was in the bureaucracy. As practiced during the colonial administration, the branch's chief executive was

[5] The Basic Law was drafted by China for its post-1997 governing of Hong Kong. It was adopted by the National People's Congress in 1990.

[6] See Cheung (1998, p. 100) and Chung (2001, p. 233-236).

[7] China was outraged by Patten's democratic reforms and the relations between China and Britain over Hong Kong had reached one of its lowest points since 1842. China decided to abandon its "through train" agreement with Britain under which members of the legislative council elected in 1995 would be allowed to serve their full four-year term even with the transfer of soverenighy of Hong Kong in 1997. The Chinese government also set up the Provisional Legislative Council, with all members appointed by China through the formality of "indirect election," to function in Hong Kong before the new legislative council was established in 1998 according to the methods stated in the Basic Law.

also a bureaucrat. However, in this new model of "executive-led government," power shifted to the hands of pro-Beijing business interests in Hong Kong who were outside the civil service. Although both models put most constitutional power in the executive branch, the two models contrasted sharply in terms of whether bureaucrats or politicians possessed the highest authority to command the executive branch. The original model of the "civil service ruling Hong Kong" model was abandoned in favor of the "businessmen ruling Hong Kong" model (Goodstadt 2000; Chung 2001; Lo 2001).

For the first time, Hong Kong had politicians as its rulers, and this severely threatened the survival of the administrative state. Although the business elite had always been the target of cooptation by the administrative state in the colonial period, they had played primarily advisory roles in policy-making. Meanwhile, the bureaucrats had carefully constrained the businessmen's power and balanced their interests and influence with other competing groups in society. Because of inherent incompatibilities between politicians and bureaucrats, pro-Beijing business politicians had much less incentive to maintain the bureaucratic power and more incentive to weaken and dismantle the administrative state through institutional reforms. In fact, they perceived the bureaucracy, a powerful and autonomous institution, as a potential threat to their power and an obstacle to their policies.

The politicians, due to their strong pro-Beijing backgrounds and business identities, also had a set of outlooks and beliefs that were very different from and sometimes even the opposite of the British-groomed, socially independent and self-governing local bureaucracy (Lau 1987; Chan, Fu and Ghai 2000; Cheung 2001; Lo 2001). To a large extent, these different orientations represented the clashes in Hong Kong's new political order between "one country," meaning the emphasis of values and practices of mainland China embraced by the pro-Beijing politicians, and "two systems," meaning the maintenance of British values and practices of the colonial legacy embraced by the British-style bureaucracy. With these more systemic incongruities and tensions, conflicts between the politicians and the bureaucrats were bound to happen and eventually led to major structural changes in the government.

Organizational Pressures for Change:
Bureaucratic Inertia, Elite Decay and Crisis Management

Major concerns on the part of the politicians and China made them hesitant to reconcile the systemic incongruity by dismantling the administrative state. First, there were strong reservations about major civil service reforms right after the handover because these might disturb the stability and continuity of Hong Kong. Nevertheless, this would only affect the timing of the reforms. A more important concern was that, since the bureaucracy was a powerful, widely respected political institution, any major reform undermining its role and power would meet strong resistance from both society and the bureaucrats.

The ability of the bureaucracy to resist change, nonetheless, was severely weakened in the first few years after the handover. The civil service suffered from two systemic problems that predated the handover: inherent structural limitations and elite decay. Before the handover, many of these problems were masked by strong economic growth and by the attention being paid

to the political confrontation between China and Britain. Nevertheless, a series of unprecedented crises and problems experienced by Hong Kong after the handover - including the Asian financial crisis, the bird flu crisis, the short piling scandal of housing[8] and the chaotic opening of the new airport in Chek Lap Kok - illustrated and magnified the limitations and problems of the civil service (Jao 2001; Lo 2001; Lau 2002; Sung 2002). The civil service's missteps in handling these problems seriously eroded public confidence in the civil service, damaged its political legitimacy and abruptly ended its legacy of infallibility.

What lies behind these civil service failures is its structural mismatch with its external environment. The bureaucracy, with its emphasis on rules and regulations, is primarily directed at maintaining stability and achieving efficiency for well-defined tasks, not managing change and crises (Burns and Stalker 1961; Thompson 1967; Wilson 1989; Rainey 1998). In addition, the generalist nature of the Whitehall-style bureaucracy further put it at a disadvantage in dealing with many of the current crises such as the outbreak of deadly disease, since these are more technical in nature and demand a high level of specialized knowledge from policy-makers. The traditional generalist model is often criticized for not being able to catch up the demands of modern administration. The civil service's ability to deal with crises was further handicapped by its earlier expansion during periods of economic growth and subsequent increase in structural complexity and rigidity.

In the traditional British civil service system, it is believed that generalists, people who have broad policy experience but not specialized and narrow expertise in a particular policy area, should head departments and bureaus. This is an "expertise on tap, but not on top" system, under which specialized experts should be fully utilized but generalists should be the leaders. The generalist model is believed to function better than a bureaucracy headed by specialized technocrats in providing policy and political support to the politicians, facilitating the integration of policy goals and departmental interests to create coherent and stable policy direction and avoiding conflict across departmental and policy lines. Without the regular political pressure of elections, these broad-minded generalists are also assumed to be able to represent the public interest better than politicians, who are more often subject to the influence of narrowly defined and organized interest groups.[9] Using the traditional Whitehall British civil service as a model, the Hong Kong civil service also adopted the generalist-administrative-grade-dominated system (Scott 1988; Cooper and Lui 1990). Following the pace of the socio-economic development of Hong Kong, however, many new service and social demands were put on the bureaucracy. As a result, the scope of the state vastly expanded, and the complexity and volume of the administrative state's governing tasks started to exceed the ability of the bureaucracy's generalist administrative elite.

