Changing Institutional Contexts and Administrative Reform in Hong Kong

SHUI-YAN TANG
JAMES L. PERRY
WAI-FUNG LAM

ABSTRACT
This paper examines how ambiguity in institutional rules affects interactions among political actors involved in administrative restructuring. When decision making rules are highly uncertain, efficiency *per se* may not be the overriding concern of these political actors. Each group of actors is more interested in ensuring that new administrative structures conform to its own interests and values. In the case of Hong Kong, the PRC is determined to preserve Hong Kong's highly centralised governance structure in order to facilitate control in the future. On the other hand, the departing British are interested in developing a more pluralistic governance structure in Hong Kong. Because no clear-cut rule exists to resolve their differences, structural choice becomes a matter of intense political bargaining.

INTRODUCTION
For several decades, Hong Kong has been hailed as an excellent case to demonstrate the role of free market capitalism in economic development (Friedman and Friedman 1980; Rabushka 1987). Yet its political and administrative systems, a legacy of British colonialism, have gained little interest from scholars elsewhere.¹ In the past decade, Hong Kong's political system has undergone dramatic changes. These changes have created much political uncertainty and have greatly affected recent administrative restructuring processes. These changes provide excellent case materials for scholars who are interested in the politics of administrative reform.

Structural choice in the public sector is unlike that in the private sector where entrepreneurs are free to choose their business partners. Most private firms emerge from agreements aimed at developing efficient governance structures (Williamson 1985). In the public sector, the existing institutional setting - rules specifying who has the right to participate in making what kinds of collective decisions - determines the set of actors who can affect the choice of alternative administrative structures (Kiser and Ostrom 1982; March and Olsen 1983; Knott and Miller 1987; Moe 1990). If the institutional setting is dominated by one major actor, the interests and values of that actor dictate structural choice. The actor's major concern is to establish structural arrangements that can realise its interests and values in the most effective way (Moe 1990; Olsen 1991).

The matter becomes more complicated if no one actor dominates the institutional setting and no clear-cut rule exists to aggregate diverse preferences.
Structural choice in such situations becomes a matter of intense political bargaining. If clearly specified and commonly accepted, institutional rules facilitate cooperation among actors, thus reducing conflict and chances for gridlock (North 1990; Ostrom 1986). When rules are ambiguous and actors share no stable expectations of one another, actors tend to be sceptical of one another’s moves. Actions by one actor are often interpreted sceptically by the other as conspiracies. Each side’s position on structural reform is affected by its interpretation of the other’s motives and by its perception of its relative bargaining position. The political bargaining between opposing groups often resembles game-theoretic situations in which no stable equilibrium exists (Ordeshook 1986). In such situations, each group is constantly in search of alternatives that may improve its relative position. When every group is doing so, no agreement can be stable for any substantial period of time.

The case of Hong Kong illustrates how ambiguity in institutional rules affects the content and implementation of administrative restructuring. Before 1982, the political system in Hong Kong was dominated by British colonial officials and various commercial interests, both of whom favoured a minimalist role for government. There was little doubt that the colonial officials had ultimate decision making authority. Although its monopoly of decision making authority was never challenged by other political groups, the colonial government limited itself to maintaining a stable political environment that allowed for the free pursuit of commercial interests. To achieve this objective, the colonial government was careful in isolating the colony from political tumults in China and in co-opting major business interests into the policy making process. Such a stable institutional setting helped to create and sustain an administrative system that was highly hierarchical and centralised, but limited in scope (Lau 1982; Perry and Tang 1987, 1989).

Forces for fundamental changes began to emerge after 1982 when Great Britain and the People’s Republic of China (PRC) began negotiations on the future of Hong Kong. With the subsequent signing of the Sino-British Joint Declaration in 1984 that agreed to revert the sovereignty of Hong Kong to the PRC in 1997, the traditional institutional setting began undergoing fundamental transformations. The PRC has gained the creedence and right to participate in structural choice processes by virtue of its being the future master of Hong Kong. The government of Hong Kong can no longer take its authority for granted. It is determined to appear efficient and independent from outside political influences in order to slow down the erosion of its authority. This consideration has motivated some of its recent restructuring efforts to tighten financial control and to diversify organisational frameworks for service delivery.

