Balancing Values, Pressures and Demands: Strategies for Public Administration in Hong Kong and China

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Hong Kong, as a part of the People’s Republic of China, has been experiencing new challenges since 1997. The reintegration of capitalist Hong Kong within the socialist framework of China was resolved with the innovative concept of “one country, two systems.” The application of the system has met with some problems, but the advent of globalization and its demands have imposed new and more formidable challenges. This article examines the challenges of globalization from the perspective of Hong Kong as a unit of China. The key argument is that Hong Kong has long been prepared for dealing with the routine problems of management, internationalization and development of human resources. However, operating as a unit of the Chinese political and administrative system entails a different set of challenges. These include a comprehensive understanding China’s place in the world system, dealing with internal issues, and developing a system and public service that can strike a balance between the local and international demands. A series of reforms have been initiated, but their impact is not clear yet and further changes are required to integrate Hong Kong as an effective component of the system for improving governance in China. The main challenges lie in striking a balance between the values of traditional public administration and new public management, between local and national interests, between external and internal pressures for change, and between demands from the society for service and the capacity of the government to respond.

There is a difference of opinion on the state of affairs of Hong Kong public administration since 1997, the date of reversal of sovereignty to the People’s Republic of China. The plan for handing over Hong Kong to China by the United Kingdom was based on the understanding that there was to be no major change in the system until the year 2047 (Basic Law 1990, Article 5). The government of Hong Kong and its supporters frequently reiterate that the transition has proceeded smoothly and the territory (now a Special Administrative Region of the People’s Republic of China) continues to retain all the features that had helped turn it into a leading commercial and financial center in the last three decades of the 20th century. On the other hand, there are critics who argue that Hong Kong has lost its economic edge, autonomy and the ability to compete with the other economies in the region since the reversal of sovereignty in 1997.

This article intends to assess the direction and dimensions of change that have taken place in Hong Kong and determine the state of public administration, with particular reference to the challenges posed by the advent of globalization. It is necessary to identify the specific nature of challenges and devise strategies for dealing with them. For this purpose, a number of questions need to be addressed. What has been the structure and process of public administration before and after 1997? How has China sought to integrate Hong Kong into its wider framework of political and administrative arrangements? Has Hong Kong been able to retain its high quality of service to the public and is the civil service performing to a satisfactory level of excellence? What have been the impacts of globalization on Hong Kong as a part of China?
can the inherent differences between Hong Kong and China be reconciled to establish a complimentary system?

An investigation into these questions will help discern some of the contrasts and parallels in different areas related to the transition of Hong Kong. As change is a continuing process, it will be interesting to review the types of reforms planned and implemented in Hong Kong and their contribution in making public administration effective. Therefore, this article focuses on three main areas: the interplay of internal and external pressures, the tension between national and local interest, and the balance between demand and capacity of the administrative machinery in Hong Kong. At the same time, it must be recognized that the forces of globalization have added to the complexity of the process, as there are external pressures to conform to international standards and practices. The principal argument is that the practice of good governance in Hong Kong, a unit of the People’s Republic of China, will help in transforming governance in the latter as well. This depends, to a considerable extent, on establishing a balance among the three areas stated above.

Public Administration in Hong Kong

Public administration in Hong Kong has been influenced by strong British traditions, a natural consequence of its historical legacy. The structure of the administrative system was simple under British administration. Colonial Governors appointed by the British Crown exercised full control, while a British-dominated bureaucracy with a senior public servant in charge of the administrative machinery provided strong support. Policies were discussed and decisions made at the Executive Council, a body of officials and advisers appointed by the Governor. The entire process of policy initiation, formulation, and implementation was dominated by the executive branch (Lee and Lam 1992, p. 45). The legislature acquired some strength in the 1990s as the global wave of democratization influenced Hong Kong. However, with the withdrawal of British control over Hong Kong, the initiative of opening up the government’s administrative process to intense legislative scrutiny has waned as the composition of the legislature underwent changes in view of new political realities.