These limitations are further intensified by elite decay in the civil service, including the administrative grade (Scott 1988; Cooper and Lui 1990, Lo 2001). The administrative state put extraordinarily high - even close to unrealistic - demands on the skills and talents of its administrative grade. After all, the whole notion behind the pure administrative state is to use

[8] In early 2000, some new public housing buildings were found to be dangerous because of sub-standard construction work, manifested mainly in short piling problems. Some of the defective housing had to be torn down. Eventually, Rosanna Wong, Director of the Housing Authority resigned due to the scandal.

[9] See Chapter 2 of Campbell and Wilson (1995) for more details on the generalist system of the British civil service.

bureaucrats to substitute for democratic mechanisms. The dilemma of maintaining the administrative grade's independence is that this process relies heavily on the self-discipline and self-governing of the individual officers themselves, rather than external monitoring mechanisms. Over a long period of peace and growth, however, there arose a continuously widening gap between the expectations and the actual behavior and abilities of the administrative grade. Over time, the generalist-administrative-grade has been increasingly criticized for its amateurism, exclusiveness, inbreeding, power domination and arrogance. [10]

The Two Levels of Reforms: Policy-Making and Policy-Implementation

The window for policy change was opened by the politicians, who exploited various problems, crises, and scandals in order to address the political systemic incongruity between the administrative state and the new political order. To attain the goal of reconciling the incongruity, two sets of reforms have been implemented, one at the policy-making level and another at the policy-implementation level. From top to bottom, the entire bureaucracy is therefore being affected by civil service reforms.

Policy-Making Level Reform: Ministerial System

The policy-making reforms focus on the ministerial system, which is officially called the "accountability system for principal officials." Although it has "accountability" in its official title, it actually has more to do with enhancing the political power of the Chief Executive than with enhancing the public accountability of government. The main objective is to replace career civil servants in the government's top policy-making posts with political appointees of the Chief Executive. The ministerial system was adopted on July 1, 2002, when Chief Executive Tung started his second five-year term. The major features of the system are summarized in Table One.

The HKSAR government inherited the administrative structure of the colonial government, which dates back to the mid-1970s recommendation of the McKinsey Report. In it, the policy-making function was given to the bureaus, and the policy-implementation function was assigned to the departments (Harris 1988; Miners 1998). The policy bureaus and executive departments are two separate entities, though departments report directly to their respective bureaus. All policy bureaus are mostly staffed and headed by administrative officers. Professional grade officers can rise to the top of their departments, though administrative grade officers are often assigned to head departments too. While this artificial role separation and strict personnel segregation may be defended by arguments of specialization and decentralization, one major purpose of this design is to resolve the conflict between the generalist-administrative-

[10] Mr. Wing-Ping Wong, the current Secretary of Civil Service, has openly pointed out the problem of declining quality of the administrative officers, including their English standard. However, it is not just their English that is causing concern. Many administrative officers are criticized as arrogant, politically insensitive, unreceptive to opinions and ideas outside the civil service, and being detached from the thinking and interests of the public. See Lo (2001), p. 102-103. This elite decay compromises the ability of the administrative state in using bureaucracy to replace democracy in articulating and integrating the interests of different groups in society

grade and the specialist-professional-grade by giving each of them their own "territories" and sphere of responsibilities (Scott 1988; Miners 1998).

In the new ministerial system, all heads of policy bureaus are instead political appointees of the Chief Executive.[11] The Legislative Council does not play any role in either the appointment or the dismissal processes. The system has been implemented by literally adding a new political layer on the top of the existing administrative layer. Following the British ministerial system, all existing policy secretaries, career civil servants, have been simply renamed "permanent secretaries;" there has been no change to their salaries and benefits. There have also been other corresponding changes and reorganizations in the government structure, including merging some bureaus and their respective departments. One of these changes converted all politically appointed policy secretaries into members of the Executive Council, a top constitutional advisory body. This transformed the Executive Council from a consultative body into the Chief Executive's cabinet, giving it real policy-making influence. It also seriously undercut the power of the department secretaries, including the Chief Secretary for Administration, as only the secretaries of departments were members of the Executive Council before the reform.[12]

It is inaccurate and confusing, however, to call changes to the ministerial system structural reforms, because they actually have not changed the constitutional design of the existing system. The Chief Executive has long been granted the power by the Basic Law to make political appointments for his principal positions. Thus, no amendment of the Basic Law was needed to implement the system. Similarly, under the Basic Law, the Chief Executive has the power to appoint whomever he likes to the Executive Council. The decision by the Chief Executive and Beijing to hold back implementation of the ministerial system until the start of Tung's second term was politically motivated, since all the structural groundwork needed for the ministerial system already existed during his first term.

Bureaucracy-Level Reforms: The Rise of Managerial Discretion

The bureaucracy-level reforms consist of a series of ongoing reform measures that are totally revolutionary from the perspective of the civil service system. They have had a huge impact on and caused major concerns within the civil service because these reform measures undermine and conflict with many of the original system's fundamental values. Similar to the ministerial system, the bureaucracy-level reform measures aim to reconcile the political systemic incongruity between the politicians and the bureaucrats. At the policy implementation level, tensions center on the clash between the traditional ideals of the civil service, and the market and business ideologies of the politicians. Under China's "businessmen ruling Hong Kong" model,

[11] The ministerial system was formally adopted on July 1, 2002 when Chief Executive Tung started his second term. All civil servants, if appointed by the Chief Executive, have to quit the civil service before joining the administration as appointed officials. Among the three secretaries appointed by Tung in 2002, two are outside the civil service. Only Donald Tsang, the Chief Secretary for Administration, is a former civil servant. Among the 11 principal officials heading the policy bureaus, only 5 of them are former civil servants. Although there are former civil servants joining the ranks of appointed principal officials, the change in nature of the appointment system has major political implications for those former-civil servant principal officials as well as the civil service as a whole.

[12] Allegedly, part of the reason for this change is the rivalry between Tung and Anson Chan, in which Tung fears that a powerful Chief Secretary of Administration could challenge and threaten his power.

all the new politician-rulers are businessmen themselves, and it has become more appropriate to view them as business-politicians than as just pro-business politicians.

