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to Hong Kong's 1997 Transition
James L. Perry and Shui-Yan Tang

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APPLYING RESEARCH ON ADMINISTRATIVE REFORM
TO HONG KONG’S 1997 TRANSITION

James L. Perry and Shui-Yan Tang

The signing of the Sino-British Joint Declaration on September 24, 1984, returning the British Crown Colony of Hong Kong to the sovereignty of the People’s Republic of China (PRC), initiated a unique episode of political and administrative change. On July 1, 1997, Hong Kong will become a semi-autonomous Special Administrative Region (SAR) of the PRC under Article 31 of the Chinese Constitution. According to the Joint Declaration, Hong Kong’s status will be maintained for at least fifty years after China’s resumption of sovereignty.

The “one country, two systems” principle embodied in the Joint Declaration has triggered an intense search for future governance and administrative structures for Hong Kong. A 59-person Basic Law Drafting Committee, composed of representatives from Hong Kong and the PRC, with input from a 180-member Basic Law Consultative Committee, is presently preparing a “mini-constitution” for Hong Kong, the first draft of which will be unveiled in 1988. A Sino-British Joint Liaison Group is negotiating details of the transition to SAR status. The activities of these groups are driven by a variety of conflicting interests. The lame-duck British regime has vested interests in perpetuating its influence in the future. The Chinese government desires to reassert sovereignty that, in name and in fact, it has been unable to exercise since the mid-1800s. Despite the antagonistic interests, the British and Chinese appear to be committed in principle to maintaining the stability and prosperity of Hong Kong.

Within this context, we are interested in whether research on administrative reform has any applicability to questions that have arisen about Hong Kong’s future. The debate about the future of Hong Kong government has focused primarily on the issue of popular control and has generally ignored systematic examination of the future structure and role of the administrative state. This contrasts starkly with the historical role of

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administrative institutions which have so dominated policy making in Hong Kong that the system has been characterized as "administrative absorption of politics." The bureaucracy will probably continue to play a central role in Hong Kong because bureaucratic domination appears to be compatible with the political culture of Hong Kong. Furthermore, any party's drive for radical reform is likely to be tempered by concern about interdependence between political reform and administrative performance because maintenance of stability is a critical value. A reasonable inference based upon Hong Kong's culture and history is that stability and prosperity are as likely to depend on factors such as bureaucratic neutrality, bureaucratic competence and freedom from bureaucratic corruption as upon popular control. If the inference is accurate, then it seems imperative that consideration be given to questions integral to maintaining the performance of Hong Kong's administrative systems. This is the purpose of this inquiry.

Designing or redesigning administrative systems is not purely, or even primarily, a technical or mechanical process. We possess no science of administrative design to guide our choices. In our view, the appropriateness of administrative designs is derived, usually implicitly, from three sets of considerations summarized in Figure 1: values, context and knowledge about cause-effect relations. We will not be able to deal with these considerations in any comprehensive way in this article, but we will try to address each explicitly so that our analysis in the concluding section of the paper is adequately grounded.

The article is organized into three sections. The first section focuses on the likely nature of the future political system which creates the context for administrative decision-making. The second summarizes some of the ideas from administrative reform research that might be usefully applied in the Hong Kong situation. The final section applies this knowledge about administrative reform to some of the questions now confronting Hong Kong as it prepares for the 1997 transition.

The Political Context of Administrative Reform

Administrative reform issues cannot be adequately understood without considering context, particularly political context. In order to make our task more manageable, we attempt to identify the likely shape of Hong Kong's reformed political system. The conclusions we develop about the political system will, in turn, serve as assumptions for our analysis of administrative reform.

Hong Kong is presently governed according to a framework laid down in the Letters Patent and Royal Instructions. Although formal power is concentrated with the Governor, who is appointed by the Crown, two additional bodies are accorded visible and significant roles. The Executive
Figure 1
Factors Contributing To Administrative Design

Values
Stability and Prosperity
Administrative Efficiency
Preservation of Basic Freedoms
Representation Governance

Context
History
Culture
Political System

Knowledge Of Cause-Effect Relations
Institutionalization Processes
Symbolic Action
Bureaucratization Processes

Administrative Design
Council, a 15-member group composed of both officials and unofficials, must be consulted by the Governor prior to most decisions. The Legislative Council (Legco), a more broadly based group of 56 members, is presided over by the Governor. Its chief function is to debate government proposals and to pass legislation.

