

ONE

The Hong Kong Hybrid

Hong Kong was not expecting the mass protests that erupted in late September 2014. A dispute that had started out as an argument among politicians and intellectuals over the details of the electoral system, an argument that had lasted for over two decades, suddenly morphed into a mass occupation of major urban thoroughfares by average citizens. The struggle began with high drama and pictures of the Hong Kong Police firing tear gas into the crowds—pictures that were quickly texted and retweeted around the world. A peaceful standoff ensued for some two months and ended not with a bang but with a whimper. The only certainty was that nothing in Hong Kong politics would be the same.

Prior to the protests, local observers knew that *some* kind of trouble was looming. The Chinese government in Beijing, which has had sovereign authority over Hong Kong since 1997, had signaled back in December 2007 that the 2017 election for Hong Kong’s chief executive would be on the basis of universal suffrage for the first time. Many in the city therefore believed that full democracy was around the corner. Yet like morning mists, those hopes quickly dissipated. It started with a disagreement over whether the term “universal suffrage” would be defined narrowly or broadly. China made progressively clear that although it was now willing to have eligible voters themselves choose the next chief executive, it wished to have a say over which candidates

would be on the ballot. A nominating committee, composed mainly of local supporters of the Beijing government, would set the list of candidates. The system, it seemed, would remain rigged after all. Preparations thus began for mass protests, which had become the main way for the Hong Kong public to participate in politics.

People thought they knew how that protest would unfold. Pro-democracy professors and activists, drawing on the ideas of deliberative democracy and civil disobedience, had devised the Occupy Central movement, Central being the principal business and financial center on Hong Kong Island. A stated purpose of the movement was to alert all parties concerned that Hong Kong would go off a “political reform cliff” if electoral change did not occur.¹ To sound that alert, Occupy organizers promised that if the Chinese and Hong Kong governments did not back down from their restrictive nominating committee approach and accept the idea of nominations from the public, they would mobilize several tens of thousands of protesters to take over key streets in Central. The assumption was that the Occupy protesters would follow the norms of civil disobedience and submit to arrest. That was the scenario for which the Hong Kong Police planned. Hong Kong companies whose offices were in Central made arrangements to continue operations even if the area was inaccessible for a couple of days. Individual citizens made their own preparations, but those who did not work in Central believed they would be unaffected by the protest. The Chinese government stated repeatedly that electoral arrangements had to accord with its legal parameters, that it would not be intimidated, and that Occupy Central was illegal. It was a classic game of chicken, where everyone thought they knew the rules. But then, the game changed.

Enter Hong Kong’s high school and university students. They joined with their elders in the democratic camp in opposing the screening of candidates by a nominating committee biased toward Beijing and in giving the public the broadest possible role in the nomination process. But once Beijing ruled that the nominating committee and it alone would decide whom to consider, the students decided not to follow the preordained Occupy Central script and chose instead to preempt their elders. Full of idealism, they decided themselves—and for everyone else—the timing, locales, and scope of the protest movement.² If they followed any script, it was the one that had been written in Taiwan six months before. There, a student activist group angry about a trade in services agreement that the government had negotiated with Beijing undertook a lightning occupation of the island’s legislature that lasted for twenty-three

days. Even though the specific issues in Hong Kong were very different, the political tactics gave evidence of a diffusion effect from Taiwan.³

After students boycotted classes during the week of September 22, some of them moved on the evening of September 26 to take over a small area within the government complex at Tamar, in the Admiralty district. Over the next two days, through both arrests and the use of pepper spray, the police tried to disperse the crowds, which were still modest. Then, on Sunday, September 28, the police used tear gas, which was reported on both television and social media. Instead of dispersing, the crowd grew to tens of thousands, more than the police could handle. The crowds took over the main thoroughfares that ran through Admiralty parallel to Hong Kong harbor. Protesters also took over two other sites: Causeway Bay, a shopping area on Hong Kong Island frequented by tourists from the mainland of China, and Mong Kok, a district in the middle of Kowloon Peninsula, across the harbor. And Central was never occupied. Umbrellas used to protect against tear gas, pepper spray, and sudden thunderstorms provided a symbol and a name for what became known as the Umbrella Movement.

An uneasy standoff ensued. Both police and protesters generally exercised restraint. Attempts to encroach on the protesters' tent villages were effectively resisted. The most violence occurred in Mong Kok, which is a socially mixed area with a significant presence of Triad gangsters. Some of those groups launched serious attacks on the local occupiers. In student-dominated Causeway Bay and Admiralty, peaceful coexistence prevailed as long as the police did not try to change the status quo, which they had discovered would only trigger a surge in the number of protesters. Gradually the number of "permanent" demonstrators in these three areas declined. Numbers swelled in the evenings and on weekends, when most people didn't have to go to work or to class, but the potential for rapid mobilization remained.

Beijing responded with a hard line. It cast itself as the defender of the rule of law and the protestors as lawbreakers. If universal suffrage was to happen, it would be within the parameters that the government had laid down. Beijing had spurned proposals that would produce a genuinely competitive election within Chinese parameters.⁴ Beijing also sought to divert blame away from its own recalcitrance and onto alleged "foreign forces" that it asserted were instigating the disorder.⁵

More ominously, there was a lurking fear that sooner or later Beijing would carry out a violent crackdown, as it had done across China in the spring of

1989. Deng Xiaoping had contemplated precisely this contingency when he said, in 1987, "After 1997 we shall still allow people in Hong Kong to attack the Chinese Communist Party and China verbally, but what if they should turn their words into action, trying to convert Hong Kong into a base of opposition to the mainland under the pretext of 'democracy'? Then we would have no choice but to intervene. First the administrative bodies in Hong Kong should intervene; mainland troops stationed there would not necessarily be used. They would be used only if there were disturbances, serious disturbances. Anyway, intervention of some sort would be necessary."⁶ As unhappy as Beijing was about the ongoing occupation in the fall of 2014, it was prepared to follow Deng's dictum and have the Hong Kong government take the lead. The apparent strategy was to let the movement peter out as the inconvenience it caused wore on affected citizens.