The bureaucracy-level reforms (summarized in Table Two) have challenged many central features of the civil service. As many reforms are still in progress, Table Two also lists reform trends and possible future changes. Very often, the actual pace and extent of reform depends on the results of the tug-of-war bargaining and see-saw political battles between civil service unions and business-politicians. As politicians assume more and more power in the new political order through the already-implemented reforms, it is expected that future reforms will be more substantial and faster, and will get much closer to the market and business ideals envisioned by the business-politicians.

Under the old system, special mechanisms ensured the neutrality, independence and autonomy of the civil service in many major aspects of their management (Wilson 1989; Ingraham 1995; Theakston 1995; Rainey 1998). To promote civil service as a life-time career, civil servants were recruited only at the entry level, promoted only from within, and given generous pay and retirement plans. Pay adjustments were based on open, scientifically-sound and mutually-agreed mechanisms. To protect the rights of the civil servants against any abuse of power, lengthy due process modeled on legal procedures had to be followed before any disciplinary action was taken. Through these measures, the civil servants were expected to be able to allow only their professional knowledge and technical expertise to guide them in fulfilling their responsibilities, without being pressured by any external or internal political forces (Johnson 1982; Campbell and Wilson 1995; Fry 1997; Hood 1998).

From the cognitive framework of the business-politicians, the old system was over-rigid, wasteful, unnecessary and illogical. Unsurprisingly, the values underlying the system designed by the business-politicians are often exactly the opposite of the values of the old civil service system. The new system rejects the concept of life-time career in government, and permanent employment has been replaced by short-term contracts. Instead of insulating the civil service from political pressures and outside interests, the new system promotes career and sector mobility and responsiveness to top management. Correspondingly, disciplinary procedures have been streamlined and shortened the lag time. To reduce the budgetary burden on government, downsizing measures like management-initiated retirement and voluntary retirement have been implemented, further reducing job security and damaging career prospects for the civil service. Authority to adjust pay has also been taken as a prerogative of the politicians, and pay adjustment mechanisms are now being circumvented by political means such as pay-cut legislation. Decentralization and departmentalization have deregulated decisions on civil service management. In this process, procedural rationality is slowly being attenuated by managerial discretion (Hood 1991; Osborne and Gaebler 1992; Pollitt and Bouckaert 2000).

The new model is more business-like, market-driven, small government-oriented and cost effectiveness-focused (Hood 1991; Kettle 1997; Pollitt and Bouckaert 2000). In the long run, the civil service itself could now be largely replaced by a hollowed-out, contracted-out and by-proxy workforce more responsive and accommodating to demands and requests by the business-politicians. The major concerns about the reforms are not only about the changes per se. Some changes in revamping the civil service are even desirable, such as the simplification and merging

of grades and ranks. However, many values central to the civil service have been neglected and sacrificed in the reform drive because they were at odds with the ideologies, interests and strategic concerns of the business-politicians.

Given these "anti-civil-service" values and the political intention to diminish civil service power, it not very likely that the right solutions can be formulated to solve these capacity and structural problems even when problems are diagnosed correctly. In fact, it is arguable whether these reform solutions really target the problems the business-politicians claim to be addressing. For instance, cutting the salary and benefits of the civil service will have a negative impact on stability and promotion opportunities in the civil service, and over the long-term could harm the ability of the civil service to attract talented workers. It will also reduce the disincentive for corruption that was present under the old system. Destroying the permanency of the civil service may also compromise its integrity and objectivity as a balancing force between competing interests in society. With the rise of these problems, it is doubtful whether or not the promise to achieve a net gain in savings and efficiency can be fulfilled. On the other hand, some critical issues handicapping the civil service's capacity that appear to be more urgent from a management perspective, such as the "amateur" problem of the generalists and the bureaucracy's structural rigidities, do not receive the priority they deserve.

Political Impact of the Reforms and the Disguise

Weakened Accountability

While management values and economic gains are the major stated goals of the reform, many of them will be difficult to reach because the necessary implementation mechanisms and institutions are often not established. Even when some of the goals are achievable, the magnitude of the achievement is often exaggerated. This article does not argue that the civil service reforms do not address management and economic problems, but political control seems to be a primary objective. In developing and implementing the reforms, politicians' control over the bureaucrats has often been pursued at the expense of stated economic and management goals when the two conflict with each other.

Together the two levels of reforms have major political consequences: the institutional power and autonomy of the civil service has been weakened and made increasingly vulnerable to political influence. If they are not constrained by any institution or held accountable to the people through democratic mechanisms, pro-Beijing politicians will be able to impose their will on the civil service more freely by managing incentives and disincentives through tools such as appointment, exit and pay procedures, and discipline and performance management.[13] For these reasons, the reforms can be perceived as political reforms in disguise. At the very least, their political implications should not be overlooked.

[13] The biggest threat to the civil service is the enhanced power of the politicians to fire civil servants, and even senior-level officers are subject to this new power. Some senior administrative officers have been forced to leave the service (through the management-initiated retirement program) since the reforms.

It is not difficult to refute the official argument that the ministerial system reforms can enhance public accountability. Under the political system set up by the Basic Law, the Chief Executive is only elected by an election committee of a few hundred people, dominated by business interests and pro-Beijing groups. Since the Chief Executive is not directly elected by the people of Hong Kong, there is simply no mechanism to hold him and his political appointees accountable to the public. The Legislative Council is the only political institution in Hong Kong with a democratic component, but the Chief Executive denies its participation and involvement in the entire system. As a result, even though Hong Kong's new ministerial system is a common system adopted widely in other democracies, in the absence of a democratic setting it does not create the accountability witnessed in other systems. In fact, by enhancing the power of an undemocratically elected Chief Executive, the new system can easily create the opposite effect of weakening government accountability.