The PRC, on the other hand, is determined to prevent the British from making any drastic structural changes in Hong Kong. Its major concern is to ensure that the highly centralised political and administrative structures remain unchanged. Although the Hong Kong government still commands the authority to restructure its administrative system, being a lame duck government limits its
ability to sustain any structural change without the acquiescence, if not cooperation, of the Chinese government.

Administrative restructuring in this period reflects the institutional uncertainties and the intense political bargaining between the two major political actors. During the bargaining process, the British side remains the one to initiate structural changes. The PRC mostly plays a reactive role in trying to prevent the British side from instituting unwarranted changes in Hong Kong's political and administrative systems. The content and implementation of administrative reform reflect the continuous negotiations and bargaining between the British and PRC.

This paper begins by discussing how political events have changed the institutional setting since 1982. Then it examines how the new institutional setting has affected the process of administrative reform. The paper concludes by examining the implications of the case for studying the politics of administrative reform.

CHANGING INSTITUTIONAL CONTEXTS IN HONG KONG
Since the inception of their negotiations in 1982, both the PRC and Great Britain have insisted that the talks only concerned the two countries and denied that Hong Kong people had any right to be a negotiation partner. Furthermore, it was not only the people of Hong Kong who were excluded from the negotiation, but also the government of Hong Kong. The negotiation signified the end of the period in which the Hong Kong government had been the dominating actor concerning structural choice in the public sector.

The two years of negotiation resulted in the Sino-British Joint Declaration of 1984. Although the document was too vague to provide a clear picture of the governance structure of Hong Kong after 1997, it signified important changes in the institutional setting of the territory, and hence the rules of games for political actors, in the transition years. The Joint Declaration formally gave China a legitimate role in the domestic affairs of Hong Kong by stipulating that the Chinese government play an active role in ensuring a smooth transition to 1997. By portraying itself as the future master of the territory, China has never hesitated to push on the idea of 'convergence', which means that any structural reform within the transition period should be consistent with the Basic Law adopted by the Chinese National People's Congress in 1990.

Although some prominent people in Hong Kong were involved in drafting it, the Basic Law reflects the position of the PRC regarding the future governance of Hong Kong. It reiterates the principle of guaranteeing Hong Kong a high degree of autonomy and the preservation of its capitalist system and way of life. This guarantee, however, is qualified. For example, the Standing Committee of the Chinese National People's Congress has the right to invalidate any law enacted by the legislature of the SAR as in violation of the Basic Law.

The Basic Law also provides for an executive-centred system of government (Kuan 1990). The future chief executive will be selected by an electoral college whose 800 members are selected by a committee appointed by the
PRC. Although the chief executive can be impeached by the Legislative Council under extraordinary circumstances, he or she is not directly accountable to the Council. There are also serious restrictions on an individual legislator's right to introduce bills, thus strengthening the executive's power in making law and policy.

The Basic Law, as a whole, reflects China's preference for maintaining a highly centralised governance structure in Hong Kong. By controlling the composition of the electoral college, China is poised to influence the choice of the chief executive. With an executive-dominated system, China can be assured that its interests are adequately represented in the SAR.

While the PRC is actively preparing to take over Hong Kong in 1997, the current government in Hong Kong finds its power to reward and punish in the transition period drastically decreased. Various political actors find that they can no longer count on the colonial government to protect their interests; pleasing the future political master seems necessary. Among them, the commercial interests were especially enthusiastic. In fact, the political actors know that they can afford offending the dying colonial government (Weng 1991).

The Hong Kong government's authority to decide on major policy issues has also been repeatedly challenged by the PRC. A good example concerns the decision made by the Hong Kong government to build a new airport, ostensibly as a means of boosting the economy through 1997. The PRC has exerted pressures to ensure the cost of building the airport will not deplete the financial reserve of Hong Kong. Because it would be almost impossible to arrange financing for such a long-range construction project without the support of the PRC, the British and Hong Kong governments have been forced to negotiate with the PRC over the details of the plan.