How long this patience would have lasted is anybody's guess, because in the end, Chinese intervention was not necessary. There was an effort to end the occupation by negotiation, but it fizzled. On the evening of October 21, senior officials of the Hong Kong Special Administrative Region (Hong Kong SAR) government conducted a televised dialogue with the leaders of the Hong Kong Federation of Students, one of the leading protest groups, but there was no movement on the key issues because neither side had much flexibility: The Hong Kong government's hands were tied by Beijing's uncompromising attitude toward election arrangements. The Hong Kong Federation of Students was handicapped by the loose and leaderless character of the movement. Consequently, the first dialogue session was the last one.

In the end, it was Hong Kong's much respected judiciary that paved the way for the end of the protests. Beginning in the latter part of October, groups of taxi drivers and minibus companies and others who believed the occupation had deprived them of their livelihood filed suits in local courts, seeking clearance of the protest areas. The plaintiffs won their cases and the Hong Kong Police were authorized to assist court bailiffs in carrying out the injunction. The first action occurred during the week of November 17 in the Mong Kok area, but not without violent clashes between police and the protesters there. Student leaders responded with improvisation, first trying to travel to Beijing to speak with Chinese leaders (they were not allowed to leave Hong Kong) and then participating in a brief hunger strike. More radical elements attempted to break into the Legislative Council Building on November 18 and stormed the government administration offices at the end of the month (the Legislative Council is the unicameral legislature of the Hong Kong

SAR). But enforcement of the court order continued, and Admiralty was eventually cleared on December 10 and Causeway Bay shortly thereafter. After seventy-five days, the most dramatic event in Hong Kong's political history had come to an end.

The Umbrella Movement may have surprised residents, the Hong Kong government, and the People's Republic of China (PRC) government in how it occurred, but it was only the latest and most contentious episode in a three-decade struggle by proponents of a more democratic system. Moreover, the movement also manifested a number of widening cleavages in Hong Kong society: between the PRC and Hong Kong governments, and the Pan-Democratic movement; between the local, wealthy business elite and the middle class; between the young and their elders; between those who give priority to political order and economic growth and those who value open participation; between those who wish to limit the competition for political power and those who wish to remove those limits; and between those who fear populist politics and those who embrace them. This book explores these cleavages and what they mean for both Hong Kong's future prosperity and its governance.

Becoming Hong Kong

For anyone whose impressions of Hong Kong were formed before 1989, the events of fall 2014 would come as a great shock. In the decades after World War II, the prevailing wisdom was that Hong Kong's people had a single-minded focus—or obsession: making money and securing a decent standard of living.⁷ In the days of rapid economic growth, the general idea of popular elections for the territory's leaders was probably far from most people's minds—and the details even further. Even today, some Chinese officials would like to believe that the Umbrella Movement did not reflect mainstream sentiments and concerns, and that Hong Kong should go back to being an “economic city” with a solely economic reason for existing. One of the purposes of this book is to explain the transition from a focus on the economy to one on politics, and therefore a brief review of Hong Kong's history is necessary to set the broad context.

BEFORE 1945

The name Hong Kong is an approximate phonetic rendering of the pronunciation in Cantonese or Hakka dialects of *xianggang*, meaning “incense (or fragrant) harbor” (represented by the characters 香港).⁸ Before 1842, the name

referred to a small inlet between Aberdeen Island and the south side of the bird-shaped island now known as Hong Kong Island, and to the village of the same name, *xianggangcun* (香港村). At one time the village was a key export point for incense; later it was one of the first points of contact between British sailors and local fishermen.⁹

In the early nineteenth century, this speck of an island on the south coast of China at the mouth of the Pearl River was a backwater of no significance. It was a place for farming, fishing, and smuggling as early as the Song Dynasty (960–1279 AD), but it paled in significance to Guangzhou (Canton), the major metropolis up the Pearl River to the northwest.¹⁰ Guangzhou was the administrative capital for two provinces, the core of the regional economic system, and the only place designated for Western traders to trade with Chinese merchants. The ascent of Hong Kong was a consequence of the critical intersection of two trajectories. One was the projection of British power into East Asia in the first half of the nineteenth century in order to open the Chinese economy to trade with Western nations on Britain's terms. And Britain had a reason to try: it seemed a promising market for British exports. China's GDP in 1820, as estimated by Angus Madisson in 1990 dollars, was over US\$228 billion, more than double that of India and more than the combined GDP of the world's eight next largest economies.¹¹ The other trajectory was imperial China's stubborn insistence that it would define the rules of trade, particularly since imports of opium from India were causing a destabilizing outflow of silver, China's currency of exchange. China was prepared to use coercion to preserve relative autarchy; Britain was just as prepared to use force to get its way and to expose China to what we now call globalization. The Opium War of 1840–42 was the result, and the quick British victory signaled the rise of the West and the decline of China. In the process, Britain got Hong Kong as a spoil of war.

Actually, what Britain annexed from China in 1842 was only one part of today's Hong Kong. In the first of three transfers, Britain acquired Hong Kong Island, whose northern shore looks out over one of the world's magnificent deep harbors. The new colonial government called the island Victoria, after the reigning British monarch. The second transfer occurred in 1860, after Britain's victory over China in the Arrow or Second Opium War, when it secured the lower Kowloon Peninsula, which was across the harbor from Victoria, and some associated islands. Hong Kong remained the name of the original Victoria Island, but also became the name of the colony as a whole. The third transfer came in 1898, after the "scramble for concessions" by various

imperialist powers. Britain got both a northern extension from the Kowloon Peninsula and a number of additional islands. These new acquisitions became known as the New Territories. The first two acquisitions were secured in perpetuity (or so the British thought), but the New Territories were transferred pursuant to a ninety-nine-year lease—the lease that would trigger the process that culminated in the return of all of Hong Kong to China in 1997.