Without political competition driven by a democratic process, the Chief Executive has not been very sensitive or responsive to the demands and opinions of the public. Throughout his first term, Chief Executive Tung was notorious for his disrespect for public opinion and intolerance of alternative voices. In his first term, there were cases in which he refused to remove extremely unpopular officials who had committed mistakes, drawing strong public criticism.[14] Although the Chief Executive seemed to pay some lip service to the spirit of accountability, it is hard to imagine how accountability can be enhanced with the ministerial system functioning in an "accountability without democracy" context (Wettenhall 1976; Young 1998; National Democratic Institute for International Affairs 2002; Lo 2001).

The argument that allowing outside talent, especially from the business sector, to head the policy bureaus under the ministerial system can enhance the quality of policy-making in government, also has little validity. Many of the principal officials appointed under the ministerial system are previous civil servants, some of whom are even serving at the same posts. In the old system, there was already flexibility to allow the government to fill the post with outside talent if no suitable candidate was available in the civil service. For example, before the implementation of the ministerial system, the posts of Financial Secretary, Secretary of Justice and Secretary of Health had been filled by non-civil servants. Because of this fact, even the government promotes the system more on the grounds of enhancing accountability than recruiting outside talent for policy-making positions. In reality, however, no effective mechanism exists in Hong Kong to hold politicians accountable to the public.

Tightened Political Control

It is disturbing to see that the director of the Independent Commission Against Corruption (ICAC) is listed together with the policy secretaries as a politically appointed

[14] In his first term, there were two major incidents where Chief Executive Tung refused to remove his officials after they had committed serious mistakes. The first one related to the Secretary of Justice Elsie Leung. The public was extremely dissatisfied with her handling of the case of Sally Aw Sian, the case of a newspaper owner who was suspected of circulation fraud. It was widely believed that she was not prosecuted because of her ties to Beijing and the Chief Executive. Because of this, Leung became the first official in Hong Kong to face a vote of no confidence by the legislature. The second case related to the Rosanna Wong, Director of the Housing Authority. Because of the Authority's "short piling" scandal, she became the second official, after Leung, to face a vote of no confidence by the legislature. Also see footnote 11.

position. The ICAC is widely regarded as a major factor to which the low level of corruption in Hong Kong has been attributed, and its independence is central to its remarkable success in fighting corruption. Since the reversion, however, the ability of the ICAC to target corruption cases has already come into question. Although the ICAC remained relatively independent before the ministerial system reforms, there have been cases where the Secretary of Justice decided not to press charges on corruption cases even though the ICAC believed that it had already gathered sufficient evidence.[15]

Recently, Financial Secretary Antony Leung was involved in a personal case of abuse of power and conflict of interest in his purchase of a new car.[16] In spite of strong public outcry and criticism, Chief Executive Tung initially refused to remove Leung, and defended him by claiming that his offense was only a "careless mistake." Leung's resignation was only accepted after the demonstration of over 500,000 people on July 1, 2003, the day of the sixth anniversary of the return of Hong Kong to China, when Tung and the Central Government finally sensed a major political crisis was developing. An ICAC investigation into the matter was begun before Leung's resignation; the final result of the investigation and the decision of the Secretary of Justice on whether to push prosecution will be a good test of the true independence and integrity of the civil service after all the political changes brought by the civil service reforms.

With regard to bureaucratic level reform, both the management and economic pressures for change and their benefits have been inflated. The government's budget crisis and deficit problems are often put forward by politicians as the top reasons for reform. However, when the size of the state was increasing in Hong Kong in 2001, public expenditure as a percentage of GDP was only 21%, a relatively small number when compared to America's 30% level and the range of 40% to 50% in many European countries. Moreover, the government had huge fiscal reserves capable of covering all government expenses for two years. At that moment, the government had also not issued any debt.

Also, in 2000-01, the salaries and benefits of the civil service only accounted for about 21% of public expenditure. According to Article 100 of the Basic Law, the pay and benefits of the civil service cannot be lower than those of 1997. Taking this into account, the pay of the civil service can only be reduced by about 6%.[17] Therefore, there is a very thin margin the government can play with in reforming the civil service to resolve the budget "crisis." It seems that the budget situation has been exploited by the Chief Executive as an opportunity to push the civil service reforms on his agenda. Many management and economic objectives have also been compromised when they conflicted with overriding political objectives of reform. For example,

[15] The most well-known case occurred in 1998. In that case, Elsie Leung, the Secretary of Justice, decided not to prosecute Sally Aw Sian, a member of the Chinese People's Political Consultative Conference and also an old friend of the Chief Executive Tung. Sian is an owner of the Hong Kong Standard newspaper, and was suspected of circulation fraud.

[16] In early 2003, Leung purchased a new car to avoid the tax increase he imposed as the Financial Secretary. However, his purchase was made before information about the tax increase was released to the public in his Budget speech.

[17] After a series of intensive negotiations in February 2003, the government reached an agreement with the civil service unions that the civil service pay would be reduced to the cash level of 1997, a cut of about 6%. The total estimated saving is only about US$897 millions per year, roughly 10% of the estimated deficit for 2002-03. However, the pay reduction is divided into two phases over a period of two years. It will not be completed until 2005.

cost-cutting and downsizing have been pushed forward with little consideration of their actual effect on the quality of the civil service.

Weakened Governing Capacities

Although problems have been overstated and misguided reforms imposed, this does not mean that changes in the civil service are unnecessary. However, the assault on the civil service system made by the reforms is not fully justified by the leadership's stated needs and goals. Simultaneous implementation of the ministerial system and bureaucracy-level reforms that weaken the policy-making power and institutional strengths of the civil service enables politicians to penetrate further and deeper into the administrative apparatus. Through bypassing, circumventing, and abolishing many old systems, these reforms have left authority and many decisions to the managers and ultimately, to the politicians. With the removal and destruction of institutional safeguards, the traditional boundary between politics and administration has been blurred and arguably, even made nonexistent (Campbell and Wilson 1995; Hogwood 1995; Hood 1998; Laegreid 2000).