The civil service plays a central role in governance. It initiates and implements policy and many higher civil servants occupy positions in the Executive and Legislative Councils. The civil service grew 72 per cent from 1973 to 1983 and totals over 173,000 employees.\(^5\)

In addition to the Governor, Executive and Legislative Councils and civil service, governance in Hong Kong is characterized by extensive consultation which occurs among government officials, pressure groups and advisory committees. The networks are so extensive that Hong Kong has been described by some observers as a "consultative democracy." However, others argue that consultation camouflages elite control.

*Present Debate About Political Reform*

Many observers see a need for reforming the existing colonial political structure of Hong Kong to prepare for its transition to SAR status. Some steps have already been taken. For example, the Hong Kong government has opened more channels for popular participation. These range from the popular election of part of the membership of the District Boards beginning in 1982, to the creation of the Regional Council in 1985, to indirect election of a part of the Legislative Council in 1985. While allowing for some forms of popular participation and representation, these efforts have been designed to avoid a drastic politicization of the society. Although the elections of the District Boards and the Urban and Regional Councils are by popular votes, the limited authority assigned to these bodies has reduced their political significance.

From the perspective of the current Hong Kong government, a desirable change would be to build a political system that is under the control of the local community instead of being dominated by Chinese interests. The Hong Kong government originally preferred to develop further the representative system of Hong Kong.\(^6\) However, it has evidently yielded to pressure from the PRC which prefers as little change as possible in the political system of Hong Kong and desires agreement between reforms emanating from the 1987 political review in Hong Kong and the Basic Law, which will be promulgated in 1990.\(^7\) Since early 1986, high government officials of Hong Kong have publicly acknowledged the need to develop the Hong Kong political system in accord with the plans of the Chinese government. The British government also agreed that the development of the political system of Hong Kong be put on the agenda of the Joint Liaison Group.\(^8\) It seems that unless the PRC consents, the Hong
Kong government would not drastically expand the representative system of Hong Kong in the scheduled political review in 1987.

Among Hong Kong people, opinions regarding the future political system of Hong Kong are divided. At the moment, there are two major contending proposals. One is advocated by the "group of 71" which basically represents the opinions of major business and professional groups. They have suggested that one-fourth of the future Legislative Council should be formed by direct election, and the rest should be elected by a 600-person electoral college and various functional constituencies. The Chief Executive should be elected by the 600-person electoral college, of which the Legislative Council would be a part. The other proposal is advocated by the "group of 190" reflecting the opinions of various intellectual and grass-roots interest groups. They have suggested that one-half of the future Legislative Council should be formed by direct election, and the other half should be elected by functional constituencies. The candidates for Chief Executive should be nominated by the Legislative Council and elected by a direct, one man, one vote election.

The Chinese government has not openly supported either of the proposals. It is evidently interested in maintaining the executive-dominated system beyond 1997. Chinese spokespersons have also indicated that if party politics developed in Hong Kong, the PRC could not guarantee that the Communist Party would not operate in Hong Kong. The Chinese government, therefore, appears to oppose a system with free competition among organized political parties for political offices.

**Probable Development of the Political System**

Given the current debate and maneuvering about representative government, it seems premature to predict the exact form of the Hong Kong political system after 1997. However, it is likely that the future Executive would still be relatively independent, in the sense that he or she could not be either elected solely or dismissed arbitrarily by the legislature.

The Legislative Council is likely to increase its influence in relation to the Executive. Indeed, according to the two recent proposals, the Legislative Council would either be responsible for nominating candidates for the Executive or be a part of the electoral college that elects the Executive. It is probable that the scope of Legco's veto power on specific policy areas would increase. Legco might also acquire the power of impeaching the Executive in the case of gross misconduct or extreme negligence.

Hong Kong government may also further develop its representative institutions at various levels, particularly District Boards, thereby increasing the number of elected officials. This would create more politicians who could develop the potential and capability to influence the different stages
and levels of policy making. The new channels opened for citizen participation would also introduce greater political pluralism in the society.