Since the 1840s, Hong Kong has been an interface between China and the international economy. In some periods it was the primary meeting point between the two. But the character of that interface has changed dramatically in the seven decades since the end of World War II. Until World War II, its duty-free trade regime and British legal system made Hong Kong an attractive business center for British and Cantonese businessmen alike.¹² Opium remained a leading commodity throughout the nineteenth century. The gradually urbanizing, commercial areas of Hong Kong Island and Kowloon experienced significant modernization, while most of the New Territories retained the agricultural and socially traditional character of rural China.¹³ The British colonial administration was staffed with competent people who had a limited mission of maintaining public health and safety and looking after British residents. There was no thought of an ambitious civilizing mission or even of much intervention in the economy. Most British residents, whatever their occupation, viewed the colony's Chinese residents, a majority of the population, with intense racial prejudice. Consequently, the only way in which Chinese business and community leaders participated in government was through community functions such as sanitation. As such, they became a significant link between state and society.¹⁴ Yet the colonial government never gave much thought to building on that connection by allowing some degree of popular representation. Ethnocentric prejudice concerning the Chinese was too strong. The Western members of the community were too few to aspire to democratic government: granting democratic privileges solely to them would make the denial of the same privileges to the Chinese all the more obvious.¹⁵

With the weakening of the Chinese imperial system in the nineteenth century, Hong Kong also became a haven for revolutionaries on the run, and some of its Chinese inhabitants provided financial support to those same revolutionaries. Both before and after the end of the imperial system in 1911, turmoil in China spread occasionally and temporarily to Hong Kong, but by and large it was an island of stability, not least because judicial and law enforcement institutions were much superior to those in China. In late 1941 Japan extended its military occupation of East China to Hong Kong in a violent

takeover, and the four-year occupation that followed brought hardship to all and brutal treatment to some. The fact that Britain had been defeated by an Asian power was not lost on long-time Hong Kong residents, and the Japanese actively sought to humiliate Britain in the eyes of the local Chinese.¹⁶

FROM 1945 TO 1979

With the end of the war and the British recovery of their colony, there was some belief in Hong Kong that a new era was about to begin. That optimism waned quickly as the colony witnessed the advent of civil war in mainland China between Chiang Kai-shek's Nationalists and Mao Zedong's Communists. By late 1949 the Chinese Communists controlled the mainland, and the units of the People's Liberation Army marched right up to Hong Kong's border and then stopped. Not stopping, however, were millions of refugees who streamed into Hong Kong both before and after the Communist victory. From then on, the Hong Kong administration focused on ensuring economic survival and social stability.

In this "borrowed time" environment, in which no one knew when PRC restraint might end, Hong Kong began to transform into the society we know today, driven by three converging forces. First, the refugees from southern China who were able to sneak into the colony swelled the population to around 3 million people by 1960, four times the population at the end of the war. Their welfare needs were manifold, but they constituted a pool of low-wage labor for anyone who could provide jobs. Second, in 1949–50 the newly declared People's Republic of China closed its border with Hong Kong, and Western countries led by the United States imposed an economic embargo on both exports to and imports from the PRC. That meant that Hong Kong could no longer serve as an entrepôt for China's trade, as it had for a century. Third, multinational companies searching for platforms on which they could outsource production of goods that would meet their quality control standards discovered Hong Kong.

Hong Kong therefore saw its opportunity for growth, and the colonial government, whose intervention in the economy and society had hitherto been minimal, concluded that it would have to expand its role to ensure that the opportunity was seized and the basic human needs of the refugee population were met. For its part, the business community urged the government to follow the industrial-policy course set by Japan, Korea, and Taiwan, and resisted proposals to provide social services because it feared it would have to pay higher taxes to fund new programs.¹⁷ The government took neither

suggestion. It provided public health and education (free primary education became available for all by 1970). It moved refugees from unsafe and unhealthy shanty towns into basic, low-rent public housing. It worked out arrangements with Beijing to ensure supplies of water and food for the colony.¹⁸ The government built transportation infrastructure, both to get workers to their jobs and the goods they produced onto the ships headed for global markets. The Hong Kong Police fostered a relatively safe social environment and the courts protected property rights. This social management was accomplished by a competent civil service through which talented Chinese officials rose to higher and higher positions of responsibility.

Postwar colonial policy was quite successful. Economic growth was rapid, and Hong Kong became a generally stable middle-class society with only occasional major disruptions. Real GDP per capita increased by 46.4 percent from 1961 to 1966, 23 percent from 1966 to 1971, 13.3 percent from 1971 to 1976, and 11.9 percent from 1976 to 1981.¹⁹ Ethnic Chinese firms grew up alongside the British ones and were happy to be co-opted by the colonial administration. With the border with China closed, the colony's Chinese population became far less transient than it had been before the war. Hong Kong became truly their home. The refugees and their children came to acquire a separate Hong Kong identity that complemented their sense of being Chinese. But there was a downside to the government's assumption of responsibility for delivering social services: Chinese community leaders who had provided social services in the past lost their previously significant position as the link between the government and the people.²⁰

As for the "New China" whose policies had driven them from their native places, Hong Kong's refugee population was happy to have nothing to do with it. At the same time, China's leaders were willing to tolerate Hong Kong's separation from the mainland from 1949 to the late 1970s. The differences between Maoist China and capitalist, colonial Hong Kong were too great to bridge, and the success of the latter probably posed something of an ideological challenge to Beijing. Furthermore, Hong Kong was useful to the Communists. It was a conduit for remittances from people outside of China to their relatives in the People's Republic, and a place for intermittent contact with representatives of the Republic of China on Taiwan. The Chinese Communist Party sustained an underground presence in the colony that had begun in the 1920s.²¹ The only disruption of this limited coexistence occurred in 1967 during Mao's "Great Proletarian Cultural Revolution," which energized leftist activists in Hong Kong to mobilize protests and engage in terrorist acts.²²

The Hong Kong government took a firm stand, and Beijing soon brought its minions under control.