The fact that such radical reforms can be implemented at the bureaucracy level indicates that the civil service has lost much of its systemic power base and actual political clout in the new China-dominated political order. The politicians' ability to unilaterally push legislation cutting civil service pay is a good demonstration of the top-down style and unconstrained power of the politicians in this new mode of civil service governance. This does not mean that the politicians will use their power to intervene in the system all the time. But they do like to reserve the ultimate right to intervene in and even dominate the system whenever they deem necessary (Burns 1988; Aufrecht and Li 1995; Tong, Straussman and Broadnax 1999). Reform implementation also shows that, under the new system, without restraint and discipline on the part of the politicians, it will be hard to protect the bureaucracy from being "politicized" to some extent to serve as a political tool in most circumstances.

In terms of performance, there are increasing worries that the governing capacity of the HKSAR government will be weakened as the civil service, a major governing institution, is weakened. First, the quality and objectivity of the civil service can be seriously compromised in the politicization of the civil service. In the absence of the civil service to serve as a check on the politicians' power and without a real democratic system in Hong Kong, politicians will be likely to promote their own interests and the interests of their supporters. This may be done at the expense of the public interest and the social, legal and economic infrastructure critical for maintaining the position of Hong Kong as a free market economy and an international city.

The Disguise Function of Management Goals

Even though the civil service reforms are mainly political reforms, this does not mean that the management and economic arguments for reform are pure rhetoric (DiMaggio and Powell 1983; Light 1997). They are useful to disguise the true nature of the reform and to gain public support for the disguised reforms (Cheung 1996; Pollitt 2001a). It should be pointed out that Hong Kong is not the only place in the world carrying out major civil service reforms. There is a worldwide trend, widely known as New Public Management (NPM) reform, intended

to make government more efficient by adopting the practices and structures of private business and subjecting government operation to the incentives and competition of market forces (Kettl, 1997).

While NPM reforms have become a global phenomenon in recent decades, one cannot infer a global standardization of administrative systems (Pollitt 2001a; Welch and Wong 1998). Pollitt (2001b) has cleverly pointed out that there are four stages of convergence in administrative systems under the NPM reforms: discursive convergence, decisional convergence, practice convergence and results convergence. Many reforms diverge at the practice and result stages. Vagueness and ambiguity in the concepts in NPM have made it easy to use NPM reform as an umbrella to accommodate other reforms with very different intentions and results. Meanwhile, due to the popularity, if not social legitimacy, of NPM concepts, it is easier to canvass public support for a variety of different reforms to the extent that they are packaged and marketed as management reforms.

In other words, there are often vast differences in the rhetoric, decisions, actions and results of the NPM reforms, and the four stages are often unconnected parts of a disjointed process (Brunnsson 1989; Pollitt 2001b). Reforms of local context are often disguised as converged global reform. While the advocacy and rationale for reform are global, the actual practices and results are very local, accommodating the needs of politicians in different countries. In pushing forward the ministerial system, a system that does little to improve accountability is named an "accountability system" to win public support. By the same token, the exaggerated need and overstated benefits of reform become major means of legitimizing reforms of a political nature at the bureaucracy level. The two sets of reforms in Hong Kong show how global reform advocacy can be applied in order to disguise and attain local political objectives.

The Rise of a New Regime

Chinese-Style Political State

The reforms have profoundly and significantly changed the nature of Hong Kong's political system from a British-style administrative state of into a Chinese-style political state. Within the framework of "executive-led government," political power has shifted from career civil servants to the Chief Executive and his political appointees, pro-Beijing business-politicians. The master of the political system has been changed from bureaucrat to politician, as the civil service ceases to be an autonomous and powerful political institution. The politicians' power in the Hong Kong political state surpasses that of their counterparts in Western democratic states since they become supreme leaders in the absence of both democracy and a powerful and independent bureaucracy. Concerns, interests and calculations of the politicians will become the ultimate source of influence in the new regime, replacing the organizational logic of the civil service, rationality of the bureaucracy, culture and ethos of the administrative grade.

The administrative grade is certainly a major loser in the reforms as it is stripped of its major policy-making power. The end of the pure administrative state has marked the collapse of the generalist-administrative-grade-dominated system. Even if high-ranking administrative

officers can still compete on a personal basis for political appointments, the structural domination of the top policy-making posts by the administrative grade has been destroyed and administrative officers will serve at the pleasure of the politicians, without previous institutional protections. Table Three shows the assignments of principal officials as of June 2003. Although about half of the politically appointed principal officers are former administrative officers, this will likely be only a transitional and transient arrangement. Moreover, it is often the political appointees from outside government, rather than former civil servants, who are given core policy responsibilities in finance, health, education, and law and justice.[18] It is very probable that the number of former civil servants joining the ranks of politically appointed principal officials will gradually fall as political leaders begin to form their own policy team. As political appointees try to further expand and consolidate their power base inside government, there is also a possibility that the political appointment system will expand to penetrate deeper down the administrative levels in the bureaucratic hierarchy currently staffed by the administrative grade.

The rest of the civil service is also a victim of the political state. Civil servants are hurt by the problem of de-institutionalization brought by the reforms. The major flaw of the reform is that de-institutionalization is not adequately offset by efforts of re-institutionalization. This has weakened the autonomy of the civil service system and threatened its value and existence as an institution. Civil service reforms at the bureaucracy level often replace many of the rules and regulations with political processes and decisions as the ultimate basis guiding operation. This does not mean that rules and regulations will never be followed. They will still be followed in many circumstances, but they will be bent, bypassed and overridden when they come into conflict with political directives from the top.

