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## Getting It Right in Hong Kong

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Hong Kong has been through a tough and eventful year. The government's pursuit of new national security legislation evolved into one of its largest tests since the handover in 1997. SARS was an unwelcome surprise that continues to cast effects as people worry that it might resurface in the months ahead. Retail and service industries suffered, and, although related service industries have substantially revived, there was genuine and significant economic pain associated with the spring 2003 outbreak of this new disease.

News from the economic front has been largely bleak: Deflation-accelerated as of June 2003 stood at -3.1 percent; unemployment ticked down to 8.6 percent; the rise in negative equity mortgages in the second quarter was 27 percent; the financial sector in Hong Kong has cut more than 5,700 jobs since March 2002—the list goes on. But the government has demonstrated initiative and seems determined to come to grips with the challenges associated with Hong Kong's changing circumstances.

Very recent news in the property and retail sectors is encouraging. Some estimates for GDP growth for 2003 were revised upwards at the end of last month to 2.0 percent. The Closer Economic Partnership Arrangement, increasing momentum behind the building of infrastructure that will connect the crowded and developed eastern with the less developed western portions of the Pearl River Delta, new measures to increase the flow of visitors from southern China, the development of a center for the study of infectious diseases with support from the interna-

- It appears that the Hong Kong people want political restructuring to go along with the revisions of the economic structure that are underway. Doctors and dentists and clerks and shopkeepers joined together on July 1 to complain that the system was broken.
- Hong Kong has discovered since 1997 that, like its competitors in the global marketplace, it cannot afford to rest on past achievements. The foundation for development of democracy in Hong Kong is very strong, but if the people are to participate fully, new mechanisms and institutions will be required.
- American investors or businessmen and women should not be concerned about the political stability of Hong Kong. On the contrary, the fact that Hong Kong's middle class spoke out on July 1 was a tonic for what ails the SAR. This was a healthy sign as Hong Kong sought—and seeks—to heal itself.

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tional community, including the U.S. Centers for Disease Control—all of this and more adds up to an emerging sense of renewed vitality in Hong Kong.

But the real change in outlook in Hong Kong goes back not just to fiscal, social, or trade policy steps undertaken by the government. It is not just a response in Hong Kong to the new leadership team taking charge in Beijing in the aftermath of the 10th National People's Congress last spring. And it is not just a reflection of emerging optimism about the revival of the U.S. economy.

### July 1: A Watershed?

The real change in Hong Kong this summer arises directly from the remarkable expression of popular will that occurred on July 1. The people of Hong Kong spoke with unmistakable clarity in a show of the kind of unity of purpose that has been sorely lacking among their elected and appointed leaders. They spoke of their desire for more effective and more responsive government. They called for a course correction, a new direction calculated on the basis of the best interests of the Hong Kong people, interests that they wanted to have a hand in defining.

And they spoke in such large numbers, with such patience, fortitude, wisdom, and maturity, that their voices had a most telling and significant effect. It was a remarkable episode, one that will go down in the books as perhaps the single most important event in Hong Kong's short political history since the handover in 1997.

Before exploring further the implications for the future, let us clear away some of the misapprehensions associated with July 1 by examining what it was not. It was not the work of outsiders bent on undermining the sovereignty of the People's Republic of China over Hong Kong or the work of ideologues determined to oppose the Communist government in the PRC.

The July 1 demonstration of popular will in Hong Kong was homegrown. It was an accurate reflection of widely held views among the middle class in Hong Kong, and it was directed at the government of Hong Kong, not the central authorities in Beijing. Moreover, it was not just a referendum on the property market or the government's fruitless efforts to stem the tide of unemployment, and

it was not a walk in the park during a local holiday by an essentially apolitical people.

Although one would have to conclude that the frustrations of six years of deflation and the uncertainty associated with economic restructuring in Hong Kong have to weigh heavily on the minds of the citizens of Hong Kong, the precipitating factors that brought the middle class out into the streets were primarily political, not economic. One doesn't have to dig too deeply to identify the single most important issue that brought people to demonstrate—with civility and patience—against their government. The government's handling of new national security legislation was the immediate focus of the demonstration, but most observers believe that the people's concerns went well beyond the specific provisions in the text of the government's proposed new law.