The airport issue illustrates the PRC's ability and readiness to exert its influence on major policy decisions in Hong Kong during the transition years. British officials in Hong Kong can no longer take their authority for granted. They are determined to show that they are still in command and are willing to undertake major policy initiatives during the transition period. For example, in view of the serious brain drain triggered by the 'confidence crisis' and the perceived need to further develop human resources for economic development, the Hong Kong government has implemented a plan to expand higher education rapidly from about 14 percent of the relevant age group in 1990 to 25 percent by 1995 (Kuan 1990).

Furthermore, Hong Kong government has not confined itself to making non-structural, policy decisions. It has also taken steps to restructure the governance system by introducing directly elected seats to the Legislative Council and by gradually transforming a relatively closed and centralised bureaucracy into a more decentralised one. While increased political representation and efficiency may be part of the rationale for these political and administrative changes, these changes can also be interpreted as preparations by the British officials for the imminent transfer of sovereignty to the PRC. The overall objective is to create a more diversified governance structure. Some of these attempts have met with
stern opposition from the PRC.

**POLITICAL REFORM**

To make the Joint Declaration acceptable to the people of Hong Kong, both the Chinese and the British had initially promised a more representative government. While the Chinese had been hailing the ambiguous idea of 'Hong Kong people rule Hong Kong', the British tried to introduce some sort of electoral reform to the Legislative Council. In 1984, the Hong Kong government issued the White Paper, 'The Future Development of Representative Government in Hong Kong'. It introduced the element of functional representation and members indirectly elected through district boards and electoral colleges to the Legislative Council. The White Paper also strongly hinted that further democratisation would be possible in 1988 when directly-elected members might be introduced to the Legislative Council.

The 1984 White Paper sparked high expectations from various groups seeking increased representation in governance. More important, it drew the line between liberals and conservatives and destroyed any notion that a consensus on future political development was possible (Scott 1989). However, the Hong Kong government and Britain soon realised that China would not tolerate any form of governance structure other than one that was executive-dominated. The introduction of direct election to the Legislative Council in 1988 was opposed by China.

The 1989 Tiananmen Square Incident heightened Hong Kong people's suspicion about the PRC. The general citizenry began to favour a more rapid pace for democratising the political structure of Hong Kong. This induced the British to eventually introduce twenty-eight directly elected seats (less than one third of the total) in Legislative Council, starting in 1991. In the actual election, the overriding majority of these eighteen seats were won by the United Democrats, a fledgling pro-democracy party. Although their victory in the ballot box gave them some legitimacy to press for issues ranging from annual budget proposals to more democratisation, they have been unable to dominate the policy making process because they cannot command a majority in Legislative Council. Since many members of the United Democrats were involved in helping the democratic movement in China, they have been considered as subversive elements by the PRC. While the PRC is in open discord with the United Democrats, other domestic political groups have recently emerged that build their platforms on their willingness to cooperate with the PRC in preparation for the 1997 transition. Among them, the Cooperative Resources Centre (renamed as 'the Liberal Party' in 1993) that represents conservative, commercial interests has been especially enthusiastic.

Up until mid-1992, it seemed that the British had conceded to the PRC in not developing the representative system in Hong Kong any further. The British position changed when, in October, 1992, the new Hong Kong Governor, Chris Patten, announced a proposal to further democratis the governance structure of
Hong Kong. The proposal includes significant changes to the electoral system of the Legislative Council beginning in 1995. Besides including twenty directly-elected seats, the proposal adds nine new seats for 'functional constituencies' (groups of accountants, bankers, lawyers, social workers, etc.). The existing twenty-one such constituencies are mostly made up of professional organisations with small electorates. The nine new seats will be filled by voting by every individual who works in each industry - an electorate of about 2.5 million, the majority of the total electorate of 3.7 million. Furthermore, the electoral college responsible for filling the remaining ten seats will be made up of the elected members of all local district boards. These district board members will choose among themselves for the ten Legislative Council seats. This proposal means that thirty-nine out of sixty members of the 1995 Legislative Council will be directly or indirectly elected by the general electorate. This contrasts with the existing arrangement in which only eighteen members (about one third of the total membership) are elected by the general electorate.