Combined Damage of New and Old Problems

Working under weaker, more ambiguous and fading institutions, civil servants will find it harder to fulfill their professional and organizational roles, and they will also find themselves becoming easy targets of calculated political moves and manipulation (Campbell and Wilson 1995; Hogwood 1995; Ingraham 1995). In other democracies, civil servants can often devise effective strategies to offset the power of politicians and their political appointees, thereby maintaining their influence in the system (Heclo 1977). Many of these strategies, however, are based on the competition of political forces in a democracy and the checks and balances of other institutions in the political system. For example, civil servants can ally with opposition party politicians and appeal to the courts if they find any act of the politicians to be unconstitutional. As these two conditions either do not exist or are being weakened in Hong Kong, the ability of the civil servants to offset the politicians' control is weak and constrained, and certainly cannot be compared with that of civil servants in a democracy.[19]

[18] The quickly diminishing political influence of the politically appointed former civil servants after the reform is also reflected by the assignment of Donald Tsang, the Chief Secretary for Administration. He was not put into the team of managing the SARS crisis, one of the most serious challenges to Hong Kong in its history. After the SARS crisis, Antony Leung, the scandal-related Financial Secretary was assigned by Tung the major and high-profile task of stimulating the economy. However, Tsang was asked by Tung to be in charge of the "clean Hong Kong campaign," a much lower priority and an inferior task, at least in public eyes.

[19] Because of the dominance of pro-Beijing forces in the post-1997 political order, there is basically an absence of political competition in Hong Kong, in the sense that the opposition parties will never be able to become the governing party. As the pro-Beijing force has controlled the legislature under the design of the current political

As there are now few institutional safeguards against the intrusion of political influence into the civil service, such intrusion can easily undercut two fundamental features of modern bureaucracy – its expertise and impartiality (Wilson 1989). The reforms also fail to a large extent to properly address the organizational, structural and capacity problems of the civil service. Reform initiatives like significant pay cuts and recruitment freezing, in addition to all the negative publicity on the civil service promoted by the reformists, have socially alienated, politically isolated, and demoralized the civil service workforce. All these factors also make it even harder for the civil service to revitalize itself in the long run.

In performance terms, this means that civil service reforms actually detracted from the original advantage of the civil service while doing little to address its old problems, including its failure to react appropriately and quickly to major crises. As a matter of fact, despite the painful experience of the bird flu crisis in 1997, when Hong Kong suffered from another major outbreak of deadly disease, SARS, in 2003, it recorded substantial economic damage and loss of human life.

While these old problems remain unsolved, new problems are expected to emerge as a consequence of the reforms. For instance, since it has been politicized, it is doubtful whether the civil service can continue to be a reliable source of competent, objective and expert advice in the policy-making process. In spite of the serious economic downturn in Hong Kong, the government has so far failed to put forward any credible plan of improving the economy. Moreover, many of the government's active reform efforts, in numerous policy areas including health and education, have failed miserably. In policy administration, there are also questions on whether the civil service can remain efficient and relatively corruption-free. In other words, the overall quality of governance in Hong Kong may be in jeopardy.

De-institutionalization with Chinese Characteristics

More importantly, because the political state has been built on de-institutionalization, this has added more unpredictability, instability and ambiguity to the future governance of Hong Kong. As disguised political reforms, civil service reforms are eroding the role of institutions in the governance of Hong Kong. Although bureaucrats are the dominant actors in the pure administrative state, they are still bound by the procedures, rules, regulations, and logic of their institutions. The problem of the political state, however, goes much deeper than simply politicians having the upper hand. It is more about the power of the politicians being unchecked, unregulated and therefore less predictable. In the absence of both democracy and a strong bureaucracy, the politicians are actually more powerful than the bureaucrat rulers before.

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system, the ability of the civil service to use legal appeal as their political strategy against the politicians is rather weak. The government-controlled legislature can often change the law to favor the position of the pro-Beijing politicians. Although the right of the civil service is also protected by the Basic Law, this also does not provide a very firm base of power for the civil service. As seen in the "right of abode" case in 1999, the Basic Law itself can be "interpreted" by the Standing Committee of the National People's Congress rather loosely to serve the position of the government.

The lack of re-institutionalization in the reform effort is consistent with the under-institutionalization of the modern Chinese state. The political state is a state with "Chinese characteristics" because of its major similarity to the political system of China, Hong Kong's new sovereign state. Lieberthal (1995) has identified two central and defining characteristics of the Chinese political system. First, it is "strewn with organizations that have not become institutions." Organizations are simply administrative and functional structures; they are tools and means of governing, but in no way should they constrain the power of those who govern. In contrast, institutions "are practices, relationships, and organizations that have developed sufficient regularity and perceived importance to shape the behavior of their members" (Lieberthal 1995, 183).

Second, and closely related to the first characteristic, is the fact that despite the presence of laws and regulations, top Chinese leaders are unregulated and essentially "above the law." They are only checked and restricted by the attitudes and resources of other members in the ruling group, that is, the rudest form of power politics. The fact that the bureaucracy in the new political state has far fewer institutional safeguards and is more vulnerable to political penetration is not purely accidental, given that there is still an absence of a modern and Weberian bureaucracy in China (Burns 1988; Aufrecht and Li 1995; Tong, Straussman and Broadnax 1999; Worthely and Tsao 1999). Admittedly, the systems in Hong Kong are still very far away from the qualities of the Chinese system. Civil service reforms, however, are changing this condition and moving it closer towards the Chinese system. This trend of "mainlandization" is already very alarming from the perspective of institutional development and governance in Hong Kong.

Overall Governance of Hong Kong: More Instability, Conflict and Ambiguity Ahead

The effect of the lack of institutionalization in the political state is further complicated and multiplied by the underdevelopment of the political and social infrastructure in Hong Kong (Tang, Perry and Lam 1994). For instance, due to Hong Kong's undemocratic political system, the political parties have no hope of governing . Election laws also prevent the Chief Executive from being a member of any political party. As a result, the political party system in Hong Kong is highly immature and cannot ensure policy stability and continuity during administration turnovers (Lau and Kuan 2000; Ma 2001). This was not a major problem before the reforms because the civil service system under the administrative state was the dominant governing institution of Hong Kong. With its dismantling, however, no developed and mature governing institution fills the vacuum. Without the checks and balances of institutions and the general public, it is also possible that the policies of Hong Kong will shift and fluctuate dramatically according to the personal style of the Chief Executive and the few governing elite. Over time, these policies may also become incoherent and conflicting.