Mao Zedong died in 1976, and his radical supporters were purged; at this point Hong Kong became more valuable to the PRC. Deng Xiaoping's new policy of economic reform and opening up, first announced in late 1978, was a tremendous boon for Hong Kong. Deng recognized that if the Chinese Communist Party (CCP) was to regain some of the legitimacy it had lost after three decades of Maoist policies, it would need to stimulate economic growth and improve the livelihood of the Chinese people. But growth could only happen with the capital, technology, and management skills that external governments and companies could provide. From the beginning of reform, Deng regarded Hong Kong companies as a critical resource, and the fact that many of those companies were owned and managed by ethnic Chinese was an important advantage. For their part, Hong Kong industrialists were eager to move production and assembly into southern China and convert their Hong Kong operations into service centers, thus enhancing their firms' place in global supply chains. This complementarity not only helped power China's rapid economic growth and poverty reduction, but also buoyed Hong Kong's prosperity at a time when the costs of local labor were rising.²³ After declining to modest rates of increase in the 1970s, real GDP per capita soared by 26.0 percent between 1981 and 1986, and 32.7 percent from 1986 to 1991.²⁴

BRITAIN DEFERS DEMOCRACY

Hong Kong was one of Great Britain's most unusual colonies. John Darwin, a specialist on British colonial history, trenchantly sums up the situation: "Hong Kong's political history makes nonsense of the decolonizing process as it is usually imagined. . . . It underwent no significant constitutional change. It [would] never travel the colonial *cursus honorum* from crown colony rule to representative and then responsible government."²⁵ Beijing and some in Hong Kong have long complained of a double standard here. Since the British were unwilling to bestow popular rule on Hong Kong during the century and a half it possessed the territory, Chinese often ask, why should China be required to do so now?²⁶ Animating the question is not only a not-so-latent nationalism and a resentment that the West is now asking Beijing to practice what London has only recently begun to preach. There is also fear that Britain and the United States will use democratic processes as a political tool to exercise remote control over the territory.

After World War II there was a fleeting but genuine possibility of opening the *cursus honorum* to Hong Kong.²⁷ Britain's prestige as the colonial ruler had declined with Japan's rapid seizure of the colony in late 1941. Once London resumed control after the war, articulate members of the Chinese population formed a coalition for a "1946 outlook." They called for a variety of reforms, particularly a constitutional system with political participation. At least some British officials were responsive. The most prominent of these was Mark Young, the prewar governor who had suffered through four years of Japanese internment in Hong Kong but resumed his position in 1946. He proposed that London apply a "traditional Colonial Office policy . . . of introducing representative government" to Hong Kong.²⁸ He sought to foster a city-state with its own identity and a stronger political attachment to Britain and recommended creation of an elected municipal council. But Young remained in office for only a year. His successor, Alexander Grantham, did favor modest reform. Specifically, he proposed to change the membership of the Legislative Council, which up until then had been composed of officials and individuals appointed from the British community. Grantham's idea was that some of these "unofficial members" would be elected rather than appointed, but that did not happen because the incumbent unofficial members evinced little interest. More generally, Grantham resisted the general impulse of the Labor governments in London to institute self-government in Britain's remaining colonies and used delaying tactics to block significant change.²⁹

Three factors in particular delayed any broader reform. The first was social instability that the flood of refugees had brought to the Hong Kong community. They came both during the Chinese civil war and as the CCP imposed harsh policies after victory in 1949, such as land reform, political campaigns, collectivization, and the Great Leap Forward. The rapid increase in population imposed significant demands on the colonial government, which responded in stages to the unprecedented situation. Although it worked actively to promote economic development and provide jobs for the burgeoning population, it did not always keep up with the public's demand for social services. Disgruntled residents found ways periodically to register dissatisfaction, even in the absence of a democratic system, through demonstrations, riots, and so on. Eventually the government got the message and provided more generous benefits in housing and education, and redesigned the government to make it less bureaucratic and remote, and more responsive to the people.³⁰ Yet there were few "demand signals" for democracy from most of the colony's new Chinese

residents. Their sole priority was survival, not self-government, and they eschewed politics, since politics was what had led most of them to seek a safe haven in Hong Kong in the first place.³¹

Second, Britain feared Communist movements in its remaining Asian colonies. Labor movements in Malaya and Singapore destabilized towns and cities, and a rural insurgency in Malaya tested the capacity of colonial governments to keep order (they prevailed in the end).³² With the Communist victory on the Chinese mainland, the Colonial Office in London feared that Hong Kong would be targeted next and that Hong Kong's security forces were not prepared for the challenge.³³ So on security and other issues, it applied the policy model developed in Britain's other Asian colonies to Hong Kong.³⁴ The local garrison was strengthened to back up the police.³⁵ Through the Societies Ordinance, the government prohibited foreign political parties (both the Chinese Communist Party and Chiang Kai-shek's Kuomintang [KMT], or Nationalist, Party) from having branches in Hong Kong. Clashes between CCP and KMT partisans in the colony actually broke out into riots in 1956, and those two groups would likely have had an advantage if elections had been permitted.³⁶ The government also had authority to ban political strikes, restrict the media, deport unwanted aliens, and close Communist educational institutions.³⁷ Despite these prohibitions, the CCP continued to have an underground presence in the colony and sought to manipulate social tensions to place the British government on the defensive.³⁸ Alexander Grantham's policies in Hong Kong may not have been as draconian as those adopted in Malaya and Singapore, but they were still robust, and from time to time the dragnet also picked up moderate, middle-class people and groups who advocated for democratic political reform. Thus, Hong Kong's British rulers used both the refugee crisis and the perceived danger of Communist movements to preserve Hong Kong as the exception to the rule in British policy of fostering a transition to a representative government. Efforts to control dissent continued late into the 1970s.³⁹