In addition to democratising the electoral system of the Legislative Council, the proposal includes other significant changes. All appointed seats in district councils will be replaced by directly-elected ones. The minimum voting age will be lowered from twenty-one to eighteen. There will no longer be overlapping membership between the Legislative Council and the Executive Council. The Governor himself will begin to directly answer questions raised in the Legislative Council. If adopted entirely, these new structural arrangements will strengthen the position of the Legislative Council as a legislative body representing the widest spectrum of social interests. The Legislative Council will gain more credibility in checking and balancing the executive branch. These proposed changes represent a major break from Britain's previous policy of confining structural changes mostly to the administrative aspect of the governance structure in Hong Kong. One possible explanation of this policy change is Britain's final realisation that decentralising the administrative system alone will not guarantee Hong Kong a high degree of autonomy from the PRC after 1997. Developing a governance structure with authorities rooted in local democratic processes is the best possible safeguard against absolute domination by the PRC after 1997.

The Governor's proposal was strongly opposed by the PRC who claimed that it violated the Sino-British Joint Declaration signed in 1984 and the Basic Law passed in 1990. The claim, however, was rejected by the British. The PRC also threatened to reverse all the proposed changes after it took over Hong Kong in 1997. In Hong Kong, democratic groups supported the Governor's proposal. Conservative business groups including the Cooperative Resources Centre opposed it, claiming the need to ensure 'convergence' for the 1997-transition.

The Governor's proposal has opened up a new round of political confrontation between the British and the PRC. It also further polarises the local elites into two groups, one for and one against democratisation. The authority structure in Hong Kong is likely to undergo further changes in the coming years.
These changes will in turn affect the administrative restructuring process. It is, however, too early to speculate about the exact pattern of changes.

THE POLITICS OF ADMINISTRATIVE RESTRUCTURING

In February 1989 the Hong Kong government issued a report, 'Public Sector Reform', that outlined the major thrust of its plan for administrative restructuring. The report proposed development of a Priority Based Budgeting system, which required every department to review its programs and to attach priorities to each. The Finance Branch would then appropriate financial resources to each department according to its priorities. The new system was supplemented by an emphasis on cost-benefit analysis to make sure that resources have been used efficiently. Although the report claimed that the new system was a decentralisation of resources management, in reality the decentralisation was very limited in scope. Directors were given greater discretion to use resources allocated to their departments, but they became subject to greater control at the appropriation stage. More central control over financial resources means the upper echelons have greater leverage to influence individual departments.

In light of the Joint Declaration and recent negotiations with the PRC over the new airport, the government's moves to tighten financial control are not surprising. In effect, the Hong Kong government has been forced by the Chinese to adhere to their standards of fiduciary responsibility. The British concessions on the new airport and the budget reforms have brought the financial management system into line with Chinese preferences.

Another strategy discussed in 'Public Sector Reform' was the diversification of organisational frameworks for service delivery. The report formalised what had already been on-going since 1985. For instance, since 1985 the government has privatised a variety of government services, including abattoirs and tunnel management (Lau 1991; Leung 1991). Furthermore, the government has recently sought to enlarge the autonomy of several public bodies, including the Housing and Hospital Authorities and Radio and Television Hong Kong (RTHK). In granting greater autonomy to these public bodies, the Hong Kong government attempted to decrease demands on the central treasury simultaneously, thereby achieving results parallel to those from its financial management reforms.

The diversification and decentralisation of administrative structures has not gone unnoticed by the PRC. Officials of the Hong Kong branch of the New China News Agency, the PRC's unofficial mission, have expressed their opposition to such decentralisation. They and other pro-Beijing groups see administrative decentralisation as part of a government conspiracy to devolve administrative power and to protect British interests after 1997 (Yeung 1987). As the evidence presented below reflects, overt PRC opposition has been highly selective, indicating the mix of preferences that comes into play.