The only stability and predictability brought by the business-politicians can be their strong protection of the interests of big local businesses, essentially their own business interests. The bureaucracy in the pure administrative state was an autonomous and independent institution in society, but the politicians in the political state have vested and partial interests in society. The concerns of the pro-Beijing business sector will set the boundaries of feasible policy in Hong Kong. While differences and competition exist among the pro-Beijing business politicians, in general they are strongly influenced by Beijing since most of them have major business stakes

in the Mainland. Once Beijing takes a firm and clear position on Hong Kong, it is usually able to gain full support from the business politicians.[20] The indirect but huge influence of China on the business elite has undercut the real autonomy of Hong Kong as promised in the "one country, two systems" principle.

Arguably, this predictability in the governing pattern will in fact cause more instability and turmoil in the governing of Hong Kong, as the business-politicians fail to perform the critical function of the bureaucrat rulers in integrating and balancing the different, competing interests in society. The domination of business interests and their conflicts with other societal interests will be most intense and visible during economic downturns when a zero-sum redistribution of interests becomes inevitable in a shrinking economy (McLeod and Granaut 1998; Pempel 1999). To a large extent, this scenario reflects the current economic situation of Hong Kong.

Under the political state, monopoly and collusion among big business players with close connections to business-politicians can also stifle economic growth, in turn making it even harder for Hong Kong to escape the predicament of serious political conflicts caused by a declining economy (Flynn 1999; Haggard 2000; Beeson 2001). It is often a belief of Beijing that one of the merits of its "businessmen ruling Hong Kong" model of governing is the promotion of economic prosperity, because Beijing trusts that the businessmen know how to create an environment that can makes business thrive. Instead of promoting business interests in general, however, many of the business politicians may use their power and influence to promote their personal business interests. This makes the Hong Kong market more closed and monopolized, slowly approaching "crony capitalism."[21]

Although returning to a pure administrative state is not an option, the political state can nevertheless be more institutionalized with further democratic reforms to constrain the power of the political leaders and create more checks and balances among different political institutions. China, the sovereign state of which Hong Kong is a part, dictates the pace of the democratic reforms in Hong Kong. But as China fears interaction between democratic reform in Hong Kong and democratic development on the Mainland, it is not optimistic to see rapid democratization in Hong Kong given the existing stage of political development in China itself.

Since the civil service reforms seek to bridge the systemic gap between the old colonial governance model which survived the 1997 handover and the constitutional order and political reality of the post-1997 era, it is unlikely that the power shift created by the reforms will be significantly reversed in the future, even with the change of political leadership in the HKSAR government. The political state is expected to remain the enduring model of governance for Hong Kong and the pure administrative state is not going to return. Since the new political state

[20] A notable example of this is the second-term election of Chief Executive Tung Chee-Hwa. After the Chinese leaders, including then-President Jiang Zemin, showed their preference of letting Tung serve for a second-term, Tung received over 700 out of 800 votes in the election committee, which was highly dominated by pro-Beijing business and professional groups.

[21] One of the notorious cases of the emerging "crony capitalism" in Hong Kong is the Cyberport project. The development of Cyberport, supposed to be the "Silicon Valley" of Hong Kong, was given to the company of the son of Li Ka Shing, a business tycoon and close friend of Chief Executive Tung, without open bidding. In addition, because of market protection, energy and transportation prices in Hong Kong do not adjust downward accordingly with the other prices in the economic downturn.

with Chinese characteristics is expected to serve as the prevailing governance model, government performance will depend more on political leaders' individual leadership capacities and qualities and less on institutional design and strengths. This in turn will create more uncertainty and instability in the overall governance of Hong Kong.

Conclusion

Civil service reforms implemented in Hong Kong after the handover have changed the British-style administrative state of the pre-1997 era into a Chinese-style political state of the post-1997 era. While the rhetoric of the reforms addresses the issue of structural mismatch, budget crisis and other organizational and social problems, its core objective is to reconcile the political systemic incongruity between the old British-controlled political order dominated by the bureaucrats in the pure administrative state and the new China-controlled political order dominated by the pro-Beijing business-politicians. These reforms are essentially political reforms under the guise of achieving management and economic gains. The policy-making level reform, the ministerial system, has shifted policy-making power from the hands of elite civil servants to politicians. Bureaucracy-level reforms have weakened civil service power and autonomy and left it more vulnerable to political influence. Pro-Beijing business-politicians have emerged as the new rulers of this Chinese-style political state.

Because both the root of and need for reform are systemic, no institutional incentive exists for future politicians to reverse the changes, and the regime shift should be enduring if not permanent. A major problem created by the reforms, however, is de-institutionalization without re-institutionalization in the system, which is one of the major "Chinese characteristics" of the new political state. This rise of the Chinese-style political state has thus injected more unpredictability, instability and ambiguity into the long-term governance of Hong Kong. China's positions and decisions now play a significant role in the stability, sustainability and development of the new political state and these positions and decisions are, understandably, closely related to the pace and level of institutionalization of China's own governance systems.

Although there are many different characteristics between the administrative state and the political state, they are the product of the same process of administrative systems being penetrated by the sovereign state's national characteristics. With this same process at work, the new political state reflects some of the salient features of the Chinese state. The administrative state is certainly not a perfect institution for Hong Kong and there is also no reason that it should not be changed. However, having recognized that the capacity and performance of the governing institutions of Hong Kong was a key factor in its success, what is alarming in the post-1997 civil service reform is not the end of the administrative state, but the decay of the governing institutions' capacity as the political state emerges.