At the present stage, the government bureaucracy is still the centre of power in Hong Kong and there is no single political group or coalition of groups that could act as a countervailing force against the government. Yet, with the gradual development of limited representative and participatory channels in coming years, it is probable that isolated centres of loosely organized interests would flourish.

**Perspectives from Research on Administrative Reform**

Assuming development of the political system in these directions - a strong, independent executive, a relatively more influential Legislative Council, and greater political pluralism - what types of administrative change are appropriate? As we have indicated in Figure 1, the answer to this question requires an understanding of the values and cause-effect relationships relevant to the reform. For the Chinese and British governments and the Hong Kong people, stability, prosperity and administrative efficiency are most important. Many Hong Kong people also emphasize the preservation of Hong Kong citizens' basic freedoms, and, more controversially, promotion of representative governance. Unlike many developing countries, Hong Kong's economy and society are sufficiently advanced so that the achievement of these goals is a realistic aspiration. Thus, the major issue confronting reformers becomes how administrative change may be planned to maximize the likelihood of achieving these values. For guidance about cause-effect relationships, we turn to a selective review of administrative reform research.

Administrative reform efforts have frequently failed to achieve their objectives and research on reform has been criticized for its conceptual imprecision and empirical inadequacies. Thus, we cannot draw upon a science of administrative design for solutions to Hong Kong's problems. However, three general areas of the administrative reform literature are sufficiently well-developed to permit us to use them for generating and assessing strategies and programmes for effective change in Hong Kong. These propositions involve: (1) institutionalization; (2) reforms as symbolic action; and (3) processes of bureaucratization.

**Institutionalization**

Institutionalization involves the persistence of changes. It addresses the question: By what processes are changes - political, administrative or organizational - sustained? Goodman and his associates have identified three defining characteristics of institutionalized acts: performance by multiple actors, persistence and existence as a social fact. Implementation
tactics intended to facilitate institutionalization include the development of appropriate incentives for participation and mechanisms to reinforce commitments towards a course of action.\textsuperscript{15}

Institutionalization is especially important as the Hong Kong government prepares for 1997. Any reforms the British initiate before 1997 must be sustained in the absence of a continuing British administrative role thereafter. Equally important is that all parties must be sensitive to changes that might undo current institutionalized acts thereby upsetting their interest in maintaining Hong Kong's stability and prosperity. Thus, institutionalization is an essential design consideration if there is any prospect that administration reforms will be sustained.

It can be inferred from the literature on institutionalization that administrative change needs to be broadly based, including incentives for bureaucrats and the public to sustain and reinforce the change. Not only is the institutionalization construct helpful for recognizing how change is sustained, but it is also useful for understanding the limitations of structural changes for remedying bureaucratic dysfunctions. Creation of a formal office is not sufficient for decentralizing an act or for making the goal or reason for the office a social fact. Structural changes only indirectly affect the exercise of administrative responsibility (that is, bureaucratic responsiveness, whistleblowing and freedom from corruption). Without widespread, persistent repetition of responsible behaviours, the structural changes have no significant consequence for the administrative system.

A corollary is that implementation of any large-scale change is likely to progress slowly and its routinization will require a significant time span. This corollary suggests potentially effective strategies to encourage institutionalization of large-scale change. One strategy is progressive, gradual introduction of such change so that it is less likely to engender opposition and more likely to be perceived as only incrementally different from the status quo, thereby increasing the prospects for institutionalization. Another strategy to reinforce administrative change, thereby increasing prospects for institutionalization, is to modify an organization's structural context. Structural context refers to "those parts of the social environment having direct control or ability to sanction target elements."\textsuperscript{16} If the range of structural contexts is understood in terms of three ideal types - market, hierarchy and polyarchy\textsuperscript{17} - then this strategy involves aligning a particular administrative change with one or a combination of these contexts.

Symbolic Actions

Several recent studies\textsuperscript{18} of administrative reorganization remind us that reorganizations are more than purely technical or rational actions. They are, instead, richly symbolic acts that may confirm established authority
distributions or challenge deeply held assumptions. This feature of administrative reform is particularly relevant for Hong Kong. The uncertainty surrounding 1997 has encouraged the search for extra meaning in even the most routine decisions of government, enhancing the symbolic content of decisions. It is imperative for decision-makers to weigh the net consequences of their decisions at this symbolic level. Failure to do so could easily disrupt Hong Kong's economic and political equilibrium.