Housing Authority
The Housing Authority was established in 1973 with jurisdiction over public
housing, in which over fifty percent of Hong Kong's population lives. Other housing policies such as private housing regulation and rent regulation were assigned to the Housing Branch in the Government Secretariat. The two units were linked by making the Housing Secretary from the Government Secretariat chair of the Housing Authority.

In April 1988, the Housing Authority was given responsibility for all housing policies and the Housing Branch in the Government Secretariat was eliminated. The Housing Secretary also relinquished his role as chair of the Housing Authority so that it was no longer chaired by a civil servant. The government's control over the Housing Authority has been indirect. The Governor has power to appoint the members of the Authority, and the Executive Council lays down long-term development guidelines on housing policy. The Housing Authority is not accountable in any way to Legislative Council (Sun 1986).

The Housing Authority is presently overseeing a long-term housing strategy that calls for public and private production of 80,000 units annually until the year 2001. In 1990, the Housing Authority was forced for the first time in its history to borrow from the private sector after the government refused additional funds to resolve a short-term cash flow problem. The Housing Authority's need to rely on private resources was interpreted by The Hong Kong People's Council on Public Housing Policy, a public housing interest group, as a precedent for the government to refuse financial obligations during future financial crises (Lau 1990). In addition, the Housing Authority has embarked on a scheme to increase the level of privatisation of the services it provides, including private management of housing estates and carparks (Leung 1988a, 1988b; Hong Kong Standard [HKS] 1988).

Speculation about the reasons for the 1988 reorganisation centred on several factors. One was that the growth of the middle class in Hong Kong necessitated a broadening of housing policy beyond its low-income concentration. Another factor was that the government would be able to reduce its subsidy to the Housing Authority. A third reason was that the devolution of broad responsibility for housing to a revamped Authority would buffer the government from criticism about housing matters such as rent increases (HKS 1987). Regardless of any possible reasons behind the reorganisation, it seems to have met with little opposition from the PRC.

Hospital Authority
Medical and hospital services were traditionally provided by the government through direct provision by government and subsidised hospitals. Although there were many complaints about the inadequacy of medical and hospital services, the government provided cheap and relatively comprehensive services. Nevertheless, perceived improvements in hospital services failed to keep pace with the rising standard of living in Hong Kong. Part of the performance problems was attributed to a top-heavy and outmoded administrative system (Green and Benitez 1990a).
Based upon the recommendations of the 1985 Scott Report, the government decided to establish an independent Hospital Authority to coordinate and manage the operations of the government and subsidised hospitals. By April 1990, when the Hospital Authority Bill was tabled in Legislative Council, staff morale had deteriorated, staff shortages had increased to critical levels in some occupations, and doctors and nurses had engaged in a ten-day work-to-rule action (Green and Benitez 1990b). The job action was precipitated by uncertainties about staff benefits and retirement schemes after the loss of their civil service status and poor working conditions. Months of controversy and rancour between the government and staff followed the tabling of the legislation before it was passed in July 1990. The Hospital Authority did not take over management of the hospitals until 1 December 1991.

The Hospital Authority is currently responsible for thirty-five government and subsidised hospitals, employing over 36,000 staff. It has an independent budget and is given full discretion in decision making and resources utilisation. The Authority receives an annual subsidy from the government. The creation of the Hospital Authority produced other changes in the government's health services structure. The Medical and Health Department was replaced by two new departments, the Department of Health and the Hospital Services Department. The former, which remained part of the civil service, was given jurisdiction for hygiene and disease prevention and the latter became the executive arm of the Hospital Authority.

Among the changes expected to flow from the restructuring of hospital services is shifting more costs to patients. Patients have historically paid only two percent of costs, and some anticipate this will rise to fifteen to twenty percent. Government officials have acknowledged the need to adjust fees but deny any tie to the plan (Bociurkiw 1990).