Table One: Policy-Making Level Reform: Ministerial System (Accountability System for Principal Officials)

Features	Old System	New System	Additional Information and Comments
Appointment Procedures	nominated by the Chief Executive and appointed by the Central People's Government of China	no change	authority to adopt the ministerial system has already been given by the Basic Law (Article 48, phase 4)
Appointment Nature	permanent civil service (mostly administrative grade officers)	political appointment (nominated solely by the Chief Executive without any legislature participation; can be removed without any cause and compensation)	• principal officials can be appointed from inside or outside the civil service • civil servants must leave the civil service permanently to become principal officials (except the Secretary for the Civil Service)
Term of Service	permanent (but subject to job rotation across bureaus and departments)	5 years or less (no more than the term of the Chief Executive who appoint them)	
Scope of the New System	not applicable	apply to three secretaries of departments, directors of bureaus and Director of ICAC (Independent Commissioner Against Corruption)	principal officials can appoint a small number of their own administrative staff
Creation of Permanent Secretaries	not applicable	directors of bureaus under the old system become "permanent secretaries" and serve as the immediate subordinate of the principal officials	• Essentially, a new layer of politically appointed principal officials is added onto the old administrative system • pay and benefits of the permanent secretaries are the same as that of the former heads of bureaus

Table One (Continued): Policy-Making Level Reform: Ministerial System

Organization	15 bureaus • Civil Service Bureau • Trade, Industry and Commerce Bureau • Information Technology and Broadcasting Bureau • Constitutional Affairs Bureau • Education and Manpower Bureau • Transport Bureau • Environmental and Food Bureau • Works Bureau • Health and Welfare Bureau • Financial Services Bureau • Finance Bureau • Home Affairs Bureau • Housing Bureau • Planning and Lands Bureau • Security Bureau	11 bureaus • Civil Service Bureau • Commerce, Industry and Technology Bureau • Constitutional Affairs Bureau • Economic Development and Labor Bureau • Education and Manpower Bureau • Environmental, Transport and Works Bureau • Health and Welfare Bureau • Financial Service and the Treasury Bureau • Home Affairs Bureau • Housing, Planning and Lands Bureau • Security Bureau	• The three secretaries of departments (Chief Secretary for Administration, Financial Secretary and Secretary for Justice) are unchanged in the new system. • Executive Council Secretariat is merged with the Chief Executive's Office. The post of Information Coordinator in Chief Executive's Office is retitled as "Director of the Chief Executive's Office."
Relationship with Executive Departments	Separation of policy bureaus and executive departments	Merging of bureaus and departments in some cases	Roles and functions of advisory and statutory bodies of the policy bureaus are reviewed
Relationship with the Executive Council	Only the three secretaries of departments are members of the Executive Council	All secretaries of departments and directors of bureau are now members of the Executive Council	• leaders of two parties in Legislative Council are included in the Executive Council (but major parties favoring democratic reforms are excluded) • Head of Central Policy Unit (CPU) sits in the Executive Council meeting

Table Two: Policy Implementation: Bureaucracy-Level Reforms

Areas	Old System[1]	New System[1]	Trends and Possible Future Changes
Entry	• recruitment at entry level • permanent and pensionable terms	• recruitment at both entry and upper levels • contract terms	decentralization, departmentalization, and deregulation
Exit	• long-term career • retiring from the civil service after a life-time service	• career and sector mobilities • management-initiated retirement • voluntary retirement	laying off redundant civil servants
Pay	• merit pay • fixed pay scale with annual increments • pay adjustment mechanism: pay-trend and pay-level surveys	• more frequent pay surveys • pay cut for new recruit • pay adjustment by political means (e.g., legislations)	• performance-based • decentralization, departmentalization and deregulation • linked to conditions of the economy and government budget
Performance and Promotion	• promotion from within • centralized and merit-based	promotion freeze	decentralization, departmentalization and deregulation
Structure	• generalist vs. specialist • over 400 grades • over 1500 ranks	conducting studies on simplifying, merging and abolishing many grades and ranks	Decentralization, departmentalization and deregulation
Discipline	• time-lengthy • due process for the protection of citizen rights	streamlining the disciplinary procedures	• decentralization, departmentalization and deregulation • shortened and defined by contractual relationship
Pension	• defined benefit approach • pay-as-you-go system	• defined contribution approach • pay-as-you-use system	• indexed to inflation / deflation
Central Features	a permanent, centralized and unified civil service	a transitory, decentralized and divergent civil service	a hollowed-out, contracting-out, and by-proxy civil service
Core Values	meritocratic, political neutrality, stability and continuity, integrating and balancing different social interests	business-like, market-driven, small government, cost-effectiveness, responsiveness and flexibility	

Notes:

1. Because of contractual considerations, many of the employment terms of the civil servants hired before the reforms cannot be changed unilaterally by the government. Therefore, some of the old systems and the new systems, such as the systems on pay, co-exist inside the civil service system, with the old systems applying to the old recruits and the new systems applying to the new recruits. This coexistence of old and new systems has caused many problems in managing the civil service that include confusion and complications in administration, morale problems and fairness issues.

Table Three: Comparison of Assignment of Principal Officials (as of June 2003)

Outside Political Appointees	Former Civil Servants
Secretaries of Department (2 out of 3): • Financial Secretary (Antony Leung) • Secretary of Justice (Elsie Leung)	**Secretaries of Department (1 out of 2):** • Chief Secretary for Administration (Donald Tsang)
Policy Secretaries (6 out of 11): • Secretary for Commerce, Industry and Technology (Henry Tang) • Secretary for Education and Manpower (Arthur Li) • Secretary for Environment, Transport and Works (Sarah Liao) • Secretary for Financial Services and the Treasury (Frederick Ma) • Secretary for Health and Welfare (E. K. Yeoh) • Secretary for Home Affairs (Patrick Ho)	**Policy Secretaries (5 out of 11):** • Secretary for Civil Service (Joseph Wong) • Secretary for Constitutional Affairs (Stephen Lam) • Secretary for Economic Development and Labor (Stephen Ip) • Secretary for Housing, Planning and Lands (Michael Suen) • Secretary for Security (Regina Ip)

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