However, it can be argued that the basic nature of public administration in Hong Kong has largely remained unchanged, in spite of the major event of reversal of sovereignty. Under the current system, a Chief Executive holds widespread power similar to the position held by the former British Governor. The key officials — Chief Secretary for Administration, Financial Secretary and Secretary for Justice — provide the lead, and the civil service retains most of the power and privileges it has enjoyed over the past century. A new measure was introduced in 2002 to establish the framework of ministerial responsibility, but Lam remarked that although “the civil servants make most of the decisions; they are immune from political responsibility” (2002, p. 80). However, it is pertinent to state some of the changes that have taken place in the society and the government’s response to them, the image and position of the civil service in it, and the reality of managing Hong Kong as a Special Administrative Region (SAR) of China.

The winds of worldwide change were making small ripples in Hong Kong public administration since the 1970s as the territory began its transformation toward an emerging economy in the region. Social disturbances in the late 1960s alerted government to the fact that the system of public administration required streamlining, the channels of communication between the government and the public had to be strengthened, and public service delivery had to be made more proactive (Commission of Inquiry 1967). The government responded by introducing plans to expand a range of social services in the areas of health, welfare, education and municipal services with the objective of promoting social stability and initiating an examination of the civil service (Huque 2002, p. 9). The exercise led to a number of changes including the location of policy secretaries within the central administrative machinery.

A consequence of these changes was a highly
centralized system, which ensured that the Governor receives complete information, and remained in full control (Miners 1995, p. 88). The 1980s witnessed other changes in public administration in response to rapid economic growth in Hong Kong. The structure and organization of the civil service continued to grow as the government got involved in additional activities and assumed responsibilities in new areas. Meanwhile, major changes in the approach and strategies in public administration had appeared on the global scene in the form of “new public management.” This was a common set of responses to problems of oversized bureaucracies, expensive public services and demands for a transparent and responsive public service. In 1989 Hong Kong government responded to the changing circumstances by publishing plans to initiate major changes. The aim was “to improve the quality of management within the civil service by promoting an increased awareness of what results are actually being achieved by the government and at what cost” (Finance Branch, Hong Kong Government 1989, p. 1).

These proposals continued to be implemented throughout the last decade of the 20th Century. By 1992, an Efficiency Unit was established to plan and guide the implementation of reforms. All government departments developed performance pledges, and senior public officials emphasized service to the community. The Legislative Council, composed of directly elected members for the first time in Hong Kong’s history, along with an enthusiastic media, acted as important catalysts in transforming public administration philosophy, approaches and strategies. It did succeed to some extent, and Lam reported improved performance in some service areas (2002, p. 79). Thus, Hong Kong appeared to be on the brink of major breakthrough as the time for reintegration with China approached. There was a clear shift in the values to be accorded prominence in public administration, and economy, efficiency and effectiveness as well as increased care in using financial resources became the predominant theme. Institutional arrangements began to stabilize after government responses to perceived and actual problems helped chart the courses of actions to be taken, particularly drawing lessons from the experience of other countries across the world.

**Integration with China**

The issue of reintegration with China has been discussed and debated ever since the decision to return Hong Kong to China was finalized in 1984. The Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China (1990) was the product of collective wisdom of a preparatory committee composed of leaders from China and the United Kingdom, and it received approval from the highest level of government in both countries. However, a noticeable point was the lack of interest between the two key protagonists to include representatives of the citizens of Hong Kong in the process. The Basic Law, a mini-constitution for Hong Kong, laid out the details of the structure of government, relationships between the executive and legislature and ground rules for the operation of the government.

Integration with China was to be achieved a number of ways, yet guarantees were provided to retain Huque / Reforming Intergovernmental Fiscal Relationships in China 11 the advantages Hong Kong had carved out for itself in the world system. For example, the capitalist system and the way of life in Hong Kong were to remain unchanged for 50 years (Basic Law, Article 5), and there was to be no interference from the central government except in the clearly specified areas of defense and foreign affairs (Articles 13, 14). The region was to be administered autonomously, and the concept of “one country, two systems” allowed the co-existence of different economic and political systems to function within greater China.

There are certain areas that deserve special attention in such endeavors aimed at integrating two units that have followed distinctly diverse systems over a long period of time. Hong Kong had no military force during the colonial period, and the defense needs of the territory were served by troops of the British Army. The strategic location of Hong
Kong called for the stationing of platoons of the People’s Liberation Army (PLA) in the territory, as the responsibility of its defense rested with China. Although there were some initial concern about the power and role of the PLA in Hong Kong, the arrangement has worked well. The units of PLA have maintained a low profile in Hong Kong, and there has been no conflict with the local agencies of the government.