There was a third way in which Hong Kong was distinctive. It was one of only a few colonies that had been acquired from a state that still existed after World War II, in this case, China.⁴⁰ This colored the views of British officials with Foreign Office backgrounds, such as Governor Grantham, who believed that "Hong Kong from beginning to end should always have been viewed as part of China, and thus relations with China were always paramount, not issues of the legislative or municipal councils."⁴¹ Over the years, Beijing sent

several signals that it considered Hong Kong to have special importance to China:

- In October 1955, when Grantham met with PRC premier Zhou Enlai during a private visit to Beijing, Zhou told Grantham that the British presence in Hong Kong would be tolerated, provided that the colony was not used as an anti-Communist base, that the government allowed no activity that undermined the PRC, and that it protected the Chinese government's representatives and organizations there.⁴²
- In 1958, Zhou conveyed a "personal" message to Prime Minister Harold Macmillan claiming a plot was being hatched with American support to "make Hong Kong a self-governing dominion like Singapore," a move that Beijing would see as "a very unfriendly act."⁴³
- In 1971, Zhou told a retired Colonial Office official that China would recover the entire territory of Hong Kong when the New Territories lease expired in 1997.⁴⁴
- The same year, China requested that the United Nations remove Hong Kong and Portuguese Macau from its list of non-self-governing territories, thus ruling out their political independence (Britain raised no objection regarding Hong Kong).⁴⁵

London's decision not to treat Hong Kong as it had other crown colonies does raise a counterfactual question: If Britain had granted that option, would Hong Kong residents have chosen political independence? Would they have sought to create a city-state in the British Commonwealth, à la Singapore? Or would they have opted for something similar to the Cypriot Greeks' unification (called *enosis*) with mainland Greece, but with Chinese characteristics?⁴⁶ The question is impossible to answer, of course, but a voluntary vote to rejoin China seems unlikely, since most of the older residents were refugees from communism, and their children were gradually taking on a Hong Kong identity. On the other hand, Hong Kong people were not foolish. An independent Hong Kong that lacked either the capacity for self-defense against the People's Liberation Army or an ally willing to defend it could only survive on PRC sufferance, and Beijing had already made clear that it opposed decolonization of the territory. Hong Kong qua part of China trumped Hong Kong qua colony deserving democratization and independence.

As a result of Britain's failure to set Hong Kong on the independence track, in 1980 a process of engagement began between Great Britain and the

People's Republic of China, which claimed the territory and insisted on resuming sovereignty. The trigger for this process was the practical matter of land leases: some of the leases that the Hong Kong government issued to private entities had a fifteen-year term, which meant that any lease negotiated after 1982 might be under a legal cloud after 1997. After tortured negotiations, in which London was usually on the defensive and Beijing the *demandeur*, in October 1984 the two countries signed a Joint Declaration that announced Britain's intention to transfer sovereignty over Hong Kong to China and laid out the parameters of Beijing's "one country, two systems" model for the territory after reversion. Beijing, as the prospective sovereign, then initiated the drafting of a Basic Law for Hong Kong, which translated the general principles of the Joint Declaration into greater detail and was enacted by China's National People's Congress in April 1990. Both before and after that event, the British and Hong Kong governments sought to prepare Hong Kong politically for its new life as part of China, but did not always do so in ways that the new sovereign approved of nor fast enough for residents who desired a more open political system. Some in the British and Hong Kong governments tried, and usually failed, to expand the scope of democracy, both in the negotiations of the Joint Declaration and in post-1984 governance of the territory. A growing cohort of pro-democracy professionals (lawyers, educators, social workers, and so on) tried, and usually failed, to use the negotiations over the Basic Law to ensure political freedoms and broaden the role of elections. Local Chinese businesses decided that the best way to protect their interests was to align themselves with the Chinese government, not the British authorities or professional and social groups seeking democracy.⁴⁷ This split in the broader colonial Chinese elite between business executives and professionals would dominate the political debate and persist into the post-reversion era. (See chapter 2 for a detailed discussion of the decisions that were made regarding Hong Kong's political system and the struggle to augment or minimize the degree of democratic government.)

Those negotiating on behalf of Hong Kong, particularly for a more open and competitive system, worked under two severe constraints. The first was the calendar. Every year that passed was a year closer to the expiration of the New Territories lease. Many Hong Kong residents, too, were aware that the clock was ticking, partly because of the lease issue and also because it became clear that China sought the return of both the leased New Territories and the parts of the colony that Britain thought it owned in perpetuity. The pressures for post-1997 certainty began to build at just the point when Hong Kong com-

panies began to seize opportunities of doing business in China. The second constraint was the CCP's crackdown on demonstrations in Beijing and other cities in June 1989. The crackdowns heightened the fears of Hong Kong residents that Beijing might employ similar violent tactics against them. But it also raised fears in the Chinese regime, which inferred from the sympathy felt by many in Hong Kong for the plight of the demonstrators and the assistance that some protest leaders received from the territory, that Hong Kong's political system might be used as a platform to subvert the Communist regime.