One possible example of the current government's inattention to the symbolic importance of its actions is the recent flap over the Daya Bay nuclear power plant. Daya Bay is located on the Chinese border near Hong Kong. Concern originated about the Daya Bay plant's safety shortly after Chernobyl. Chinese insensitivity to the concerns of Hong Kong residents has raised an issue about China's willingness to consider Hong Kong's views on issues affecting the territory. The Legislative Council refused to call a special debate on the matter after the Governor played a decisive role in heading off the debate by announcing that the Hong Kong government would stand by a $3.5 billion loan guarantee for the project. The Governor's unwillingness to press China about Hong Kong's concerns raised far-reaching questions about Britain's commitment to the people of Hong Kong.

**Processes of Bureaucratization**

Bureaucracy has come to refer to characteristics of modern organizations, such as hierarchy of authority and written rules and regulations, that differentiate them from traditional organizational forms. According to Meyer, the study of bureaucratization involves answering the question: How does one explain the development of large-scale, hierarchical and rule-bound bureaucracies? Meyer notes, however, in a critical assessment of empirical research, that many scholars have focused on internal characteristics of bureaucracies while ignoring the changes in political and social environments that were central features of Weber's theory. Meyer's research supports Weber's theory. The process of bureaucratization begins with environmental pressures which give rise to rules to accommodate these pressures. The rules in turn produce an elaboration of organizational structure and delegation of authority.

How is this relevant to Hong Kong's future administrative system? First, it is necessary to recognize that Hong Kong has reached a historical period in which environmental pressures for bureaucratization are enormous. For example, as 1997 approaches, a variety of proposals have been made for preventing corruption, controlling public enterprises and conducting relations with the Chinese central government, all of which have the consequence of expanding Hong Kong's bureaucracy. In addition, Meyer's research suggests that bureaucratization occurs more rapidly under
several circumstances: (1) openness to the environment at the time of organizational formation; (2) reorganization; (3) leadership change, particularly when the leader is subject to external control. These circumstances are descriptive of the "unfreezing" that has occurred since the Joint Declaration and which will continue through 1997. Thus, it appears that Hong Kong government is poised for a substantial increase in bureaucratization over the next decade, unless a conscious effort is made to overcome the environmental pressures.

It is important to note that bureaucratization is not inherently dysfunctional, but instead a normal process of adaptation to modernization. In the context of Hong Kong, however, progressively higher levels of bureaucratization could have serious repercussions. Hong Kong has had a history of organizing for public purposes based upon a norm of "positive non-interventionism," that is, limited government intervention. This organizing principle has been credited for contributing to Hong Kong's economic success and the efficiency of its public bureaucracy. An upsurge of bureaucratization is likely to undercut each of these results, thereby affecting Hong Kong's stability and prosperity. Particularly in light of the growth of Hong Kong government in the last decade, an eye must be kept on the growth of government and its implications for the nature of the administrative state after 1997.

Another potential source for bureaucratization involves efforts to impose external constraints upon bureaucrats given the fear and distrust of Chinese power after 1997. One side effect of the imposition of new controls might be to initiate a vicious circle, from distrust to non-performance to further distrust, making bureaucratic non-performance a self-fulfilling prophecy. Although there is distrust of the Hong Kong bureaucracy, it has not been institutionalized to the extent that it has been in countries such as the United States. However, reforms leading to 1997 may alter the degree of public control of the bureaucracy. With increased control comes the prospect for constraining both arbitrary exercise of managerial discretion and bureaucratic performance. Thus, reforms need to preserve the relatively high regard for bureaucratic efficiency that has historically existed in Hong Kong at the same time that they control arbitrary bureaucratic action.

Summary

The discussion of administrative reform may be summarized in the form of three propositions:
1. Administrative reforms will succeed to the extent that the reform is designed to persist and the reforms do not undermine previously institutionalized activities.
2. Administrative reforms will facilitate intended changes to the extent that the symbolic content of the reforms reinforces intended changes.
3. The degree of bureaucratization will increase to the extent that administrative reforms are externally imposed and the reform involves leadership change.