A second area of concern in the process of integration is the synchronization of the legal system. The Chinese legal system is considerably different from the continental system that has prevailed in Hong Kong for a very long time. Issues related to crime, procedures for trial and prosecution, extradition of criminals wanted in the other jurisdiction, and the judicial system have often been the cause of discontent, as complications arose with regard to these areas. There have been a few cases of alleged or actual crimes committed on both sides of the Hong Kong/China border, after which the perpetrators crossed over to the other side. The absence of death penalty under the British penal system has encouraged perpetrators from China to seek refuge in Hong Kong.

The problem with two different legal systems has spilled over into the area of commercial disputes as well. There are several cases of litigations on matters related to share and ownership of enterprises, and it is quite difficult to settle such problems when two diverse legal systems are in operation at the same time. Issues of jurisdiction, procedures, and the nature of sentences can lead to complications that affect the process of integration. But the convergence of the two distinct legal systems is bound to cause rifts and irritations between Hong Kong and China and will require a series of substantial reforms.

Finally, different levels of political development and diverse political orientation cause further roadblocks on the way to integration. Hong Kong’s course of political development has been uneven. For more than a century of British rule in Hong Kong, the system has remained typically colonial in nature, with the Governor and his Executive Council exercising absolute control. Minor modifications to this approach were made in the 1970s and 1980s, as the changing nature of society in Hong Kong rendered it necessary to relax some degree of control. To some extent, increased awareness of human rights, trade practices, environmental problems and the importance of democratization across the globe influenced such changes in Hong Kong. In the last five years of colonial rule, there were efforts to empower the legislature and make it composed exclusively of directly elected members. Much of the paraphernalia of democratization were removed or rendered powerless soon afterwards in 1997. The net effect has been the initiation of expectations and aspirations among the people of Hong Kong that were found to be inconsistent or irrelevant with the realities of reintegration with China.

Thus, the task of integration of Hong Kong with China must be considered with a number of factors in mind. Hong Kong has flourished as a financial and commercial center due to its location and strategic advantages, and it has achieved a high standard of living for the population. It is in both Hong Kong and China’s interest to continue building on the success already achieved. However, it is also necessary to consider that, for various reasons, China has lagged behind in several areas. Therefore, there may be conflicts between the local (Hong Kong) and national (China) interests. For example, is it productive to pose Southern China or Shanghai as a potential competitor for Hong Kong? Such a move will only result in unhealthy competition and may damage the prospects of both parties. Thus it is essential to devise a scheme for considering national and local interests and develop policies to make them complimentary.

Service, Performance and Reforms

Traditionally, Hong Kong has been described as an “administrative state” in which administrative organizations and operations were particularly prominent in spite of the presence of legislative and judicial organs (Harris 1978, p. 55). Under British
rule, mostly expatriate officials occupied the key positions in the bureaucracy and were under the direct control of the Governor and the Chief Secretary. Understandably, the style of administration in the public sector was modeled on the British system, and some of the reforms introduced in the United Kingdom in the late 1970s and 1980s were emulated in Hong Kong. However, before the new culture emphasizing service to the public and stronger customer orientation could take root, Hong Kong was handed back to China.

The new circumstances encountered in 1997 opened up possibilities for major changes in the philosophy, values, structure and processes of public administration. The Basic Law stipulated that “only Chinese citizens among permanent residents of the Region with no right of abode in any foreign country may fill the following posts: the Secretaries and Deputy Secretaries of Departments, Directors of Bureaus, Commissioner Against Corruption, Director of Audit, Commissioner of Police, Director of Immigration and Commissioner of Customs and Excise” (Article 101). This provision had significant implications, as many senior civil servants with extensive experience were no longer eligible to rise to the top echelon, and many chose to leave public service.

The rising expectations of the public in Hong Kong are a function of the combined effect of several factors, including the emergence of a middle class and the economic and social progress achieved over the previous three decades. The standard of living increased steadily and consistently, and many Hong Kong citizens were exposed to overseas administrative systems and practices as they traveled or emigrated. The underlying current of a democratic movement encouraged effective scrutiny of the government’s operation, management, performance and efficient use of financial resources. A strong and vocal independent media developed rapidly and emerged as an invaluable facilitator of such changes.