AFTER REVERSION

Reversion occurred on July 1, 1997. The Hong Kong SAR government's first fifteen years after this date were star-crossed. The Asian financial crisis began the day after reversion, on July 2, 1997, and created serious economic stress in Hong Kong. Stock prices plunged by as much as 60 percent, some property lost more than half its value, per capita GDP declined by 7.8 percent in 1998, and the number of unemployed workers more than quadrupled from 1997 to 2002. The administration of Tung Chee-hwa, Hong Kong's first chief executive, struggled to respond as it faced hard choices. It had to abandon its original, worthwhile goal of expanding the number of housing units to benefit the lower and middle classes when that program only depressed housing prices even more. The Hong Kong government imposed an austerity regime at a time when it had planned to prime the pump, and probably should have.⁴⁸

Then, in early 2003, Hong Kong faced the sudden acute respiratory syndrome epidemic. The authorities responded slowly because they did not wish to cause China embarrassment by publicly admitting that the disease had originated in China. Neither did they privately seek Beijing's assistance in coping with the outbreak. The crisis caused a damaging credibility blow to the Hong Kong government. Public opinion polls indicated that residents' satisfaction with their life in Hong Kong, which had peaked at 90 percent in early 1997, dropped to as low as 51 percent in late 2003. Similarly, the percentage expressing satisfaction with the performance of the Hong Kong government plunged from 73 percent in February 1997 to 16 percent in December 2003.⁴⁹

China soon came to the rescue with a package of measures that stimulated the Hong Kong economy, which helped the territory reach an average annual growth in GDP of 7 percent from 2004 to 2007.⁵⁰ But Beijing also pressed for the adoption of anti-subversion legislation. That demand alarmed the Hong Kong public, half a million of whom turned out on the sixth anniversary of reversion to protest this perceived threat to their freedoms.⁵¹ The administration

withdrew the legislation, and the unpopular Tung was encouraged to resign before his term ended. His successors, Donald Tsang and now Leung Chun-ying (C. Y. Leung), have had to face new demands from the Pan-Democrats movement that the government move toward electoral democracy. By and large these demands were rejected, and the political system in 2013 was essentially the same as it had been in 1997, with one major exception: political activists had learned how to mobilize protests on all manner of issues to compensate for their lack of access to government institutions.

Hong Kong as a Hybrid

Hong Kong's reversion to China in 1997 only reinforced its uniquely hybrid character. Of all the places in China that had a prolonged foreign presence before the Communist takeover in 1949, Hong Kong is the most interesting. Macau, the first European outpost, was a full-fledged Portuguese colony, but it dozed through most of its history, particularly the postwar decades, when Hong Kong experienced its most explosive growth. The treaty ports that were established during the Qing dynasty, such as Shanghai, Tianjin, and Hankou, had a colonial flavor similar to Hong Kong's, but they remained Chinese territory and were governed by members of local expatriate communities, not by agents of Western governments. Hong Kong, in contrast, was a British crown colony that ultimately became a vibrant, middle-class society that is a unique mix of China and the West.

Socially, Hong Kong is a very Chinese city: attachment to family is strong and materialism reigns. The style, accents, older buildings, and some folkways reflect the Cantonese origin of most of the population. Yet Hong Kong also has strong vestiges of the British colony that it was until July 1, 1997. Street signs evoke memories of nineteenth-century governors, judges still wear wigs, English with British orthography is common in many public settings, and vehicles drive on the left side of the road. Hong Kong was the first Chinese society where people queued up for buses, trams, bank tellers, government clerks, and so on in the English fashion; Taipei in the mid-1970s was not so orderly. And on February 14 each year, many young men can be seen on streets and subways carrying bouquets of roses for their sweethearts, actual or potential.

Economically, too, Hong Kong is a hybrid: it has performed different functions in the international economy and vis-à-vis China at different times. Cut off from the Chinese economy after the victory of the Communist forces

in 1949, it survived and thrived as a platform for production or assembly of manufactured goods for multinational corporations and became known as one of the four East Asian export “tigers,” along with Korea, Taiwan, and Singapore. But once China opened up to foreign investment in 1979, Hong Kong companies moved their production into South China. Still, many of these firms maintained their place in global supply chains, with Western markets as the final destination for exports. The economy as a whole made the transition into the service sector: financial services, global logistics, and so on. Yet doubts remain about Hong Kong’s status as a “global city”—that is, a city with a significant role in the international economy.

Constitutionally, Hong Kong is also a hybrid. Although it has the feel of places such as Singapore and Taipei, or even parts of Vancouver and San Francisco, it is still the Hong Kong Special Administrative Region of the PRC. China’s national flag, crimson with five yellow stars, flies over all official Hong Kong buildings. Most Hong Kong residents carry a PRC passport. The Central People’s Government in Beijing, as the Hong Kong government now refers to the authorities in Beijing, appoints the territory’s senior political leaders and has a Liaison Office in the Hong Kong SAR to monitor leaders’ performance and measure broader social, economic, and political trends. China’s People’s Liberation Army has a garrison in the Hong Kong SAR as well. Three local newspapers—*Ta Kung Pao*, *Wen Wei Po*, and an edition of the English-language *China Daily*—take their editorial direction from the Propaganda Department of the Chinese Communist Party. In some ways, therefore, Hong Kong is a Chinese city, not just ethnically but also administratively. Nevertheless, although the PRC presence may not actually be the “high degree of autonomy” that Hong Kong’s residents originally expected, here the CCP does not exercise the sort of dominance that it does in Shanghai, Chongqing, Xi’an, and Guangzhou.

Socially, Hong Kong is a hybrid, and its residents understand clearly that their society is very different from that of the Chinese mainland. The great majority of the members of both societies are ethnic Chinese, but the social norms that each group follows can be very different. The contrast starts with different life experiences. According to recent censuses, about 60 percent of the Hong Kong population were born in Hong Kong, and 32 to 33 percent were born on the mainland, Taiwan, or Macau.⁵² A significant share of the mainland-born refugees from the 1950s and 1960s have lived in Hong Kong for several decades. Although this group experienced some of the convulsions

of the Mao period, they shared in the social and economic modernization that began in Hong Kong in the 1950s. On the mainland, economic reforms did not start until the 1980s, and then evolved incrementally.