To put it as succinctly as possible, it appears that the Hong Kong people, frustrated by the government's handling of the new national security legislation, want political restructuring to go along with the revisions of the economic structure that are underway. Doctors and dentists and clerks and shopkeepers joined together on July 1 to complain that the system was broken.

Dialogue between the government and the people shouldn't require a street protest by half a million people. There must be a better way if Hong Kong is to compete with other economies that are afforded the full participation of their citizens.

And, in fact, the Basic Law in Hong Kong points toward a better way in its Articles 45 and 68, which provide a mechanism for the ultimate goal: the election of the legislature and the selection of the Chief Executive by universal suffrage. It may take some time to build the institutions of democracy in Hong Kong, including stronger political parties, better mechanisms and greater resources to improve the quality of district council campaigns and local governance, and the emergence of leaders in political and social life who are trained to build public consensus and unity in the free-for-all that is life in democratic society.

One has to recognize that Hong Kong has a way to go yet before these institutions are fully formed and mature. The sooner that Hong Kong begins to

strengthen and expand these building blocks of democracy, the better for all concerned.

### **The Hong Kong Government Responds**

This is a conclusion that is not lost on the Hong Kong government. The government was late in responding to the message of July 1. There was a moment in early July, after the demonstration but before the scheduled vote on new national security legislation, when it appeared that the government intended to press ahead with the vote beginning with what is known as a “second reading” on July 9. No one will know how badly that might have turned out because events led—fortunately—to the postponement of a vote on the bill.

To the government’s credit, it has followed up that constructive decision with additional positive steps. The Chief Executive announced September 5 that the Hong Kong government had withdrawn the national security legislation from formal consideration by the Legislative Council.

We welcome this good news for the Hong Kong people. The Secretary for Security has made clear that dialogue with the Hong Kong people on the salient aspects of the controversial legislation will continue, that the government has neither ruled in nor out proceeding in the future on the basis of a “white bill,” and that in any event the government will not seek to advance the new legislation without the people’s support.

From our perspective, this is as it should be. We welcome the government’s intent to secure the community’s approval before enacting new national security legislation.

### **The Mainland’s Perspective**

Article 23 of the Basic Law calls for Hong Kong to enact laws “on its own” to prohibit treason, secession, and the like. That phrase—“on its own”—is important, for it points to Hong Kong’s greatest possible autonomy under the “one country, two systems” structure given to Hong Kong by the mainland for 50 years from 1997. There is every indication that the central authorities in Beijing continue to value highly Hong Kong’s system.

My view is that we can safely dismiss the more capricious rhetoric from PRC officials in the immediate aftermath of July 1: It is evident, both from July 1 and thereafter, that the people of Hong Kong

were not intent on revolution (cultural or otherwise). On the contrary, it is quite clear that the demonstrators went to exceptional lengths to focus their complaints precisely on the government in Hong Kong. As Martin Lee and others have written, the people of Hong Kong called for their government in Hong Kong to improve its performance, not to seek independence from the mainland. The middle class in Hong Kong can demand more effective and responsive government without radical surgery on the body politic.

Indeed, since the July demonstrations, the central authorities have fully supported the Hong Kong government’s conclusion that there should be no predetermined timetable for passage of the new national security law. It will be important for Beijing to be similarly supportive of the Hong Kong government’s efforts to advance the Basic Law’s provision for progress toward universal suffrage.

### **The U.S. Stake in Hong Kong’s Getting It Right**

In plain language, the U.S. has an interest in the Hong Kong government’s, first, “getting it” and, second, “getting it right.”

Does the Hong Kong government get it? That is, has the people’s expression of political views on July 1 fully registered with the authorities? I believe the actions of the Hong Kong government since July 1 indicate that it and the central authorities in Beijing do indeed understand the profound implications of what transpired on July 1.

Only time will tell if the government “gets it right” in response to popular demands, but one very encouraging sign is the government’s recognition that they need to ask the people whether the government is on the right track. The Chief Executive, the Secretary for Security, legislative members from the entire political spectrum, and other government officials are engaged in outreach and active listening, seeking to learn from and build upon the views and concerns of their citizens. The world will be watching to see whether Hong Kong’s people and government are on the same page.