A number of reforms were introduced in public administration in line with changes taking place worldwide. The basic principles of the reforms emphasized regular and systematic review of public expenditure as well as a proper system of management of resources and policies. There was to be clearly defined and delegated responsibilities for formulating policies and implementing them. Moreover, public officials were to be made aware of resources used in pursuing policy objectives and held accountable for the outcome. Finally, services were to be provided through an appropriate framework of organization and management conducive to the nature of each service (Finance Branch, Hong Kong Government 1989, pp. 1-2).

A key initiative has been the establishment and inculcation of a culture of service in the framework of public administration. The Efficiency Unit served as the engine behind changes aimed at improving the quality of service, enhancing efficiency and ensuring customer orientation. Over a short period of time, there were evidences of increased awareness of customer needs and preferences, and senior public sector managers repeatedly emphasized the importance of service to the community (for example, see Chan 1996; Lee and Huque 1996).

A number of unfortunate events hit Hong Kong soon after its return to China in 1997. The problems related to the management of crises arising from an outbreak of the avian (bird) flu in the poultry markets and an increase in micro-algae (red tide) in coastal waters indicated a weakening of the capability of the civil service. Furthermore, the problem of system failures on the day of opening of the expensive new Hong Kong International Airport drew severe criticism from the public, media and observers (see Huque and Lee 2000). It was felt that the high level of efficiency attributed to the civil service in the previous decade had declined and the capability of Hong Kong public service came under intense scrutiny. As a result, the government decided to review the system in an effort to restore its reputation. The situation was made worse by the Asian economic crisis that hit immediately afterwards. Hong Kong government responded to the fallout of these crises by devising a plan to introduce further reforms to
introduce substantial changes with special emphasis on the areas of personnel management, performance and pay, and a result-oriented management culture (Huque 2002, p. 14).

Under British colonial rule, Hong Kong’s public administration system had developed and undergone reforms that were intended to respond to local needs and challenges. The organizational structure and distribution of power reflected a high degree of centralization that was quite unlike the United Kingdom, which adopted a parliamentary democratic system with an effective arrangement of checks and balances. So the structure was British in orientation, while the spirit was quite the opposite with practically no arrangement for ensuring accountability. Under Chinese sovereignty, Hong Kong has been allowed a high degree of autonomy, and hence the structure and spirit remain basically unchanged. This should not affect the operation of administrative agencies, but there have been problems in the areas related to law, trade and commerce, and the appropriate balance between control and autonomy that makes central/local relations an important issue. It is possible to trace the links of these problems to globalization, which blurs national and regional boundaries and hinders more often than helps the process of integration.

A major challenge in service and performance are the perceptions and aspirations of the public and the ability and capacity of the government to deliver. Hong Kong has faced rising public expectations for some time and had to reform the system of public administration to improve capacity. China, too, has also embarked upon such reforms. Zhang and Straussman noticed a number of factors that provided the impetus for administrative reform in China: criticism of the bureaucracy, concern over the economy, demonstration of capacity for good governance, and restoration of trust and confidence of the public in government (2003, pp. 171-72). The nature of the reforms are quite similar to those attempted in Hong Kong, but it may take more time for the changes to take effect in China due to the immense size, long tradition of socialist rule, and the complexities involved in planning and implementing reforms. Meanwhile, the transformation to good governance will have to progress with a noticeable gap between the demands from the public and the capacity of the government to deliver.

Globalization and Public Administration
One of the most potent developments in contemporary public administration has been the enigma of globalization. The move towards an integrated world economy began as major business corporations sought to expand their markets — and subsequently, operations — across national boundaries. Globalization thus is a consequence of the liberalization of states and the opening up of economies. The process took off in a big way after the cessation of the Cold War. The process was facilitated by remarkable progress achieved in information technology, and the net result has been the free movement of capital, commodities, services, people and ideas across national borders. It can be said that globalization has succeeded, to a considerable extent, in opening up societies and standardizing rules of governance.