Although the propositions do not identify determinant courses of action for re-aligning Hong Kong's administrative system, several strategies might be inferred from them. For example, given the brief intervening period before 1997, new administrative structures are not likely to be institutionalized and, therefore, existing organizations should be employed as the instruments for achieving post-1997 objectives. In a similar vein, the tremendous pressures for further bureaucratization of Hong Kong government suggest the need for steps to assure that bureaucracy does not grow unchecked. The application of these derivative strategies to specific administrative design problems is the focus of the next section.

Application to Specific Design Problems

The scope of change triggered by Hong Kong's conversion to SAR status is quite substantial. Among the issues that either have been or are now pending consideration by the Joint Liaison Group are: Hong Kong's status as a separate member of the General Agreement on Trade and Tariffs (GATT) and the Multi-Fibre Agreement; airport landing rights; passports; and shipping registers. Although the scope of administrative issues is considerably narrower, many questions remain to be resolved. It is beyond our ability in this article to address all the issues, but several selected issues are considered briefly to indicate what types of conclusions might be drawn about them in light of the preceding discussion about political context, values and cause-effect relations. The issues, summarized in Table 1, are: local administration; status of independent agencies; and localization of the civil service.

Local Administration

When the Hong Kong government started experimenting with City District Committees in the early 1970s, the scheme was meant to enhance communication between citizens and government. The subsequent installation of popular elections for part of the seats of the Urban and Regional Councils and the nineteen District Boards has a great significance for the political and administrative development of Hong Kong. First, it has been a way for Hong Kong government to increase its contact with the grass-roots level of society. The District Offices and District Boards serve as local agents that, on one hand, inform the public about governmental policies, and, on the other hand, gather public opinions for the policy
## Table 1

**Summary of Design Recommendations**

<table>
<thead>
<tr>
<th>Design Issue and Current Proposal</th>
<th>Recommendations Derived From Administrative Reform Research and Its Rationale</th>
</tr>
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<tbody>
<tr>
<td>1. Role of District Boards:</td>
<td>Expand representativeness and allocate additional responsibilities which are currently centralized.</td>
</tr>
<tr>
<td>Expand representation.</td>
<td>Reason: District Board would substitute for consultative mechanisms that may be eliminated or play less role in the future government; symbolic significance.</td>
</tr>
<tr>
<td>Consider abolishing the Urban Council to prevent overloading citizens with voting responsibilities.</td>
<td>Reason: Its functions are institutionalized and could be expanded to further increase popular control; its abolition would undermine representation and maintenance of stability.</td>
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<tr>
<td>3. Control of Housing Authority:</td>
<td>Decentralize control of Housing Authority.</td>
</tr>
<tr>
<td>Centralize control and accountability.</td>
<td>Reason: More autonomous Housing Authority would avoid bureaucratization and maintain efficiency; less likely to be manipulated by central authority.</td>
</tr>
<tr>
<td>4. Control of Independent Commission Against Corruption (ICAC):</td>
<td>Reduce ICAC authority that is at odds with due process.</td>
</tr>
<tr>
<td>No changes presently being considered.</td>
<td>Reason: Investigative and prosecutorial effectiveness of ICAC needs to be maintained, but potential for arbitrary use by the executive needs to be restrained.</td>
</tr>
<tr>
<td>5. Civil Service Localization:</td>
<td>Moderate pace of localization by market and bureaucratic efficiency and effectiveness considerations.</td>
</tr>
<tr>
<td>Complete localization by 1997; significant restrictions on pensionable terms for expatriates in career service.</td>
<td>Reason: Stability and efficiency would be enhanced by moderation of localization policy; symbolic effects of policy not significantly altered.</td>
</tr>
</tbody>
</table>
branches of the government. Second, with the introduction of elected members into the District Boards and the Regional Council, and the expansion of the franchise of the Urban Council, these local bodies symbolize the first step towards representative government in Hong Kong. Third, despite its adherence to positive non-interventionism, the Hong Kong government has always been a highly centralized one. This has limited its ability to respond effectively to the needs and demands for governmental services in various parts and sectors of the community. The development of local representative bodies provides an initial step towards establishing a more polycentric framework for the delivery of governmental services that could effectively cater to the divergent needs of different localities.