China's opening up created a complementary interdependence that both fueled China's rapid economic growth and boosted prosperity for Hong Kong's maturing middle-class society. Since 2003, however, the dependence has gone the other way, with the central government in Beijing taking a number of policy steps to sustain local Hong Kong growth. Some of those steps brought mainland people and Hong Kong people into direct contact, daily reminders that the mainland may no longer be Maoist but it is still very different socially. The movement of mainland Chinese into Hong Kong for shopping, schooling, jobs, housing, and social services has created competition that did not exist before. Pregnant mainland women (43,000 in 2011) coming to Hong Kong to deliver their babies and so secure local residence permits for their children have been a point of controversy.⁵³ Mainland tourists began coming to Hong Kong in 2003 and the more wealthy among them boosted profits for the hospitality and high-end retail sectors, even as local people look down on them as *nouveaux riches*. But it was the less well-off mainland visitors who really rankled local residents, either because their behavior in public places did not meet Hong Kong standards or because they bought up daily supplies and necessities for their own use or to resell them back home for a profit. Generally, the visitors made a congested city even more crowded.

Finally, Hong Kong is a political hybrid (discussed in detail in chapters 3 and 4). Suffice it to say at this point that Hong Kong has the rule of law and civil and political rights common in most democracies, but it is only partially an electoral democracy. The procedures for selecting both the chief executive and the Legislative Council provide special clout to some sectors, particularly the business community, so the results do not necessarily reflect popular sentiment. Moreover, Beijing has ways to influence local politics behind the scenes and below the surface.

In sum, the Hong Kong that took shape during the decades after World War II is both Chinese and cosmopolitan; an economic success story that must always assume failure is looming on the competitive horizon; a society that is different from the one across the border to the north and views itself differently; and a constitutional and political idiosyncrasy that possesses liberal norms and the rule of law but denies citizens the power to pick their senior leaders in free and fair elections. If Hong Kong was born as the trajectories of Western and Chinese power crossed in the first half of the nineteenth

century—the former ascending and the latter descending—it must now endeavor to survive in the early twenty-first century when Chinese power is growing and Western power is in relative decline. If historically Hong Kong rode the wave of the West’s ascent, it must now navigate the sometimes smooth and sometimes treacherous tide of China’s revival.

Plan of the Book

Looking forward, Hong Kong’s hybrid character is up for grabs. The Basic Law dictates that its status as a special administrative region under one country, two systems—Hong Kong being the “second system”—will last for fifty years after the reversion of sovereignty in 1997. If the provision is followed, Hong Kong’s “second system” will disappear and it will become part of Beijing’s administrative structure, perhaps as a special municipality like Shanghai. Of course, the option exists to extend that time period if there is reason to do so. But some in Hong Kong have already begun to worry about the Basic Law’s looming deadline. Just as holders of land leases in the early 1980s wondered about the status of their leases, today companies considering long-term investments are starting to ask whether Hong Kong’s common law system or the PRC’s Party-controlled one will govern their contracts beyond 2047.

As China and Hong Kong approach the twentieth anniversary of reversion, in 2017, when there will be thirty years left until 2047, there are likely to be pressures to end or alter the Hong Kong SAR’s hybrid character, at least concerning economic and political affairs. Hong Kong’s ability to remain a global business city will only be more challenged as China’s economy grows more robust. What must Hong Kong do to preserve global competitiveness and avoid marginalization? Politically, will China be content to sustain a system that is ordered, liberal, and led by individuals who defer to its wishes? Or will protests such as the Umbrella Movement lead it to either accommodate a liberal democracy or change the system so it is neither democratic nor liberal? And, in the grand scheme of things, does Hong Kong really matter?

To bring these issues into sharper relief, I adopt three different perspectives. First, I tell the story of the contest over how to select Hong Kong’s future senior leaders, a story that ends, rather tragically, with no electoral reform and a reversion to existing undemocratic mechanisms. In the process, I explore the likely and mutually reinforcing reasons for the eruption of the Umbrella Movement in fall 2014. The first of those reasons is the cumulative impact of

a struggle between the city's democratic camp and its establishment camp (generally allied with Beijing) over just how much democracy to create (chapter 2). The second reason is unintended consequences of Hong Kong's political hybrid system, which advocates political freedoms and rule of law but lacks competitive elections for higher offices (chapter 3). A third reason is the overlapping concentration of economic and political power in the Hong Kong elite, which has led to growing social and economic inequality (chapter 4). The fourth reason is the way the process of interaction among democrats, members of the elite, the Hong Kong SAR government, and Beijing—a process sadly marked by mistrust and missed opportunities—generated an ultimate outcome that was acceptable to none (chapters 5 and 6).

The second perspective is to step back and address a series of “so what” questions, questions about the significance of the debate over electoral reform and the protest movement for other features of Hong Kong's system and for actors outside Hong Kong. The first question is: How would democratic procedures contribute to and ensure good governance? In Hong Kong, for example, would the selection of senior leaders by voters necessarily ensure that those leaders will adopt and implement policies that are in the best interests of the public? Small-d democrats either assume that full democracy will ipso facto ensure good government, or that it is at least a necessary condition for good policy. Democratic skeptics argue that there is no connection between how leaders are picked and how they perform, and in the current era they have plenty of examples to point to—including the United States. In chapter 7 I probe the relationship between democracy and governance. In chapter 8 I examine the area of government performance that has always been highly relevant to Hong Kong residents: the competitiveness of the economy.

These two perspectives are related and interact with each other. Economic performance, current and future, has significant domestic political sources and consequences. Prolonged political instability can retard growth and reduce competitiveness with other economies. On the other hand, Hong Kong's particular growth path over the last decade has widened income inequality to the point that income distribution is more skewed than in most other developed economies and so has created grievances against the government among those who feel left behind. The public perception that the political system benefits the business elite raises questions about whether “executive-led government” can actually serve the interests of the entire public. In the minds of many in Hong Kong, full and genuine democracy became a means to restore a just balance of power and wider prosperity.⁵⁴ Chapters 9

and 10 inventory suggestions on what, as a practical matter, the Hong Kong and Chinese governments might each do to ensure better governance and competitiveness.