Public administration has been influenced by a number of factors over the years, and globalization has added considerably to the change. As a result, problems facing governments worldwide are viewed in similar ways and solutions are developed within universally accepted frameworks. One of the most common problems confronting most nations has been the diminishing pool of resources and rapidly rising demands from the public for better and new services. In searching for solutions to these problems, the private sector served as a point of inspiration and governments have sought to change established practices and procedures, revise priorities, and reassess the value of outcome and efforts undertaking and managing the public sector (see, for example Hood 1991, Peters 1996, and OECD 1995). As the 20th Century drew to a close, a changed macroeconomic environment and expectations on the part of the citizens led to new problems, and these were further compounded by “a changed international
context, the change in organizational paradigm in the private sector, and the modernization policies being pursued in competitor countries” (Naschold and von Otter 1996, pp. 57-60). Globalization “is an important tool of modern state for not only governance but also for distribution of goods and services” (Ramaswamy 2002, p. 53), and points to the need of thinking outside the traditional framework to make public administration effective.

The issue of integration of Hong Kong with China deserves special attention with reference to the challenge of globalization. China, a major world power and strict adherer to socialist ideology, has embarked on the difficult road of liberalizing the economy. At the same time, the country is striving to become a major player in the world system. Achievement of these goals entails major changes in the social system that includes administrative organizations that ensure compliance with acceptable international standards and procedures as well as improved performance in public organizations. This is an extremely difficult task for a vast and diverse country like China, particularly in view of the fact that the economy has remained closed and rigid for more than half a century and the political system provides limited scope for input by ordinary citizens.

In contrast, Hong Kong has been exposed to the vagaries of international competition for many years as the territory earned the reputation of being the “freest” economy and a major financial center for successive years in the 1990s. The physical location and economic realities of Hong Kong have compelled the SAR to adapt to changing circumstances and, as a consequence, the administrative machinery and public officials have remained attuned to emerging trends and practices.

A series of reforms was initiated in China since the 1980s with the objective of liberalizing the economy and transforming the approach to public administration. The first attempt at reforms took place in 1982, and, within a year, the number of commissions, ministries, departments and bureaus of the State Council was reduced to 61 from the previous level of 100, and more than 30,000 veteran cadres were retired (Lan 2001, p. 443). In 1988, another round of reforms was initiated to adjust the administrative structure to the needs of the new circumstances resulting from reforms in the political and economic systems. “Functional changes, delegation of power to lower levels, streamlining and macro-regulation were the keywords of the reform and the Ministry of Personnel was established” (Huque and Yep 2003, p. 145) to lead the implementation of changes in public administration.

By 1992, it became clear that free market economy with political control was to be the guiding principle for the reforms, and eventually another 27 ministries and departments were eliminated from the administrative structure. Thus, the government demonstrated its determination to emphasize further streamlining and staff reduction. The latest round of reforms was initiated in 1998 and followed the same trend. Zhang reported the following achievements from this effort: (a) elimination of 11 out of 40 ministries of the State Council; (b) discharge or transfer of about 32,000 civil servants in the central government and almost one million in provincial and local governments; (c) functional changes in the administrative system; (d) abolition of 15 industrial ministries that were responsible for managing the economy; and (e) creation of new ministries of labor, national and land resources, and information industry (2002, p. 128).

Changes along similar lines were already in motion in the Hong Kong public sector. In fact, the small size and simple administrative structure had helped the SAR avoid many of the problems that required attention in China. The forces of globalization compelled both China and Hong Kong, with strikingly different features, to follow similar paths for streamlining and strengthening the administrative systems. The principles, values, procedures and practices of public administration are increasingly becoming similar across the globe, and China and Hong Kong are following the trend to respond to the strong influence of globalization.

One of the most striking impacts of globalization has been the exertion of pressure —
direct or indirect — on countries to converge toward a common system of governance. This calls for, among other prerequisites, mature political and economic institutions, as well as a system of public administration that emphasizes economy, efficiency and effectiveness. While many countries seek to introduce reforms along these lines after succumbing to external pressures, problems arise if there are strong internal pressures that are ignored in the process. There are several compelling reasons for Hong Kong and China to converge with the demands of globalization. However, these acts need to be balanced with the internal pressures that point to the need for strengthening the economy and the capacity of the government, as well as respond to the social needs of health, housing, education and employment for the local population. There may be conflicts between the internal and external pressures, and the need for balancing them becomes very important.