As mentioned earlier, Hong Kong government would probably develop further local representative bodies. One means would be opening all seats in the District Boards and the Urban and Regional Councils to popular election. This, we believe, will enhance the symbolic significance of these local representative bodies in relation to the general public and the civil service. However, in order to make this symbolic gesture a reality, these local bodies must be given more authority. At present, the District Boards have no formal authority over their counterparts, the District Management Committees, which are composed of officers in charge of departmental field offices in the districts. In the past few years, people have been concentrating their attention on the formal representational aspects of local administration, while neglecting its actual decision-making power. A highly centralized system of administration would be conducive to easy outside manipulation. A polycentric administrative system with authorities vested in various local representative bodies is a way to help ensure the accountability and responsiveness of the administrative system while avoiding easy manipulation by outside interests. A possible move towards this end is to allow each District Board total control over the delivery of some local services. If vested with sufficient financial resources, each Board can decide on ways to deliver the required local services. It does not have to develop its own work force to produce the particular services. Instead, it can function as a body that decides on the types and amounts of services desired by the locality and then contracts the actual production of the services to either some central government departments or some private companies.26 Such a change would, of course, affect the highly centralized financial and budgeting system of Hong Kong. The discretionary and financial power of the District Boards would need to be gradually increased.

Some have argued that the existing system of dividing the city into many districts is redundant and unnecessarily complicated. The two levels of administration - District Boards and the Urban and Regional Councils - are also unnecessarily overlapping. There have also been arguments for
the abolition of the Urban and Regional Councils.27 However, an assessment of the values, context and processes of administrative reform raise questions about these proposals. First, it is difficult to say whether there are too many District Boards. Many districts have populations of several hundred thousand, which cannot be considered small. Indeed, the most important consideration is what kinds of services the District Boards are responsible for delivering. For example, the existing sizes of the District Boards may be suitable for arranging garbage collection and improving neighbourhood facilities. Other urban services such as supporting a symphony orchestra may better be supported by a body of larger scope, like the Urban or Regional Councils. This brings us to a second point: the two levels of local administration are not superfluous if each level can rightly deal with problems of different scope. Third, given the importance of managing symbols and institutions in administrative reform, it seems unwise to attempt a total restructuring of the local administrative structure if there is no obvious flaw with it. This is especially the case for the Urban Council which has existed for over one hundred years. It has developed its own institutional linkages in the overall political and administrative system of Hong Kong.

Status of Independent Agencies

A characteristic of the Hong Kong political economy is the establishment of public enterprises highly dependent upon market forces.28 This enterprise-autonomy principle has even been extended to traditional, non-enterprise functions such as the Independent Commission Against Corruption (ICAC). However, the adequacy of accountability for these agencies is now being scrutinized. With the onset of 1997, the accountability of independent agencies has come under scrutiny from several sources. Proposals from some quarters have called for a tightening of Legco’s control of such agencies, but others have pressed for further independence.

While no universal solution will be appropriate for all units of Hong Kong government, we believe that accountability and public control might be enhanced by more, rather than less, autonomy for many independent or quasi-independent agencies. The reasoning behind this generalization is two-fold. First, greater autonomy diminishes the potential for bureaucratic growth and insulates the agency from direct government manipulation. Second, an increased market orientation for public authorities reinforces the free enterprise status of Hong Kong’s political economy. To illustrate the issues involved, we discuss possible reforms of the Housing Authority and ICAC.
1. Housing Authority

Among the most important independent agencies is the Housing Authority. In comparison with other bodies such as the Productivity Council and the Trade Development Council, the Housing Authority is still closely associated with the government. Its decision on the rate of constructing public housing is effectively determined by the fund allocated by the Financial Secretary and the land made available by the New Territories Development Department. The Housing Authority also has to rely on the Housing Department, staffed entirely by civil servants, to implement its policy. Notwithstanding these limitations, the Housing Authority still has full authority over the management of the public housing estates and the allocation of tenancies.