Some commentators have raised doubts about the ability of this new administrative structure to substantially improve health care services because the Hospital Authority remains a top-down bureaucratic structure that has insufficient incentives to ensure quality and efficiency (Hay 1992). These commentators suggest more fundamental changes, including the introduction of some form of voluntary or compulsory medical insurance system that is subsidised by government funding. It is uncertain whether the Hong Kong government would venture into this kind of fundamental reform of the health care system before 1997.

**Radio and Television Hong Kong (RTHK)**

While restructuring plans for the Housing and Hospital Authorities were implemented with little objection from the PRC, it was a different story for another government department, RTHK. The shift to independent authority status of RTHK was first proposed by the Broadcast Review Board in 1985. The Executive Council approved the restructuring in 1989 and it was to have occurred in three phases (South China Morning Post [SCMP] 1989). The first phase,
scheduled for April 1990, was to have involved enabling legislation and the appointment of a nine-member board of governors. In the second phase, RTHK was to have operated as a public broadcasting corporation, with an annual government subsidy. In the final phase, scheduled for 1991-92, the station would operate independently, seeking outside sponsorship and receiving an annual lump sum from the Legislative Council.

The initiation of RTHK's restructuring has been delayed for more than two years. One reason for the delay has been difficulties in arranging an end to its employees' civil service status. Station management and Recreation and Culture Branch officials agreed on payments to RTHK employees to end their civil service status but encountered opposition from Civil Service Branch officials and the Chief Secretary that delayed resolution of the issue.

A more important reason for the delay is the repeated opposition of the PRC to the plan. Since the announcement of RTHK's restructuring as an independent authority, the plan has come under intense attack from the officially controlled mainland press, members of the Joint Liaison Group (JLG), and Lu Ping, director of the Chinese State Council's Hong Kong and Macau Affairs Office (Hughes 1992; Chen and Wong 1992a, 1992b; Law 1992; SCMP 1993). The PRC's representatives contend that the Hong Kong government is responsible for administering the territory, but that the terms of the Sino-British Joint Declaration require that Hong Kong's existing system remain unchanged.

The opposition to RTHK's restructuring is viewed suspiciously in Hong Kong because of concerns about the station's role in the future Special Administrative Region's (SAR) government. PRC officials have publicly expressed interest in the importance of a government organ such as RTHK to promote the SAR government's policies after 1997 (Chen and Wong 1992a). The propaganda value of a government-controlled station helps to explain the PRC's opposition to the restructuring of RTHK but their silence about the restructuring of the Housing and Hospital Authorities.

The RTHK controversy helps to clarify the general dynamic through which the parties are attempting to assert their influence. In early 1992, Lord Caithness, then minister with special responsibility for Hong Kong, and the Governor, Lord Wilson, contended that the Hong Kong government would make the final decision about RTHK. At the same time, Lu Ping insisted that the Hong Kong government was obligated to abide by any agreement reached by the JLG and, furthermore, that if the JLG was unable to reach agreement, the controversy might be escalated to higher diplomatic levels. In March 1992, the JLG discussed RTHK's restructuring, reached no agreement, but did not schedule the issue for renewed talks at the subsequent JLG meeting in June. In the meantime, the Hong Kong government has taken no action on its original 1989 plan. It appears the PRC may be successful in prolonging deliberations until it enters a bargaining forum in which it is able to achieve a favourable outcome.
The General Pattern of Administrative Restructuring

The processes surrounding structural choices varied across different substantive areas until mid-1992. Although the creation or realignment of each of the authorities has decentralised control to non-civil servants, the PRC has objected to only one of the three reforms, RTHK's reorganisation. Unlike the cases of the Housing and Hospital Authorities, the financial benefits from the RTHK organisational changes are not sufficient to offset the long-term loss of social control.

Although the PRC has objected openly only to RTHK's administrative restructuring, it has frequently used the Joint Declaration's call for maintenance of stability to warn against broad attempts by the British to introduce new structural arrangements. The PRC has also used the principle of 'convergence', to which the British have largely acquiesced, to limit and control administrative restructuring.