**Dialectics and Contrasts**

No country has been able to remain immune from the wave of changes that took place in the area of public administration over the past several decades. There has been a clear shift from the aim of overall social, economic and political development to narrow economic growth. There has also been a shift towards adopting a mere support role for the state rather than leading service delivery, establishing a structure of managerial autonomy rather than public accountability, and striving for standards based on business norms rather than public ethics (Haque 2001, p. 1405). Increased emphasis on cost-cutting, efficiency and consumer orientation has transformed the state of public administration across the globe.

Reactions to globalization have been varied across the world. While some scholars have found the phenomenon immensely beneficial, others have reacted with extreme caution and apprehensions about its outcome. These are reflected in a number of studies published over the past decades. Even before globalization became a well-recognized phenomenon, Ball (1967) noticed the growth of multinational companies. Ohmae (1990) predicted a “borderless world” characterized by interdependence, harmony and prominence of market forces, and the obsolescence of national economies in view of strengthening globalization. Other scholars added their voice of support to a reduced role of national governments and increased international interactions (see Fukuyama 1992; Keohane and Nye 1977).

Criticism of globalization was also obvious. Some views argued that it can have unfavorable impacts on national sovereignty, economies and human values and that globalization’s effects are particularly severe for developing countries (Farazmand 2001, p. 440). Globalization could lead to loss of work, adverse effects on local power structures, dependency and fiscal crisis (see, for example, Rifkin 1996; Korten 1995; Kregel 1998). A third set of reactions suggests that globalization is inevitable, and there is no point in trying to resist. Brydon, Coleman, Harting and Rethmann (2003) pointed out: “One cannot be for or against globalization. One is in it,” while Friedman stated that “Globalization isn’t a choice; it’s a reality” (1999, p. 93). However, it is useful to consider the different aspects of globalization, rather than taking a one dimensional view. In economic terms, globalization emphasizes liberalization, deregulation, market economy, structural reforms and adjustments. With reference to politics, the process pushes towards similar governmental systems across the globe, and liberal democracy has emerged as the preferred style. But the aspect that has direct relevance to public administration is the emphasis on good governance. This aspect emphasizes a clear move toward improving law and order, enhancing social stability, holding free and fair elections at regular intervals, attaching increased importance to public opinion, initiating reforms in the economy, curtailing corruption, and reducing the size of the bureaucracy and bureaucratization.

Thus, globalization presents the challenge of maintaining diversities in a country while remaining a part of the global system of increased interdependence and exchange. In considering the integration of Hong Kong within China — and
subsequently, China within the global system—a number of noticeable trends can be discerned. These include structural and institutional reforms, privatization and marketization, withdrawal of the state, and streamlining as well as reorganization of the bureaucracy. While these steps followed as a natural consequence of conformity to the liberal and international trends over several decades in Hong Kong, there were concerns over the potential conflict of direction with strategies adopted by the People’s Republic of China. Interestingly, the wave of liberalization initiated in China since the 1980s to modernize the system and make it compatible with the international structure has helped both systems converge.

Choice of Strategies

The task of introducing public administration reforms—that have the twin objectives of improving the capacity as well as facilitating the convergence between China and Hong Kong—is an extremely difficult challenge. There is the risk of several undesirable effects emanating from these endeavors. For example, reforms aimed at diminishing the role of the state, contraction of the public sector and government’s activities, privatization, and reduction of public expenditures have some beneficial outcomes. But it has been reported that these “policies increased the gap between rich and poor, the powerful and the weak, the well-connected and the isolated, the skilled and the unskilled; multiplied worldwide the poverty-stricken and underprivileged; aggravated crime, violence and corruption; and degraded the environment” (Caiden and Caiden 2002, p. 41). Those choosing strategies for reforms in public administration need to resolve such dilemmas.