It is only natural that the Hong Kong government would need to make adjustments to its policies since 1997, given the new ground that is being cultivated in the Special Administrative Region

(SAR). This is virgin soil that requires original, creative thinking for the implementation of the “one country, two systems” formula.

The challenge to the Hong Kong government, it should be recognized, is steep. Six years since 1997 is a very short time for a politically inexperienced leadership to “get it right.” The question should not be whether they are always right—how many governments are?—but whether there are mechanisms in place to raise alarms when the government is headed in the wrong direction and to allow for mistakes not only to be corrected in the present, but also to be avoided in the future.

The United States cares about the answers to the fundamental questions facing the Hong Kong government because we have long-standing ties and a deep and abiding friendship with the Hong Kong people; because we have political and economic interests invested in Hong Kong’s success as a thriving free-market economy and a vital civil society on the border with China; and because our security and law enforcement relationships provide mutual benefits to the American and Hong Kong people.

The Hong Kong Policy Act, recognizing these interests, provides for unique policy treatment of the Hong Kong SAR to match its unique, international character. The Act requires the Administration to evaluate the degree to which Hong Kong is living up to its end of the bargain. Again, speaking as plainly as possible, it is up to Hong Kong to advocate for itself, to do its part in our bilateral relationship to sustain the special treatment that the United States provides under the terms of the Hong Kong Policy Act.

The Hong Kong people have earned praise for their remarkable demonstration of political will peacefully expressed on July 1. Everyone in Hong Kong should feel proud of this achievement, one that was based on and evidence of the core attributes that make Hong Kong a special place: its vibrant civil society, a thriving independent judiciary, profound and widespread respect for the rule of law, and strong fundamental freedoms, including the freedoms of assembly, speech, the press.

But Hong Kong has discovered since 1997 that, like its competitors in the global marketplace, it cannot afford to rest on past achievements. The foundation for development of democracy in Hong Kong is

very strong, but if the people are to participate fully, new mechanisms and institutions will be required.

### **Americans’ Desire to Support the People of Hong Kong**

The Hong Kong people should—and, if July 1 is any indication, will—decide their own future in Hong Kong. The United States stands ready to help in many different ways. We will sustain our productive bilateral ties in areas ranging from common efforts in the war on terrorism to advancing trade liberalization in the Doha Round. We have experience in areas ranging from containing hospital infections to building stronger political parties that might be of use to individuals and institutions in Hong Kong.

We offer our experience as a resource for the people of Hong Kong because we have high hopes for the Hong Kong SAR. We respect what the entrepreneurs and free traders in this historic port have achieved and want to see their spirit persevere for their own benefit, for the benefit of citizens pursuing economic reform on the mainland, and for the benefit of all of us who gain from Hong Kong’s significant contributions to the global trading system.

### **Dangers of Dashed Expectations?**

Observers have pointed with trepidation to the dangers of mass movements in China. Might the legacy of July 1 be a series of dashed expectations? Could the potential for chaos or instability lead the mainland to crush this budding move toward greater democratization? The question is being asked, and it deserves discussion.

If the July 1 demonstration had been radical in intent and origin, perhaps people in Hong Kong might be more concerned. But the demonstrators sought not to go to the roots of Hong Kong’s social and political structure. These were people who themselves have deep roots in Hong Kong and who want to see it prosper.

What did the July demonstrators expect? Simply a better government, a more responsive government, and more of a voice in government decision-making. They sought answers to the years of political and economic questions that have been piling up since 1997.

These are the demands of a people still invested in and thoroughly committed to the current system. We should praise the Hong Kong people not only for their carefully reasoned and heartfelt call for action on July 1, but also for the perseverance over the course of the past six years as they have continued to pay their mortgages and work hard at their jobs to get Hong Kong through this rough patch.

American investors or businessmen and women should not be concerned about the political stability of Hong Kong. On the contrary, the fact that Hong Kong's middle class spoke out on July 1 was a tonic for what ails the SAR. This was a healthy sign as Hong Kong sought—and seeks—to heal itself.

My guess is that Hong Kong will come through this test stronger as a result. We Americans have had that experience. Adversity has made us more vigorous, more capable, and, yes, wiser.

It has been said that we don't receive wisdom. We must discover it for ourselves after a journey that no one can take for us or spare us. I believe the people of Hong Kong are well embarked on such a journey, and the American people wish them God-speed.

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