At present, all 25 members of the Housing Authority - 18 unofficials and 7 officials - are appointed by the Governor. The People's Council on Public Housing has proposed that, in the spirit of the Joint Declaration, the Housing Authority should be accountable to the legislature while the legislature shall be constituted by elections.29 Making the Housing Authority accountable to the legislature may enable more diverse opinions to bear upon the functioning of the Housing Authority. However, another dimension which has generally been neglected in the discussion about the future of the Housing Authority concerns the status of the Housing Authority as an independent or quasi-independent body. One advantage of having a particular public service handled by an agency other than a regular governmental office is that it can function more effectively by avoiding the bureaucratic procedures required of a governmental agency. Any reform of the Housing Authority should avoid constraining those areas in which it is performing competently as an independent body.

Restructuring the membership of the Housing Authority and its committees can better represent the broader interest of the community; it would, however, be unwise to further restrain the discretionary power of the Authority by another layer of political control. This consideration applies to other independent enterprises or statutory bodies as well. Many of these agencies are established on the ground of efficiency or effectiveness. Although efficiency and effectiveness are not the only criteria for evaluating a public institution, they must be seriously considered when determining whether to subject the existing independent agencies to further centralized control, whether by the executive or the legislature. Furthermore, in order to avoid domination from a single external interest, any polycentric features of the existing public service delivery system should be retained and even enhanced.

The maintenance of the relative autonomy of various independent agencies is important in light of these considerations. Indeed, there are other means of upholding the accountability of these independent agencies
besides legislative oversight. One possible means is to increase the openness of these agencies. The public should have the right to be informed and inquire about their decisions and working procedures. Another way is to increase the representativeness of their boards of directors. These are some of the means of monitoring the performance of these bodies without subjecting them to further centralized control.

2. Independent Commission Against Corruption (ICAC)

When we talk about the desirability of maintaining the relative autonomy of the independent agencies, we, of course, are not arguing for absolute freedom from accountability. The power of the ICAC serves as a counter-example to the Housing Authority. The ICAC was established in 1974 as an unusual measure to combat serious corruption problems, especially inside the police department. In order to enable it to fight the elaborate corruption syndicates in the police and various government departments, it was entrusted with extraordinary power in terms of its authority to investigate and detain suspects. Although the ICAC has effectively eradicated most serious corruption in Hong Kong, it is highly problematic whether it should be entrusted with such enormous power in the years to come.

The ICAC is, in fact, not independent, as Clark notes, but it is responsible to the Governor. The Governor has authority to give direction and appoint the Commissioner and Deputy Commissioner. Thus, under existing terms for its independence, the PRC will indirectly control the ICAC through the executive appointment authority.

The real prospects for the PRC using its indirect control of ICAC are difficult to predict, and may be quite remote. However, even the existence of such lines of authority could symbolize PRC control. The ICAC's success has largely been the result of public support and acceptance. Public fears about the Commission's independence would likely diminish this support.

The ICAC is now an institutionalized part of Hong Kong's governmental system which has made great strides to eliminate corruption. Thus, the prospect of PRC manipulation is not sufficient to merit significant changes, much less elimination of the ICAC. But steps should probably be taken to alter existing lines of authority and to limit any ICAC powers that could circumvent individual due process. The ultimate results of such a strategy would be preservation of existing individual rights without diminishing the ICAC's ability to ferret out corruption.

*Localization of the Civil Service*

The replacement of expatriate civil servants with local Chinese has been an
important policy objective of the British that has been reaffirmed by the Joint Declaration. The Joint Declaration speaks to the status of expatriate civil servants in two clauses: (1) major posts in the SAR will be filled by Hong Kong Chinese; (2) expatriate civil servants may continue to serve the SAR in lesser capacities. Thus far, the British have set forth localization policies intent on facilitating complete replacement of expatriates by 1997.