How well Hong Kong does in preserving prosperity and promoting good governance can produce a variety of outcomes. Success on both dimensions spells a future of prosperity, political stability, and government legitimacy. To preserve competitiveness and its attendant prosperity but defer full democracy is a suboptimal result because political instability is likely to persist. If, in contrast, Hong Kong falls behind economically but institutes democracy, that, too, is suboptimal. The economic pie will shrink; even though a democratic government might be able to divide up that pie more fairly and so be seen as more legitimate than the current government, that outcome is far from guaranteed. A failure in both competitiveness and governance spells greater class conflict, political instability, and weak governance. The blame for such a disaster is likely to fall on China.

The third perspective is to pose “so what” questions relevant to issues outside of the Hong Kong SAR. Hong Kong is a very small place: 7.25 million people in an area of 426 square miles. The economic and political development of China and how Beijing chooses to use its growing power externally is objectively far more consequential for East Asia and the world than whether political reform succeeds or fails in Hong Kong. Despite its diminutive size, however, Hong Kong’s fate is far from trivial. In the first place, it is one of several peripheral territories that the People’s Republic incorporates within its sovereign territory, or would like to incorporate.⁵⁵

These peripheral territories come in two types, special autonomous regions and special administrative regions, and the latter have a lot more autonomy than the former. There are five special autonomous regions in China’s west: Guangxi, Inner Mongolia, Ningxia, Tibet, and Xinjiang, and a relatively large share of their populations are ethnic minorities. Politically, they are subject to tight government control and hence are autonomous in name only. Tibet and Xinjiang are the most prominent examples of this: Each has experienced tight coercive control from the central government and a significant influx of ethnic Han Chinese. Yet ethnic Tibetans in Tibet and the Uighur Muslims in Xinjiang have not all submitted quietly to CCP controls and to demographic disruption, and the two territories have suffered chronic instability in the last decade. Less well known but not insignificant are the special autonomous regions Guangxi (Zhuangs), Ningxia (Muslims), and Inner Mongolia (Mongols), none of which has been totally quiescent.

The former colonies of Hong Kong and Macau were incorporated as sovereign parts of the PRC in 1997 and 1999, respectively, as special administrative regions under the one country, two systems approach. They have much greater latitude to conduct their own affairs than special autonomous regions. Constitutionally, Beijing retains jurisdiction over their defense and foreign affairs, even as it works to control some local affairs through institutional measures and behind-the-scenes manipulation.

Finally, there is the case of Taiwan, to which Beijing would still like to apply the one country, two systems approach, even though it has never been able to convince Taiwan leaders or citizens of the virtue of that proposal.

For different reasons and in different ways, Beijing has been unable to fashion a satisfactory political design for each of these three types of peripheral territories. Social, geographic, and historical distance have all worked to frustrate its application of either direct or indirect rule. The difficulties that the PRC government has experienced in incorporating Hong Kong have a particular relevance for unincorporated Taiwan, since the use of one country, two systems in the former was supposed to provide a positive demonstration effect for the latter, and so speed the day that Taiwan would voluntarily give up its separate status and character. Chapter 11 details the failure of this demonstration effect, particularly during Hong Kong's struggle over electoral reform. Interestingly, Taiwan politicians and the media emphasized Hong Kong's significance for the island's future much more than the public at large, which believed that the two cases were fundamentally different.

The "so what" question is also relevant for U.S. policy (discussed in chapter 12). Superficially, Hong Kong would seem to be a symbolic asset for the United States. Indeed, it was regarded rhetorically as an outpost of anti-Communist freedom up until the beginning of the Washington and Beijing rapprochement in the early 1970s. As democracy promotion became a goal of American foreign policy in the 1980s, the city seemed to be an ideal candidate for Washington's focus. The reality was something different. From 1950 to the early 1970s, the U.S. economic embargo against China placed limits on Hong Kong's economic growth. The efforts in the U.S. Congress to impose economic sanctions on China in retaliation for its suppression of the protests in 1989 also had a direct impact on the Hong Kong economy. By the 1990s, promoting democracy in Hong Kong had to be balanced against more pressing issues within U.S.-China relations. Finally, there is the issue of effectiveness. During the events between 2013 and 2015, the Obama administration acted on the (probably correct) premise that too-public and too-intrusive U.S. support

for the city's democratic camp would set back the goal of meaningful electoral reform rather than advance it. The U.S. position, therefore, was to keep its distance from a particular camp or political party, and instead take a general stance supporting universal suffrage according to the Basic Law.

The "so what" question is also relevant for the political development of China itself and its role in the world (covered in chapter 13). Might Hong Kong have a demonstration effect for the character, pace, and sequencing of political reform that might occur in China, which in turn is tied to the much broader global debate over governance for the twenty-first century? Of course, China's Leninist leaders may never give consideration to the idea that the CCP's own interests might be served by exposing their regime to institutional restraints and public accountability mechanisms. If they did, borrowing and adapting some of Hong Kong's institutions would be an obvious place to start. Its rule of law and independent judiciary create a check on the arbitrary exercise of state power. The city's institutions for deterring, detecting, and enforcing anti-corruption norms offer a corrective to one of the most debilitating features of the Chinese system. If adopted in China, genuine rule-of-law and corruption-control institutions could improve the country's governance without its having to simultaneously tackle the much tougher task of a democratic transition. When it comes to democracy, if Chinese leaders so chose, they could use Hong Kong as a test bed for experimenting with a more pluralistic and competitive political system in Chinese cities. In all these areas, the CCP must decide for itself that political reform is in its interests, but a well-governed and democratic Hong Kong would inform that choice. Finally, there is the biggest question of all: Does China's treatment of Hong Kong tell us anything about what kind of great power China will become?