While trying to preserve their authority during the transition period, the British have, until recently, been careful to confine structural changes to the administrative aspect of the governance system. Administrative reform in the colony has been focusing on the managerial aspects of public agencies rather than the relationships between the administrative system and the larger political arenas. Until mid-1992 such sensitive issues as greater citizen participation in public advantage in buffering the authorities from d policy making and the opening of the Executive Council to more diverse groups have been largely avoided.

An outgrowth of uncertainties about who will wield power in Hong Kong after 1997 has been the weakness of accountability mechanisms built into the legislation creating new authorities. Despite the pro-democracy movement and the government's 1984 White Paper, none of the recent legislation has made authorities accountable to the legislature (SCMP 1991). The accountability mechanisms built into the legislation focus on the appointment powers of the chief executive and even these are relatively weak. The pattern suggests that the British have seen some long-term interest central control.

CONCLUSION

The case of Hong Kong illustrates the importance of institutional and contextual analysis for understanding the politics of administrative reform. Such an analysis has been neglected by most public administration scholars who tend to approach the question of structural choice in the public sector either as a purely technical question, with efficiency or cost minimisation as the focus, or as a question of political control over bureaucrats, focusing on strategic interactions between legislators and bureaucrats (Moe 1991).

This paper has focused on how ambiguity in institutional rules affects interactions among political actors involved in administrative restructuring. When no clear-cut rule exists to aggregate diverse preferences, efficiency per se may not be the overriding concern of these political actors. Each group of actors is more interested in ensuring that new administrative structures conform to its own interests and values. Administrative reform becomes a matter of intense political
bargaining.

The negotiation and signing of the Sino-British Joint Declaration modified the calculus of structural choice by bringing PRC influence directly into play. The PRC gained the credence and right to participate in structural choice processes by virtue of its being the future master of Hong Kong and of a general acknowledgment of the need for 'convergence.' This right of participation is limited, however. Although the PRC can threaten to reverse any current political and administrative restructuring after 1997, the colonial government still maintains the sole authority to initiate structural changes during the transition period. Given this ambiguous institutional setting, the PRC government largely plans a reactive role in regard to British initiatives in political and administrative restructuring. The strategic calculation of the PRC leads it to attempt to prevent the British from making any drastic structural changes in Hong Kong. A major concern of the PRC is to ensure that the highly centralized political and administrative structures remain unchanged.

Although the Hong Kong government still commands the authority to initiate political and administrative change in the colony, being a lame duck government poses serious constraints on its ability to implement any structural change without the acquiescence, if not cooperation, of the Chinese government. In fact, the Chinese government's repeated emphasis on 'convergence' is a strong signal to other political actors that any attempt to change the political and administrative structures of the colony without the consent of the Chinese government will not succeed beyond 1997.

It is within this ambiguous institutional setting that the colonial government initiated several administrative restructuring efforts in an attempt to assert its remaining authority. The general direction has been to transform a relatively closed and centralised bureaucracy into a more decentralised one. The transformation was accomplished by detaching specific governmental functions and allocating them to independent authorities outside of the central bureaucracy. Independent authorities appeal to the preferences of the British government and commercial interests. They diminish the potential for bureaucratic growth, an important issue for commercial interests, and insulate the agencies from the central government, a compelling interests of the democracy advocates and the departing British. In the aggregate, the new administrative structure may produce a public service system that is more diversified and broader in scope than its predecessor.

Up until mid-1992, these efforts in administrative restructuring had largely been confined to the administrative aspect of the governance structure. The Governor's most recent democratisation proposal represents an attempt to institute more fundamental changes to the governance structure in Hong Kong. The controversies surrounding this proposal will create more uncertainties in institutional settings and continue to affect administrative restructuring in the future.
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NOTES

Recently, some scholars have devoted attention to the political system of Hong Kong, but mostly in connection with its relations to economic growth (Haggard 1990; Wade 1990). One major exception is de Mesquita, Newman, and Rabushka (1985) which focuses on Hong Kong's political system.

REFERENCES


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