Serious questions can be raised about the wisdom of the government's approach to localization policy, particularly in light of our understanding of institutionalization processes and symbolic implications of reform. Recent reports indicate that localization has either not progressed as planned or has generated concern about performance in specific units. For example, concerns have been raised about the ability of the judiciary to function effectively because of the demoralizing effects of the localization policy on expatriates.32

Although the localization policy is appropriate, the means by which it is implemented must not be permitted to undermine critical societal institutions. Burns and Scott contend that the government has not gone far enough in making the civil service attractive to local professionals. They argue that substantial additional levels of investment are needed before localization can be successfully completed.33 Furthermore, present levels of government effectiveness and acceptance are more likely to persist if the current government eschews arbitrary localization timetables and avoids writing inflexible requirements into the Basic Law. As an alternative, the government might apply localization policy rigidly only for high-level positions that need to be localized to satisfy the requirements of the Joint Declaration. Localization of these key leadership positions is not only an important formal necessity, but also a critical symbolic development.34 However, in regard to lesser positions, market considerations and administrative effectiveness might be used in conjunction with localization policy as factors governing replacement of expatriates. This more moderate policy, which has PRC support,35 would diminish potentially destructive turmoil in the civil service.

Conclusion

This article has sought to identify specific administrative reforms for Hong Kong government through an analysis of relevant values, context and reform theory and research. Although the analysis gives considerable weight to values such as preservation of basic freedoms and representative governance, we believe that these values are also largely consistent with the spirit of the Joint Declaration.

Our analysis contributes three new elements to the debate about the 1997 transition. First, we have argued that Hong Kong's administrative system is an integral part of its success and cannot be taken for granted in
the run-up to 1997. In fact, Hong Kong’s post-1997 effectiveness may depend on how carefully the new administrative system is crafted. At a minimum, policy makers and negotiators must look to administrative issues as intensely as political issues.

Second, the analysis indicates that besides the central political and bureaucratic structures, other political and administrative apparatuses such as various independent agencies and local representative bodies can be instrumental in furthering the public accountability and performance of the administrative system. These alternative arrangements permit more flexibility for those designing new governance structures.

Finally, we have proposed an additional set of considerations relevant to the evaluation of reform proposals - propositions derived from the administrative reform literature. Values and context are critical considerations in the administrative design process, but research and theory about reform also are quite relevant. The propositions about administrative reform suggest processes that need to be considered when formulating and evaluating proposals for post-1997 Hong Kong.

NOTES


4. There has not been a consensus on the priority of different values for designing the future administrative system of Hong Kong. Especially controversial is representative governance. In our subsequent discussion we will highlight the differences among various actors with respect to these values.

5. John P. Burns and Ian Scott, “A Profile of the Civil Service,” in Scott and Burns, eds., The Hong Kong Civil Service (Hong Kong: Oxford University Press, 1984), pp. 17-35. Burns and Scott note that the rate of growth of the civil service has been closely linked to Hong Kong’s economic fortunes.


10. Ho Lap, "Has the 97 Political System Been Decided?" The Nineties, July 1986, pp. 36-37.
11. This projection is shared by a number of scholars. See Bruce Bueno de Mesquita, David Newman and Alvin Rabushka, Forecasting Political Events: The Future of Hong Kong (New Haven: Yale University Press, 1985); Lau and Kuan, "Hong Kong After the Sino-British Agreement: Limits to Institutional Change in a Dependent Polity."
15. Goodman, Bazerman and Conlon, "Institutionalization of Planned Change."
17. Zald, "On the Social Control of Industries."
23. Furthermore, recent research suggests that cultural preferences do not affect processes of bureaucratization. See Philip H. Birmbaum and Gilbert Y.Y. Wong, "Organizational Structure of Multinational Banks in Hong Kong from a Culture-Free Perspective," Administrative Science Quarterly 30 (June 1985): 262-277.

27. This suggestion was offered by Joseph Cheng, "Paving the Way for Political Parties," South China Morning Post, March 2, 1986, p. 11.


29. James Sun, "Housing Authority Should be Reviewed," South China Morning Post, April 8, 1986.


31. Ibid.

32. Lindy Course, "Exodus of Expatriate Magistrates Feared," South China Morning Post, May 1, 1986, p. 1. The Royal Hong Kong Police also have reported that too few local youngsters have been recruited, resulting in a shortage of directly-recruited Chinese inspectors. See South China Morning Post, January 30, 1986, p. 1.

33. Burns and Scott, "A Profile of the Civil Service."

34. J. H. Bacon-Shone and J.P. Burns, "The Representativeness of the Senior Civil Service in Hong Kong," in Y.C. Jao et al., eds., Hong Kong and 1997 (Hong Kong: Centre for Asian Studies, University of Hong Kong, 1985), pp. 119-144.