Therefore, it is necessary to look beyond the existing framework of public administration to identify and deal with the challenges in the integration of Hong Kong with China. The current arrangements appear to be effective as there have been minimal problems in the center/local relationship for the first seven years of Hong Kong’s existence as a Special Administrative Region of China. But the undesirable effects of reforms along the planned lines must be dealt with by trying out new approaches. Giddens has pointed to the need of pursuing a “Third Way” that includes the following features:

a) developing effective government and responsive political leadership committed to partnership with non-state institutions;
b) strengthening of civic society and a new kind of mixed economy and social markets that better manage risk, improving social security;
c) providing a safe environment, and working for sustainable development;
d) avoiding top-down bureaucratic government by emphasizing decentralization and devolution, but also supporting more active government at the international level;
e) restoring national economies, revitalizing declining regions, increasing employment, assisting the poor, revamping the welfare state and reducing its inefficiency and bureaucracy (1998, pp. 99-128).

These measures could be difficult to implement, and the governments of Hong Kong and China may need considerable time to attempt and attain them, even to a limited extent.

China has been governed for a very long time under a strong central institution, the Chinese Communist Party (CCP). Through half a century, the country has gone through shifts in program objectives and power relationships. Heady noted “a determination to politicize the bureaucracy and make it responsive to party direction” and “decentralization by the transfer of administrative power to the lowest feasible level” in China (2001, p. 260). More recent reforms have underlined the importance of technical qualifications and expertise for initial recruitment and advancement, structural streamlining, and scope for direct public control over lower level officials (Heady 2001, p. 261). Liou summed up the objectives of the reforms as “stability, marked by efficiency and production” (1997, p. 510). Although there seems to be a substantial break from the traditional approach to public administration and a move towards the more
focused approach found in new public management, Hood reminds us that there is little difference at the core: “The difference between the traditionalists and the modernizers, however, is that the former use rose-tinted spectacles to view the past and grey-tinted glasses to look at the present, while for the latter the lens tints are reversed” (1998, p. 5). In China, however, the reforms go beyond these boundaries and focus on regulation and rule of law, transformation of government function, and an adjustment of relationship between the government, Central Communist Party, public enterprise and the society at large (Zhang and Straussman 2003, p. 174).

**Conclusion**

In conclusion, a number of challenges faced in integrating Hong Kong with China can be highlighted. First, there are obvious signs of transformation in China’s system of governance with respect to the administrative structure. There are tensions between the traditional values of public administration such as equity, equality and justice and the emphases brought about by the concept of “new public management.” Under new public management, the focus has shifted to economy, efficiency and effectiveness, and there is increased awareness of cost, return and marketization of public services. There is a need to employ extreme caution and resist pressures to make a complete shift with the main emphasis on the core values of new public management. A balance in the core values of traditional public administration and new public management is extremely important in planning transformation of the systems in Hong Kong and China.

Secondly, Hong Kong has functioned for a long time as an entity virtually independent of China or Britain. Over the years, Hong Kong has developed a set of institutions, priorities and policies to protect and promote its own interests. With the reintegration, the SAR is now a part of China. This new reality imposes upon Hong Kong the additional task of promoting the national interest as well. The promotion and protection of local and national interests is a second area in which a balance must be struck.

Thirdly, there is the issue of the capability of a system to provide services and perform at an expected level. The public service in Hong Kong has performed at a high level of efficiency for several decades, with infrequent lapses, mainly in the 1990s. China, too, has embarked on comprehensive programs to raise the level of efficiency. However, the needs and expectations of the community continue to rise, and this makes the task immensely more difficult. It will be critical to maintain a balance between the demands and expectations of the public with the capability for meeting them on the part of the public services.

Finally, the forces of globalization have brought to the fore the potential conflict between internal and external pressures. There are local pressures for providing better governance and establishing new and improved services in a number of areas. Citizens of both Hong Kong and China look towards the government to deal with the immediate problems affecting employment, housing, health and a decent life for all. In the past, these services have been provided under a somewhat authoritarian framework of public administration — colonial in Hong Kong and a single dominant party-led government in China. Such arrangements allowed leverage to the governments to allocate and utilize resources without getting involved in controversies, and the process was facilitated by political and legal systems that added to the governments’ power. With globalization, there are external pressures to establish accountable and transparent systems of government, with power shared by various social and political institutions. This impacts upon the government’s power and capacity to adopt and implement hard choices and may weaken the state, leading to an erosion of capability. Transformation of governance in China will entail striking a balance between the internal and external pressures to ensure that local demands are met, while satisfying the expectations of the international community.
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